



Enterprise Development
(PRJ-0356-2023)
Godfrey Rathogwa

Quarter 2 2023/2023 (April 2023 till June 2023)

Project goals

Goal 1 - Monitor existing Milk SA approved small holder Black dairy commercialization enterprises

Achievements

Sustainable Commercialization Project came into being as a result of 2006-2009 Milk SA statutory levy surplus funds. Its objective 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, Milk SA Transformation Manager successfully applied for grant funding from the Jobs Fund programme and secured R10.35M. Below follows Q2 2023 report on the objectives set for 2023.

During the period under review monitoring and evaluation focused on milk production, fodder flow, animal feeding, and business activities record keeping of twenty-one project beneficiaries operating in the Eastern Cape, Free State, Gauteng, KZN, and North West Provinces. There were 703 cows in milk, a decline of 16% from the previous quarter 1 of 2023 (836 cows). Volumes of milk delivered to raw milk buyers declined by 26% from 743 288 kilogrammes in quarter 1 of 2023 to 552 074 kilogrammes during the period under review. Compared to 2022 Q2, cows in milk dropped by 12% from 797 to 703. As a result of reduction of cows in milk, the volume of milk also declined by 3% from 569 118 kilogrammes during Q2 of 2022 to 552 074 kilogrammes during Q2 of 2023.

Current beneficiaries were visited at Dewetsdorp, Dundee, Harrismith, Matatiele, Senekal, Swartberg, Tweespruit, Welkom and Wepener. The purpose of the visits was to assess the fodder flow situation of each enterprise, remind each beneficiary of their responsibilities to run their enterprises profitably to ensure long term sustainability. It was found that eight of the 21 beneficiaries had cut a total of **151** hectares of maize for silage. The hectares cut ranged from a minimum of **7** hectares to **46** hectares with an average range of **12** tonnes per hectare to **50** tonnes per hectare. It was also found that **10** beneficiaries had planted oats on a total of **258** hectares, ranging from two hectares to 80 hectares per farm. Six beneficiaries planted 59

hectares of Japanese radish ranging from **2** hectares and **20** hectares per farm.

The critical challenges that faced beneficiaries during the period under review were as follows:

- a. There was a lack of implements for some farmers and adverse weather conditions, such as too much heat and waterlogging negatively affected both planting and harvesting of crops planted for silage or winter pastures. Consequently, poor fodder flow and inadequate feed led to low milk production per cow per day.
- b. Load shedding affected milking schedules and milk quality of farmers without backup power. Some farmers had to change their milking time to synchronise with load shedding schedule. This caused them overtime expenses as they had to milk after working hours.
- c. Public veterinary and extension services were still non-existent.

During the period under review the Enterprise Development work group (**ED: WG**) met more than six times to discuss various issues affecting the Programme as part of monitoring and evaluation accountability. Emphasis was on fodder flow, productivity per cow, fodder flow on each farm, strategies to assist farmers to secure funding for pasture establishment, breeding to ensure optimal productivity per farm and dairy herd health management and challenges of succession plans where the original beneficiary passed away or where family members were not united. One meeting was held with lawyers to review current contract with beneficiaries to ensure their accountability and compliance with the terms of the contract without excuses.

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. This expenditure includes veterinary services

Achievements

Forty-two (42) pregnant heifers were delivered to three beneficiaries during the period under review on a cost-sharing basis of 25%:75% between three beneficiaries and Milk SA. The first beneficiary received **20** heifers, the second beneficiary received **10** heifers, and the last beneficiary received **12** heifers.

No Non-achievements / underperformance has been reported

Goal 3 - Fodder flow improvement on farms- including fodder at the time of pregnant heifer delivery to maintain conditions of pregnant heifers

