




# National Agricultural Marketing Council

Promoting market access for South African agriculture



# Annual Report

2015 / 2016



**National Agricultural Marketing Council  
Annual Report 2015/2016**

**RP 217/2016  
ISBN: 978-0-621-44722-4**



## National Agricultural Marketing Council

### **Annual Report on Predetermined Objectives 2015/16**

I have the honour of submitting the Annual Report for 2015/16  
of the National Agricultural Marketing Council (NAMC)

A handwritten signature in black ink, appearing to read 'A. Young', is positioned above the printed name.

**Mr A. Young**

Acting Chairperson of the  
National Agricultural Marketing Council



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# Part 1

## General Information



## PART 1: PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME: National Agricultural Marketing Council

REGISTRATION NUMBER (if applicable): N/A

PHYSICAL ADDRESS: 536 Francis Baard Street  
Meintjiesplein Building  
Block A, 4th Floor, Arcadia  
Pretoria, 0002

POSTAL ADDRESS: Private Bag X 935  
Pretoria  
0001

TELEPHONE NUMBER: 012 341 1115

FAX NUMBER: 012 341 1811

EMAIL ADDRESS: [info@namc.co.za](mailto:info@namc.co.za)

WEBSITE ADDRESS: [www.namc.co.za](http://www.namc.co.za)

EXTERNAL AUDITORS: Auditor General

BANKERS: Standard Bank of South Africa

# Abbreviations

AEASA	Agricultural Economics Association of South Africa
AgriSETA	Agricultural Sector Education & Training Authority
APAP	Agricultural Policy Action Plan
CEC	Crop Estimates Committee
CELC	Crop Estimates Liaison Committee
CFP	Custom Feeding Programme
DAFF	Department of Agriculture, Forestry & Fisheries
DAGs	Directly Affected Groups
DTI	Department of Trade & Industry
FANRPAN	Food, Agriculture and Natural Resources Policy Analysis Network
GDP	Gross Domestic Product
IOL	Independent Newspapers
MAP ACT	Marketing of Agricultural Products Act
MERC	Markets and Economic Research Centre
Minister	The Minister of Agricultural Forestry and Fisheries
MTSF	Medium Term Strategic Framework
NAMC	National Agricultural Marketing Council
NDP	National Development Programme
NRMDP	National Red Meat Development Programme
PPECB	Perishable Products Export Control Board
PMA	Produce Marketing Association
SAGAP	South African Good Agricultural Practice
TRALAC	Trade Law Centre of Southern Africa
WFP	World Food Programme



# Part 2

## Strategic Overview



# PART 2: STRATEGIC OVERVIEW

## 2.1 Vision

Strategic positioning of agriculture in a dynamic global market.

## 2.2 Mission

To provide marketing advisory services to key stakeholders in support of a vibrant agricultural marketing system in South Africa.

## 2.3. Core Values

The following values are adopted as our commitment to entrench and deepen the "NAMC" way, both in our behaviour and service offering:

**Integrity** (honest/ethical/trustworthy/transparent)

**Assertive** (accountable/responsible/reliable/taking ownership/confident)

**Collaborative** (consultative/team work/participative/co-operative)

**Service excellence** (performance driven/target oriented/service oriented/motivated/committed/diligent)

**Fairness** (equal treatment/respectful/tolerance/consistency)

**Objective** (analytical/rational/attention to detail/conceptual)

**Innovative** (creative/pro-active/adaptive/flexible/initiative)

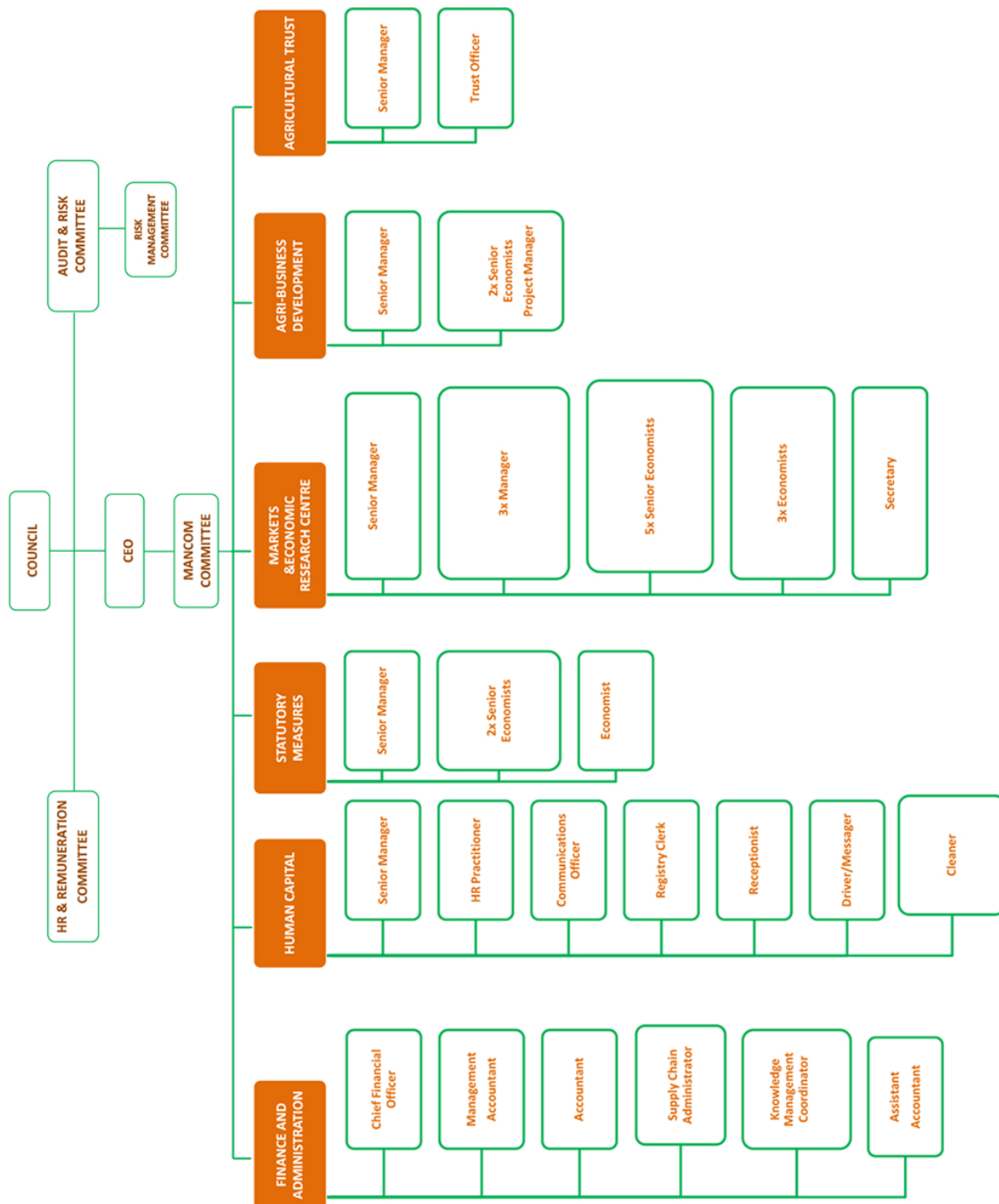
## 2.4 Strategic Outcomes Orientated Goals

Strategic Outcomes Oriented Goal
a) Increasing market access to all market participants
b) More efficient marketing of agricultural products
c) Increased export earnings from agricultural products
d) Enhanced viability of agricultural sector
Goal Statement
To provide agricultural marketing advisory services to key stakeholders in support of a vibrant agricultural marketing system.

Five business strategic goals were identified as pillars underpinning the NAMC's mission. These goals were aligned with five organisational programmes of which the first goal is a support goal and the other four goals are in the line of business goals.

The NAMC collaborates with the Department of Agriculture Forestry & Fisheries in the roll-out of the following key projects: TradeProbes, Fruit Flow Reports, the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN), Markets & Product Profiles, Development Schemes and Marketing Training Programmes.

## 2.5 Organisational Structure



## 2.6 Foreword by the Acting Chairperson



### INTRODUCTION

It is with great pleasure that I present to you the 2015/16 Annual Report of the National Agricultural Marketing Council. The 2015/2016 financial year was characterized by numerous exciting challenges. I am proud to say that the NAMC, on behalf of the Minister, took huge proactive steps forward during the past financial year. It is significant to point out that revenue grew by 135% year on year and employment grew by 16%.

At the focal point was the impediment of drought which gathered the entire agricultural sector to find a solution. In November 2015 and March 2016, the NAMC attempted to respond to the challenge of drought by respectively convening the 'Food Price Monitor Launch' and the 'Research Symposium'.

As mentioned our volatile business environment presents itself with great and challenging opportunities. In this context we focussed on advising the Minister of Agriculture, Forestry and

Fisheries on the impact of drought and how best to mitigate against associated risk, improving the efficiency of the agricultural marketing system, growth in emerging markets, and improving market access to smallholder farmers.

### NAMC AS A PUBLIC ENTITY

As a multidisciplinary organisation and in line with its mandate, the NAMC is tasked with investigations, advising the Minister and promulgating statutory measures that promote the objectives of the Marketing of Agricultural Products Act, No. 36 of 1996 in order to make a positive socio-economic impact in the country. The MAP Act expects of us to introduce measures that promotes the following objectives:

- Increasing of market access for all market participants;
- The promotion of the efficiency of the marketing of agricultural products;
- The optimization of export earnings from agricultural products; and
- The enhancement of the viability of the agricultural sector

### YEAR UNDER REVIEW

Honourable Minister Zokwana, the increase in food prices including the concerns of a possible future shortage of wheat and maize supply are still indeed worrisome. Since the 2013 establishment of the South African Grain & Oilseed Supply & Demand Estimates Committee (S&DEC) - we have been able to monitor and advise on the future stocks of grains and oilseeds. Each year, we (The Supply and Demand Estimates Committee) release 12 informative publications for distribution to all stakeholders affected and/or involved in this industry.

In 2015, the statutory levies collected totalled R427.8 million – 4.6 % higher than the previous year's reported R409.1 million. This increase is remarkable when considering the fact that

the poultry levy, which had generated an income of approximately R26 million per year, was discontinued as from 2013. Of the total expenditure, approximately 38.0 % was spent on research, 18.3 % on transformation projects, 9.7 % on local consumer education, 16.7 % on export promotion, and 9.4 % on information. In 2015, approximately 18.3 % (R86.7 million) was spent on transformation projects, compared to R97.9 reported in the previous survey, of which the poultry industry contributed R11.3 million (the poultry levies lapsed in 2013).

Agriculture contributes 3% to South Africa's gross domestic product and 7% to employment. In realizing government's call to create decent employment, the NAMC and its partners have taken the liberty to provide small-scale holder farmers with the capacity and training to effect employment in their respective communities. Projects like the Vineyard Development Scheme and the National Red Meat Development Programme are few of those where we ensured that smallholder farmers gain market access and employment is created for locals. Progress under the Vineyard Development Scheme continues to impress. In the period under review there were 9 operational projects and in the 2015/2016 financial year, 116 ha of vineyards were developed. The National Red Meat Development Programme also impressed with 9 operational feedlots in Eastern Cape, 2 in KwaZulu-Natal, and 1 in North West. Between November 2015 and February 2016, livestock auctions were conducted for livestock farmers, with impressive turnover margins.

On the research front, there has been valuable industry support. For one, Hortgro approached the NAMC to investigate tentative markets in Africa. A report is expected to be released in the near future. We also, under the period of review published research articles in international and local publications. This is one way of the NAMC contributing to the knowledge hub of the agricultural sector. Another project that triggered interest was the 'Market Access Tool

Tracker'. The NAMC in collaboration with the South African Food Labs (SAFL) embarked on a project to investigate market segments that smallholder farmers are supplying, and evaluated the level of compliance of these farmers to specific market segments. The study also investigates market segments that smallholder farmers could potentially supply with agricultural commodities.

During April 2015, Deputy Minister General Cele requested a document to clarify the procedures to be followed with regard to the appointment of inspectors in terms of the MAP Act. A memorandum was drafted to provide information on the procedures followed by the NAMC in dealing with requests from industries for the appointment of inspectors. On 11 May 2015 this memorandum was submitted to the Deputy Minister for his consideration. On the 23 March 2016, the NAMC hosted 'Agricultural Trusts Workshop' in Gauteng the purpose being to create an information sharing platform between the Trustees, Administrators and the Minister. An Agricultural Trust Workshop Report was produced. During the Council Meeting held on the 26 May 2015, a decision was taken to establish an Agricultural Trust Committee to be chaired by John Purchase with the task of developing a detailed policy on Agricultural Industry Trusts.

Honourable Minister, during the year under review we have managed to work well in tandem with your department (DAFF) on key important issues. One of the fervent matters we discussed was the issue of drought and transformation. We were pleased that the Minister was able to share his thoughts and expectations with the Ministerial Trustees that represent him on the various Agricultural Trusts. The meeting was a success and a report of the outcomes of the discussions was compiled to that effect.



## STRATEGIC LEADERSHIP

The NAMC executive and Council have made a concerted effort over the past year to strengthen the relationships with stakeholders in commercial agricultural institutions, Government and the public and private sectors. The Executive Management Team has had key interactions with partners and potential partners within South Africa, but also in a number of other African countries, and trading partners in United States, Europe, Asia and Middle East on key subjects such as food security, drought, marketing and promotions.

We value the positive relationship with our main shareholder, the Department of Agriculture, Forestry and Fisheries, and have had regular interactions with the Honourable Minister – these engagements have been immensely valuable. Minister's contribution has assisted the NAMC in maintaining focus on key national imperatives, specifically with a view to improving the lives of our people.

## GOVERNANCE

The NAMC applies the same rigour to its governance functions as it does to maintaining a transparent and efficient agricultural marketing system in South Africa. The organisation is well known for its strong governance framework and ethical leadership. It was therefore no surprise that the NAMC again received an unqualified audit.

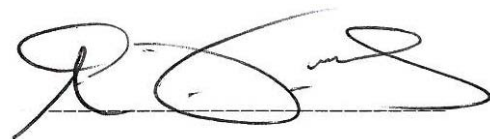
The Council met five times during the financial year with other Council Committees providing valuable strategic oversight. To boost our growing work scope, during the financial period under review the NAMC employed an additional five permanent staff member's in the following capacities; project manager, capacity development officer, animal health officer and two senior economists.

## ACKNOWLEDGEMENTS

On behalf of the Council, the CEO and the employees of NAMC, I would like to thank you Honourable Minister Zokwana, and Deputy Minister General Cele for your outstanding leadership, guidance and statesmanlike approach. Many thanks also to our management team and staff at the NAMC for their hard work and commitment to achieving our goals. To DAFF we say thank you very much for all your support provided to us throughout the year.

I would also like to extend a warm word of appreciation to my fellow Council Members for their probing minds, their rigorous enquiries, dedication to enforcing good corporate governance and for the long hours which they have unselfishly given to the work of the NAMC.

It is indeed an honour to serve our industry in this capacity, on your behalf Minister with your confidence and trust.



**André Young**

Acting Chairperson

National Agricultural Marketing Council

## 2.7 Chief Executive Officer's Overview



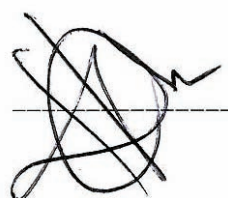
Over the past year, our progress has been bolstered through the finalisation of numerous agreements on high impact projects, a revised policy on transformation, as well as the ongoing refinement of an effective transversal management approach. This has certainly enabled us to better position the National Agricultural Marketing Council (NAMC) as significant player in the delivery of high impact transformative agricultural project in the country. This clearly provides a sound basis for taking the NAMC to the next level.

While financial prudence and an ability to attract investment into strategic projects is key to this outcome, we at the NAMC only consider ourselves truly successful by making a tangible and lasting contribution towards helping individuals, communities and Agribusinesses in South Africa realise the futures they desire for themselves.

Our performance during the year under review has led to:

- Over R500 million of statutory funds collected;
- Improved functioning of the Supply and Demand Estimate Committee, as a key leg of food security early warning system that includes the crop estimate committee, the food price monitoring system and SAGIS.
- National Red Meat Development scheme assisting farmers facing drought to get relief. Over 15 000 cattle from smallholder farmers were fed and marketed through the scheme.
- Visible investment made by Agricultural Trusts and Levy Administration bodies as key drivers for transformation. These bodies bore fruits with increased allocation of funds into key strategic projects.

Through the dedication and commitment of our staff, and the effective and prudent management of our resources, we continue to build on the solid foundations laid in recent years. I wish to, in conclusion, thank the Council members, the staff, and the multitude of stakeholders that have supported and believed in NAMC programmes over the years.



**Tshililo Ramabulana**  
Chief Executive Officer

## 2.8 COUNCIL MEMBERS



**Mr. AD Young**

**NAMC Acting Chairperson & Chairperson of the NAMC HR and Remuneration Committee**

*Bachelor of Administration*

President: South African Union of Food Markets. Chairperson: Section 7 Committee – Restructuring of Fresh Produce Markets. Senior Manager: Durban Fresh Produce Market. Former Board Member: Agricultural Research Council. Former Board Member: Agricultural Produce Agents Council. Former Council Member: University of KwaZulu-Natal.



**Mr. AM Cronje**

**NAMC Council Member**

*Masters of Science in Agricultural Economics*

Chairman of Organic Aloe in Albertinia.  
Agricultural Analyst: Rhodes Food Group



**Mr. A Hendricks**

**NAMC Council Member**

*Management of Business Administration: Agricultural Leadership Development*

President : Western Cape National African Farmers Union Western Cape. President of National African Farmers Union of South Africa representing black farmers in South Africa. Board Member Agri-SETA. Board Member Wine Industry Development Association. Director & Board Member Agri-sector Unity Forum (ASUF). Member of IODSA Institute of Directors of South Africa.



**Ms. MM Gill**

**NAMC Council Member & Member of NAMC HR and Remuneration Committee**

*Computer Literate Certificate*

Chairperson of Women in Agriculture and Rural Development in the Northern Cape Province. National Secretary of Ward. Board Member of the National Lucerne Trust. Ostrich Farmer.



**Dr LL Magingxa**

**NAMC Council Member & Member of NAMC Audit and Risk Committee**

*PhD in Agricultural Economics*

Group Executive: Agricultural Economics and Capacity Building (ARC),  
President of the Agricultural Economics Association of South Africa.



**Dr JL Purchase**

**NAMC Council Member**

*PhD in Agriculture*

Section 7 Committee Chairperson of Crop Estimates Liaison Committee.  
Chairperson of Grain & Oilseeds Supply and Demand Liaison Committee.

Chairperson of South African Grain Information Service (SAGIS), Trustee of  
the Maize Trust. Board Member of the International Food and Agribusiness  
Management Association (IFAMA).  
CEO of the Agricultural Business Chamber (Agbiz).



**Mrs JM Van Der Merwe**

**NAMC Council Member & Acting Chairperson of NAMC HR and Remuneration Committee**

*Master in Business Leadership (MBL)*

Executive Committee (SANCU). Impartiality Committee (SABS). Various  
Technical Committees (SABS). Trustee (OPDT). Director Health Quality  
Assessment Agricultural Trade Forum (DAFF). National Water Forum (TAU).



**Ms TE Zimu**

**NAMC Council Member & Member of NAMC Audit and Risk Committee**

*Bachelor of Arts in Nursing Science*

Involved in the production and marketing of Agricultural Products by Small-  
Scale and Previously Disadvantaged Groups.



## Council Members



## NAMC Staff - 2016





# Part 3

## Overview of the Public Entity



# PART 3:

## PERFORMANCE INFORMATION

### 3.1 Statement Of Responsibility for Performance Information

#### OFFICIAL SIGN-OFF

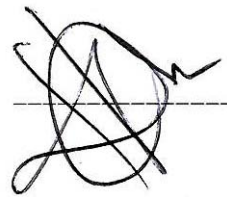
It is hereby certified that the Annual Report:

- was developed by the Management of the NAMC, under the guidance of the Executive Authority of Mr André Young, Acting Chairperson of Council;
- takes into account all the relevant policies, legislation and other mandates for which the NAMC is responsible; and
- accurately reflects the achieved strategic objectives for the period 2015 to 2016.

**Tshililo Ramabulana**

Chief Executive Officer

Signature:

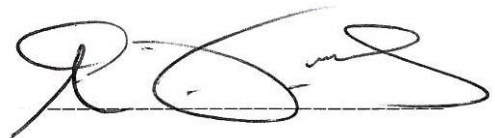


Approved by:

**André Young**

Acting Chairperson: Council

Signature:



### 3.2 Key Policy Development and Legislative Changes

The NAMC was established in terms of sections 3 and 4 of the Marketing of Agricultural Products Act, No. 47 of 1996 (hereinafter referred to as the MAP Act) as amended by Act No. 59 of 1997 and Act No. 52 of 2001.

The mandate as spelled out in the MAP Act reads as follows:

*"The NAMC shall, when requested by the Minister or of its own accord, investigate the establishment, continuation, amendment or revocation of statutory measures and other regulatory measures affecting the marketing of agricultural products, evaluating the desirability, necessity or efficiency of the measures and, if necessary, proposing alternatives to the establishment, continuation, amendment or repeal of a statutory measure or other regulatory measure and report to and advise the Minister accordingly".*

Furthermore, section 9 (1) (e) of the MAP Act stipulates that the NAMC may undertake investigations and advise the Minister regarding:

- a) Agricultural marketing policy and its application
- b) The coordination of agricultural marketing policy in relation to national economic, social and development policies and international trends and developments
- c) The possibilities for promoting the objectives of the MAP Act, mentioned in section 2 (2) of the MAP Act, and
- d) The effect that marketing of products has on the objectives mentioned in section 2 (2) of the MAP Act.

In addition, in terms of section 9 (1) of the MAP Act, the NAMC shall monitor the application of statutory measures and report to the Minister, and shall review such measures at least every two years. The accountability arrangements of the NAMC to the Minister of Agricultural Forestry & Fisheries are as follows:

- a) The Minister, as the Executive Authority of the NAMC, annually approves the Council's budget and business plan before the beginning of each financial year
- b) According to sections 53 (1) of the Public Finance Management Act (PFMA), No 1 of 1999, read with section 29 (1) (1) of the Treasury Regulations issued in terms of the PFMA, the NAMC should submit a three-year strategic plan to the Executive Authority six months before the beginning of each ensuing financial year for its consideration and guidance
- c) The NAMC, through submissions and quarterly reports, appraises the Minister of progress made on the approved business plan.
- d) The Council, which is the Accounting Authority of the NAMC, sits at least four times per year to consider its business.

### 3.3 Funding

The NAMC is funded by Parliament through Vote 26 under the Programme: Agricultural Trade and Policy Analysis of the Department of Agriculture Forestry & Fisheries. The aim of the NAMC is to provide strategic agricultural marketing advice to the Minister for the Department of Agriculture Forestry & Fisheries and all directly affected groups in the agricultural sector. The goal is to promote the achievement of the objectives of the MAP Act, which are to:

- a) Increase market access for all market participants
- b) Promote the efficiency of the marketing of agricultural products
- c) Optimise export earnings from agricultural products, and
- d) Enhance the viability of the agricultural sector.

During the period under review, there were no policy developments or legislative changes.

