



Enterprise Development
(PRJ-0268-2020)
Godfrey Rathogwa

Quarter 3 2020/2020 (July 2020 till September 2020)

Project goals

Goal 1 - Monitor existing Black dairy commercialization enterprises.

Achievements

Introduction

Sustainable Commercialization Project came into being as a result of 2006-2009 MilkSA statutory levy surplus funds. **Its goal is to promote competitiveness, profitability and sustainability of existing small black owned dairy enterprises by contributing to the reduction of commercial venture impediments.** In order to augment the statutory levy surplus funds, MilkSA Transformation Manager successfully applied for grant funding from the Jobs Fund programme and secured R10.35M. Below follows **Q3 2020** report on the objectives set for 2020 at the beginning of the year.

During the period under review monitoring focused on milk production, fodder flow, animal feeding, and business activities record keeping of sixteen project participants operating in the Eastern Cape, Free State, Gauteng, KZN and North West Provinces. There were 919 cows in milk according to incomplete information received from enterprises and about 928 579 kilogrammes of milk were delivered to buyers of raw milk.

No Non-achievements / underperformance has been reported

Goal 2 - Deliver pregnant heifers to new and existing black dairy enterprises depending on compliance with Milk SA criteria and beneficiary counter performance

Achievements

Forty (40) pregnant heifers bought on 40:60% cost sharing between the entrepreneur and Milk SA respectively were delivered. The other farmer who placed an order for 20 heifers unfortunately cancelled the order at the time of delivery. She alleged that she did not understand the policy of 40:60% cost sharing although the policy was explained at a meeting of all farmers and by the livestock broker when the order was placed.

A workshop was held at Kroonstad with four potential beneficiaries approved conditionally by the Transformation Internal Management Committee during its meeting of 25 August 2020. One current beneficiary was also part of the meeting to explain the potential beneficiaries Milk SA criteria and their obligation to qualify for Milk SA assistance to improve their dairy enterprises.

No Non-achievements / underperformance has been reported

Goal 3 - Deliver feeds - lucerne and dairy meal concentrates

Achievements

A total of 208 tonnes of grade 'A' lucerne were delivered during the period under review. Lucerne was delivered to farmers on a 50:50% cost sharing basis between the beneficiary and Milk SA.

No Non-achievements / underperformance has been reported

Goal 4 - Supply critical enterprise infrastructure - Irrigated permanent pasture, upgrade milking equipment, ground dams development

Achievements

As reported during the previous quarterly report, the sinking of water boreholes, construction of water reservoirs, blocking of rain water on ground and laying of irrigation system still has not yet started due to the delay in farmers getting quotations from service providers and suppliers of capital assets. Where quotations have been received from some of the farmers, we are still waiting for them to show their 50% contribution to the cost of implementing their enterprise development plans.

No Non-achievements / underperformance has been reported

Goal 5 - Specialized dairy processing assistance by secondary dairy industry experts to black dairy enterprises which are included in the existing "commercialization" project of Milk SA

Achievements

A visit was undertaken to check the functioning of a pasteurizer of one entrepreneur after a missing part was finally installed. Fortunately this happened during the same time when a team of NAMC was visiting the projects. Visits to the other two enterprises could not take place because one of the two entrepreneurs had not implemented the previous advice given by Milk SA due to shortage of funds while the third entrepreneur did not respond to a questionnaire sent by the dairy processing expert. The third entrepreneur could also not be met by the NAMC team although he was informed well in advance. I have also made an extra effort to meet him but when I arrived on his farm he was not there. I phoned him and he told me that he was in Durban from where he would go back home only after two days. A response to the last follow-up memail is being awaited from him. Depending on his response Milk SA will have to make a decision regarding the enterprise's future participation and support.

No Non-achievements / underperformance has been reported

Goal 6 - Dairy business competency development and enterprise performance monitoring

Achievements

During the period under review, farmers were engaged individually to discuss their business goals, 50% own contribution and how they would raise finance. They have been given forms to sign indicating their commitment to their business plans and follow-ups are being made for them to return the signed forms.

No Non-achievements / underperformance has been reported

Goal 7 - Assist existing beneficiaries regarding long term business plans for submitting to DAFF for blended funding and enterprise management

Achievements

Farmers have been given forms to prioritise their needs and indicate where future development funding will come from and sign for their commitments before plans are submitted to DAFF.