Achievements

Adequate fodder flow is critical for a dairy cow to be productive provided other critical inputs are

adequate. Milk SA project beneficiaries are advised regularly to ensure that they have sufficient fodder flow of good quality. Regular sufficient fodder flow is achieved through managing natural grazing veld consciously, planting maize for silage, winter pasture planting and purchasing of extra fodder and dairy meal concentrates depending on the feed situation and dairy herd size. To ensure long term adequate fodder flow, Milk SA is consulting experts in the field, discussing the matter with project beneficiaries and engaging financial institutions for loan funding for long term pasture establishment. The plan is to assist farmers to establish permanent pasture on a cost-sharing basis. During the review period 17 farms were visited in the Eastern Cape, Free State and KZN to assess maize hectares cut for silage and fodder flow plan in general. There was no long term permanent pasture established on a cost-sharing basis, but 20 tonnes of dairy meal concentrate were delivered to a beneficiary on an equal cost-sharing basis of 50:50% between MilkSA and the beneficiary. Furthermore, six beneficiaries were assisted to cut 130 hectares of maize for silage on an equal cost-sharing basis with Milk SA. The hectares cut among these beneficiaries ranged from 7 to 46 hectares with average tonnes per hectare ranging from 12 to 50 tonnes per hectare .

No Non-achievements / underperformance has been reported

Goal 4 - Supply critical enterprise on- farm infrastructure including affordable processing equipment

Achievements

There was no supply of critical enterprise on-farm infrastructure including affordable processing equipment, during the period under review.

No Non-achievements / underperformance has been reported

Goal 5 - Capacitate new and existing black dairy entrepreneurs and their workers in critical dairy enterprise / business competencies including dairy processing - Milk SA resources and external professionals

Achievements

During the period under review, no formal workshops with external professionals were conducted, but a general enterprise development meeting was convened at Bethlehem, Free State, for all beneficiaries. There were 22 participants in the meeting, 18 of whom represented 17 of 21 Milk SA project beneficiaries. The meeting covered the following aspects:

- a. Enterprise performance- cow productivity, breeding and dairy herd health;
- b. Farm visits by private veterinarians- there should be proper animal handling facilities;
- c. Support for critical farm needs- farmers have to make their contribution;
- d. Blended Finance- Land Bank- corrected information was needed and farmers have to be

- transparent to assist Land BANK assessing applications and making decision;
- e. Monthly report on dairy herd situation- cows in milk, dry cows, heifers, calves, fodder flow plan, feeding, etc.;
 - f. Business insurance- farmers were advised strongly to ensure their businesses where business cover was available;
 - g. Condition for future partnership-future support will be influenced by farmer counter performance especially fodder flow plan and cow productivity;
 - h. Workshops for skills development- business activities recording and sustainable farming;
 - i. Mastitis- this was a challenge that needed more attention from farmers; and
 - j. Agri-BEE Fund- farmers were asked to indicate their business needs and requested to provide Milk SA with estimated costs for their specific needs.

Farmers were reminded that dairy cows required sufficient fodder flow continuously to remain productive. Furthermore, it was stressed that no further support would be provided for cows until there was proof of sufficient fodder flow on farms. In addition, farmers were advised to follow proper hygiene and practices during the milking process to minimize mastitis.

No Non-achievements / underperformance has been reported

Goal 6 - Coordinate and liaise with Government at all levels - AgriB-EE Council meetings, Marketing Forum and provincial officers and all private stakeholders

Achievements

Coordination of transformation activities with other relevant stakeholders is of critical importance to ensure that maximum synergy is achieved, resources are used optimally and our project beneficiaries/ participants are not confused. Nonetheless, effective coordination is dependent on a common vision amongst stakeholders. During the period under review, engagements were made with the institutions/persons indicated below.

1. Agricultural Research Council (ARC)

Representative of ARC have been met twice during the period under review. The main purposes of the meetings were to discuss pending finalization of the memorandum of understanding regarding breeding programme, body condition scoring, artificial insemination and sustainable training

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

Three meetings have been held with agro-processing directorate, coops directorate and to discuss possible ways of funding our farmers to address farming challenges such as pasture establishment, cow handling facilities, calf rearing pens and power on the farms. Information for inputs into the business plans have been trickling in from farmers after sworn in before the commissioner of oath at the magistrate's office.

3. First Rand Empowerment Fund

Due diligence issues have been completed between First Rand and Milk SA. At the time of writing the report farm visits to expose First Rand personnel had not yet taken place because the responsible person was still on leave.