### 3.4 Programme Purpose

#### Programme 1: Administration

<b>Strategic Goal 1</b>	To ensure internal business excellence within the NAMC.
<b>Goal statement</b>	To ensure internal excellence in practices supporting the NAMC to effectively delivering on its mandate.
<b>Justification</b>	This aims to ensure that the NAMC functions optimally through effective business processes, corporate governance and support services.
<b>Links</b>	Government outcome 5 and 12 2009 Government Priority 7

The purpose of this programme is to provide support services towards achieving internal business excellence within the NAMC. In support of this goal, the following objectives are pursued: To provide business process services in support of NAMC objectives; to provide financial services in support of NAMC objectives; and to provide corporate resource services in support of NAMC objectives. The programme is currently structured in accordance with the following sub-programmes:

- Sub Programme 1.1 : Office of the Chief Executive Officer
- Sub Programme 1.2 : Finance & Administration Management, and
- Sub Programme 1.3 : Human Resources Management.

Business process services includes those services that focus on ensuring effective and efficient transversal business processes such as organisational planning, organisational development, organisational performance management, stakeholder relations management and corporate governance support comprising of enterprise risk management, legal services and internal audit processes.

## Programme 2: Markets and Economic Research Centre

<b>Strategic Goal 2</b>	To provide quality research to key stakeholders in support of agricultural marketing decision making.
<b>Goal statement</b>	Effectual agricultural marketing decisions will enhance competition, result in more effective market structures and increased market access.
<b>Justification</b>	This aims to inform directly affected groups and policy makers to contribute to policy debate and creation of a more efficient marketing system
<b>Links</b>	Government Outcomes 4 & 7 National Development Plan Agricultural Policy Action Plan NAMC outcomes 1, 2, 3 & 4

MERC was established in 2007. At the time the need was realised by the NAMC that in order to fulfill its mandate much more intensive research was required. The MERC consists of different focus areas, i.e. trade, smallholder market access and agro-food chains. Broadly stated, the MERC aims to:

- a. gauge the efficiency of the market for every agricultural commodity on an ongoing basis;
- b. devise programmes for the improvement of the markets' performance; and
- c. where necessary instigate and guide specific market development programmes, preferably in co-operation with the DAGs.

An important part of the activities of the MERC include the Food Price Monitoring, Supply and Demand Estimates, Agripreneur, Input Cost Monitoring, TradeProbes, Fruit Trade Flow and Food Cost Review publications. These publications are cited widely in the press and provide a valuable foundation for decision making by stakeholders. MERC also takes responsible as the South African node coordinator of the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN).



### Programme 3: Statutory Measures

<b>Strategic Goal 3</b>	To provide statutory measures recommendations in support of an effectual agricultural marketing system.
<b>Goal statement</b>	Providing objective recommendations to the Minister based on investigations conducted.
<b>Justification</b>	This aims to enable the agricultural sector to collect levies to finance generic functions, collect and disseminate information, to promote the efficiency of the marketing of agricultural products, to promote market access, to increase export earnings and when required, control exports.
<b>Links</b>	Government outcome 7 2009 Government Priority 4 NAMC outcomes 1, 2 & 3

The purpose of this programme is to facilitate the process to implement statutory measures in order to promote the efficiency of the marketing of agricultural products. In support of this goal, the following objectives are pursued:

- To implement statutory measures in support of the objectives of the Marketing of Agricultural Products Act.
- To enable the relevant industries to collect funds to finance important generic functions; and,
- To enable the relevant industries to collect and disseminate important agricultural information in order to promote growth within the specific industry.

The programme is currently structured in accordance with the following sub-programmes:

- Field crop products;
- Horticultural products; and
- Livestock products.

#### Programme 4: Agricultural Trusts

<b>Strategic Goal 4</b>	To provide advisory services relating to trusts to the Minister
<b>Goal statement</b>	To provide objective advisory to the Minister based on the monitoring process on the operations of trusts
<b>Justification</b>	This aims to ensure that the viability of the agricultural sector is enhanced
<b>Links</b>	Government outcomes 5,7 and 12 2009 Government Priority 2,4,6 and 7 NAMC outcomes 1 and 4

The Agricultural Trusts division was established to manage and coordinate the communication process between the Minister for Agriculture, Forestry and Fisheries and Agricultural Industry Trusts. The Agricultural Industry Trusts are bodies that were established after the disbandment of the former control boards during the market deregulation process in 1996. The assets of the control boards were then transferred into these Agricultural Trusts. The Industry Trusts are managed by boards of trustees, in which the Minister is represented. The Ministerial Trustees are entrusted to ensure that the Industry Trusts carry out the objectives of the Trust deeds, by aligning them to government transformation mandate. These Ministerial Trustees will then report to the Agricultural Trusts division of the NAMC on the operation and financial performance of the Trusts in which the NAMC communicates to the Minister.

#### Programme 5: Agribusiness Development

<b>Strategic Goal 5</b>	To provide development programmes that will link small holder farmers to markets
<b>Goal statement</b>	To provide development programmes to small holder farmers to overcome their constraints in accessing the markets
<b>Justification</b>	This aims to increase access to markets by small holder farmers
<b>Links</b>	Government outcomes 5 and 7 2009 Government Priority 2, 4 and 6 NAMC outcome 1

The NAMC strategic placement and relationship with public and private institutions built over many years enabled the Agribusiness Development division in facilitating programmes that have the potential to achieve the government outcomes. The Agribusiness Development division of the NAMC was established in 2006 to collaborate with various institutions both nationally and internationally in designing and implementing programmes that are aimed at increasing market access, encouraging new business development and capacity building of historically disadvantaged enterprises.

# Part 4

## Performance Information



## 4. PART 4: PERFORMANCE INFORMATION

### 4.1 PROGRAMME 1: ADMINISTRATION

#### 4.1.1 SUB-PROGRAMME 1: OFFICE OF THE CHIEF EXECUTIVE OFFICER PERFORMANCE INFORMATION

Strategic Objectives	Performance Indicator	Audited Performance 2014/2015	Planned Annual Targets 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement	Comments on deviations
<b>Business Process Support Corporate Governance</b>	Compliance reports provided (n)	Compliance reports.	Provide (4) compliance reports by end of financial year.	(4) Compliance Reports were provided.	None	None
<b>Business Process Support Corporate Governance</b>	Risk assessment reports provided (n)	Risks assessments reports.	Provide (5) risk assessments reports by end of financial year.	(5) Risk Assessments reports were provided.	None	None
<b>Business Process Support Corporate Governance</b>	Council committee secretarial support report provided (n)	Council committee secretarial support report	Provide (4) Council committee secretarial support reports by end of financial year.	(4) Council Committee Secretarial Support Reports were provided.	None	None
<b>Business Process Support Corporate Governance</b>	Council committees performance evaluations conducted (n)	Council committee performance evaluation.	Conduct (1) Council committee performance evaluation by end of financial year.	(1) Council committee performance evaluation was conducted.	None	None

#### 4.1.2 SUB-PROGRAMME 2: FINANCE AND ADMINISTRATION PERFORMANCE INFORMATION

Strategic Objectives	Performance Indicator	Audited Performance 2014/2015	Planned Annual Targets 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement	Comments on deviations
<b>Financial support</b>	Budget submitted for approval (n)	Approved budget	Submit (1) budget for approval by 28 February 2015.	(1) Budget was submitted for approval.	None	None
<b>Financial support</b>	Annually statutory financial reports provided within prescribed time (n)	Approved statutory financial reports	Provide (1) Annual Statutory Financial report by 31 July 2014.	(1) Annual Statutory Financial report was provided.	None	None
<b>Financial support</b>	Quarterly statutory financial reports provided within prescribed time (n)	Statutory financial reports.	Provide (4) statutory financial reports by end of financial year.	(4) Statutory Financial Reports were provided.	None	None
<b>Financial support</b>	Monthly statutory financial reports provided within prescribed time (n)	Statutory financial reports.	Provide (12) Statutory financial reports by end of financial year.	(12) Statutory Financial Reports were provided.	None	None
<b>Financial support</b>	BBBEE procurement reports provided (n)	-	Provide (4) BBBEE procurement reports by end of financial year.	(4) BBBEE procurement reports were provided.	None	None
<b>IT Support</b>	IT performance reports provided (n)	IT performance reports	Provide (4) IT performance reports by end of financial year.	(4) IT performance reports were provided.	None	None



#### 4.1.3 SUB-PROGRAMME 3: HUMAN RESOURCES MANAGEMENT PERFORMANCE INFORMATION

Strategic Objectives	Performance Indicator	Audited Performance 2014/2015	Planned Annual Targets 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement	Comments on deviations
<b>Business Process Support</b>	Strategic Plan produced (n)	Strategic plan	Produce (1) Strategic Plan produced by November 2015.	(1) Strategic Plan was produced.	None	None
<b>Business Process Support</b>	Annual Performance Plan produced (n)	Annual Performance Plan	Produce (1) Annual Performance Plan by February 2016.	(1) Annual Performance Plan was produced.	None	None
<b>Business Process Support</b>	Organisational quarterly performance reports submitted to DAFF (n)	Organisational quarterly performance report	Submit (4) Organisational quarterly performance reports submitted to DAFF	(4) Organisational quarterly performance reports were submitted.	None	None
<b>Business Process Support</b>	Organisational structure report produced (n)	Organisational structure	Produce (1) Organisational structure report by end of financial year.	(1) Organisational structure report was produced.	None	None
<b>Business Process Support</b>	Annual report produced (n)	Annual report	Produce (1) Annual report by September 2015	(1) Annual report was produced.	None	None
<b>Human Resources Support</b>	Corporate communication service report produced (n)	Corporate communication service report	Produce (4) Corporate communication service report by end of financial year.	(4) Corporate communication service reports were produced.	None	None
<b>Human Resources Support</b>	Human resources report produced (n)	Human resources reports.	Produce (4) human resources reports by end of financial year.	(4) Human Resources reports were produced.	None	None

#### 4.2. PROGRAMME 2: MARKETS AND ECONOMIC RESEARCH CENTRE PERFORMANCE INFORMATION

Strategic Objectives	Performance Indicator	Audited Performance 2014/2015	Planned Annual Targets 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement	Comments on deviations
<b>Smallholder Market Access Research</b>	Smallholder market access research report produced (n)	Smallholder market access research report	Produce (4) Smallholder market access research report by end of financial year.	(4) Smallholder market access research report was produced.	None	None
<b>Smallholder Market Access Research</b>	Smallholder market access journal articles produced (n)	Smallholder market access journal articles	Produce (2) Smallholder market access journal articles by end of financial year.	(2) Smallholder market access journal articles were produced.	None	None
<b>Smallholder Market Access Research</b>	Smallholder market compliance research report produced (n)	Smallholder market compliance research report	Produce (1) Smallholder market compliance research report by end of financial year.	(1) Smallholder market compliance research report was produced.	None	None
<b>Smallholder Market Access Research</b>	Feasibility studies reports produced (n)	-	Produced (1) feasibility study report by end of financial year	(1) Feasibility studies report was produced.	None	None
<b>Smallholder Market Access Research</b>	Monitoring & Evaluation baseline studies reports produced (n)	Monitoring & Evaluation baseline studies reports.	Produce (4) Monitoring & Evaluation baseline studies reports by end of financial year	(4) Monitoring & Evaluation baseline studies reports were produced.	None	None
<b>Agro-Food Chain Research</b>	Food price monitor reports produced (n)	Food Price Monitor Reports.	Produce (4) Food Price Monitor Reports by end of financial year.	(4) Food Price Monitor Reports were produced.	None	None

#### 4.2. PROGRAMME 2: MARKETS AND ECONOMIC RESEARCH CENTRE PERFORMANCE INFORMATION (CONTINUED)

Strategic Objectives	Performance Indicator	Audited Performance 2014/2015	Planned Annual Targets 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement	Comments on deviations
<b>Agro-Food Chain Research</b>	Food cost review produced (n)	Food cost review report	Produce (1) Food cost review by end of financial year.	(1) Food cost review was produced.	None	None
<b>Agro-Food Chain Research</b>	Input cost monitoring reports produced (n)	Input cost monitoring reports.	Produce (4) Input cost monitoring reports by end of financial year.	(4) Input cost monitoring reports were produced.	None	None
<b>Agro-Food Chain Research</b>	Supply and demand estimates reports produced (n)	Supply and demand estimates reports	Produce (11) Supply and demand estimates reports by end of financial year.	(11) Supply and demand estimates reports were produced.	None	None
<b>Agro-Food Chain Research</b>	Agro food chain research report produced (n)	Agro food research report	Produce (1) agro food chain research report by end of financial year.	(1) Agro Food Chain Research Report was produced.	None	None
<b>Agro-Food Chain Research</b>	Agro food chain journal articles produced (n)	Agro food chain journal articles	Produce (2) Agro food chain journal articles by end of financial year.	(2) Agro Food Chain Journal Articles were produced.	None	None
<b>Trade Research</b>	Trade probes reports produced (n)	Trade probes reports	Produce (6) Trade probes reports by end of financial year.	(6) Trade Probes Reports were produced.	None	None
<b>Trade Research</b>	Fruit flow reports produced (n)	Trade research reports.	Produce (4) Fruit flow reports by end of financial year.	(4) Fruit Flow Reports were produced.	None	None
<b>Trade Research</b>	Seminars report produced (n)	Seminars report	Produce (1) Seminars report by end of financial year.	(1) Seminars report was produced.	None	None
<b>Trade Research</b>	FANRPAN annual report produced (n)	FANRPAN report	Produce (1) FANRPAN annual report by end of financial year.	(1) FANRPAN annual report was produced.	None	None

#### 4.2. PROGRAMME 2: MARKETS AND ECONOMIC RESEARCH CENTRE PERFORMANCE INFORMATION (CONTINUED)

Strategic Objectives	Performance Indicator	Audited Performance 2014/2015	Planned Annual Targets 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement	Comments on deviations
<b>Trade Research</b>	South African Agricultural Economic Professional Fellowship report produced (n)	South African Agricultural Economic report	Produce (1) South African Agricultural Economic Professional Fellowship report by end of financial year.	(1) South African Agricultural Economic Professional Fellowship report was produced.	None	None
<b>Trade Research</b>	ITAC report produced (n)	ITAC report	Produce (1) ITAC report by end of financial year.	(1) ITAC report was produced.	None	None
<b>Trade Research</b>	Trade research report produced (n)	Trade research report	Produce (1) Trade research report by end of financial year.	(1) Trade research report was produced.	None	None
<b>Trade Research</b>	Trade journal articles report produced (n)	Trade journal articles	Produce (1) Trade journal articles report by end of financial year.	(1) Trade journal articles report was produced.	None	None
<b>Trade Research</b>	SIP11 project monitoring reports produced (n)	SIP 11 project monitoring reports	Produce (2) SIP 11 project monitoring reports by end of financial year	(4) SIP 11 project monitoring reports were produced.	(2) Additional outputs achieved	Need to produce reports on more regular basis

#### 4.3. PROGRAMME 3: STATUTORY MEASURES PERFORMANCE INFORMATION

Strategic Objectives	Performance Indicator	Audited Performance 2014/2015	Planned Annual Targets 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement	Comments on deviations
<b>Statutory Measures Implementation</b>	Statutory measure investigations reports produced (n)	Statutory measures	Produce (4) Statutory measure investigations reports by end of financial year.	(4) Statutory Measure Investigations Reports were produced.	None	None
<b>Statutory Measures Implementation</b>	Statutory measure promulgation reports produced (n)	Promulgated statutory measures	Produce (4) Statutory measure promulgation reports by end of financial year.	(4) Statutory Measure Promulgation Reports were produced.	None	None
<b>Statutory Measures Implementation</b>	Surplus funds utilisation report produced (n)	Utilisation of surplus funds	Produce (1) Surplus funds utilisation report by end of financial year.	(1) Surplus funds utilisation report was produced.	None	None
<b>Statutory Measures Implementation</b>	Inspector appointments report produced (n)	Appointment of inspectors	Produce (1) Inspector appointment report by end of financial year.	(1) Inspector appointment report was produced.	None	None
<b>Compliance Monitoring to Conditions</b>	Status of statutory measures report produced (n)	Status of statutory measures report	Produce (1) Status of statutory measures report by end of financial year.	(1) Status of statutory measures report was produced.	None	None

#### 4.3. PROGRAMME 3: STATUTORY MEASURES PERFORMANCE INFORMATION (CONTINUED)

Strategic Objectives	Performance Indicator	Audited Performance 2014/2015	Planned Annual Targets 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement	Comments on deviations
<b>Committee Functioning</b>	Crop estimates liaison committee reports produced (n)	Crop estimates liaison committee reports produced (n)	Produce (2) Crop estimates liaison committee reports by end of financial year.	(2) Crop estimates liaison committee reports were produced.	None	None
<b>Committee Functioning</b>	Supply and demand estimates liaison minutes produced (n)	Supply and demand estimates liaison minutes produced (n)	Produce (2) Supply and demand estimates liaison minutes by end of financial year.	(1) Supply and demand estimates liaison minutes were produced.	Only (1) Supply and demand estimates liaison committee meeting was held.	There were no other matters for the committee to discuss. The committee only had one meeting during the financial year.
<b>Register of Directly Affected Groups</b>	Register of directly affected groups report produced (n)	Register of directly affected groups report	Produce (1) Register of directly affected groups report by end of financial year.	(1) Register of directly affected groups report was produced.	None	None



#### 4.4 PROGRAMME 4: AGRICULTURAL TRUSTS PERFORMANCE INFORMATION

Strategic Objectives	Performance Indicator	Audited Performance 2014/2015	Planned Annual Targets 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement	Comments on deviations
<b>Trustee Capacity Development</b>	Status report of agricultural trusts boards (n)	Status of agriculture trust board reports	Produce (4) Status of agriculture trust board reports by end of financial year.	(4) Status of agriculture trust board reports were produced.	None	None
<b>National Red Meat Development Programme</b>	National Red Meat Development Programme report produced (n)	National Red Meat Development Programme report	Produce (4) National Red Meat Development Programme reports by end of financial year.	(4) National Red Meat Development Programme reports were produced.	None	None

#### 4.5 PROGRAMME 5: AGRIBUSINESS DEVELOPMENT PERFORMANCE INFORMATION

Strategic Objectives	Performance Indicator	Audited Performance 2014/2015	Planned Annual Targets 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement	Comments on deviations
<b>Agricultural Marketing Capacity Development Facilitation</b>	Agricultural marketing capacity development facilitation report produced (n)	Capacity development facilitation report	Produce (2) Agricultural marketing capacity development facilitation reports by end of financial year.	(3) Agricultural marketing capacity development facilitation reports were produced.	1 additional output achieved	There was a need for farmers to be trained on soil analysis.
<b>Agricultural Marketing Capacity Development Facilitation</b>	Training evaluation reports produced (n)	Training evaluation reports	Produce (2) Training evaluation reports by end of financial year.	(2) Training evaluation reports were produced.	None	None
<b>Agricultural Product Development Schemes</b>	Agricultural development schemes designed (n)	Agricultural development schemes designed	Design (1) Agricultural development scheme by end of financial year.	(1) Agricultural development schemes was designed.	None	None
<b>Agricultural Product Development Schemes</b>	Agricultural development schemes implementation facilitation reports produced (n)	Agricultural development schemes	Produce (1) Agricultural development scheme implementation facilitation report by end of financial year.	(1) Agricultural development scheme implementation facilitation report was produced.	None	None

#### 4.5 PROGRAMME 5: AGRIBUSINESS DEVELOPMENT PERFORMANCE INFORMATION (CONTINUED)

Strategic Objectives	Performance Indicator	Audited Performance 2014/2015	Planned Annual Targets 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement	Comments on deviations
<b>Agricultural Product Development Schemes</b>	Technical assistance plans developed (n)	Technical assistance plans	Develop (2) Technical assistance plans by end of financial year.	(2) Technical assistance plans were developed.	None	None
<b>Market Development Facilitation</b>	Developed farmers' database reports produced (n)	Developed farmers' database reports	Produce (4) Development farmers' database reports by end of financial year.	(4) Development farmers' database reports were produced.	None	None
<b>Market Development Facilitation</b>	Market development facilitation programmes report produced (n)	Market development facilitation programmes report	Produce a Market development facilitation programmes report by end of financial year.	(1) Market development facilitation programmes report was produced.	None	None

## 4.6 NARRATIVES

### PROGRAMME 1: ADMINISTRATION

#### Sub-Programme 1: Office of the Chief Executive Officer

##### **Risk Management**

Compliance assessments were conducted during the 2015/16 financial year by the Risk and Compliance line function.

The NAMC held an annual risk assessment during April 2015 which was attended by Council, Human Resources and Remuneration Committee, Audit and Risk Committee as well as Management Committee members. A risk assessment workshop format enabled participants to both contribute and learn in a natural environment. The result was not only a ranked list of key risks, but a fascinating discussion about the control environment, risk appetite, and individual risk tolerances affecting the NAMC. Risk assessments were also conducted and discussed in meetings held in April 2015, July 2015, November 2015 and January 2016.

#### Sub-Programme 2: Finance and Administration

The purpose of this division is to provide strategic leadership and direction on matters of financial performance and to monitor compliance with the PFMA and the Treasury regulations.

##### **Strategic reviews and compliance with strategic objectives**

Monthly and quarterly reviews of programme expenditure against budget were conducted and the processes contributed to the regular strategic reviews to ensure adherence to the strategic plan.

##### **Supply Chain Management**

The division renders supply chain management services to the NAMC, and is responsible for the following: Demand and Acquisition, Logistic Management, Disposal Management and regular assessment of supply chain performance.

Compliance with legislation and regulations in terms of reporting has been achieved. The supplier database has been updated with the new tax clearance certificate and BEE certificates. An advertisement for suppliers to register on our database has been placed and the supplier database was updated.

For the period under review the NAMC acquired goods and services through a competitive bidding process, and this was for the following:

- Vineyard Development Scheme project
- Internal audit services.

##### **Asset Management**

The NAMC conducted asset verifications, which resulted in the disposal of obsolete computer equipment with a book value of R13 807.74.

For the period under review the NAMC reviewed the useful life of assets after assessing the condition, type of assets and their remaining useful life.

##### **Information Technology**

The Information Technology (IT) functions have been outsourced to Application Technology; they provide professional services with regard to IT on a daily basis. The contract has been renewed for one (1) year starting from 1 August 2015.

For the period under review the IT Steering Committee continued to function and had to look at ensuring that the Information Technology (IT) Strategy and policies are implemented within the NAMC and the IT Steering Committee also looked at addressing audit findings as raised by both internal and external auditors to ensure that the queries are resolved within a specified time-frame.

### **Risk assessment and management**

The Finance and Administration recognises the importance of risk management in ensuring that its objectives are achieved, and the Finance and Administration risk register and controls to mitigate the risks were reviewed and updated.

### **Functioning Audit Committee**

The NAMC's Audit and Risk Committee continues to function and met five times during the period under review.

### **Internal audit function**

The internal audit function of NAMC is outsourced to Nexia SAB & T, and during the period under review the internal auditors conducted various reviews and assessments of NAMC's control environment the results of which were reported to the Audit and Risk Committee. No significant deviations from the internal audit were reported during the assessments.



### Sub-Programme 3: Human Resources Management

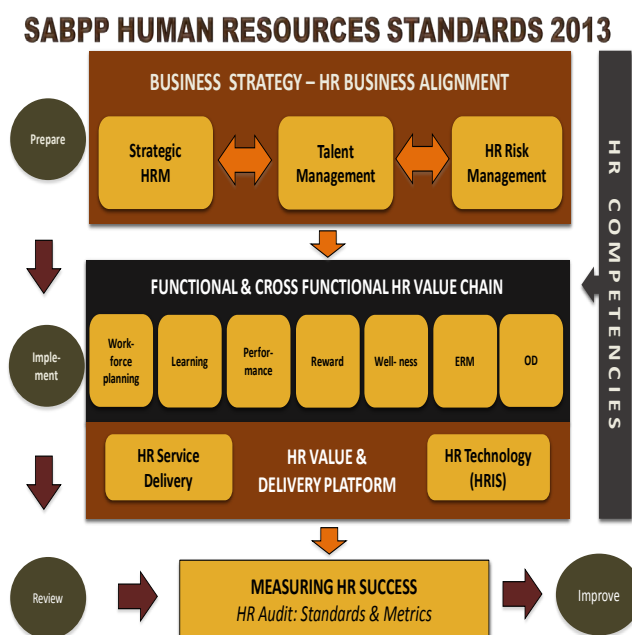
The Human Resources Division is pleased to present the performance report for the period April 2015 to March 2016. The report is aligned to the National Human Resources Standards developed by the Southern African Board for People Practices (SABPP). The SABPP is an independent body that oversees and advises the human resources profession within Southern Africa. The SABPP a quality assurance body, in association with HR Future, developed the first set of National HR standards in 2013, which consists of the 13 Standard Elements outlined in Table 1. Companies are encouraged to align HR processes with the Human Resources Standards.