No Non-achievements / underperformance has been reported

Goal 8 - Coordinate, liaise with relevant stakeholders and participate in Marketing and Agro-processing Forums

Achievements

8.1 The Agricultural Produce Agents Council (APAC) hosted a webinar over a three days period during the 15th to the 17th September 2020. The writer of the report has, however, attended the first day only due to other engagements more relevant to the dairy industry. The webinar covered the following aspects:

Background on the South African fresh produce markets.
Standards and food safety requirements for fresh produce.
How to access fresh produce markets.
Marketing information Systems.
Experiences of farmers on market access.

Objectives, Functions and Membership of APAC

Who is APAC (Agricultural Produce Agents Council?)

The Agricultural Produce Agents Act was proclaimed on 4 January 1993. Both the Act and the establishment of the Agricultural Produce Agents Council (APAC) was to ensure that producers (farmers) who entrust their fresh produce to fresh produce agents, are protected.

Objectives of the Council are to regulate the occupations of fresh produce, export and livestock agents and to maintain and enhance:

the status and dignity of those occupations and
the integrity of persons practicing those occupations

Functions of the Council are to:-

To formulate policy
To establish rules and a code of conduct
Generally take steps it may deem necessary to achieve its objectives

Members of Agricultural Produce Agents Council (APAC):-

2 fresh produce producers;
2 livestock producers;
3 fresh produce market agents;

3 fresh produce export agents;
3 livestock agents;
2 consumers;
2 persons designated for their knowledge, and
1 representative of the Department
Registrar & Deputy Registrar

Activities Managed

E.1 Registrations:-

No agent may operate on behalf of a farmer, unless registered with APAC.

Fidelity Fund Certificates are issued to the Agency (business) and the agents (sales personnel).

E.2 Fidelity Fund:-

The Fidelity Fund serves as “insurance” for farmers

A claim against the Fidelity Fund will be considered if an agent is found guilty of theft and after consideration by Council

Farmers have a responsibility to mitigate their risk

E.3 Unclaimed monies:-

Lack of proper information when fresh produce is delivered result in agents being unable to pay farmers.

Over R1.2 million received of unpaid farmers

E.4 Activities Reviewed:-

Agents Trust Reconciliations & Audit reports: Agents trust reconciliations are reviewed monthly and the audit reports twice a year with the aim to ensure sound financial management practises by agents.

E.5 Activities Performed:-APAC

Stock Audits: Verify that the stock on the trading floor reconciliations with the details on the market IT system (per producers, quantity and quality).

Compliance Audits : Perform sample audits to ensure compliance to the Act and the Rules, such as, whether farmers are paid within 5 working days, whether there is proof of weekly written communication on sold/unsold produce, commission percentage withdrawn, etc.

Investigations: Perform investigations either due to farmer’s complaints or due to aspects detected during stock audits or compliance audits.

Disciplinary Hearings: Institute disciplinary hearings against agents for noncompliance to the legislative requirements.

E.6 Other

- a) Special projects – e.g. review buyer interaction.
- b) Amendment of regulations.

E.7 Who Is an Agent?

“agent means a person who, for acquisition of gain on his or her own account or in a partnership, in any manner holds himself out as a person who, either directly or indirectly advertises that he or she, on the instructions of or on behalf of any other person, purchases or sells agricultural produce or negotiated in connection therewith or canvasses or undertakes or offers to canvas a purchaser or seller...”

8 Basic APAC Transactions Flow

The Act, Act 12 of 1992, and the Fresh Produce Agents Rules regulates the process from receiving to selling the fresh produce.

APAC encourages farmers to be aware of the basic transaction flow as they remain an important stakeholder.

8.3 Department of Agriculture, Land Reform and Rural Development (DALRRD)

Three farming enterprises which had been identified by DALRRD were visited in Mpumalanga but were found to be focussing on beef although there was dairy infrastructure. Unfortunately the dairy infrastructure was being vandalized at all farms visited. Another dairy enterprise was visited in the Eastern Cape Province because officials of DALRRD wanted it to be revived because it was going down as the owners focussed on jobs creation without regard to the profitability and sustainability. The farm has the potential to milk about 1 000 based on the irrigated pasture infrastructure but at the time of visiting only about 70 cows were in milk. It was later reported that

a private investor was found and I decided not to get involved anymore. Another farmer could no longer reply his phone on the day we were supposed to have met also in KZN.