4. Jobs Fund Webinar

Two Jobs Fund webinars were attended during the period under review. Webinars focussed on new opening for funding application. The window focused on enterprise development, support for work seekers and institutional capacity building. Eligibility criteria for funding were 1:1 or 1:0,5, meaning that the applicant should contribute at least 50% or 25% of the financial needs. Impact criteria are social impact in terms of jobs creation, sustainability, risk sharing, scalability of the project and contribution to positive change

5. Land Bank

Land Bank head office has been met regarding blended finance. The main purpose was to express the plight of our programme participants and to see how they can speedily be assisted. It was resolved that the submissions of all our farmers should be brought as one package but any enterprise whose financial needs are less than R50M would be referred to respective Land Bank provincial office.

6. Marketing Forum

At the meeting held during the period under review the following matters were discussed: -

Agri-BEE Fund: Agri-BEE Fund is available for blacks to buy a stake in a White owned commercial enterprise provided the stake is at least 26% of the shares of the company or to fund black owned enterprises with potential to prosper or to add value to raw material. Agri BEE Fund requires the beneficiary to contribute 10% of the required money if required money is up to **R5M**. Above **R5M** own contribution by the applicant is 20%

Agricultural Insurance: The department has approved farming insurance to assist commercial enterprises as follow:

Small enterprises (**R0,5M - ≤ R1M**) to receive a subsidy of 75% of the premium, medium enterprises (**R1M - ≤ R10M**) to get 50% subsidy of the premium while large enterprises (**≥R10M- ≤ R50M**) will receive 25% subsidy of the premium. The scheme is expected to be approved by August 2023.

Blended Finance

It was reported that arrangements were being made with state owned enterprises such as Land Bank, IDC to be administrators of Blended Finance. There have been concerns that approval process was too slow.

Market Access: Farmers were being assisted to be certified for both **HACCP** and **Global GAP** in order to facilitate access to both local and export markets.

National Agricultural Marketing Council (NAMC).

During the period under review, Milk SA attended the 2023 NAMC transformation workshop programme. The workshop discussed the NAMC transformation report from 2022, the study on the sustainable transformation of the South African Agri-food system through statutory incentives, and the Agri-BEE Sector Code enterprise development guidance letter. During the workshop, it was agreed that mind-set should not be ignored when dealing with smallholder commercialization, as the attitude that a role player or farmer has towards transformation could shape the entire process. The workshop also agreed that industries should be allowed to engage with the Agri-BEE Charter Council. This is if there are some activities they do that should be included in their Agri-BEE Scorecards

Solar power

Two meetings were held at Polokwane and another one in Pretoria with some people who are implementing solar systems in South Africa. They requested contacts of two commercial farmers and three of our beneficiaries to get more information on energy needs. These contacts have connections and understanding of the workings of IDC and National Empowerment Fund and were approached to assist us in submitting business plans to such institutions for solar systems. If solar power could be installed through them, extra power generated could be sold back to them. Unfortunately, one of the commercial farmer referred to did not use much energy as they were interested where should be at least 35kw plus a battery of 25kw.

No Non-achievements / underperformance has been reported

Goal 7 - Provision of private veterinary services

Achievements

Milk SA has an agreement with an independent private veterinarian to visit eight beneficiaries at Harrismith every three months to conduct pregnancy tests, assess body condition scores, conduct post-mortems, and monitor general dairy herd health situation. The veterinarian had already established contacts with beneficiaries and scheduled visits to their farms during the period under review. During the review period, the veterinarian visited six of the eight beneficiaries to conduct pregnancy tests and to assess dairy herds' health in general. Based on the feedback from beneficiaries, the veterinarian was satisfied with general herds health. One farmer, however, was advised to improve feeding her animals to improve body conditions of animals.

No Non-achievements / underperformance has been reported

Goal 8 - Assist project beneficiaries to improve accommodation and ablution facilities for their workers

Achievements

During the period under review, workers' accommodation which included a kitchen, shower,

toilet, and urinal was constructed for one beneficiary on a 25%:75% cost-sharing basis between the beneficiary and Milk SA. Other beneficiaries who also indicated that they wanted to build workers' accommodation changed their minds due to shortage of own contribution money. Nonetheless, one beneficiary indicated that he would start with the project of workers' accommodation construction in August 2023.

No Non-achievements / underperformance has been reported

Income and expenditure statement

Income and expenditure statement	2023 ED Budget with Codes.pdf
Unnecessary spending during period	No

Popular Report

[Q2 Popular Report 03 JULY 2023 MGR DRAFT.pdf](#)

Additional documentation

No file has been uploaded

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