In April 2015, the Human Resources Division aligned the human resources process with the SABPP Human Resources Standards. The SABPP HR audit team was requested to conduct an audit on the following six HR standards:

- Strategic Human Resources Management
- Talent Management
- Human Resources Risk Management
- Learning and Development
- Performance Management, and
- Employment Relations Management.

Below is a presentation of the Human Resources Report aligned to the SABPP Human Resources Standards.

Table 1: SABPP Human Resources Standards 2013



Source: SABPP Human Resources Standards: 2013



## 1. Strategic Human Resources Management

The Strategic Human Resources Management standard was audited with an overall score of 64 %. Below is a summary of comments from the auditors.

### Comments

- There is evidence of good internal and external environmental analysis.
- A good approach to the HR strategy alignment to the four components outlined within the MAP Act.
- There is strategic direction provided by the above HR strategies to support the organisational strategy, with special reference to: Leadership development, remuneration and reward strategies and knowledge management.

### Progress

The following documents were approved:

- Remuneration Strategy with a list of Scarce and Critical Skills.
- Human Resources Strategy and Plan.

## 2. Talent Management

Talent Management standard was audited with an overall score of 27%. Below is a summary of comments and recommendations from auditors.

### Comments

Talent Management is a relatively new process within NAMC and we would like to acknowledge the following achievements, namely:

- The establishment of a Human Resources & Remuneration Committee and processes, which provide adequate insight into NAMC remuneration practices.

- Knowledge management sharing processes and practices
- Identification of scarce and critical skills list in consultation with AgriSETA and associated universities.

### Recommendations

- Establishment of a mentoring committee, which could possibly be backed by a Professional Association such as the Agricultural Economics Association of South Africa (AEASA) and other professionally recognised associations.
- Establishment of key talent management processes such as talent pools, succession plans, follow-up and close-out of personal development plans for high-potential employees.
- Creation of a talent management forum, which appoints peers from within the business to mentor, coach and develop high potential employees within NAMC.

### Progress

A Talent Management Forum was established to oversee the implementation of the scarce, critical skills list as well as to provide mentoring and coaching.

## 3. Human Resources Risk Management

The Human Resources Risk Management standard was audited with an overall score of 78 %. Below is a summary of comment and recommendation from the auditors.

### Comment

There is good alignment of HR practices on the risk and compliance frameworks.

### **Recommendation**

It was recommended that the NAMC consider the implementation of a whistle blower system.

### **Progress**

The whistle blower system was implemented

## **4. Workforce Planning**

The Workforce Planning standard was not audited.

### **Appointments**

The HR facilitated the following appointments:

- 1 Project Manager (Female Coloured)
- 1 Capacity Development Officer (Female African)
- 1 Animal Health Officer (Female African)
- 2 Senior Economists (Male African)

### **Internships**

The NAMC received funding of R270 000 for nine Graduate Placements and R180 000 for four Interns. One intern was placed at Potatoes South Africa and the other at Milk SA.

## **5. Learning and Development**

The Learning and Development standard was audited with an overall score of 75 %. Below is a summary of comments and recommendations from the auditors.

### **Comments**

- The standard was well presented as there is evidence that there is quality system in place.
- There is a linkage between performance management, workplace skills plan (WSP) and training outcomes in relation to the specific training approach.

### **Recommendations**

- There should be a correlation between skills and performance management as performance management scores are high however, NAMC has a skills shortage.
- Integration of learning with talent management and leadership development approaches will benefit NAMC.

### **Progress report**

The Scarce, Critical Skills List, was approved.

### **Bursaries and Training**

As part of skills development, R825 000 was received of which 14 employees were awarded bursaries. Training was also offered to 18 employees and the Work Skills Plan report was submitted to AgriSETA.

### **School's Career Guidance Programme (Y-Agriculture)**

In partnership with some of the agricultural industries, NAMC initiated a School's Career Guidance Programme. The purpose of the initiative is to build career awareness and educate learners from different schools about the various fields of study within the agricultural field.

## **6. Performance Management**

The Performance Management standard was audited with an overall score of 78 %. Below is a summary of comment.

### **Comment**

One of NAMC's strengths is the management of performance as there is an effective moderating committee.

## **Progress**

Performance evaluations were facilitated, 34 employees exceeded job requirements and were rewarded accordingly.

## **Remuneration**

A 6 % salary increase across-the-board was implemented.

## **7. Reward and Recognition**

The Reward and Recognition standard was not audited. The following documents were developed.

- Remuneration Strategy
- Career Paths and Succession Planning
- Training Manual and
- Pay Progression Model Principles.

## **8. Employee Wellness**

The Employee Wellness standard was not audited.

## **Progress**

### **Fostering a healthy workplace**

One of our goals is to foster a healthy work environment through the implementation of Employee Diversity Forums. The Men's Diversity Forum constitution was developed to formalise wellness activities. The Women's Diversity Forum celebrated Women's Day in August 2015.

### **Employee Assistance Programme**

HR referred seven employees for counselling sessions.

### **HIV/AIDS commemoration**

The Wellness Programme commemorated World Aids Day, by visiting Leratong Hospice to provide support to the hospice.

## **9. Employment Relations Management**

The Employment Relations Management standard was audited and the overall score was 73%. Below is a summary of comment and recommendation from the auditors.

## **Comment**

To communicate Employee Relations Management (ERM) processes to inexperienced staff through the induction programme.

## **Recommendation**

To train line managers on ERM as line managers rely heavily on HR to carry out ERM functions. The HR must maintain an objective role.

## **Progress**

### **Labour Matters**

HR facilitated an arbitration at the Commission for Conciliation, Mediation and Arbitration (CCMA). The ruling was that the CCMA did not have jurisdiction to arbitrate the dispute.

### **Grievances**

There were no grievances lodged during the reporting period.

### **Disciplinary Hearing**

Two disciplinary hearings were facilitated during the reporting period.

### **Staff Representative Committee**

Two meetings were held by the Staff Representative Committee.

## 10. Organisational Development

The Organisational Development standard was not audited.

### Structure Review

The organisational structure was reviewed and aligned appropriately. Some of the functions in Agricultural Trusts were transferred to Agribusiness Development.

## 11. Human Resources Service Delivery

The Human Resources Service Delivery standard was not audited.

### Policy Reviews and Awareness Sessions

Awareness sessions on HR policies and procedures were facilitated and the following policies were approved:

- Remuneration Strategy: List of Scarce and Critical Skills;
- Career Paths and Succession Planning Training Manual;
- Pay Progression Model Principles and ;
- Human Resources Strategy & Plan.

### Induction

The induction process was facilitated to new employees.

### Probation

Two employees were confirmed as permanent employees after completing the probation period.

### Overall staff turnover

Two senior economists tendered their resignation during the reporting period. The staff turnover is at 4 %.

### Exit Interviews

The HR facilitated two exit interviews to obtain reasons for resignation. One

employee was offered permanent employment in government and the other in the private sector.

### Demographics

The NAMC has 45 permanent employees and 20 contract employees. The gender distribution is as follows:

- 16 African females (34%)
- 1 coloured female (2%)
- 9 white females (19%)
- 19 African males (41%)
- 2 white males (4%).

The need to further deliver on targets, particularly Indian employees, will remain a priority in 2016.

### Disability

The disability rate is 2 %.

### Personnel files

All personnel files are updated on a monthly basis.

### Leave Management

HR monitors sick leave. As part of compliance, leave reconciliations were conducted on a monthly basis.

### Injury, illness and death

One employee fractured his leg on the basement stairways while attempting to evacuate the premises. The employee was taken to the doctor for treatment.

### Service benefits

Multinet Life Brokers (Pty) Ltd are the appointed Employee Benefits Consultants to administer NAMC service benefits. As per the Conditions of Employment, the NAMC has four Group Risk Benefit Schemes, namely, the Group Life Scheme for death

cover, the Group Income Continuation Scheme for disability cover; Funeral Cover and the Provident Fund. Human Resources manage the services benefits in consultation with the service provider.

## **12. Human Resources Technology**

The Human Resources Technology standard was not audited.

### **Progress**

The following HR systems were identified:

- HR Technology Systems
- Policy Management System
- Organisational structure system
- Job description
- Skills audits / Assessment tools
- Job analysis and design
- Quick skills system Reward and Recognition
- Job evaluation systems
- VIP Payroll systems
- Rewards procedure manual
- Records management procedure manual and system
- Employee Self Service (ESS).

## **13. Human Resources Measurement**

The Human Resources Measurement standard was not audited.

### **Progress**

The HR in the next quarter will develop an HR scorecard to measure HR service delivery and how it impacts on the NAMC.

## **Conclusion**

Human Resources is in the process of developing human resources processes that will ensure the implementation of the National Human Resources Standards. Below are the processes:

- Establish an Employee Value Proposition (EVP) team which focuses on the following components: the work environment provided by NAMC; personal and employment benefits; remuneration philosophy; and learning and development offered to employees.
- Implementation of the HR measurements/metrics to help provide feedback on progress against HR strategies and targets set, and to assist continuous improvement/innovation in further aligning the HR strategy with that of the business.
- Implementation of talent management processes such as talent pools, succession plans, and follow-up and close-out of personal development plans for high-potential employees.
- The integration of Employment Equity processes, goals and targets with the talent management processes and practices.



## Communications

Communications reports to the Human Resources division. Its main function is to provide marketing, communications and media to all the four core departments of the NAMC. For the period under review, Communications performance was to submit a quarterly report on the activities undertaken.

### Corporate Communications

The NAMC Communications Strategy was reviewed in order to be in line with the organisations business plan and aligned to the current realities of the sector. In compliance with the King III Report, the unit also developed a stakeholder relations framework. This opened a new committee to be established; the NAMC Corporate Social Responsibility Committee. Below are some of the highlights undertaken during the period review:

- Branding South African Agriculture – a corporate video was developed and presented at the NAMC Research Symposium. The aim was to galvanize stakeholders to support the branding, promotion and marketing of South African agriculture. Discussions on this imperative are still ongoing
- National Red Meat Development Programme – promotional material was created for the program. We also covered the drought interventions of the programme. Besides the Jozini Auction, the programme was also profiled on SABC Channel
- Y-Agriculture – the Unit assisted in embarking on an exercise to lobby stakeholders to assist in funding agricultural high schools infrastructure. Potatoes SA supported our career

exhibition even going to the extent of planting potatoes at the school yard (Dimani Agriculture High School)

- Communications Systems – the unit developed three policy frameworks. In aligning to new ways of communicating two social media accounts were developed; NAMC twitter and you-tube account
- Newsletters – the NAMC published three newsletters under the period review and distributed to all media and stakeholders. The aim of these newsletters is to profile the activities of the NAMC.

### Marketing

Important to achieving NAMC objectives is to promote the organisation externally to audience that are in need of our services. Below are highlights of the NAMC marketing initiatives;

- North West Agriculture Show – the NAMC exhibited at the first North West government agriculture show hosted by the Department of Rural, Environmental and Agriculture Development (READ)
- World Food Day – held in Bizana (Eastern Cape) to celebrate World Food Day, the NAMC participated in the event. Mainly, the idea was to communicate the message on food prices to the surrounding villages
- Agricultural Economics Association of South Africa (AEASA) – the NAMC communications exhibited at the Annual AEASA Conference and provided communication services

- PMA Fresh Conference - The NAMC participated in the PMA Fresh Conference held in Cape Town on the 4-5 August 2016. The NAMC is a South African chapter member and aids in providing wide ranging networks of companies and emerging fresh produce from South Africa to connect to member chapters of the PMA internationally
- Limpopo Book Handover – the NAMC handover deciduous and citrus fruits books to over 50 farmers with the local office of the Limpopo Department of Agriculture in Vhembe.
- Food Cost Review Launch – the NAMC hosted the Food Cost Review Launch in November 2015. In attendance were key stakeholders within the agricultural sector.
- Research Symposium – The symposium focused discussions on the drought, trade and transformation. Lively discussions emanated from the symposium and a report including a video was produced. The symposium was covered extensively in the media.
- Other events participated – Agribiz Training Matters, Making Market Matters, NAMC Trade Seminar, ARC ARCHAR Launch, DAFF Norms and Standards.

## Media

Communications also provides media support by way of arranging and coordinating media interviews and monitoring platforms where the NAMC was covered in the media landscape. 38 media sources were recorded in the media analysis journal. Out of the 38 sources they were segmented into the following; Magazine, Newspaper, TV, Online, Books

and Stakeholder Reports. Most of the media coverage was extracted from online media such as IOL, SUNDAY TIMES, CITY PRESS etc.

Online media by indications represented 42% of where NAMC sourced its media monitoring. This was a positive indication because it showed that the NAMC was either interviewed or referenced more commonly especially on food prices and supply demand estimates committee report.

Below are some of the media engagements conducted;

- SABC 2 Leihlo la Sechaba – Farming ( 22 October 2015)
- SABC 1 Yilungelo Lakho – Impact of Drought ( 29 January 2016)
- SAF FM- Tonight Talk – Food Prices (2 November 2015)
- SA FM Afternoon Talk – The Big Question (05 October 2015)
- OilSeeds Focus Newsletter –(1 April 2015)
- Farmers Weekly – Food Prices to go up (5 November 2015)
- Land Portal – Mining threatens food security (25 March 2016)
- Engineering News – Sugar Growers Future (05 March 2015)
- Classic FM – Maize Harvest (2 May 2015)
- Voice of the Cape – What's Up with the Price of Bread (2 April 2015)

## PROGRAMME 2: MARKETS AND ECONOMICS RESEARCH CENTRE

### Food Prices

The NAMC collaborates with the Department of Agriculture, Forestry and Fisheries, Provincial Departments of Agriculture and Statistics South Africa to monitor and report on food price trends in South Africa. During the reporting period 2015/16, four quarterly Food Price Monitoring (FPM) reports were published. From January 2016, retail food prices would be monitored on a monthly basis through a report called the Food Basket Price Monthly. In April 2015, a new quarterly publication called Farm-to-Retail Price Spreads (FTRPS) was introduced. It tracks the margin between the farm value of the final product and its retail price in order to understand the costs within selected agro-food chains.

In addition to food price monitoring reports, the NAMC published the South African Food Cost Review, focusing on trends in the agro-food industry in 2014. Four quarterly Input Cost Monitor reports, which track trends in farm input prices, were published during the financial year under review.

### Agro-food chain research

The NAMC also takes on the responsibility to gather certain key data and transform it into more accessible information. In-house research is conducted and the NAMC collaborates with other institutions to conduct agro-food chain research that is topical and demand driven.

### Supply and Demand Estimates

In light of the importance of food security, volatile grain prices and insufficient information about future stock levels, Grain South Africa (GrainSA) and the South African Cereals and Oilseeds Trade Association (SACOTA) agreed that there is a specific need for the above information. The need arose for an official supply and demand projections committee for cereals and oilseed crops.

This led to the establishment of the South African Grain & Oilseed Supply & Demand Estimates Committee (S&DEC). The first official demand and supply projection report was published at the end of June 2013. The National Agricultural Marketing Council (NAMC) hosts this initiative and is responsible for the functioning of the committee.

The primary objective of this committee is to project monthly demand and supply estimates for grain- and oilseeds for South Africa.

This is done through:

- Collection of information regarding imports and exports, consumption, etc., by an officer of the National Agricultural Marketing Council (NAMC). The information is processed and reported on a non-tradable manner during the S&DEC meetings.
- Extrapolation of historical data obtained from the South African Grain Information Service (SAGIS) where necessary.
- Inclusion of the National Crop Estimates Committee (CEC) information regarding the crop estimate in terms of supply.
- Determining an official projection/estimation of grain and oilseed stocks for a specific month in a marketing year, based on the above information.

The functioning of the S&DEC committee is perceived to be very successful. The principles of the initiative are unique in the world, through the participants' information being offered on a voluntary basis. The initiative is supported and welcomed by many stakeholders, nationally and internationally. Very positive feedback has been received from the Agricultural Market Information System (AMIS), Famine Early Warning System (FEWS), United States Department of Agriculture (USDA), Economic Research Service (ERS), and the South African Reserve Bank (SARB) and other organisations and stakeholders.

## Trade Research

The Trade Focus Area's main areas of focus for the 2015/2016 financial year did not change much from the previous financial year. In the financial year 2015/2016 the NAMC, under the Markets and Economic Research Centre (MERC), conducted a number of trade studies or activities informed by the Five Year Strategic Plan cascading down to the annual performance indicators. In pursuit of excellent research output, MERC collaborated with a number of institutions such as Department of Agriculture, Forestry and Fisheries (DAFF), International Trade and Administration Commission (ITAC), Trade Law Centre of Southern Africa, Food Agriculture and Natural Resources Policy Analysis Network (FANRPAN), African Economic Research Consortium (AERC), Citrus Growers Association (CGA), and Hortgro.

- **TradeProbe Publication** - this publication was initiated to provide a tool where key trade issues are put into the public discourse with the aim of creating awareness for businesses and individuals to have access to packaged information regarding certain products, selected markets and opportunities. It is important to note that TradeProbe Publications were published in collaboration with the Directorate of International Trade (of DAFF). Six (6) TradeProbes covering a wide range of topical agriculture, fisheries and forestry (and food) trade issues were published during the year.
- **South African Fruit Flow Reports** – this publication outlines the movements of fruits during the harvesting season. The report outlines those figures in perspective of the previous season to determine whether the season is a good/bad one for the producers. During the financial year, four Fruit Flow reports were published.
- **MERC Seminars** – the seminars provide a platform for robust engagements on topical issues ranging from policy to research methodologies. Each year MERC organises

a minimum of eight seminars that cover a wide range of topics from a variety of practitioners. This was also created as a platform for colleagues to ensure that they have an opportunity to share ideas on work in progress.

- **World Food Programme (WFP)** – the NAMC worked with the WFP on the Lesotho Initiative (Humanitarian assistance to the Mountain Kingdom of Lesotho by the South African Government). The NAMC developed a Training Manual of Marketing, Trade and Pricing of maize and dry beans. The NAMC has been providing this training to smallholder farmers.
- **Tralac** – the NAMC in collaboration with Tralac put together a book titled "Africa's trade relations – Old friends, good friend and new friends" that was launched during the AEASA Conference (September 2015). Four NAMC staff members contributed to the book and the preface was written by Mr T.R. Ramabulana (NAMC CEO).
- **FANRPAN** – this is an Africa-wide network of networks, specialising in policy advocacy relating to Food, Agriculture and Natural Resources (FANR). The NAMC is a Node Hosting Institution of FANRPAN in South Africa. During the period the NAMC participated in the Regional Dialogue that was held in Lusaka, participated in exchange visit with Malawi, and hosted a National Dialogue building to Cop 21 (Paris). The NAMC did a study on domestic resource mobilisation that was funded by the Africa Economic Research Consortium.
- **ITAC** – the NAMC contributes in the trade policy decision relating to agricultural products. In this regard, the NAMC plays an advisory role to ITAC on the basis of an MoU. As such the NAMC received a number of applications from ITAC requesting comments. The NAMC responded to all the requests received.

- **South African Agricultural Professional Fellowship** – the NAMC in collaboration with Market Matters Inc. facilitated the 2015/16 student fellowship including the study tour of the USA agro-food sector. The tour went well and the South African component is ongoing.
- **Hortgro** – the NAMC in collaboration with Hortgro did a study of selected African economies with fruit exports in mind. The countries cover all regions of the continent, with Angola (visited), Cameroon (visited), Kenya (visited), Nigeria (to be visited in June 2016) and Egypt (visited). Ghana (to be visited in June 2016) was included at the request of the Citrus Growers Association.

### **Smallholder Market Access**

The Smallholder Market Access Research Desk of the Markets and Economic Research Centre (MERC) was involved in a number of research projects that aimed at identifying and addressing issues that prohibit smallholders to access markets. The following comprised the activities that were successfully carried out by smallholder market access unit under MERC:

### **Smallholder Market Access Research**

In this activity, Smallholder Market Access unit produced the following reports during 2015/16 financial year:

- Four (4) quarterly issues of the Agripreneur publication (Issues 1–4) were produced.

The objective of this research report was to inform our primary client on how market access constraints were progressively dealt with by agricultural stakeholders with the key focus to improve the access by smallholder farmers in South Africa.

### **Smallholder Market Access Journal Article Reports**

In this report, articles that were published at conferences and also in academic journals were presented. The objective of this report is to ensure that the work that relates to smallholder market access are disseminated in the intellectual class of the industry across the globe in order to source cooperation and contribution to the body of knowledge.

The following journal articles were published during the second quarter reporting period:

- Assessment of the factors that affect the governance of water boards in South Africa (by T.P. Ntuli, V.M. Mmbengwa, R. Haines, J.A. Groenewald and H.D. van Schalkwyk)
- Rural social capital: Can the development of economic driven enterprises for sustainability and competitiveness rely on rural experts' opinion in the Republic of South Africa? (by V.M. Mmbengwa, S. Laurie, C.P. du Plooy, T. Ramathavhana, M. Mtileni and H.D. van Schalkwyk).

A paper proposal on the assessment of the participation of smallholder farmers in agro-processing industries of Gauteng Province was produced. The proposal was submitted to the Gauteng Department of Agriculture. The following journal article was published:

- Communal livestock farming in South Africa: Does this farming system create jobs for poverty stricken rural areas? (by V. Mmbengwa, B. Nyhodo, L. Myeki, X. Ngetu and H.D. van Schalkwyk. SYLWAN, 159(10). ISI Indexed - Oct 2015).

The following papers were submitted for conference consideration:

- The determinants of intrinsic participatory capacity in collective smallholder farming entrepreneurs: A case of land reform experiences in North West Province of the Republic of South Africa. ICSD 2016. (by V.M. Mmbengwa, L. Myeki and T.M. Khoza). Paper submitted for the 5th annual Conference of African Association Agricultural Economics (5th CAAAE 2016).
- Paper proposal or abstract on developing a sustainability model for communal feedlot in the poverty stricken rural areas of the Eastern Cape Province, Republic of South Africa (by V.M. Mmbengwa, B. Nyhodo, T.M. Khoza, R. Boloka, and X. Ngetu). Submitted for the SASAS conference 2016.
- Paper proposal on the models to improve the production of whey powder in South African dairy industries was submitted to IDC.

### **Smallholder Market Access Compliance Report**

The NAMC in collaboration with the South African Food Labs (SAFL) embarked on a project to investigate market segments that smallholder farmers are supplying and evaluate the level of compliance of these farmers to specific market segments. The study also investigates market segments that smallholders could potentially supply with agricultural commodities. The project's first phase concentrated on market segmentation and the second phase will concentrate on quality compliance. The study areas were KwaZulu-Natal and Limpopo Province.

### **Smallholder market access feasibility study report**

The NAMC in partnership with the House of Hemp (HoH) embarked on a hemp project to investigate viability of commercial hemp enterprises as well as the possibility of legalising commercial hemp production.

- The first draft of a hemp feasibility study was produced.