8.3 National Agricultural Marketing Council (NAMC) A team of three personnel from the National Agricultural Marketing Council (NAMC) was taken to sixteen existing projects and other three new entrepreneurs sites to assess performance and challenges which were being experienced. During the site visits project beneficiaries were interviewed by the NAMC while Milk SA Transformation Manager had recused himself to allow entrepreneurs to talk freely. At the end of the visit NAMC had a positive view of the work that Milk SA was doing and encouraged Milk SA to spread its geographical presence where feasible.

A virtual meeting was also held among NAMVC, Free State department of agriculture and Milk SA to discuss challenges which were being experienced by farmers. This meeting will be followed by another one in person among NAMC, Milk SA and Free State department of agriculture to discuss ways to improve service to black dairy entrepreneurs.

8.4 Marketing and Agro-processing Forum. The meeting took place on the 30th September 2020. The strategic objective of the Marketing Forum is to facilitate efficient and effective marketing of produce from mainly emerging black producers. During the period under review a webinar was used due to **Covid-19** lockdown and the following reports were presented and discussed.

8.4.1 The AGRIBEE Fund is under review but implementation continues.

A. The Rationale

In October 2019, the Department was requested to brief the Portfolio Committee on Agriculture, Land Reform and Rural Development on the implementation of the AgriBEE Fund.

In the brief, the Minister pronounced her intention to review the Fund.

The reasons articulated by the Minister were that, in its current format, the Fund seems to have deviated from its original mandate.

Following this pronouncement, a meeting was arranged between the Minister and the AgriBEE Fund Committee members to obtain clarity on this matter. The meeting took place in December 2019.

The outcomes of this engagement (next slide), together with concerns raised by various stakeholders on the stringent criteria necessitated a review of the Fund.

The Fund was conceptualized as a national instrument aimed at assisting the department to bring about transformation in the in the agricultural sector;

The current process flow where applications originate from provincial departments of agriculture may not assist DALRRD in realizing its transformation imperatives;

When identifying and selecting projects for support through the Fund, attention should be given to those with potential to change the face of agriculture in the country;

The current upper ceiling of R5 Million is inadequate and may not bring about the required transformation in the sector; and

Applications for support through the Fund should be appraised holistically and not just focus on what the applicant is requesting.

B. Summary of issues raised by various stakeholders:

Inaccessibility by targeted beneficiaries owing to the Fund's stringent criteria.

Specific issues relating to the criteria include the requirement for own contribution in cash by qualifying applicants

The need for three (3) years audited financial statements which can be costly without any guarantee that the application will be supported.

The requirement for off taker agreements has also been raised as a hindrance to accessing the Fund.

In many instances, empowering enterprises have been found to be unsustainable. Despite the programme being 90%/80% grant funding with own contribution, applicants are still expected to be credit worthy, a requirement viewed as onerous to most black South African stakeholders.

8.4.2 SMALLHOLDER MARKET ACCESS TRACKER (SMAT) REPORT: POULTRY INDUSTRY WITH CONCLUSIONS AND RECOMMENDATIONS AS PRESENTED BY THE NAMC.

The National Agricultural Marketing Council had conducted a study on **smallholder market access for poutry and arrived at the following conclusions:**

The sector is dominated by fewer companies and this could be a barrier to new entrants into the

sector

Limited access to infrastructure could limit the options for accessing a wider range of marketing channels

The informal market remains an important market for smallholder farmers

Stock management is relatively poor compared to industry standards as these farmers rely on informal risk management strategies

Farmers who are part of a primary co-operative do relatively poor to those that are not.

B. Recommendations

SAPA should drive transformation in the broiler sector and strive towards commercializing smallholder producers.

The government should assist to activate production and provide access to slaughter facility in farmers' localities.

The government market should prioritize smallholder farmers.

Smallholder farmers should organize themselves properly.

8.4.3 DTIC UPDATES ON AGRO-RELEVANT INCENTIVES APPROVAL REPORT

The DTI reported on its incentive schemes listed below.

Agro-processing Support Scheme (APSS)

Aquaculture Development Enhancement Programme (ADEP)

Critical Infrastructure Programme (CIP)

Black Industrial Programme (BIS)

Conclusions:

The adjudication meeting did not take place in quarter 1. This was due to the fact that Minister had not signed the re-appointment and appointment letters of the adjudication committee during the period under review.

The process for the re-appointment and appointment of adjudication committee members delayed the approvals for various incentives scheme.