The following M&E and baseline studies were conducted:

- M&E baseline study for the National Red Meat Development Programme (NRMDP)
- Assessment of Northern Cape Fishing Communities baseline report
- An updated M&E baseline study for the National Red Meat Development Programme (NRMDP)
- A baseline study report for Tubatse beef producers
- The final baseline report for marketing information pilot study.





## PROGRAMME 3: STATUTORY MEASURES

### Introduction

In terms of the MAP Act, the following statutory measures could be implemented:

- Statutory levies (section 15 of the MAP Act)
- Control of exports of agricultural products (section 16)
- Records and returns (section 18)
- Registration (section 19).

Statutory measures are normally promulgated for a period of four years, after which the relevant industry must apply to the Minister for the continuation of measures if they wish to continue to make use of statutory measures. The MAP Act stipulates the procedures that have to be followed in order to investigate an application for the establishment, continuation, amendment or repeal of statutory measures. Some of the procedures involve the following, namely that the Council shall:

- publish a notice setting out particulars of the request and an explanation in connection therewith in the Government Gazette and such magazines or newspapers as may be sufficient in order to bring the request to the attention of directly affected groups, and inviting such directly affected groups to submit any comments relating to the request within a specified time (normally 14 days);
- consider such comments to ensure that there is sufficient support amongst directly affected groups for the proposed statutory measure; and
- report on its findings and make a recommendation to the Minister.

Statutory levies are implemented for the purpose of funding essential generic functions, such as research, information, generic promotion,

transformation, etc. in a particular agricultural industry. All levy applications must have a business plan and reasonable level of industry support.

In an attempt to influence how the statutory levy funds should be spent, the NAMC requires that approximately 70 % of levy funds should be spent on functions such as research, information, export promotion, etc., at least 20 % on transformation and not more than 10 % on the administration of the levy. A levy must not exceed 5 % of the price realised by a specific agricultural product at the first point of sale (average price at the first point of sale over a period not exceeding three years). The NAMC has compiled guidelines on what should be regarded as administration costs, generic promotions and transformation. These guidelines were compiled after the relevant agricultural industries were consulted.

### **The following statutory measure investigations were undertaken during the 2015/16 financial year:**

#### **1. AMIE application for statutory measures**

On 26 February 2014, the Association of Meat Importers and Exporters (AMIE), applied for the establishment of statutory measures relating to levies, registrations, the keeping of records and rendering of returns in the South African poultry industry. AMIE proposed a statutory levy of 2c/kg (excluding VAT) on imported chicken products. AMIE requested ministerial approval for the establishment of the proposed statutory measures for a period of four years. The estimated income from the proposed statutory levies was calculated as between R5.1 million (for 2014/15) and R5.9 million (for 2017/18) per year.

On 28 March 2014 the NAMC published a Notice in the Government Gazette to request all directly affected groups to comment on the proposed statutory measures. On 27 May 2014, after the NAMC perused some negative comments regarding the application, the NAMC decided that there should be a discussion between AMIE, the Southern Africa Poultry Association (SAPA) and DAFF, regarding the proposed statutory measures. On 19 August 2014, the NAMC had discussions with AMIE and SAPA. Eventually it was decided to adhere to the original request of AMIE, namely to include the function of "Trade promotions" to be financed with the proposed statutory levy income. Trade promotions will facilitate the import of certain chicken products and where possible, the export of other chicken products. On 12 September 2014, the NAMC published an amended Notice in the Government Gazette to request directly affected groups to comment on the proposed statutory measures with the inclusion of trade promotions. Again, a few institutions objected to the application from AMIE, but having taken all the facts into consideration, the NAMC was still of the opinion that the Minister should consider approving the proposed statutory measures. On 7 October 2014, the NAMC recommended that the proposed imported chicken products statutory measures be approved by the Minister. The NAMC's submission and certified Notices were sent to the Minister's Office for consideration on 27 November 2014.

On 23 January 2015, following concerns from directly affected groups, regarding statutory levies on imported agricultural products, the NAMC requested a legal opinion from Hilton

Lambert Law Practitioners, regarding the compatibility of statutory levies on imported agricultural products in terms of WTO obligations. On 28 January 2015, the NAMC received the legal opinion from Hilton Lambert which indicated that:

- Any levy imposed on an imported agricultural product in excess of the levy imposed on a like domestic product, will violate South Africa's commitments under GATT (1994) Article III.
- Any levy imposed on an imported agricultural product, which can be regarded as excessive compared to the levy imposed on a directly competitive or substitutable domestic product and which may as a consequence be seen as affording protection to the domestic product, will most likely amount to a violation of South Africa's commitments under GATT (1994) Article III.

On 9 February 2015, the NAMC held a meeting with Hilton Lambert Law Practitioners regarding the above legal opinion. From the meeting the NAMC came to the conclusion that the NAMC should amend its previous recommendation to the Minister in this regard. On 20 February 2015, the NAMC received a second legal opinion from Gustav Brink. This legal opinion supported AMIE's statutory levies and indicated that it will not violate any WTO obligations. On 10 March 2015, the NAMC received a third legal opinion from Bowman Gilfillan. This legal opinion also supported AMIE's statutory levies application and also

indicated that WTO will not be violated. After the NAMC analysed the three legal opinions, we decided to withdraw our original recommendation to the Minister dated 27 November 2014 and to amend our original recommendation to the Minister. On 20 March 2015, the NAMC's amended submission and certified Notices were sent to the Minister's Office for his consideration.

On 7 July 2015, the Minister decided not to approve the introduction of the proposed statutory measures in the South African poultry industry, based on the advice from advisors within the Department of Agriculture, Forestry and Fisheries. The Minister was *inter alia* advised that due to the "African Growth and Opportunity Act (AGOA) discussions and demands of the United States to remove the poultry anti-dumping duty", it was not a good time to approve the proposed AMIE statutory measures. On 14 August 2015, the NAMC wrote a letter to AMIE informing them of the Minister's decision.

## **2. Deciduous fruit statutory measures**

On 16 January 2015, Hortgro applied on behalf of the SA Apple and Pear Producers Association (SAAPPA) and the SA Stone Fruit Producers Association (SASPA) for the continuation of statutory measures (registration, records & returns and levies) on pome fruit (apples and pears) and stone fruit (plums, peaches/nectarines and apricots) in terms of the MAP Act. Hortgro requested that the proposed statutory measures be approved for a new four-year period with effect from 1 October 2015 and to lapse four years later.

On 10 September 2015 the NAMC sent its memorandum with recommendation to the Minister for consideration. As part of the consideration process within DAFF, they proposed additional conditions which Hortgro should comply with. It entails *inter alia* that Hortgro should provide additional information, namely a Comprehensive Transformation Plan, which should include a comprehensive Employment Equity Plan, a Broad Based Black Employment rating certificate, and a plan to improve the BEE rating as well as a plan to improve the representation of women and historically disadvantaged individuals on Hortgro's Board. Hortgro should provide the additional information within the following two years; if not received, the statutory measures will be reconsidered.

On 16 October 2015, the Minister approved the requested statutory measures in the deciduous fruit industry. The relevant notices were published in the Government Gazette of 6 November 2015.

## **3. Fynbos statutory measures**

On 8 October 2015, Cape Flora SA (CFSA) applied for the continuation of their statutory measures (registration, records & returns and levies) on fynbos products exported in terms of the MAP Act. The previous statutory measures on fynbos expired on 30 September 2015. It was proposed that the requested statutory measures be implemented for a new four-year period, effective from date of publication.

The proposed statutory levy will be used to finance the following, namely:

- Research projects, information and technology transfer;
- Information and statistics;
- Quality control and certification system;
- Transformation, ethical trade and training; and
- Administration – secretariat, financial administration & levy collection.

The application was published for comments in the Government Gazette and other media on 30 October 2015. On 7 March 2016 the NAMC recommended to the Minister to approve the proposed fynbos statutory measures. By the end of the financial year the Minister's decision in this regard was still outstanding.

#### **4. Mango statutory measures**

On 5 November 2014, the South African Mango Growers' Association (SAMGA) applied for the continuation of statutory measures (levies, registration and records & returns) on fresh mangoes delivered for processing. The previous statutory measures in the mango industry had lapsed on 29 October 2014.

The NAMC published details of the application in the Government Gazette in order for directly affected groups in the mango industry to provide comments. Four (4) comments were received from DAGs who did not support the application. On 23 April 2015, discussions were held with the organisations/persons who commented and/or objected to the application. During this meeting, it was concluded that the application is

critical for the growth of the industry and furthermore, that the application is critical for disease control and growth of the smallholder farmer.

After the meeting of 23 April 2015, the NAMC informed the mango industry that the application could only be processed if:

- A business plan for transformation is submitted by SAMGA; and
- A processors industry forum is formed.

The NAMC Secretariat also assisted the industry to arrange a forum meeting scheduled for 6 August 2015 in Nelspruit. All role players were invited to attend the meeting. Furthermore, the transformation business plans will be finalised by SAMGA and be submitted to the NAMC.

The Council is requested to make a recommendation to the Minister in order to expedite the process. The establishment of the mango industry processors' forum will be one of the conditions of approval for the proposed mango statutory measures.

On 9 September 2015, the NAMC's submission regarding the proposed mango statutory measures and certified Notices, were submitted to the Minister's Office. However, on 28 September 2015 the NAMC's submission was returned to us and DAFF requested additional information regarding transformation and an employment equity plan in the mango industry.

On 26 October 2015, the NAMC was informed that SAMGA had decided to withdraw their application but they indicated that they will resubmit an amended application during 2016.

## **5. Milk statutory measures**

On 27 August 2015, the NAMC received an application from the Milk Producers' Organisation (MPO) for the continuation of statutory measures relating to records & returns and registration of certain role players in the milk industry. The previous statutory measures lapsed on 1 November 2015. To enable the MPO to continue its functions, the MPO requested ministerial approval that the statutory measures be continued for a further period of four years, to lapse on 1 November 2019.

On 11 September 2015, the NAMC issued a press release and published a notice in the Government Gazette requesting directly affected groups to comment on the proposed statutory measures. On 29 September 2015, the NAMC discussed the MPO's application for the continuation of their statutory measures. During the NAMC discussions, the NAMC was reminded of the outcome of the meeting dated 28 August 2013, which was attended by different role players in the dairy industry, including representatives of the MPO.

On 12 October 2015, the NAMC wrote a letter to the MPO requesting them to brief the NAMC on how the proposals adopted on 28 August 2013 were implemented in order to enable the NAMC to process the application for the continuation of their statutory measures regarding registration and records & returns. Furthermore, the NAMC requested the MPO to include an Employment Equity Plan with their application for statutory measures. On 11 November 2015, the NAMC received a letter from the MPO indicating, that the statutory measures administered

by the MPO are not directly linked to the statutory measures administrated by Milk SA. The MPO further indicated that the MPO NPC and the Milk SA NPC are two separate entities which operate independently from each other although the MPO is one of the two functionaries of Milk SA with directors who serve on the organisation's board. The MPO further indicated that they accept that they have a responsibility to ensure that statutory funds are applied in accordance with the objectives of the MAP Act. On 16 November 2015, the NAMC representatives meet with the MPO representatives to discuss the MPO's application for statutory measures (registration and records & returns). On 24 November 2015, the NAMC discussed the MPO application and came to the conclusion that since the NAMC concerns have been addressed, the application with recommendation from the NAMC can be sent to the Minister for his consideration. On 4 December 2015, the Minister of Agriculture, Forestry and Fisheries approved the introduction of the proposed statutory measures (records & returns and registration) in the South African milk industry, for a period of four years to lapse on 1 November 2019. The relevant Notices were published in the Government Gazette of 22 January 2016.

## **6. Oilseeds statutory measures (registration, records and returns)**

On 19 June 2015, the NAMC received a request from the Sunflower, Soybean and Groundnut Forums, on behalf of directly affected groups in the oilseeds industries, for the introduction and promulgation of statutory measures, namely registration and the keeping of information and submitting monthly

returns in respect of oilseeds products manufactured, imported and/or exported.

This was a first time application in terms of the MAP Act. The industry decided to apply for statutory measures due to the current limited reliable information in South Africa regarding manufacturing, import and export of oilseed products.

The NAMC investigated the application, but due to a number of oversights, the application was referred back to the applicant, who is currently revising the entire application. Eventually, the application was withdrawn by the Sunflower, Soybean and Groundnut Forums on 14 July 2015.

## 7. Pecan nut statutory measures

On 5 June 2015, the South African Pecan Nut Producers' Association (SAPPA), on behalf of the directly affected groups in the pecan nut industry applied to the Minister for the approval of the following statutory measures for a four-year period:

- The registration of all producers, growers, processors, packers, importers and exporters of pecan nuts and/or pecan nut products.
- The keeping of records and submission of returns by all producers, processors, importers and exporters of pecan nuts and/or pecan nut products, as may be required by SAPPA, relating to pecan nut trees; volumes of pecan nuts and/or pecan nut products produced; and volumes of pecan nuts and/or pecan nut products imported and/or exported.
- Furthermore, that the levy of R0.15 per kilogram (excluding VAT),

which lapsed on 9 March 2016, be continued and amended to the following levy rates per kg of pecan nuts for the next four-year period:

	2016/17	2017/18	2018/19	2019/20
In-shell pecan nuts	25c/Kg	25c/Kg	30c/Kg	30c/Kg
Pecan nut kernels	50c/Kg	50c/Kg	60c/Kg	60c/Kg

An explanatory note regarding the proposed statutory measures was published in the Government Gazette of 26 June 2015 and such media as needed to bring the request to the attention of directly affected groups. Copies of the explanatory notes were sent to each directly affected group registered with the NAMC for nuts. The deadline for comments from DAGs was 10 July 2015.

On 30 July 2015, the NAMC recommended that the Minister approve the proposed statutory measures, and on 21 August 2015, after receiving the certified Notices from DAFF, the submission was sent to the Minister's Office for consideration.

On 6 October 2015, the Minister approved the continuation and amendment of the statutory measures for a four-year period. The continuation and amendment of the statutory measures on pecan nuts was promulgated in the Government Gazette of 6 November 2015.



## 8. Pomegranate statutory measures

On 16 March 2015, the Pomegranate Association of South Africa (POMASA), on behalf of the pomegranate industry, applied for the implementation of statutory measures (levies, registration and records & returns) on pomegranates for a period of four years. The proposed statutory levy will finance the following functions, namely:

- Research and technology development & technology transfer
- Information and statistics
- Quality standards
- Communication, consumer education and market development, and
- Transformation.

On 8 September 2015, after the NAMC finalised its investigation, we recommended to the Minister to approve the proposed pomegranate statutory measures. The approval was obtained on 10 October 2015 and the relevant notices were published in the Government Gazette of 23 October 2015, to be effective from 1 January 2016.

## 9. Pork statutory measures

On 20 January 2016, the South African Pork Producers' Organisation (SAPPO) applied for the continuation of statutory measures (levies, registration and records & returns), in the South African pork industry. The current statutory measures for the pork industry will expire on 31 October 2016. SAPPO requested ministerial approval for the establishment of the proposed statutory measures for a new period of three years, from 1 November 2016 to expire on 31 October 2019.

The existing statutory levy is R9.38 per slaughtered pig or live pig exported (excluding VAT). SAPPO proposed that the statutory levy increase to R10.50 per pig (VAT excluded) for the period 1 November 2016 to 31 October 2017, to R11.03 per pig (VAT excluded) for the period 1 November 2017 to 31 October 2018 and to R11.58 per pig (VAT excluded) for the period 1 November 2018 to 31 October 2019. The estimated income from the proposed levies is between R28.8 million (for 2016/17) and R31.8 million per annum (for 2018/19). The proposed statutory levies will only be 0.67 % of the calculated guideline price for a pork carcass (an average over three years) at the first point of sale. On 12 February 2016 the NAMC published a Notice in the Government Gazette requesting all directly affected groups to comment on the proposed statutory measures. By the end of March 2016, the NAMC was still in the process of finalising its investigation in this regard, whereafter the NAMC will submit its recommendation to the Minister.

## 10. Potato statutory measures

On 4 August 2014, Potatoes South Africa (PSA) applied for the continuation of statutory measures in the potato industry for a new term of four years. The then existing statutory measures lapsed on 3 August 2015. PSA requested the introduction and promulgation of the following statutory measures in the potatoes industry:

- Section 15 of the Marketing of Agricultural Products Act (MAP): Levies relating to potatoes
- Section 18 of the MAP Act: Records and returns, and
- Section 19 of the MAP Act: Registration.

In November 2014 the NAMC supported the application and recommended to the Minister to approve the proposed statutory measures. The NAMC's submission and draft Notices were sent to the Minister's Office on 4 December 2014. On 25 May 2015, the Minister approved the proposed potato statutory measures and the Notices were published in the Government Gazette of 12 June 2015 for implementation on 1 July 2015.

#### **11. SAGIS request for the continuation of statutory measures**

The current statutory measures with regard to the registration of collaborators and the submission of monthly returns to the South African Grain Information Service (SAGIS), as well as the statutory measures related to weekly records and returns by role players for imports and exports of whole maize and whole wheat, which will expire on 30 April 2016.

To enable SAGIS to continue its functions, SAGIS requested on 4 August 2015 that the relevant statutory measures be amended and extended for a further period of four years, to lapse on 30 April 2020. The only amendments proposed were the status of "SAGIS", to change to a 'non-profit company (NPC)' instead of the previous 'Association Incorporated under section 21', as well as the change of the address of SAGIS.

On 29 September 2015, the NAMC supported the application from SAGIS and decided to recommend to the Minister to approve their application. On 11 November 2015, after the certified Notices were received from DAFF's Legal Services, the NAMC's

memorandum was submitted to the Minister for a decision in this regard.

On 25 November 2015, the Minister approved the continuation of the statutory measures for a further period of four years, to lapse on 30 April 2020. The relevant Notices were published in the Government Gazette of 29 January 2016.

#### **12. Wool statutory measures**

On 19 October 2015, the NAMC received an application from Cape Wools South Africa for the continuation of statutory measures relating to records & returns and registration of certain role players in the wool industry. The current statutory measures will lapse on 30 June 2016. To enable Cape Wools SA to continue its functions, Cape Wools SA requested ministerial approval that the statutory measures be continued for a further period of four years, to lapse on 30 June 2020.

On 4 December 2015, the NAMC issued a press release and published a Notice in the Government Gazette requesting directly affected groups to comment on the proposed statutory measures. The NAMC investigated the application and came to the conclusion that the statutory measures will promote the objectives of the MAP Act and that there is sufficient support from role players in the wool industry.

On 1 March 2016, the NAMC recommended the application from Cape Wools SA for the Minister's consideration and approval. By the end of March 2016, the Minister's decision was still outstanding.

## Other investigations during the 2015/16 financial year:

### 13. Deciduous fruit industry: RSA Class 1 export of pome fruit into Africa

In the deciduous fruit industry, the RSA Class 1 standard to Africa was developed over a number of years and was described in the regulation as "Standards for Destination B Countries". The standard was developed as these countries' requirements were different from the standards set by the European Union. Early in 2015, DAFF indicated that the RSA Class 1 standard will be discontinued as an export standard to Africa.

To deliberate this issue, the fruit industry requested that Mr T Ramabulana, CEO of the NAMC, act as a facilitator between the pome fruit industry and DAFF, to resolve RSA Class 1 exports into Africa. On 4 November 2015, a meeting was held at SAPO's offices, Fleurbaix, Stellenbosch. Although the fruit industry and DAFF had different viewpoints, they agreed on the following:

- To draft a footnote with Class 1 specifications which allowed fruit with specific deficiencies destined for Africa
- Indicating target market on box and label: *Destination FE* (Far East) or *AF* (Africa) – NOT "Africa only"
- Establishing a technical committee to decide on marks and defects allowed and then submit the proposal to DAFF, and
- To draft a long term vision and strategy on expansion and growth in Africa where DAFF, DTI, Fruit SA and NAMC are involved.

All present during the meeting, it was unanimously agreed that it is vital to reach consensus in finding a way which is

acceptable for the regulatory side as well as for the commercial and trade sectors and to reach a win-win situation for all.

On 4 December 2015 the submission was submitted to the Minister's Office informing him of the RSA Class 1 situation as well as the outcome of the meeting.

### 14. Procedures regarding the appointment of inspectors

During April 2015, the Deputy Minister requested a document to clarify the procedures to be followed with regard to the appointment of inspectors in terms of the MAP Act. A memorandum was drafted to provide information on the procedures followed by the NAMC in dealing with requests from industries for the appointment of inspectors. On 11 May 2015 this memorandum was submitted to the Deputy Minister for his consideration.

### 15. Wine Industry Development Association (WIDA)

On 3 June 2015, the Wine Industry Development Associations (WIDA) requested the NAMC to reimburse them for their retrenchment costs of R143 409, which was paid to WIDA's staff during November 2014. A submission in this regard was debated by the NAMC during its July 2015 meeting. On 14 July 2015, the NAMC decided to request the following additional information from WIDA, namely:

- Detailed information about the persons who received the retrenchment packages paid during November 2014 (the names of the persons and the amounts received); and
- The audited financial statements for the period until 31 December 2014.

According to the audited financial statements, WIDA's income for 2014 was R708 537 and its expenditure was R2 073 713, leaving WIDA with a deficit of R1 365 176 for the year ended December 2014. This deficit was paid from WIDA's accumulated surplus funds (or non-distributable statutory reserve). The status of this statutory reserve decreased from R1 798 317 on 31 December 2013 to R433 141 on 31 December 2014 (the difference is R1 365 176, which was the deficit for 2014).

Apart from the retrenchments costs, WIDA also applied to the NAMC for the latter to pay their operational funding for the next three years, from 2015 to 2017 (which amounted to R5 519 475 for the three years).

The NAMC was of the opinion that it is not our role or function to provide funding for industry organisations. Furthermore, the NAMC is operating on a tight budget and did not budget to finance operational costs of commodity organisations such as WIDA. The NAMC was therefore of the opinion that WIDA should rather approach the newly established Wine Industry Transformation Committee for financial assistance.

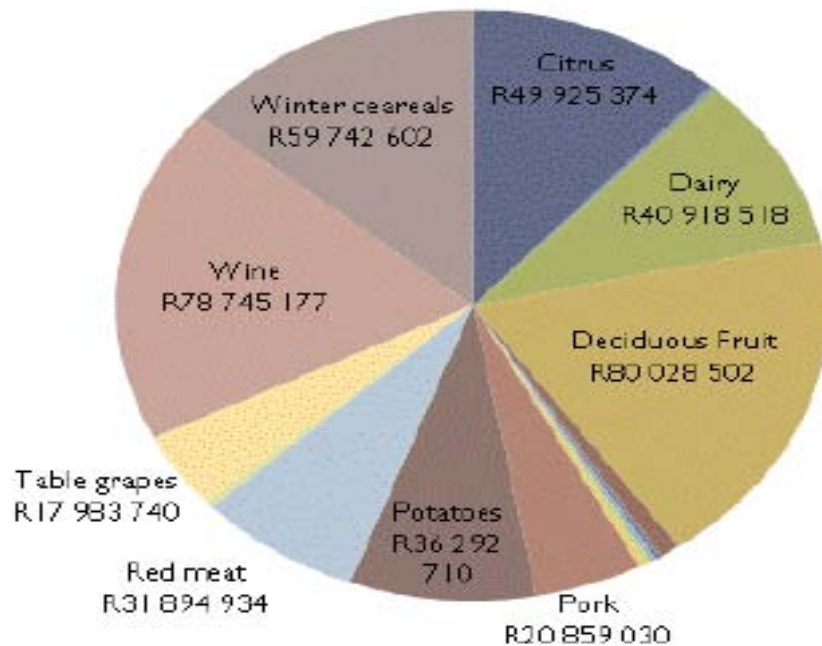
#### **Statutory measures promulgated during the 2015/16 financial year:**

Date	Notice No	Statutory measure
12 June 2015	No.R.473	Potatoes: Registrations
12 June 2015	No.R.474	Potatoes: Records & Returns
12 June 2015	No.R.475	Potatoes: Levies
23 October 2015	No.R.1020	Pomegranates: Registrations
23 October 2015	No.R.1021	Pomegranates: Records & Returns
23 October 2015	No.R.1022	Pomegranates: Levies
6 November 2015	No.R.601	Peaches & Nectarines: Levies
6 November 2015	No.R.602	Apples: Levies
6 November 2015	No.R.603	Plums: Levies
6 November 2015	No.R.604	Apricots: Levies
6 November 2015	No.R.605	Apples, Apricots, Nectarines, Peaches, Pears and Plums: Records & Returns
6 November 2015	No.R.606	Pears: Levies
6 November 2015	No.R.607	Apples, Apricots, Nectarines, Peaches, Pears and Plums: Registrations
6 November 2015	No.R.608	Pecan nuts: Levies
6 November 2015	No.R.609	Pecan nuts: Records & Returns
6 November 2015	No.R.610	Pecan nuts: Registrations
22 January 2016	No.R.42	Milk: Registrations
22 January 2016	No.R.46	Milk: Records & Returns
29 January 2016	No.R.68	Amendment of statutory measures relating to Grain & Oilseeds (SAGIS)

### Total statutory levy income

In 2015, the statutory levies collected totalled R427.8 million – 4.6 % higher than the previous year's reported R409.1 million. This increase is remarkable considering the fact that the poultry levy, which had generated an income of approximately R26 million per year, was discontinued as from 2013.

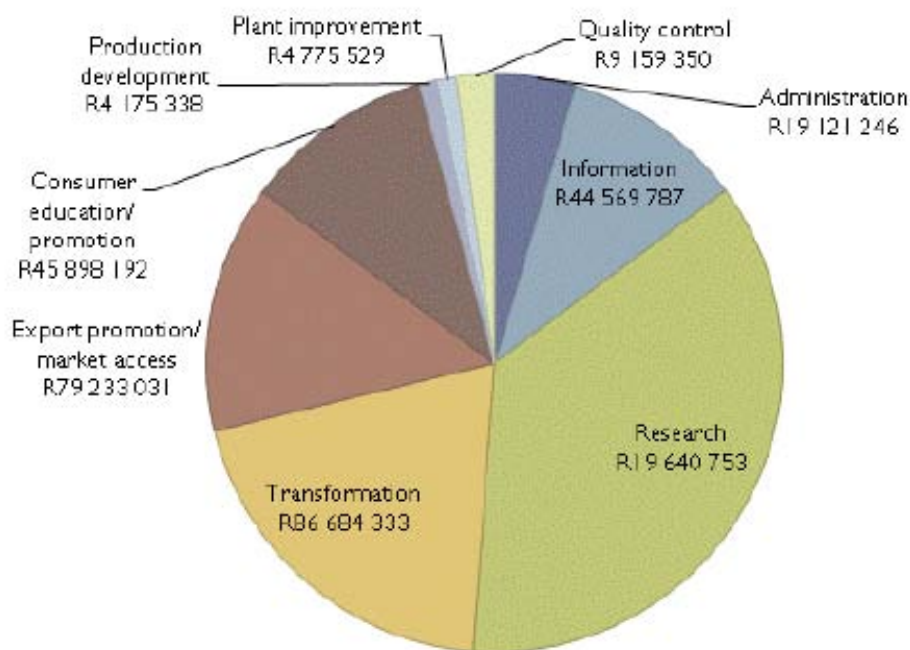
The various industries' contribution to the total levy income is summarised in the following figure:



## Total statutory levy expenditure

In 2015, approximately R473.2 million was spent on industry functions – an increase of 12.3 % compared to the previous survey. Of the total expenditure, approximately 38.0 % was spent on research, 18.3 % on transformation projects, 9.7 % on local consumer education, 16.7 % on export promotion, and 9.4 % on information.

Total levy allocation to functions in 2015 were as follows:





## Levy allocations to functions, per industry, and in total

	Administration	Information	Research	Transformation	Export promotion/ market access	Consumer education/ promotion	Production development	Plant improvement	Quality control	Total per industry and % of total
Citrus	1,644,695	2,335,832	29,016,094	9,221,571	7,047,361					49,265,553
% of total expenditure	3.3%	4.7%	58.9%	18.7%	14.3%					10.4%
Cotton	83,582	4,140,262	263,000	584,666		433,961			1,423,462	6,928,933
	1.2%	59.8%	3.8%	8.4%		6.3%			20.5%	1.5%
Dairy		2,018,201	944,487	11,308,185		20,595,130				34,866,003
		5.8%	2.7%	32.4%		59.1%				7.4%
Deciduous fruit	2,181,885	5,359,833	43,062,166	8,905,701	20,796,864			3,715,256	72,000	84,093,705
	2.6%	6.4%	51.2%	10.6%	24.7%			4.4%	0.1%	17.8%
Dried fruit	432,074	365,201	1,936,629	1,226,310				1,060,273		5,020,487
	8.6%	7.3%	38.6%	24.4%				21.1%		1.1%
Fynbos (proteas)	33,666	84,166	13,466	67,333	138,035					336,666
	10.0%	25.0%	4.0%	20.0%	41.0%					0.1%
Lucerne	68,050	82,673	485,324	269,945					52,151	958,143
	7.1%	8.6%	50.7%	28.2%					5.4%	0.2%
Mangoes	46,677		338,411	100,000		280,064	401,782			1,166,934
	4.0%		29.0%	8.6%		24.0%	34.4%			0.2%
Olives	84,227	210,568	242,153	231,625		284,268				1,052,841
	8.0%	20.0%	23.0%	22.0%		27.0%				0.2%
Pecans	111,008	333,762	743,314	207,513			144,536			1,540,133
	7.2%	21.7%	48.3%	13.5%			9.4%			0.3%
Pork	1,142,197	956,487	1,370,154	3,960,325		7,802,523			2,050,479	17,282,165
	6.6%	5.5%	7.9%	22.9%		45.1%			11.9%	3.7%
Potato	2,770,732	6,865,069	9,396,714	7,101,130		9,509,854				35,643,499
	7.8%	19.3%	26.4%	19.9%		26.7%				7.5%
Red meat	3,459,727	3,338,558	3,856,014	8,765,341		6,992,390	3,629,019		5,561,257	35,602,306
	9.7%	9.4%	10.8%	24.6%		19.6%	10.2%		15.6%	7.5%
Sorghum	73,139	488,408	1,296,435	167,031						2,025,013
	3.6%	24.1%	64.0%	8.2%						0.4%
Table grapes	2,457,343	2,435,203	6,807,216	4,714,291	2,773,466					19,187,519
	12.8%	12.7%	35.5%	24.6%	14.5%					4.1%
Wine and grapes	1,329,291	12,399,706	16,878,915	18,031,324	48,477,304					97,116,540
	1.4%	12.8%	17.4%	18.6%	49.9%					20.5%
Winter cereal	3,202,952	3,145,191	62,990,256	11,822,039						81,160,438
	3.9%	3.9%	77.6%	14.6%						17.1%
<b>Total</b>	<b>19,121,246</b>	<b>44,559,122</b>	<b>179,640,753</b>	<b>86,684,333</b>	<b>79,233,031</b>	<b>45,898,192</b>	<b>4,175,338</b>	<b>4,775,529</b>	<b>9,159,350</b>	<b>473,246,878</b>
% spent on function	4.0%	9.4%	38.0%	18.3%	16.7%	9.7%	0.9%	1.0%	1.9%	100.0%

## Allocation of statutory levies

### Administration

The NAMC's guidelines on the utilisation of levy funds stipulate that not more than 10 % of levies collected should be used for administrative purposes. In 2015, an average of approximately **4.0 % (R19.1 million)** of levies collected was spent on administration costs, which is below the guideline of 10 %. Audit fees are one of the major components of administration costs.

### Information

For the past ten years, the levy expenditure on information more than doubled. For 2015, approximately **9.4 % (R44.6 million)** of total levy expenditure was allocated to the information function. The wine industry spent R12.4 million, the potato industry R6.9 million and the deciduous fruit industry R5.4 million on information and industry liaison.

### Research

Research is the generic function that receives the largest proportion of total statutory levies. A steady increase in levies spent on research is evident over the past ten years. In 2015 approximately **38.0 % (or R179.6 million)** of total levy expenditure was allocated to the research function. The satisfactory performance of the South African agricultural sector, despite the lack of high-potential arable land and low rainfall, can to a great extent be attributed to the development and application of agricultural research results.

### Transformation

In 1998, when the first statutory levies were approved, the guideline was that approximately 10 % of levy income must be spent on transformation activities. In August 2005 this guideline was changed to approximately 20 %, and in 2010 it was changed again, with the provision that at least 20 % of levy income be used for transformation activities. In 2014 the NAMC adopted new transformation guidelines, in line with the AGRBEE scorecard, in an effort

to increase the return on investment of funds being used for transformation. Although the "at least 20 %" provision was not changed, the NAMC adopted specific generic transformation guidelines with the focus on enterprise development.

In terms of the new transformation guidelines, levy administrators should, on an annual basis and three months before the start of a financial year, submit a business plan in respect of transformation activities envisaged for the coming financial year. Six months after the close of a particular financial year, levy administrators should also report on actual transformation activities, by comparing their activities with the budget for that financial year. The NAMC established a Transformation Review Committee to manage this process. This Committee will henceforth report to the Minister on transformation activities, as part of the Status of Statutory Measures Report.

The NAMC further endorsed the view of the Department of Agriculture, Forestry and Fisheries that all its stakeholders should adhere to the Employment Equity Amendment Act, No 47 of 2013, which strives to achieve equity in the workplace by promoting equal opportunities and fair treatment in employment, and to ensure equitable representation in all occupational levels in the workforce. Therefore, administrators of statutory levies will be requested to submit an employment equity plan, setting out the steps they intend taking to achieve employment equity, with every statutory levy application to the NAMC and the Minister.

In 2015, approximately **18.3 % (R86.7 million)** was spent on transformation projects, compared to R97.9 reported in the previous survey, of which the poultry industry contributed R11.3 million (the poultry levies lapsed in 2013).

### Consumer education / local promotions

In 2015, approximately **9.7 % (R45.9 million)** of total levy expenditure was spent on consumer education / promotions, compared to the R41.8 million (9.9 % of total expenditure) reported in the previous year.

The dairy industry allocates 59 % of levy funds towards this function, while the pork and red meat industries respectively allocate 45 % and 19 % of levy funds towards consumer education and local promotions to market their produce. The cotton, mango, potato and olive industries also allocate a percentage of statutory funds towards this function.

### Export promotion and market access

In 2015, approximately **16.7 % (R79.2 million)** of total levy expenditure was allocated to export promotion and market access, compared to the approximately R61.3 million reported in the previous year. The horticultural industries, namely the citrus, deciduous fruit, table grape and wine industries, spent a major portion of their statutory funds on export promotion activities. In recent years, role players involved in the horticultural industries have been convinced that expenditure on export promotion activities offers a satisfactory return on investment and also assists them in selling their produce at higher prices on overseas markets.

### Quality control

The function of quality control is mainly undertaken by the cotton, dairy, lucerne, pork and red meat industries, with the objective of ensuring that consumers have peace of mind when using these products. An amount of **R9.2 million (1.9 % of total levy expenditure)** was spent on quality control.

### Plant improvement

The deciduous fruit and dried fruit industries spent approximately **R4.8 million (1.0 % of total levy expenditure)** on plant improvement.

### Production development

The mango, pecan nut and red meat industries spent **R4.2 million (0.9 % of total levy expenditure)** on production development.

## PROGRAMME 4: AGRICULTURAL TRUSTS

### Introduction

The Agricultural Trusts Division mandate is to facilitate the communication process between the agricultural industry trusts and the Minister of Department of Agriculture, Forestry and Fisheries (DAFF).

On an annual basis, the Agricultural Trusts Division prepares submissions to the Minister for the appointment of Ministerial Trustees to sit in the respective trusts. Furthermore, the NAMC sits in the boards of trustees as an observer to ensure that the transformation agenda of government is prioritised. In this report, we outline the activities of the Agricultural Trusts Division for the year, more specifically the meetings attended by the Ministerial Trustees and Agricultural Industry Trusts.

### Appointment and induction of new Ministerial Trustees

During the period under review, the terms of office for Ministerial Trustees in the Mohair Trust, Citrus Industry Trust, Oil and Protein Seeds Development Trust, Winter Cereal Trust and Potato Industry Development Trust ended. Submissions with the proposed names of new trustees were prepared and submitted to the Minister for approval.

The following Ministerial Trustees for the above mentioned trusts were appointed, namely, Mrs Neo Maphanga, Mr Victor Mongoato and Mr Andrew Bartlett to represent the minister in the Winter Cereal Trust, Mr Godfrey Rathogwa in the Oil and Protein Seed Development Trust, Mr Shadrack Mabuza in the Potato Industry Development Trust and Ms Hlami Ngwenya in the Citrus Industry Trust.

## Capacity building of trustees

On the 23 March 2016, the NAMC hosted an agricultural trusts workshop at Saint George Hotel and the purpose of the workshop was to create an information sharing platform between the trustees, Administrators and the Minister. Workshop Report was produced. During the Council Meeting held on the 26 May 2015, a decision was taken to establish an agricultural Trust Committee that develops a detailed policy on Agricultural Industry Trusts.

### Reports

#### Status report

The agricultural trust division has completed a Status report on Agricultural Industry Trusts (AIT) for the 2015/16 financial year.

#### National Red Meat Development Programme (NRMDP)

The NRMDP focuses primarily on connecting farmers to formal markets and systemising the informal markets. The programme has three main thrusts:

- A programme to enable farmers to understand the structure, operation and requirements of formal red meat markets
- Initiatives to develop marketing channels that will increase their participation in formal red meat markets
- Training and practical assistance to align the age, health and breeding of animals more closely to market demand.

The programme introduces farmers to formal markets and operates through guided visits to formal market institutions, such as auctions and abattoirs, complemented by on-site training on how these institutions work and on what the requirements are for participating in them successfully. Information about grading, pricing and current prices is disseminated on an ongoing basis.

In 2015/2016, the NRMDP operated through 11 custom feeding programme facilities which are spread in three provinces: KwaZulu-Natal (3), Eastern Cape (7) and Northern Cape (1). These facilities have taken in 2 594 animal for feeding. These animals were sold through formal and informal markets. During the period in review, there were 10 auctions conducted, six auctions in Eastern Cape and four in KwaZulu-Natal. The programme generated R23 149 000 as an income for farmers.

The NAMC also implemented a drought response for the KZN province which was meant to safeguard the condition of the stock and also help farmers to market their animals in a better condition. Bales were sourced and distributed from as far as Hartswater and Brits, with two sites being established as long-term feeding sites (Jozini, Zululand) and Mhlumayo had to increase its feeding capacity.



## PROGRAMME 5: AGRIBUSINESS DEVELOPMENT

In 2015/16 financial year, the NAMC collaborated with both public and private institutions to design and facilitate the implementation of programmes that aimed at supporting smallholder farmers to increase their market access, encourage new business development and capacitate historically disadvantaged individuals in the agricultural sector. In addition to other Government policies, three (3) of the four (4) objectives of the MAP act provide guidance to the Agribusiness division in designing its programmes. That is:

- Increasing of market access for all market participants
- The optimisation of export earnings from agricultural products
- The promotion of the efficiency of the marketing of agricultural products.

The performance of the NAMC's agribusiness development division for the 2015/2016 financial year is presented below.

### Development Schemes

The NAMC designed and facilitated the implementation of development schemes with both private and public institutions. The schemes are designed and implemented to uplift the black producers in the agricultural sector and to encourage their integration into the commercial mainstream. The following schemes were implemented across the provinces.

#### Vineyard Development Scheme

The NAMC facilitated the implementation of a Vineyard Development Scheme in Northern Cape Province in partnership with the Northern Cape Department of Agriculture, Land Reform and Rural Development. The aim of the project is to establish 500 ha of wine, raisins and table grapes in the Northern Cape Province. The scheme focuses on three commodities, viz: raisins, wine grapes and table grapes. There

are 9 projects operating under the Vineyard Development Scheme. In 2015/2016 financial year, 116 ha of vineyards were developed.

The NAMC attended four quarterly meetings with stakeholders to track progress on project activities, which includes among other things, soil preparation, the supply, delivery and installation of trellis systems, irrigation material, machinery and equipment to support the farms that are part of the scheme in the province. The NAMC also presented the Monitoring and Evaluation report to the Project Steering Committee where the impact of the interventions on the livelihoods of beneficiaries was assessed.

#### Hemp Development Scheme

The NAMC in collaboration with House of Hemp and the Department of Agriculture, Forestry and Fisheries (DAFF) designed a Hemp Development Scheme. The aim of the scheme is to integrate emerging hemp growers in South Africa into mainstream commercial hemp production. Hemp has been grown for many years around the world as a fibre and oilseed crop. It is a distinct variety of the crop species *Cannabis sativa* L. Due to the similar leaf shape and botanical classification, hemp is frequently confused with marijuana and this led to many countries to declare it as a drug. Although both crops are from the species *Cannabis*, hemp contains extremely low levels of THC (delta-9-tetrahydrocannabinol), the active ingredient in marijuana. However due to the fact that hemp cannot be differentiated from marijuana morphologically the production of hemp in South Africa is highly controlled and monitored respectively by the South African Police Services (Narcotics Unit) and the Department of Health (Law Enforcement Unit) and is currently grown mainly for research purposes.

The current legislation in South Africa thus does not permit the commercial production of hemp. However, a potential market for hemp products exist in South Africa and most of these products are imported. The product range comprises of textile products, paper, cosmetics, oil, automotives, construction, biofuels, etc. According to studies done in South Africa by the Agricultural Research Council, hemp was found to be suitable for production in the Eastern Cape, Western Cape and KwaZulu-Natal provinces. Hemp production is labour intensive having the potential to provide employment to unskilled labour in South Africa's rural areas, thus growth in the household income status.

Three (3) groups of smallholder farmers planted 6 ha of hemp in Eastern Cape and KwaZulu-Natal provinces under the guidance of House of Hemp. The NAMC in collaboration with DAFF and House of Hemp conducted a baseline study on the areas planted in order to determine the status quo of these enterprises and also to identify the areas of intervention. A project document was finalised.

During 2015/2016 financial year, the NAMC conducted a feasibility study commissioned by DAFF and House of Hemp. The aim of the study was to investigate the commercial viability of hemp and inform the policy processes in South Africa. The first draft of the feasibility study report was presented to stakeholders (NAMC, House of Hemp, ARC, DST, CSIR, IDC and the Department of Health). In a meeting of stakeholders - all were given an opportunity to present the work done on hemp including the pre-commercial trial project that was implemented in the previous season by House of Hemp.

### **Business Linkages**

During the 2015/2016 financial year, the NAMC supported emerging produces with their endeavours to export their produce. Under this programme, the following were achieved:

### **Supply Chain and Logistics Development Programme**

The NAMC continues to implement the SCLP project in the Ceres and Grabouw regions of the Western Cape. The aim of the SCLP project is to assist small producers of fresh fruits and vegetables (FFV) in accessing international markets particularly the EU, by enhancing productive capacities and enhancing compliance with technical requirements and by promoting certification. NAMC is the PMU. The programme is currently being funded by the Department of Agriculture in the Western Cape (WCDoA). As the PMU, NAMC implements specific business support activities with inputs from WCDoA (i.e. capacity building in certification, packaging, quality control, logistics planning and business linkages with potential buyers) by reverting back to its existing network of partners and/or by contracting new implementing agencies with the respective knowledge and resources. The first phase of the project started in 2010 and ended in September 2012 when the contract between the NAMC and International Trade Centre (ITC) came to an end. The NAMC then signed the new MoU with WCDoA to continue with phase two of the project.

In 2015/2016 financial year, the technical support on production was implemented to all the 18 growers. Four quarterly meeting also took place in Elsenburg to track progress on the implementation and address some identified challenges faced along the way. Five growers from the group were selected to attend fruit Logistica in Berlin with officials from the WCDoA and Hortgro.



## MARKETS DEVELOPMENT FACILITATION

### Market Information

Market information is a crucial programme which has been assisting farmers with agricultural market price updates. Mr E.T. Ndou continued to advise and communicate with farmers on the ground level through the Phalaphala FM radio show and commodity meeting invites. The programme has been broadened to 2 days for 30 minutes per week, where marketing information on agricultural products is broadcast live.

### Capacity Building

During 2015/2016 financial year NAMC facilitated three different training programmes to capacitate the producers to operate their businesses successfully. One of the training courses was tailor-made for women entrepreneurs. Below are the different training courses which were implemented.

### Management Training For Women Entrepreneurs (Agribiz)

The NAMC hosted an annual four-day training course for 37 women entrepreneurs from 18 to 21 May 2015 at the Protea Hotel, Stellenbosch. This is an annual NAMC training course with the objective of capacitating women entrepreneurs on marketing, financial and strategic management skills. The training course was funded by the private sector and Government departments. The following organisations were acknowledged for their support and sponsorship: Land Bank, The South African Women Entrepreneur's Network (SAWEN), and provincial Departments of Agriculture (Western Cape, North West, Northern Cape, Free State, Mpumalanga, Gauteng and Eastern Cape) that nominated women entrepreneurs and sponsored their travelling expenses.

### Making Markets Matter Workshop Programme

The fifteenth Making Markets Matter (MMM) agribusiness education programme was held at the Lord Charles Hotel in Somerset West, South Africa, on May 10–15, 2015. The goal of this annual programme is to increase the capacity of African agribusinesses to meet the ever-increasing demands of today's global food system. The NAMC sponsored 15 farmers to attend the programme.

The Making Markets Matter Workshop is an intensive multi-day business development training workshop that prepares black agribusinesses from all over the African continent to meet the ever increasing demands of today's global agro-food system. The workshop featured world-class facilitators who offered training on access to business development services, management training, marketing strategies and financial analysis. Agribusinesses from other African countries participated in the workshop.

### Soil Analysis Training

The NAMC in collaboration with the Limpopo Department of Agriculture and the Rhodes Food Group identified a crucial skills element required by farmers in order to make informed decisions on production inputs purchases. Soil analysis training was conducted at Ha-Mphaila for 29 farmers. The trained farmers are from Divhani, Ha-Mphaila, Ha-Mamuhohi and Mphephu irrigation schemes. The training was targeted at vegetable farmers (tomatoes, spinach, butternut, maize and dry beans). The training aimed to improve farmers understanding on what constitutes the soil, how to take soil samples and to analyse fertiliser recommendations.

## Training Evaluation

During the 2015/2016 financial year NAMC evaluated 2 training programmes. The purpose of the training evaluation is to measure the impact and the relevance of the training. Below are the different trainings courses that were evaluated.

### Acornhoek Financial Management Training Evaluation

In the 2015/2016 financial year, the NAMC conducted an impact assessment for Acornhoek farmers who were trained on financial management. The impact assessment followed the training which was provided by Buhle Farmers' Academy during the financial year 2014/2015. The training findings and recommendations made by the NAMC were discussed with officials of the provincial Department of Agriculture in Mpumalanga for implementation purposes.

### AGRIBIZ 2014 Training Evaluation

The NAMC conducted training evaluation of AGRIBIZ 2014, a Management Training for Women Entrepreneurs. The training evaluation revealed that the training was well received by the participants. There was an improvement in terms of financial records and marketing of produce; however, the participants expressed that the duration of the training was insufficient and proposed that it be extended. They recommended that the duration be improved for future AGRIBIZ training.