There was no approval for Black Industrial Scheme (BIS) and Export Marketing and Investment Assistance (EMIA).

Progress on approvals of BIS and EMIA was expected during the 3rd and 4th quarters of the year as the appointment and re-appointment of adjudication matter had been finalised.

8.4.4 SAGAP CERTIFICATION PROGRAMME REPORT BY PPECB

Perishable Products Export Control Board (PPECB) reported on the progress regarding South African Good Agricultural Practice certification of farms of those interested in certification and participating. The certification process involves the following steps:

Pre-audit is done in the presence of the farm representatives, officials from the province and from DALRRD

The farm is inspected to check if required infrastructure complies with prescribed standards.

The L&D Specialist went through the project file (records) with the farmer and offered advice on aspects that needs to be addressed before the final audit.

A report of the non-conformances is generated and shared with the project owner.

Most of the time non-conformances identified, were all soft issues such as poor record keeping. Certificates are issued where prescribed standards are met.

8.4.5 MARKETING CAPACITY BUILDING REPORT

No.	Venue	Province	Programme	No of Farmers	Main Products	
1	Lebowakgomo	Limpopo	Fresh Produce	9	Butternut, Green Beans & Green Maize	
2	Giyani	Limpopo	Fresh Produce	56	Tomato, Okra, Chillies, Cabbage, Spinach & Green Beans	
3	Ventersdorp	North West	Grain	52	Maize	
4	Johannesburg Fresh Produce Market	Gauteng	Fresh Produce	24	Spinach, beetroot, green beans & carrots	

5	Roodepoort	Gauteng	Fresh Produce	31	Vegetables	
6	Bellevuwe	Limpopo	Fresh Produce	30	Tomato, Okra, Chillies, Cabbage, Spinach & Green Beans	
7	Phalaborwa	Limpopo	Fresh Produce	41	Green beans, tomato, beetroot & Spinach	
8	Thabazimbi	Limpopo	Fresh Produce	21	Cabbage, Green Beans & Spinach	
9	Mbombela	Mpumalanga	Poultry	14		
10	Lebowakgomo	Limpopo	Poultry	20		
No.	Venue	Province	Programme	No of Farmers	Main Products	
11	Potchefstroom	North West	Poultry Evaluation	15		
12	Colesburg	Northern Cape	Livestock	27	Pigs, Sheep, Goats & Cattle	
13	Douglas	Northern Cape	Livestock	13	Lucerne, Cattle, Sheep & Goats	
14	Makhado	Limpopo	Avocado Study Group	78	Avocado	
15	Camdem Kuruman	Northern Cape	Livestock	29	Sheep, Cattle & Goat	
16	Loopeng, Kuruman	Northern Cape	Livestock	19	Sheep, Cattle & Goat	
17	Willowvale	Eastern Cape	Grain	28	White Maize	
18	Mangaung	Free State	Poultry	24		
19	eMalahleni	Mpumalanga	Poultry	15	Broilers & Layers	
20	Nkomazi	Mpumalanga	Fresh Produce	17	Tomato, Green Beans, Okra, Chillies, Cabbage, Spinach & Green Beans	

8.5 Private Enterprise Development Company: Follow-up meetings were held with a private company interested in the processing of raw milk from black-owned dairy enterprises. The company representatives requested that they be exposed to some of the enterprises.

No Non-achievements / underperformance has been reported

Goal 9 - Maintain and strengthen relationships with Provincial Departments to enhance synergy and enable updating of data on black dairy enterprises

Achievements

During the period under review engagements were made with Eastern Cape, Free State and Mpumalanga provinces. Issues affecting dairy enterprises in respective provinces were discussed and a meeting is being planned for Free State province during the last quarter of the year.

No Non-achievements / underperformance has been reported

Income and expenditure statement

Income and expenditure statement	ED CODED BUDGET FOR 2020.pdf
Unnecessary spending during period	No

Popular Report

[JULY TO SEPTEMBER 2020 POPULAR REPORT.pdf](#)

Additional documentation

[JULY TO SEPTEMBER 2020 POPULAR REPORT.pdf](#)
[ED CODED BUDGET FOR 2020.pdf](#)

Statement

Levy funds were applied only for the purposes stated in the contract	Yes
Levy funds were applied in an appropriate and accountable manner	Yes
Sufficient management and internal control systems were in place to adequately control the project and accurately account for the project expenditure	Yes
The information provided in the report is correct	Yes