# Part 5

## Corporate Governance



## PART 5: CORPORATE GOVERNANCE

### INTRODUCTION

Government has identified good Corporate Governance as one of the key focus areas within the public sector. This has led to the creation of the Protocol on Corporate Governance in the Public Sector, which encompasses the recommendations from the King III Report on Corporate Governance.

The NAMC undertakes to promote good Corporate Governance, which will encourage an efficient, effective and transparent business enterprise.

### PORTFOLIO COMMITTEE

Parliament exercises its oversight role of the NAMC by evaluating its performance and interrogating its Annual Financial Statements and other relevant documents. This oversight role is fulfilled by the Portfolio Committee on Agriculture, Forestry and Fisheries and the Standing Committee on Public Accounts (SCOPA).

The Portfolio Committee oversees service delivery and performance in accordance with the mandate and strategy of the NAMC. It reviews financial and non-financial information, such as efficiency and effectiveness measures, and therefore reviews the non-financial information contained in the Annual Report of the NAMC. SCOPA oversees the financial performance and accountability of the NAMC in terms of the PFMA. It therefore reviews the Annual Financial Statements and Audit Reports from the Auditor General of South Africa.

### EXECUTIVE AUTHORITY

Parliament oversees the Executive Authority, who is required to provide it with full and regular reports concerning matters under its control. The Executive Authority for the NAMC is the Minister of Agriculture, Forestry and Fisheries.

The MAP Act, No. 47 of 1996 provides that the Executive Authority can appoint or dismiss members of Council, including the Chairperson, Vice-Chairperson and members of Council.

The appointment procedure of Council members is set out in subsection (4) of the MAP Act, No. 47 of 1996. Before the expiration of a member's term of office the procedure set out in subsection (4) of the MAP Act, No. 47 of 1996 shall be followed for the appointment of a successor.

The NAMC Council submits quarterly reports on actual performance against pre-determined objectives, to the Executive Authority within 30 days of the end of a quarter.

### THE ACCOUNTING AUTHORITY / COUNCIL

#### Introduction

The MAP Act, No. 47 of 1996, provides guidelines for the composition of the Council. The Minister of Agriculture, Forestry and Fisheries is responsible for appointing one of the members of the Council to the position of Chairperson and another member as Vice-Chairperson. The Council is composed of 10 members. The current Council was appointed on 15 December 2011 and their term of office is four (4) years.

#### Functions of Council

According to section 9 of the MAP Act, no 47 of 1996, the functions of Council are as follows:

- (1) Subject to the provisions of section 2, the Council –
  - (a) shall, when requested by the Minister, or of its own accord, investigate in terms of section 11 (2), the establishment, continuation, amendment or revocation of statutory measures and other regulatory measures affecting the marketing of agricultural products, evaluating the desirability, necessity or efficiency of, and if necessary proposing alternatives to, the establishment,

continuation, amendment or repeal of a statutory measure, or other regulatory measure, and to report to and advise the Minister accordingly;

- (b) shall prepare and submit to the Minister for consideration statutory measures and changes to statutory measures which the Minister directs it to prepare;
  - (c) shall, whenever requested by the Minister, and at least once annually, report on the activities of the Council;
  - (d) may direct any institution or body of persons designated for the purpose of the implementation or administration of a statutory measure in terms of section 14, to furnish the Council with such information pertaining to a statutory measure as the Council or the Minister (or the parliamentary committees) may require;
  - (e) may undertake investigations and advise the minister regarding:
    - (i) agricultural marketing policy and the application thereof;
    - (ii) the co-ordination of agricultural marketing policy in relation to national economic, social and development policies and international trends and developments; and
    - (iii) the possibilities for promoting the objectives mentioned in section 2 (2); and
    - (iv) the effect that marketing of products has on the objectives mentioned in section 2 (2).
  - (f) shall monitor the application of statutory measures and report thereon to the Minister, and shall evaluate and review such measures at least every two years;
  - (g) shall prepare a budget of its expenses, in consultation with the Director-General, on an annual basis for approval by the Minister.
- (2) Copies of all reports which are submitted to the Minister in terms of subsection (1) shall simultaneously be dispatched to

the parliamentary committees for their information.

### **Council Charter**

As recommended by the King III Corporate Governance Report, the Council is governed by a Charter, which details the roles, structures and functions of the Council and its various sub-committees.



# COMPOSITION OF THE COUNCIL BOARD

Name	Designation (in terms of public entity board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorship (List of entities)	Other committees or task teams (e.g. Audit Committee/ Ministerial task team	No. of meetings attended
Mr. André Young	Acting Chairperson of NAMC Council  Deputy Chairperson	27 October 2011	-	Bachelor of Administration	Agricultural Economics including agricultural marketing and international agricultural trade	President: South African Union Food Markets. Chairperson: Section 7 Committee – Restructuring of Fresh Produce Markets. Senior Manager: Durban Fresh Produce Market. Former Board Member: Agricultural Research Council. Former Board Member: Research Council. Former Board Member: Agricultural Produce Agents Council. Former Council Member: University of KwaZulu- Natal	Chairperson of HR and Remuneration Committee	4 out of 5

Name	Designation (in terms of public entity board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorship (List of entities)	Other committees or task teams (e.g. Audit Committee/ Ministerial task team)	No. of meetings attended
Mr A.M. Cronje	Council Member	27 October 2011	-	Masters of Science in Agricultural Economics	Commercial production of agricultural products	Chairman of Organic Aloe in Albertinia. Agricultural Analyst Rhodes Food Group	-	5 out of 5
Mr A. Hendericks	Council Member	March 2014	-	Management of Business Administration: Agricultural Leadership Development	Agricultural product related trade and industry	President: Western Cape National African Farmers' Union Western Cape. President of National African Farmers' Union of South Africa representing black farmers in South Africa. Board Member Agri- SETA. Board Member Wine Industry Development Association Director & Board Member Agri-sector Unity Forum (ASUF) Member of IODSA Institute of Directors of South Africa	-	4 out of 5

Name	Designation (in terms of public entity board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorship (List of entities)	Other committees or task teams (e.g. Audit Committee/ Ministerial task team	No. of meetings attended
Ms M.M. Gill	Council Member	27 October 2011	-	Computer Literate Certificate	The production and marketing of agricultural products by small scale and previously disadvantaged enterprises	Chairperson of Women in Agriculture and Rural Development in the Northern Cape Province; National Secretary of ANC Ward, Board Member of the National Lucerne Trust	HR and Remuneration Committee	4 out of 5
Mrs J.M. van der Merwe	Council member	27 October 2011	-	Master's in Business Leadership (MBL)	Consumer issue relating to agricultural products including issues relating to previously disadvantaged communities	Executive Committee (SANCU). Impartiality Committee (SABS). Various Technical Committees (SABS). Trustee (OPDT). Director Health Quality Assessment Agricultural Trade Forum (DAFF). National Water Forum (TAU).	HR and Remuneration Committee	5 out of 5

Name	Designation (in terms of public entity board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorship (List of entities)	Other committees or task teams (e.g. Audit Committee/ Ministerial task team	No. of meetings attended
Dr J.L. Purchase	Council Member	27 October 2011	-	PhD in Agriculture	Agricultural product related trade and industry	Board Member of the Land & Agricultural Development Bank of South Africa Trustee of The Maize Trust Board Member of the International Food and Agribusiness Management Association (IFAMA)	Section 7 Committee Chairperson of Crop Estimates Liaison Committee Chairperson of Grain & Oilseeds Supply and Demand Liaison Committee	5 out of 5
Mrs T.E. Zimu	Council Member	27 October 2011	-	Bachelor of Arts in Nursing Science	The production and marketing of agricultural products by small scale and previously disadvantaged	-	Audit and Risk Committee	4 out of 5

Name	Designation (in terms of public entity board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board Directorship (List of entities)	Other committees or task teams (e.g. Audit Committee/ Ministerial task team	No. of meetings attended
Dr L.L. Magingxa	Council Member	27 October 2011	-	PhD in Agricultural Economics	Agricultural Economics including agricultural marketing and international agricultural trade	-	Audit and Risk Committee	4 out of 5

### Council Committees – 1 April 2015 to 31 March 2016

Committee	No. meetings held	No. of members	Names of members
Audit and Risk Committee	5	5	Mr P. Slack (Chairperson) Ms G.R. Dinga (Member) Ms A.R. Ngwenya (Member) Dr L. Magingxa (Council member) Ms T.E. Zimu (Council member)

### Remuneration of Council Members

The NAMC Council members are remunerated in terms of the National Treasury Guidelines of Service Benefit Packages for Office Bearers of Certain Statutory and Other Institutions. The NAMC is Category Classification: A1.

### HUMAN RESOURCES & REMUNERATION COMMITTEE

The purpose of the committee is to manage human resources and remuneration matters, to ensure that the NAMC protects persons who were disadvantaged by the unfair discrimination, and to promote the achievement of equality within the NAMC. The committee, consisting of the members listed below held four (4) meetings during the year under review.

No	Name	Role	Meetings Attended
1	Mr A.D. Young	Chairperson	3 out of 3
2	Ms J.M. van der Merwe	Council Member	3 out of 3
3	Ms M.M. Gill	Council Member	3 out of 3

### RISK MANAGEMENT COMMITTEE

The NAMC recognises the importance of risk management in ensuring that its objectives are achieved. A risk assessment was undertaken to ensure that risks are appropriately mitigated by designing and implementing appropriated controls.

The risk assessment covered financial, operational, compliance, reputation risks and adherence with good governance principles. A key consideration in the risk assessment was compliance with laws and regulations.

These include the PFMA, any regulations issued in terms of the PFMA, and the Preferential Procurement Policy Framework Act. The Audit & Risk Committee had an oversight role in the enterprise-wide risk management activities.

The Risk Management Committee consists of members of the NAMC Management Committee and is chaired by an independent Audit Committee member.



No	Name	Role	Representative attended meeting	Number of meetings attended
1.	Ms A.R. Ngwenya	Chairperson Audit and Risk Committee Member	-	4 out of 4
2.	Mrs F. Muvhulawa	Chief Financial Officer	0 out of 1	3 out of 4
3.	Ms V. Nkobi	Senior Manager : Human Resources Management	2 out of 2	2 out of 4
4.	Dr Simphiwe Nggangweni	Senior Manager: Markets and Economic Research Centre	2 out of 2	2 out of 4
5.	Mr S. Burger	Senior Manager: Statutory Measures	1 out of 1	3 out of 4
6.	Ms K. Msoma	Senior Manager: Agribusiness Development	1 out of 1	3 out of 4
7.	Mr Z. Xalisa	Senior Manager : Agricultural Trusts	2 out of 3	1 out of 4
8.	Mr T. Maphatane	Compliance & Risk Manager	-	4 out of 4

## INTERNAL CONTROL UNIT

The NAMC does not have an internal control unit. However, the NAMC has the Risk and Compliance Unit, which fulfils the function of ensuring that all business units comply with the necessary legislation that is applicable and relevant.

## INTERNAL AUDIT AND AUDIT COMMITTEES

### Key Activities and Objectives of Internal Audit

The NAMC's Internal Audit function is an integral part of its corporate governance system. The Internal Audit function is outsourced to a firm that assists the NAMC to evaluate the systems of control to ensure that they are effective to adequately mitigate business risks. Ultimately, the assurance provided by Internal Audit serves to assist the Council in fulfilling its disclosure obligations under its corporate governance codes and to report annually to the Minister of Agriculture, Forestry and Fisheries on the effectiveness of the NAMC's systems of control.

Internal Audit assists Management in identifying, evaluating and assessing significant organisational risks and provides reasonable assurance as to the adequacy and effectiveness of related internal controls, i.e. whether controls are appropriate and functioning as intended. Where controls are found to be deficient or not operating as intended, recommendations for enhancement or improvement are provided.

A three-year Internal Audit Plan was developed and implemented after taking into account the top risks identified by Management and Internal Audit. A risk-based approach was followed in developing this plan. The plan provides coverage across all major processes of the NAMC. Internal Audit also attends to requests from Management. All Management requests during the reporting period were attended to.

### **Key Activities and Objectives of Audit and Risk Committee**

The Audit and Risk Committee assists the NAMC to maintain an effective, efficient and transparent system of sound internal controls and financial management. The Audit and Risk Committee is responsible for monitoring and reviewing the effectiveness of the NAMC's Internal Audit function. Each year it considers and approves the Internal Audit Plan, receives and reviews Internal Audit progress reports and approves any changes or shortfall in the Internal Audit Plan.

### **COMPLIANCE WITH LAWS AND REGULATIONS**

A legal Compliance Policy is in place to assist the Risk and Compliance unit in executing its mandate. To ensure compliance with legislation, codes, regulations, policies and standards, the Risk and Compliance Unit embarked on a compliance review of various departments to determine their level of compliance. The compliance review reports highlighted areas of non-compliance and recommended

### **FRAUD AND CORRUPTION**

The NAMC has developed a Fraud Prevention Policy to foster a climate within the National Agricultural Marketing Council where all employees strive for the ultimate eradication of fraud.

All incidents and allegations of fraud, corruption, theft or maladministration reported to the NAMC are fully investigated. Action is taken by the NAMC based on results from the investigation.

### **MINIMISING CONFLICT OF INTEREST**

The National Agricultural Marketing Council has a supply chain management policy in place that deals with declaration of interest issues. Suppliers are requested to submit a declaration of interest form (SBD 4 form) for any procurement need requested by the NAMC. Members are required to declare any conflict of interest issues before and during the bid adjudication meeting that may have an impact in the awarding of contracts. Should any of the NAMC members declare a conflict of interest at any stage during the bid adjudication process, the member will be disqualified from participating in the Committee and if required, will be replaced by a member with suitable expertise.

### **CODE OF CONDUCT**

The NAMC has a Code of Conduct in place and every employee is expected to act in accordance with the principles of business ethics, namely:

- To follow high standards of ethical business practices and to avoid situations that could lead to conflict of interest
- To treat propriety information of the NAMC and of third parties with due confidentiality
- To fully comply with all applicable laws and regulations, and
- To use NAMC funds only for legitimate and authorised purposes within the scope of its stated objectives.

### **HEALTH, SAFETY AND ENVIRONMENTAL ISSUES**

The NAMC annually assess its Health, Safety and Environment. We have been committed in maintaining a safe and healthy working environment at all times. Only two internal upgrades were done namely, the constructing of NAMC boardroom PA system and the building of a makeshift office. On both occasions, staff were made aware of the dangers. There were no incidences of illness reported.

### **COMPANY SECRETARY**

None

## **SOCIAL RESPONSIBILITY**

As part of compliance with the King III Corporate Governance Report, the National Agricultural Marketing Council subscribes to the Report's dictum of ethical leadership and good corporate citizenship. Our approach to social investment is informed by concerns on food security and the general development of communities. This approach is also founded on the values we espouse. Our strategy for community investment is designed along the lines of youth development and employees giving back to society. During the financial year, two agricultural schools were identified. The NAMC facilitated the career guidance day to agricultural students. Laptops were also donated to the two schools in order to establish a library.

## Report of the Audit Committee required by Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999

We are pleased to present our report for the financial year ended 31 March 2016

### Audit Committee Members and Attendance

The audit committee consists of the members listed hereunder and meets four times per annum as per its approved terms of reference. During the current year five (5) meetings were held.

No	Name	Role	Number of meetings Attended
1.	Mr PK Slack	Chairperson	5 out of 5
		Independent member	
2.	Dr LL Magingxa	Council member	4 out of 5
3.	Ms AR Ngwenya	Independent member	5 out of 5
4	Mrs GR Dinga	Independent member	5 out of 5
5.	Mrs TE Zimu	Council member	3 out of 5

### Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1) (a) of the PFMA and Treasury Regulations 27.1.

The Audit Committee further reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### **The effectiveness of internal control**

The system of internal controls is designed to provide assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and good practices on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, the management letter of the Auditor-General South Africa, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the systems of internal control for the period under review were effective and efficient.

### **The quality of in-year management and quarterly reports submitted in terms of the PFMA.**

The Audit Committee has noted and is satisfied with the content and quality of the quarterly reports prepared and issued by the Accounting Officer during the year under review. Suggestions were made and implemented to improve deficiencies on the reports.

### **Evaluation of Annual Financial Statements**

The Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the annual report with the Auditor-General;
- Reviewed the Auditor-General's management letter and management's response thereto;
- Reviewed the accounting policies and practices; and
- Reviewed the Annual Financial Statements prior and post audit and there were no material adjustments made to the financial statement resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General of South Africa's conclusions on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report from Auditor-General, South Africa.



.....  
**Mr. P Slack, Chairperson of the Audit Committee**

**Date: 11 July 2016**

# Part 6

## HR Statistics





## HUMAN RESOURCES STATISTICS

Personnel Cost By Programme						
Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % (R'000)	No of Employees	Average personnel cost per employee (R'000)	
Programme 1: CEO's Office	4,719,027	3,894,421	13%	4	974	
Programme 1: Finance & Administration	12,310,712	3,606,929	12%	6	721	
Programme 1: Human Resources	4,729,584	3,676,235	12%	8	460	
Programme 2: MERC	14,084,394	8,786,566	30%	14	628	
Programme 3 : Statutory Measures	2,444,679	2,267,344	8%	4	567	
Programme 4: Agricultural Trust	1,085,334	969,397	3%	2	485	
Programme 5: Agribusiness Development & Contracts	21,527,786	5,948,004	20%	27	595	
Council	959,241	579,164	2%	-	72	
<b>TOTAL</b>	<b>61,860,757</b>	<b>29,728,060</b>	<b>100%</b>	<b>65</b>	<b>4501</b>	

#### Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel expenditure to total personnel	No. Employee	Average personnel cost per employee (R'000)
Top Management	3,192,172	11%	2	1596
Senior Management	5,347,965	18%	5	1070
Professional	13,406,339	45%	23	583
Skilled	1,597,511	6%	7	228
Semi-skilled	2,505,317	8%	8	313
Unskilled	3,678,756	12%	20	184
<b>TOTAL</b>	<b>29,728,060</b>	<b>100%</b>	<b>65</b>	<b>3974</b>

#### Performance Reward

Level	Performance Reward	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	2	740,618	25%
Senior Management	5	855,674	29%
Professional	18	1,020,304	35%
Skilled	4	105,428	4%
Semi-Skilled	5	183,378	6%
Unskilled	2	35,596	1%
<b>TOTAL</b>	<b>36</b>	<b>2,940,998</b>	<b>100%</b>

Training Cost						
Division	Personnel Expenditure	Training Expenditure (R'000)	Training Expenditure as a % of personnel cost (R'000)	No. Of employees trained	Average training cost per employee	
Programme 1: CEO's office	3,894,421	30,224	5%	4	7556	
Programme 1: Financial & Administration	3,606,929	6,045	1%	6	1008	
Programme 1: Human Resources	3,676,235	272,019	45%	8	34002	
Programme 2: MERC	8,786,566	241,794	40%	14	17271	
Programme 3: Statutory Measures	2,267,344	6,045	1%	4	1511	
Programme 4: Agricultural Trust	969,397	18,135	3%	2	9068	
Programme 5: Agribusiness Development & Contracts	5,948,004	30,224	5%	27	4318	
Council	579,164	0	0	0	0	
<b>TOTAL</b>	<b>29,728,060</b>	<b>604,486</b>	<b>100%</b>	<b>65</b>	<b>74734</b>	

Employment and Vacancies					
Programme	2013/2014 No of Employees & Contracts	2014/2015 Approved Posts & Contracts	2014/2015 No. Of Employees & Contracts	2014/2015 Vacancies	% of Vacancies
Programme 1: CEO	4	4	4	0	0
Programme 1: Finance & Administration	6	6	6	0	0
Programme 1: Human Resources	8	8	8	0	0
Programme 2: MERC	14	14	14	0	0
Programme 3: Statutory Measures	4	4	4	0	0
Programme 4: Agricultural Trusts	6	2	2	0	0
Programme 5: Agribusiness Development & Contracts	3	7	27	0	0
<b>TOTAL</b>	<b>45</b>	<b>45</b>	<b>65</b>	<b>0</b>	<b>0</b>

Reasons for staff leaving		
Reasons	Number	% of total no of staff leaving
Death	0	0%
Dismissal	2	3%
Resignation	3	5%
Retrenchment	0	0%
Retirement	0	0%
ILL Health	0	0%
Expiry of Contract	0	0%
<b>TOTAL</b>	<b>5</b>	<b>8%</b>

Disabled Staff			
Level	Male	Target	Female Target
Top Management	0	0	0
Senior Management	0	0	0
Professionals	1	0	0
Skilled	0	0	0
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>0</b>

### Equity Target and Employment Equity Status

Levels	Female African Current	Female African Target	Female Coloured Current	Female Coloured Target	Female India Current	Female India Target	Female White Current	Female White Target
Top Management	1	0	0	0	0	0	0	0
Senior Management	2	0	0	0	0	0	0	0
Professional	3	0	1	0	0	0	6	0
Skilled	4	0	0	0	0	0	0	0
Semi-skilled	3	0	0	0	0	0	3	0
Unskilled	2	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>15</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>0</b>

### Equity Target and Employment Equity Status

Levels	Male African Current	Male African Target	Male Coloured Current	Male Coloured Target	Male Indian Current	Male Indian Target	Male White Current	Male White Target
Top Management	1	0	0	0	0	0	0	0
Senior Management	2	0	0	0	0	0	1	0
Professional	12	0	0	0	0	0	1	0
Skilled	3	0	0	0	0	0	0	0
Semi-skilled	2	0	0	0	0	0	0	0
Unskilled	18	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>38</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>



### Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written warning	0
Final written warning	0
Dismissal	2
<b>TOTAL</b>	<b>2</b>

# Part 7

## Financials



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# Report of the auditor-general to Parliament on the National Agricultural Marketing Council

## Report on the financial statements

### Introduction

1. I have audited the financial statements of the National Agricultural Marketing Council set out on pages 109 to 163, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

# Report of the auditor-general to Parliament on the National Agricultural Marketing Council

## Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Agricultural Marketing Council as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

## Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016:
  - Programme 2: Markets and Economic Research Centre on pages 28 to 30
  - Programme 3: Statutory Measures on pages 31 to 32
  - Programme 5: Agribusiness Development on pages 34 to 35
9. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

# Report of the auditor-general to Parliament on the National Agricultural Marketing Council

10. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
11. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
  - Programme 2: Markets and Economic Research Centre
  - Programme 3: Statutory Measures
  - Programme 5: Agribusiness Development

## **Additional matter**

12. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

Achievement of planned targets

13. Refer to the annual performance report on pages 24 to 70; for information on the achievement of the planned targets for the year.

## **Compliance with legislation**

14. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

# Report of the auditor-general to Parliament on the National Agricultural Marketing Council

## Internal control

15. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria

31 July 2016



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# Report of the Chief Executive Officer

## 1. Financial Overview of the business and operations

The report of the Accounting Authority forms part of the annual financial statements of the National Agricultural Marketing Council (NAMC) for the year ended 31 March 2016.

## 2. NAMC FUNDING AND PERFORMANCE

The NAMC received funding of R 34, 6 million from the Department of Agriculture, Forestry and Fisheries, whilst other income amounted to R26,2 million and interest of R2,8 million was generated from investment of surplus funds. Total expenditure for the year is R61,9 million.

### 2.1 STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

**The financial position of the NAMC as at 31 March 2016 is as follows:**

- Current and Non-current assets increased by 70%, the invoices raised and also cash received relating to sponsorship projects.
- Current and Non-Current liabilities increased by 72% due to the amount of revenue deferred relating to sponsorship projects.
- Net assets increased by 52%.

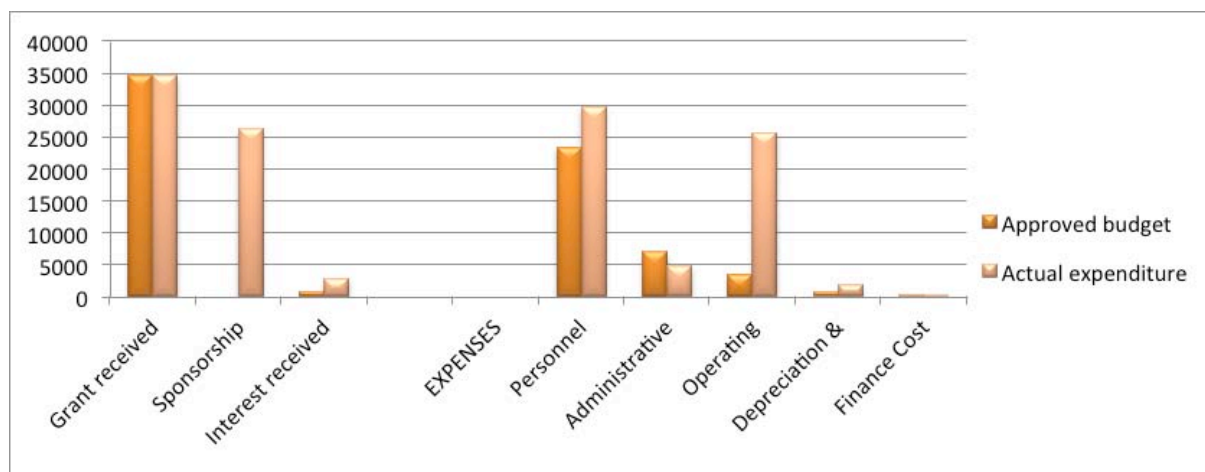
### 2.2 CASH-FLOW

The NAMC's cash position as at 31 March 2016 was R66,9 million, which entails sponsorship funding received relating to projects as disclosed under note 18 of the financial statements.

## 2.3 BUDGET VS ACTUAL FOR THE PERIOD ENDED 31 MARCH 2016

Description	Final budget	Actual amounts on a comparable basis	% of actual against budget	Notes
	<b>R'000</b>	<b>R'000</b>	<b>%</b>	
Revenue				(a)
Grant received	34 635	34 635		
Other income and sponsorship received	-	26 188	-	
Interest received	800	2 841	255%	
<b>Total revenue</b>	<b>35 435</b>	<b>63 664</b>	<b>80%</b>	
Expenses				
Personnel expenditure	23 384	26 227	(12%)	(b)
Personnel expenditure (Projects)		3 500	-	(b)
Administration expenses	6 977	4 718	32%	(c)
Operating expenses	3 552	5 495	(55%)	(d)
Operating expenses (projects)		20 125	-	(d)
Depreciation & amortisation	706	1 832	(159%)	(e)
Finance cost	36	14	13%	
<b>Total expenses</b>	<b>34 635</b>	<b>61 911</b>	<b>79%</b>	

### Budget vs Expenditure Graphic analysis



## **2.4 Narrations on Actual against budget**

### **a) Revenue**

Revenue recognised in the statement of financial performance for the period ending 31 March 2016 went up significantly by 80% due to sponsorship funding received for various projects as disclosed under note 18 of the annual financial statements. Interest of R2,8 million was generated from investment of surplus funds.

### **b) Personnel expenses**

A variance of (12%) on personnel expenditure is as a result of an increase in the amount paid towards performance bonuses which is normally paid using interest generated from investments and management fees generated from sponsored projects. Disclosed separately is the amount of personnel expenditure which relates to the National Red Meat Development Project.

### **c) Administration expenses**

A variance of 32% on administration expenses is as a result of a decrease in the number of international trips and a decrease in the travel and accommodation line item. Most of the travel and accommodation expenses were financed through sponsorship funding and have been allocated to the projects' operational expenditure.

### **d) Operating expenses**

The operating expenditure shows a variance of (55%), other income generated under various programmes has been utilised to finance this over expenditure. Disclosed separately is the amount of operating expenses which relates to sponsored projects.

### **e) Depreciation & amortisation**

A variance of (159%) on depreciation and amortisation due to the increase in the number of assets purchased for the National Red Meat Development Project.

### 3. UTILISATION OF SPONSORSHIP FUNDING

During the period under review the entity received and utilised sponsorship funding as follows:

Name of project	Opening balance R'000	Amount received/receivable R'000	Amount Utilised R'00	Closing balance R'000
Strategic Infrastructure Project: Sip 11	3 331	1 482	3 306	1 507
Vineyard Development Scheme	17 223	27 764	31 674	13 349
Supply Chain Logistic Programme (Western Cape)	74	500	97	477
National Red Meat Development Project	9 166	27 700	19 173	17 693
Agricultural Information Management System: (AIMS)	13 392	24 590	184	37 798
Agricultural Sector Education, Training Authority (Agriseta)	-	1 463	846	617
Norms and Standards	111	(100)	12	(1)
<b>Total</b>	<b>43 397</b>	<b>83 399</b>	<b>55 292</b>	<b>71 440</b>

#### a) Strategic Infrastructure Project: SIP 11

An amount of R3,3 million was deferred to the statement of financial position during the previous financial year 2014/15, and an additional amount of R1,5 million was received from the Department of Agriculture, Forestry & Fisheries for management of SIP 11 project.

As at 31 March 2016 an amount of R3, 3 million had been utilised. The balance of R1, 5 million was deferred to the statement of financial position.

#### b) Sponsorship: Western Cape Department of Agriculture

An amount of R74 thousand was deferred to the statement of financial position in 2014/15 financial year, an additional amount of R500 thousand was received from the Western Cape Department of Agriculture and Land Reform for the purpose of implementing Southern Africa Development Community Supply Chain & Logistics development programme.

As at 31 March 2016 an amount of R97 thousand had been utilised. The balance of R477 thousand was deferred to the statement of financial position.

#### c) Sponsorship: National Red Meat Development Project

An amount of R9,2 million was deferred to the statement of financial position in 2014/15 financial year, an additional amount of R20,6 million was received from Department of Rural Development and Land Reform, for the development of Red Meat Production Centres in nine (9) provinces.

An invoice of R7,0 million was raised with Department of Rural Development and Land Reforms, as at the reporting period the invoice was not yet paid.

As at 31 March 2016 an amount of R19,2 million had been utilised, and the balance of R17,7 million was deferred to the statement of financial position.

**d) Sponsorship: Vineyard Development Scheme project**

An amount of R17,2 million was deferred to the statement of financial position in 2014/15 financial year, an additional amount of R27 million was received from Northern Cape Department of Agriculture, Land Reform and Rural Development, for the purpose of facilitating the implementation of the Vine Yard Development Scheme in the Northern Cape Province.

Interest amounting to R715 thousand was generated from the investment of surplus fund for Vineyard Development Scheme.

As at 31 March 2016 an amount of R31,6 million had been utilised, and the balance of R13,3 million was deferred to the statement of financial position.

**e) Sponsorship: Agricultural Sector, Education Training Authority (Agriseta)**

An amount of R919 thousand was received from Agriseta for bursaries and internship for 2015/16 financial year. And invoices for an amount of R544 thousand were raised, as at the reporting period the invoices were not yet paid.

As at 31 March 2016 an amount of R846 thousand had been utilised and the balance of R617 thousand was deferred to the statement of financial position.

**f) Sponsorship: Agricultural Information Marketing System: (AIMS)**

An amount of R13,4 million was deferred to the statement of financial position in 2014/15 financial year; these funds were received from Northern Cape Department of Agriculture, Land Reform and Rural Development and Department of Rural Environment and Agricultural Development North West Provincial Administration, for the implementation of the National roll-out of Agricultural Information Marketing System. An additional amount of R24,5 was received from Gauteng, Limpopo and Free State Department of Agriculture.

As at 31 March 2016 an amount of R184 thousand had been utilised and the balance of R37,8 million was deferred to the statement of financial position.

**g) Sponsorship: Norms and Standards**

An amount of R111 thousand was deferred to the statement of financial position in 2014/15 financial year, these funds was receivable from Department of Agriculture, Forestry and Fisheries in 2014/15, for the implementation of Norms and Standards project.

An amount of R100 thousand was reversed during 2015/16. As at 31 March 2016 R12 thousand had been utilised.

## **h) Other Income**

An amount of R2,6 million was generated as "Other Income" under, Finance and Administration, Market and Economic Research and Agribusiness Development.

- R750 thousand from the Agricultural Research Council to assist rural communities and smallholder's livestock farmers to participate in the Integrated Food and Nutrition Security Initiative (IFNSI) and the NAMC's National Red Meat Development programme in order to improve food security and quality of their animals at the point of sale.
- R172 thousand was received from World Food Programme for Market training assistance to the Food Agricultural Organisation and World Food Programme, for smallholders Farmers in Kwazulu Natal, Eastern Cape, Mpumalanga and Free State province.
- R99 thousand was received from African Economic Research Consortium for case study on domestic resources mobilisation.
- R50 thousand was received from Land Bank of South Africa as sponsorship for Agribiz workshop/training.
- R100 thousand was receivable from Department of Agriculture Western Cape as sponsorship for Agribiz workshop/training.
- R180 thousand was received from House of Hemp for study outline and report on global overview of Hemp.
- R271 thousand was received from Economic Research Service for the assessment of Food systems in South Africa and Mozambique.
- R82 thousand recognised as donation for feed received at Ncorha from CBT Group (PTY) LTD.
- R887 thousand was received as management fee for Vineyard Development Scheme.
- R16 thousand was received from Food Agriculture and Natural Resources Policy Analysis Network (FANRPAN) for chairing/Directing the proceeding of the National Dialogue (Validation workshop).

**Summary of sponsorship and other income recognised in the statement of financial performance during financial year 2015/16**

<b>Name of sponsor/Project</b>	<b>Amount received R'000</b>
Department of Rural Development and Land Reform: National Red Meat Development Project	19 173
Department of Agriculture, Forestry and Fisheries: (Strategic Infrastructure Project) SIP 11.	3 306
Northern Cape Department of Agriculture: Vineyard Development Scheme	851
Agricultural Sector Education, Training Authority	846
Agricultural Research Council: Integrated and Nutrition Food Security Initiative	750
Economic Research services	271
House of Hemp	180
Agricultural Information Management System: (AIMS)	184
World Food Programme	172
Department of Agriculture Western Cape	100
African Economic Research Consortium	99
Western Cape Department of Agriculture: Supply Chain Logistic Programme	97
CBT groups (PTY) LTD	82
Land Bank of South Africa	50
Food Agriculture and Natural Resources Policy Analysis Network (FANRPAN)	16
Department of Agriculture, Forestry and Fisheries: Norms and Standards	12
<b>TOTAL</b>	<b>26 188</b>

#### **4. EVENTS AFTER THE REPORTING DATE**

The NAMC's reporting date is 31 March 2016 and on the 6th of July 2016, a legal confirmation was received from the attorney. NAMC received an alleged unfair retrenchment case that will sit on the 28th of November 2016. An estimate amount of R500 000.00 is the maximum exposure that could be awarded should the claim prove successful. The amount is an estimate from the attorney of the possible amount payable. This is classified as a Non-Adjusting Event as no conditions existed at the reporting date relating to this litigation claim.



## **5. MATERIALITY FRAMEWORK**

In terms of Treasury Regulation 28.2.1, the NAMC had a materiality framework for the year under review. This was used as a basis for reporting losses and irregular, fruitless and wasteful expenditure, as well as for significant transactions envisaged by section 54(2) of the PFMA. Thus it was used as a basis for evaluating the materiality of transactions and to determine the accounting treatment thereof.

## **6. GOING CONCERN**

The Accounting Authority has reviewed the annual financial statements for the period under review, and there is no reason to believe that the entity will not be able to continue its operations in the foreseeable future, based on the forecasts and the approved MTEF allocation by the Department of Agriculture, Forestry & Fisheries. These annual financial statements support the viability of the entity.

## **7. ANNUAL FINANCIAL STATEMENTS**

The annual financial statements have been prepared in accordance with the accounting policies as stated in the financial statements, which have been applied consistently in all material respects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), the Treasury Regulations issued in terms of the Act, Statements of Generally Recognised Accounting Practices (GRAP) including any interpretations of such statement issued by the Accounting Standards Board.

To the best of my knowledge, all representations made in the annual financial statements are appropriate and valid.

## **8. CORPORATE GOVERNANCE**

The NAMC as a public entity confirms its commitment to the principles of transparency, integrity and accountability as stated in the King III Report on Corporate Governance.

In the governance of the NAMC, the Council is responsible for policy making and control, while the CEO has been delegated the responsibility of the day to day execution of the policies and objectives as directed by the Council. The members of the Council are appointed by the Minister of Agriculture, Forestry and Fisheries on the basis of their expertise in the field of agriculture, business, financial management and research.

### **8.1. GOVERNANCE STRUCTURES**

In order to comply with these principles, the Council has and continues to design and implement appropriate governance structures across the organisation. The Council acknowledges that, for it to set up an effective governance framework, robust governance structures need to be in place.

The following Council committees were functional as at 31 March 2016, their respective terms of reference are outlined in the committee charters:

- Audit and Risk Committee;
- Human Resources and Remuneration Committee.

## **8.2. THE ROLE OF GOVERNANCE COMMITTEES**

The Council's committees are charged with certain functions and operate within clearly defined terms of reference and continue to assist the Council governance function on the following principles:

### **8.2.1 RISK MANAGEMENT**

The entity recognises the importance of risk management in ensuring that its objectives are achieved. A risk assessment has been undertaken which ensures that risks are appropriately mitigated by designing and implementing appropriate controls.

The risk assessment covers financial, operational, compliance and reputation risks and adherence to good governance principles. A key consideration in the risk assessment is compliance with laws and regulations.

These include the PFMA, any regulations issued in terms of the PFMA, and the Preferential Procurement Policy Framework Act.

The risk management committee continues to function and has met at least two times during the period under review. The Audit & Risk Committee has been assigned to play an oversight role in the enterprise-wide risk management activities.

### **8.2.2 INTERNAL CONTROL**

The Council has the ultimate responsibility for establishing a framework for internal controls, including an appropriate procurement and provisioning system. This function is delegated to the executive management to ensure that the strategic risks in particular are properly managed.

The controls throughout the entity focus on the critical risk areas identified and confirmed by management. The Council relies on the Audit & Risk Committee, Risk Management Committee and Internal Auditors to monitor and report on the status of internal control at NAMC.

The controls are designed to provide cost-effective assurance that assets are safeguarded and that the available working capital is managed efficiently, effectively and economically.

Organisational policies, procedures and the delegation of authority provide direction, accountability and division of responsibilities and contain self-monitoring mechanisms. The designed internal controls are closely monitored by both management and internal audit and actions are taken to correct deficiencies identified.

### **8.2.3. INTERNAL AUDIT**

As from 01 August 2015, the internal audit is outsourced to Nexia SAB & T for a period of three (3) years. In line with the PFMA requirements, the internal auditor's objectives are to provide the audit and risk committee and management with objective assurance that the internal controls are appropriate and effective. This is achieved by means of an objective appraisal and evaluation of the risk management processes, internal controls and governance processes, as well as identifying corrective action and suggested enhancements to the controls and processes.

The internal auditors are fully supported by Management, Council and the Audit and Risk Committee and have full, unrestricted access to all organisational activities, records, property and personnel.

During the period under review, the internal auditors conducted the following audits: IT General Control Review, Financial management review, Human resources, Supply chain management, Audit on Predetermined Objectives, Anti-Fraud and Corruption audit, the results were reported to the Audit and Risk Committee. No significant findings from internal audit were reported during the assessments.

#### **8.2.4 COMPLIANCE WITH LAWS AND REGULATIONS**

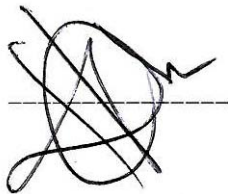
The NAMC has established and implemented various policies to consider compliance with applicable laws and regulations on a regular basis.

#### **8.2.5 INVESTIGATIONS**

None for the period under review.

#### **8.2.6 CODE OF CONDUCT**

The NAMC has a code of conduct policy dealing with ethical behaviour in the workplace. Employees are required to maintain high ethical standards and to ensure that NAMC's business practices are conducted in a manner that is above reproach.

A handwritten signature in black ink, consisting of a large, stylized 'T' and 'R' with a horizontal line extending to the right.

**Chief Executive Officer**  
**Mr. Tshililo Ramabulana**

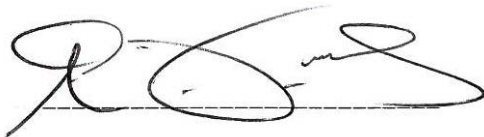
# STATEMENT OF RESPONSIBILITY

**For the year ended 31 March 2016**

The Accounting Authority is responsible for the preparation, integrity and fair presentation of the financial statements of the National Agricultural Marketing Council. The annual financial statements presented on pages 13 to 51 have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board, and include amounts based on judgements and estimates made by management. The Accounting Authority also prepared the other information included in the annual report and is responsible for both its accuracy and its consistency with the annual financial statements.

The going concern basis has been adopted in preparing the annual financial statements. The Accounting Authority has no reason to believe that the National Agricultural Marketing Council will not be a going concern in the foreseeable future. These annual financial statements support the viability of the National Agricultural Marketing Council.

The annual financial statements were approved and signed by the Accounting Authority on the 26 July 2016.

A handwritten signature in black ink, appearing to read 'A D Young', written over a horizontal dashed line.

**Acting Chairperson of the Council**  
**Mr. A D Young**

NATIONAL AGRICULTURAL MARKETING COUNCIL

# Statement of Financial Position

For the year ended 31 March 2016

		2016	2015
	Notes	R'000	R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>6 119</b>	<b>6 542</b>
Property, plant and equipment	11	5 994	6 465
Intangible assets	12	125	77
<b>Current assets</b>		<b>76 257</b>	<b>41 894</b>
Inventory	13	1 281	86
Receivables from non- exchange transactions	14	7 779	4 458
Receivables from exchange transactions	14	262	829
Cash and cash equivalents	15	66 935	36 521
<b>Total assets</b>		<b>82 376</b>	<b>48 436</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>		<b>11</b>	<b>60</b>
Finance lease liability	16	11	60
<b>Current liabilities</b>		<b>77 041</b>	<b>44 805</b>
Finance lease liability	16	80	137
Payables from exchange transactions	17	5 462	1 214
Deferred liability	18	71 440	43 297
Operating lease liability	20	59	157
<b>Total liabilities</b>		<b>77 052</b>	<b>44 865</b>
<b>Total net assets</b>		<b>5 324</b>	<b>3 571</b>
<b>NET ASSETS</b>			
<b>Reserves</b>			
Accumulated surplus		5 324	3 571
<b>Net assets</b>		<b>5 324</b>	<b>3 571</b>

**Statement of Financial Performance**

For the year ended 31 March 2016

		2016	2015
	Notes	R'000	R'000
<b>Revenue</b>		<b>63 664</b>	<b>57 075</b>
Non-exchange revenue	2	59 972	55 135
Exchange revenue	3	3 692	1 940
<b>Expenses</b>		<b>61 904</b>	<b>55 547</b>
Administrative expenses	4	4 718	4 527
Personnel expenditure	5, 9 & 10	29 727	28 586
Operating expenses	6	25 613	21 183
Depreciation and amortisation	7	1 832	1 226
Finance cost	8	14	25
<b>Loss on disposal of property, plant &amp; equipment</b>		<b>(7)</b>	<b>(78)</b>
Impairment loss on inventory		-	(12)
<b>Surplus/(deficit) for the year</b>		<b>1 753</b>	<b>1 438</b>

NATIONAL AGRICULTURAL MARKETING COUNCIL

## Statement of Changes in Net Assets

For the year ended 31 March 2016

	Notes	Accumulated surplus
		R'000
<b>Balance as at 1 April 2014</b>		2 133
Surplus for the year		1 175
Prior period error	<b>28</b>	263
Accumulated surplus as at 31 March 2015 (Restated)		3 571
Surplus for the year as at 31 March 2016		1 753
<b>Closing balance as at end of March 2016</b>		<b>5 324</b>



NATIONAL AGRICULTURAL MARKETING COUNCIL

# Cash Flow Statement

For the year ended 31 March 2016

	Notes	2016 R'000	2015 R'000
<b>Cash flow from operating activities</b>			
Cash receipts		<b>112 058</b>	<b>96 755</b>
Grants and transfers	2	34 635	36 005
Project receipts		75 936	60 126
Other receipts		1 487	624
Cash paid to suppliers and employees		<b>(82 949)</b>	<b>(77 327)</b>
Employee costs		(25 927)	(26 458)
Project Employee costs		(3 541)	(2 037)
Suppliers payments (Project)		(49 548)	(40 579)
Suppliers		(3 933)	(8 253)
Cash generated from operations	19	29 109	19 428
Interest received	2	2 841	1 940
<b>Net cash flows from operating activities</b>		<b>31 950</b>	<b>21 368</b>
<b>Cash flow from investing activities</b>			
Proceeds on disposal assets		7	73
Acquisition of property plant and equipment	11	(1 288)	(5 089)
Acquisition of intangible assets		(93)	-
<b>Net cash flows from investing activities</b>		<b>(1 374)</b>	<b>(5 016)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(148)	(288)
Finance costs	8	(14)	(25)
<b>Net cash flows from financing activities</b>		<b>(162)</b>	<b>(313)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>30 414</b>	<b>16 039</b>
Cash and cash equivalents at the beginning of the year	15	36 521	20 482
<b>Cash and cash equivalents at end of year</b>	<b>15</b>	<b>66 935</b>	<b>36 521</b>

## Statement of Comparison of Budget and Actual Amounts

For the year ended 31 March 2016

Description	Approved budget	Adjustments	Final budget	Actual amounts on a comparable basis	Difference between final budget and actual	Var. %	References
	R'000	R'000	R'000	R'000	R'000		
<b>Revenue</b>							
Grant received	34 635	-	34 635	34 635	-	-	
Other income		-	-	26 188	26 188	100	
Interest received	800	-	800	2 841	2 041	255	
<b>Total revenue</b>	<b>35 435</b>	<b>-</b>	<b>35 435</b>	<b>63 664</b>	<b>28 229</b>	<b>80</b>	<b>25,1</b>
<b>Expenses</b>							
Personnel expenditure	23 839	(455)	23 384	26 227	(2 843)	(12)	<b>25,1</b>
Personnel expenditure (NRMDP Project)	-	-	-	3 500	(3 500)	100	<b>25,1</b>
Administration expenses	7 551	(574)	6 977	4 718	2 259	32	<b>25,1</b>
Operating expenses	2 503	1 049	3 552	5 495	(1 943)	(55)	<b>25,1</b>
Operating expenses (Projects)	-	-	-	20 125	(20 125)	100	<b>25,1</b>
Depreciation & amortisation	706	-	706	1 832	(1 126)	(159)	<b>25,1</b>
Finance cost	36	(20)	16	14	2	13	
<b>Total expenses</b>	<b>34 635</b>	<b>-</b>	<b>34 635</b>	<b>61 911</b>	<b>(27 276)</b>	<b>(79)</b>	
<b>Surplus/(deficit) for the period</b>	<b>800</b>	<b>-</b>	<b>800</b>	<b>1 753</b>	<b>(953)</b>	<b>(0)</b>	

## Accounting Policies

For the year ended 31 March 2016

### 1. Accounting Policies

The following are the principal accounting policies of the National Agricultural Marketing Council, which are in all material respects, consistent with those applied in the previous year. The historical cost convention has been used. The financial statements have been prepared on a going concern basis.

#### 1.1 Reporting institution

The National Agricultural Marketing Council ("NAMC") is an entity domiciled in South Africa. The address of the NAMC's registered office is 536 Francis Baard Street, Arcadia, Pretoria, 0002. The NAMC's primary business is to provide strategic advice to the Minister of Agriculture, Forestry and Fisheries and directly affected groups in the agricultural sector. The full responsibilities of the NAMC are contained in the Marketing of Agricultural Products Act of 1996, as amended by Act no. 59 of 1997 and Act no. 52 of 2001.

#### 1.2 Functional and presentation currency

The financial statements are presented in South African Rand which is the entity's functional currency. All financial information has been rounded to the nearest thousand.

#### 1.3 Basis of preparation

The financial statements have been prepared in accordance with Section 91(1) of the Public Finance Management Act, (Act No 1 of 1999) and the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

#### 1.4 Use of estimates and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 24: significant estimates and judgements used by management.

## Accounting Policies

For the year ended 31 March 2016

### 1.5 Revenue recognition

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.

#### ***Revenue from exchange transactions***

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished and directly gives approximate equal value primarily in the form of goods, services or use of assets or services to the other party in exchange. The entity revenue from exchange transactions comprises of interest generated from investments and management fee. The management fee recognised in the statement of financial performance is based on the stage of completion of the project, that is, project cost incurred to date as a percentage of total project cost multiplied by the total management fee.

#### **Measurement**

Revenue from exchange transaction is measured at the fair value of the consideration received or receivable. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### ***Interest income***

Interest income comprises interest on funds invested. Interest income is recognised on a time proportion basis using the effective interest method.

#### ***Revenue from non-exchange transactions***

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

#### **Recognition**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect to the related conditions.

## Accounting Policies

For the year ended 31 March 2016

### Measurement

Revenue from non-exchange transactions are measured at the fair value of asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

### 1.6 Finance cost

Finance cost comprises of interest expense on borrowings and finance lease liabilities. All borrowing costs are recognised in surplus or deficit using the effective interest method.

### 1.7 Irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation, including:

- The Public Finance Management Act, Act 1 of 1999", or
- Contravention of the entity's supply chain management policy.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular, fruitless and wasteful expenditure are recognised as expenditure in the statement of financial performance in the period in which they are incurred, and where recovered, are subsequently accounted for as revenue in the statement of financial performance.

Irregular, fruitless and wasteful expenditure are disclosed under note 26 of the annual financial statements.

#### 1.7.1 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act No. 29 of 1999.

## Accounting Policies

For the year ended 31 March 2016

When an unauthorised expenditure is discovered, it is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written-off as irrecoverable in the statement of financial performance.

### **1.8 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets which are held for use in the production or supply of goods and services or for administrative purposes and are expected to be used during more than one financial period.

An item of property, plant and equipment is recognised as an asset if it is probable that economic benefits or service potential associated with the item will flow to the entity and the cost or fair value can be measured reliably. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Tangible non-current assets are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions.

Tangible non-current assets are measured at cost less any subsequent accumulated depreciation and accumulated impairment losses. These assets are depreciated on the straight-line basis at rates which will result in each asset being written off over its useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that the entity will obtain ownership by the end of the lease term, then it is depreciated over its useful life and not the lease term.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. For the period under review, the entity did not have assets with components that have different useful lives.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised within surplus or deficit.

### **Residual values**

The residual value of an asset is determined as the estimated amount that could currently be obtained from the disposal of assets, after deducting the estimated costs of disposal, if the asset was already on the age and in the condition expected at the end of its useful life.

## Accounting Policies

For the year ended 31 March 2016

### Depreciation

Depreciation is determined using the straight line method. It is calculated based on the assets' historical cost less residual value, over the useful life of the asset.

The estimated remaining useful lives, residual values and depreciation methods are reviewed at the end of each financial year and adjusted if necessary.

The estimated useful lives of property, plant and equipment are:

<i>Class</i>	<i>Estimated useful life in years</i>
Office equipment	4 - 12 years
Vehicles	5 - 12 years
Computer Equipment	3 - 12 years
Furniture and Fittings	6 - 13 years
Leased equipment	2- 3 years
Leasehold improvements	3 - 5 years
Farming equipment	3 - 5 years
Project assets	0 - 5 years

### *Subsequent cost*

The cost of replacing part of an item of property, plant and equipment is recognised when it is probable that the future economic benefits or service potential associated with the item will flow to the entity and its cost or fair value can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised as expenditure in the statement of financial performance.

Leasehold improvements are capitalised as the entity controls the assets for the lesser useful life or period of the lease.

Project assets are capitalised for the lesser useful life or the period of the contract.

### 1.8.1 Construction Work- in- Progress

Construction Work-in-Progress (WIP) is a non-current asset account in which the costs of constructing long-term assets are recorded. The Construction Work-in-Progress account will have a debit balance and is reported on the statement of financial position as part of the entity's Property, Plant and Equipment.



## Accounting Policies

For the year ended 31 March 2016

The construction (WIP) includes materials, labour and overhead costs that are either directly related or allocated to the construction or development of an assets.

The costs of a constructed asset are accumulated in the Construction Work-in-Progress account until the asset is available for use. When the asset is completed and available for use, the account Construction Work-in-Progress will be credited with the accumulated costs of the asset and debited to the appropriate Property, Plant and Equipment account. Depreciation is charged when the asset is available for use. The Construction Work-in-progress is disclosed under note 11 of these financial statements.

### 1.9 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised on straight line basis over their useful lives.

Gains and losses on disposal of intangible assets are determined by comparing the proceeds from disposal with the carrying amount of intangible asset, and are recognised within the surplus or deficit

The amortisation period and the amortisation method for intangible assets are reviewed at the end of each reporting period.

Amortisation is provided to write down the intangible assets, on a straight line basis, over their useful lives from the date that they are available for use, as follows:

<i>Item</i>	<i>Estimated useful life in years</i>
Computer software	3-5 years

### 1.10 Impairment

#### Impairment of cash-generating assets

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the recoverable amount of the relevant asset is estimated.

## Accounting Policies

For the year ended 31 March 2016

A cash-generating asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the cash-generating asset's fair value less costs to sell and its value in use.

The recoverable amount is determined for individual assets, unless the asset generates cash inflows that are largely dependent on other assets or groups of assets. In this case the recoverable amount for the cash-generating unit is determined.

Value in use is the present value of the asset's remaining future cash flows that the entity expects to derive from the continuing use of the asset and from its disposal at the end of its useful life. The estimate of these cash flows is based on the asset's current condition, and by applying an appropriate discount rate.

If there is an indication that an individual asset may be impaired, an impairment loss is recognised immediately in surplus and deficit when the asset's recoverable amount is less than the carrying amount. The impairment loss is recognised by reducing the asset's carrying amount to its recoverable amount. The impairment loss is treated as a revaluation decrease. If the cash-generating asset belongs to a cash-generating unit, an impairment loss is recognised for the cash-generating unit if the recoverable amount of the unit is less than its carrying amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income in statement of financial performance.

### **Impairment of non- cash-generating assets**

***Non-cash-generating assets are assets other than cash-generating assets.***

At each reporting date, the entity reviews by considering the internal and external factors whether there is an indication that a non- cash generating assets may be impaired. If any such indication exists, the recoverable service amount of the asset is estimated.

A non-cash-generating asset will be impaired when its carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use is the present value of the asset's remaining service potential. This is determined using one of three approaches: depreciated replacement cost, restoration cost or service units. The choice of the most appropriate approach depends on the availability of data and the nature of the impairment.

## Accounting Policies

For the year ended 31 March 2016

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable service amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income in statement of financial performance.

### 1.11 Leases

#### Operating leases as the lessee

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating lease are charged to statement of financial performance on a straight-line basis over the term of the relevant lease.

#### Finance leases as the lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of financial performance.

#### *Finance lease liabilities*

Finance lease liabilities are initially recognised at the commencement of the lease term at the fair value of the leased asset, or the present value of the minimum lease payments (if lower). If it is not practicable to determine the interest rate implicit in the lease payments, the incremental borrowing rate of the entity will be used in the calculation.

Subsequent to initial measurement, the outstanding lease liability is periodically reduced over the lease term by that portion of the minimum lease payments that will result in finance charges being allocated over the lease term at a constant periodic interest rate on the remaining balance of the liability.

## Accounting Policies

For the year ended 31 March 2016

### 1.12 Financial instruments

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or residual interest in accordance with the substance of the contractual arrangement.

#### Initial recognition

Financial assets and liabilities are recognised in the statement of financial position only when the entity becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value plus, for instruments not subsequently measured at fair value and any directly attributable transaction costs.

The entity recognises financial assets using trade date accounting.

#### Measurement

##### *Financial assets*

The entity's financial assets comprise trade and other receivables and cash and cash equivalents. These financial assets are classified as financial assets at amortised cost.

Subsequent to initial recognition, non-derivative financial assets are measured as described below:

##### *Trade and other receivables*

Trade and other receivables are measured at amortised cost using the effective interest method. Short term receivables are not to be discounted to present values if the original credit period granted are in line with the public sector credit period.

##### *Cash and cash equivalents*

For purposes of the cash flow statement as well as the statement of financial position, cash and cash equivalents comprise cash on hand, deposits held and other short-term investments. Cash and cash equivalents are stated at amortised cost.

##### *Financial liabilities*

The entity's financial liabilities comprise of trade and other payables and finance lease liabilities. Fair value of non-derivative financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

## Accounting Policies

For the year ended 31 March 2016

### *Trade and other payables*

The entity's principal trade and other payables relates to the amount owed to the suppliers.

Trade and other payables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost, using the effective interest rate method. Interest expenses on these items are recognised in surplus or deficit and they are included in 'finance costs'.

The entity's accrual amount represents goods and services that have been delivered, and an invoice has been received from the supplier but remain unpaid as at year-end.

Short-term payables are not discounted to present values if the original credit period granted are in line with the public sector credit period.

### *Finance income, gains and losses*

Finance income is recognised using the effective interest method with gains and losses recognised in the statement of financial performance (surplus or deficit).

Finance income includes interest earned on deposits and short terms investments. Finance cost includes interest on finance lease liabilities.

### **Method and significant assumptions in determining fair value**

Fair values of financial assets, non-financial assets and liabilities have been determined for measurements and / or disclosure purposes based on the methods indicated below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets.

The fair value of trade and other receivables is calculated as the present value of future cash flows, discounted at a market rate of interest at the reporting date.

Fair value of non-derivative financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

## Accounting Policies

For the year ended 31 March 2016

### Offsetting

The entity did not offset financial assets, financial liabilities and revenue and expenses in the statement of financial performance and position.

### Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the entity is recognised as a separate asset or liability.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

### 1.13 Provisions

Provisions are recognised when the entity has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### Measurement

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Where some or all of the expenditure required to settle provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. For the period under review no provisions were identified.

## Accounting Policies

For the year ended 31 March 2016

### 1.14 Inventories

#### Initial recognition

Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity and that the cost of the inventories can be measured reliably.

#### Measurement at recognition

Inventories that qualify for recognition as assets shall initially be measured at cost. Where inventories are acquired at through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition.

#### Measurement after recognition

Inventories shall be measured at the lower of cost and current replacement cost where they are held for:

- Distribution through a non-exchange transaction, or
- Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories is based on the first-in-first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. For the period under review no inventory were written down.

### 1.15 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national/provincial/local sphere of government are considered to be related parties.

Related party transactions are transactions that involve the transfer of resources, services or obligations between related parties, regardless of whether a price is charged.



## Accounting Policies

For the year ended 31 March 2016

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The remuneration of the Council members and senior managers are disclosed under note 9 and 10 of the annual financial statements.

### 1.16 Commitments

Commitments represent the orders issued to the suppliers that have been approved, but where no delivery has taken place as at year end.

Commitments are not recognised in the statement of financial position as a liability and assets but are included in the disclosure notes.

Commitments are disclosed under note 27 of the annual financial statements.

### 1.17 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are beyond the control of the entity.

A contingent liability is a present obligation that arises from past events but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
- The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

### 1.18 Employee benefit cost

#### *SHORT-TERM EMPLOYEE BENEFITS*

Short-term employee benefits are measured on an undiscounted basis and are expensed in the statement of financial performance in the reporting period that they are incurred.

*Post-employment benefits*

## Accounting Policies

For the year ended 31 March 2016

### *Defined contribution plan*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The entity operates defined contribution retirement benefit plans for its employees.

Payments to defined contribution plan are charged as an expense as they fall due in the statement of financial performance and they represent the contribution paid to these plans by the entity at a rate specified by the entity's policy.

### *Accrual for leave pay*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is based on the total cost to company is raised for estimated liabilities as a result of services rendered by employees up to the reporting date.

## **1.19 Budget information**

Budget information in accordance with GRAP 1 and 24, has been provided in a separate statement of comparison of budget and actual amounts and material the budget differences and the basis of budget preparation are as per disclosure note 25 of these annual financial statements.

## **1.20 Comparative figures**

Where necessary comparative figures have been adjusted to conform to changes in the presentation of the period under review. The nature and reason for such reclassifications and restatements are also disclosed under note 29.

## **1.21 Events after reporting date**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

## Accounting Policies

For the year ended 31 March 2016

The entity discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.22 Initial adoption of a Standard of GRAP

#### GRAP 18: Segment reporting

##### Standards effective and adopted in the current period

In the current period the entity has adopted the following standard that became effective 1 April 2015.

##### The nature of the change in accounting policy

The segment reporting standard requires entities to present more specific and detailed information about the major activities undertaken by an entity during a particular period, along with the resources allocated to those activities, to enable users of the financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environment in which it operates.

##### Impact of standard adopted

The adoption of the standard has had no material impact on the results of the entity, but has resulted in increased disclosure for current period, as disclosed under note 30 to 30.2 of the annual financial statements.

### 1.23 Effects of new GRAP standards

At the date of authorisation of these financial statements, the following accounting Standards of Generally Recognised Accounting Practice (GRAP) were in issue, but not yet effective;

- GRAP 20: Related Party Disclosures
- GRAP 32: Service Concession Arrangements: Grantor
- GRAP 108: Statutory Receivables
- GRAP 109: Accounting by Principals and Agents

The effective date of the above standards is not yet determined by the Minister of Finance. The effect of adopting these GRAP Standards when they become effective is not expected to have a significant impact on the financial statements.

## Notes to the Financial Statements

For the year ended 31 March 2016

	2016	2015
	R'000	R'000

### 2. Non-exchange revenue

Department of Agriculture – MTEF allocation	34 635	36 005
Other income/sponsorship received	25 337	19 130
<b>Total</b>	<b>59 972</b>	<b>55 135</b>

### 3. Exchange revenue

Interest held at amortised cost	2 841	1 940
Management fee for rendering of service	851	-
	<b>3 692</b>	<b>1 940</b>

#### 3.1 Rendering of service

Management fee vineyard development scheme

**The amount included in rendering of services arising from exchange transactions amounted to R851,000 (2015: R0,00)**

The NAMC has entered into a service level agreement with Northern Cape Department of Agriculture, Land Reform and Rural Development for the purpose of facilitating the implementation of Vine Yard Development Scheme in the Northern Cape. The contract value is R27,950,000. The NAMC act as an agent and the Department is the principal. NAMC charged R1,118,000 management fee which is 4% of the contract value. The management fee recognised in the statement of financial performance is based on the cost incurred to date as a percentage of total contract cost multiply by the total management fee.

### 4. Administrative expenses

General administrative expenses	491	728
IT costs	1 215	961
Audit committee fees	370	283
Audit fees: External	534	361
Bank charges	39	37
Internal audit fees	370	356
Promotions and publicity	2	135

## Notes to the Financial Statements

For the year ended 31 March 2016

	2016	2015
	R'000	R'000
Refreshments and catering	107	179
Stationery and printing	572	528
Training and development	736	655
Venues and facilities – office parking	282	304
<b>Total</b>	<b>4 718</b>	<b>4 527</b>

### 5. Personnel expenditure

Salaries – non-senior management	<b>16 101</b>	<b>15 620</b>
Basic salaries	14 180	13 961
Performance awards	1 245	1 084
Other non-pensionable allowance	621	526
Leave payments on resignation	55	49
	<b>2 195</b>	<b>2 102</b>
UIF	68	69
Other salary related cost	271	259
Pension	1 856	1 774
Senior management remuneration	10 852	10 320
Council members' remuneration	579	544
<b>Total</b>	<b>29 727</b>	<b>28 586</b>

## Notes to the Financial Statements

For the year ended 31 March 2016

	2016	2015
	R'000	R'000
<b>6. Operating expenses</b>		
Communication costs	255	319
Courier and delivery charges	20	48
Computer consumables	12	22
Maintenance, repairs and running costs	67	79
Office Rent	<b>3 006</b>	<b>2 952</b>
- Municipal charges	225	220
- Levy costs	750	695
- Rentals in respect of operating lease	2 031	2 037
Research, workshops and investigations	19 244	13 338
Section 7 and workgroup investigations	777	958
Travel and subsistence	2 232	3 467
<b>Total</b>	<b>25 613</b>	<b>21 183</b>
<b>7. Depreciation and amortisation</b>		
Depreciation on property, plant and equipment	1 786	1 190
Amortisation on intangible assets	46	36
<b>Total</b>	<b>1 832</b>	<b>1 226</b>
<b>8. Finance costs</b>		
Finance leases	14	25
<b>Total</b>	<b>14</b>	<b>25</b>

NATIONAL AGRICULTURAL MARKETING COUNCIL

## Notes to the Financial Statements

For the year ended 31 March 2016

### 9. Council members' emoluments

Members Name	Fees for services R'000	Other payments R'000	2016 Total amount paid R'000	2015 Total amount paid R'000
Ms Mina Gill	90	-	90	86
Mr A Hendricks	40	-	40	42
Mr Andre Young	120	-	120	135
Mr AM Cronje	31	-	31	32
Dr LL Magingxa (Audit & Risk Committee member)	84	-	84	67
Dr JL Purchase	43	-	43	13
Mrs JM vd Merwe	85	-	85	66
Ms TE Zimu (Audit & Risk Committee member)	86	-	86	103
<b>Total</b>	<b>579</b>	<b>-</b>	<b>579</b>	<b>544</b>

Remuneration paid to audit and risk committee members	R'000	R'000
Chairperson: P Slack	103	70
Member: GR Dinga	98	72
Member: AR Ngwenya (Audit & Risk Committee member and chairperson of Risk Management Committee)	139	141

NATIONAL AGRICULTURAL MARKETING COUNCIL

## Notes to the Financial Statements

For the year ended 31 March 2016

### 10. Senior managers' emoluments

Members Name	Basic Salary R'000	Allowances R'000	Performance bonus R'000	Pension contribution payments R'000	UIF R'000	Other R'000	Total amount paid 2016 R'000	Total amount paid 2015 R'000
Mr T Ramabulana CEO	1 415	172	454	227	2	-	2 270	2 243
Ms F Muvhulawa CFO	1 206	-	287	172	2	-	1 667	1 520
Mr Schalk Burger Senior Manager – Statutory measures	936	-	178	134	2	-	1 250	1 179
Mr Z Xalisa Senior Manager – Agritrust	936	-	160	134	2	-	1 232	1 179
Ms V. Nkobi Senior Manager: Human resources	936	-	160	134	2	-	1 232	1 179
Dr. S Ngqangweni Senior Manager – MERC	936	-	178	134	2	-	1 250	1 179
Ms KC Mosoma Senior Manager – Agribusiness	936	-	178	134	2	-	1 250	1 179
Mr .T Maphathane Compliance and Risk Manager	526	-	100	75	2	-	703	662
<b>Total</b>	<b>7 827</b>	<b>172</b>	<b>1 695</b>	<b>1 144</b>	<b>14</b>	<b>-</b>	<b>10 852</b>	<b>10 320</b>



NATIONAL AGRICULTURAL MARKETING COUNCIL

## Notes to the Financial Statements

For the year ended 31 March 2016

### 11. Property, Plant and Equipment

2015/16	Balances as at 01 April 2015				Movement for the year				Balances as at 31 March 2016			
	Cost	Accumulated depreciation	Net carrying amount	Additions	Transfer of asset at cost	Disposal	Depreciation	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount		
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000
<b>Own Assets</b>												
Office Equipment	246	(179)	67	12		7	(22)	244	(194)	50		
Vehicles	458	(47)	411	-		-	(73)	457	(120)	337		
Computer Equipment	1 480	(770)	710	158		7	(260)	1 541	(940)	601		
Office Furniture & Fittings	992	(610)	382	25		-	(83)	1 020	(696)	324		
Farming Equipment	36	(28)	8	-		-	(2)	36	(30)	6		
<b>Leased assets</b>												
Leased office equipment	406	(219)	187	41		-	(145)	399	(315)	84		
Leasehold improvements	1 263	(842)	421			-	(256)	1 263	(1 098)	165		
<b>Project related assets</b>												
Project assets: NRMIDP	1 902	(290)	1 612	866	2 132	-	(945)	4 901	(1 235)	3 666		
Project assets: NRMIDP (WIP)	2 667	-	2 667	227	(2 132)	-	-	761	-	761		
<b>Total</b>	<b>9 450</b>	<b>(2 985)</b>	<b>6 465</b>	<b>1 329</b>	<b>-</b>	<b>14</b>	<b>(1 786)</b>	<b>10 622</b>	<b>(4 628)</b>	<b>5 994</b>		

NATIONAL AGRICULTURAL MARKETING COUNCIL

## Notes to the Financial Statements

For the year ended 31 March 2016

**Project assets are assets purchased for the National Red Meat Development project.**

### 11. Property, Plant and Equipment

2014/15	Balances as at 01 April 2014			Movement for the year			Balances as at 31 March 2015			
	Cost	Accumulated depreciation	Net carrying amount	Additions	Transfer of asset at cost	Disposal	Depreciation	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Own Assets</b>										
Office Equipment	318	(243)	75	15		-	(23)	246	(179)	67
Vehicles	370	(236)	134	351		43	(30)	458	(47)	411
Computer Equipment	1 050	(506)	544	475	14	19	(302)	1 480	(770)	710
Office Furniture & Fittings	812	(529)	283	182	(2)	-	(83)	992	(610)	382
Farming Equipment	36	(27)	9	-		-	(2)	36	(28)	8
<b>Leased assets</b>										
Leased office equipment	646	(378)	268	139		15	(205)	406	(219)	187
Leasehold improvements	1 239	(588)	651	24		-	(255)	1 263	(842)	421
<b>Project related assets</b>										
Project assets: NRMDP	-	-	-	1 902		-	(290)	1 902	(290)	1 612
Project assets: NRMDP (WIP)	527	-	527	2 140		-	-	2 667	-	2 667
<b>Total</b>	<b>4 998</b>	<b>(2 507)</b>	<b>2 491</b>	<b>5 228</b>	<b>12</b>	<b>77</b>	<b>(1 190)</b>	<b>9 450</b>	<b>(2 985)</b>	<b>6 465</b>

NATIONAL AGRICULTURAL MARKETING COUNCIL

## Notes to the Financial Statements

For the year ended 31 March 2016

### 12. Intangible assets

2015/16	Balances as at 01 April 2015				Movement for the year				Balances as at 31 March 2016			
	Gross carrying amount	Accumulated depreciation	Net carrying amount		Additions	Transfer of asset at cost	Disposal	Amortisation charge	Gross carrying amount	Accumulated amortisation and impairment	Net carrying amount	
	R'000	R'000	R'000		R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Computer software	436	(359)	77		4	-	-	(31)	440	(389)	51	
Computer software (NRMDP)	-	-	-		89	-	-	(15)	89	(15)	74	
<b>Total</b>	<b>436</b>	<b>(359)</b>	<b>77</b>		<b>93</b>	<b>-</b>	<b>-</b>	<b>(46)</b>	<b>529</b>	<b>(404)</b>	<b>125</b>	
2014/15	Balances as at 01 April 2014				Movement for the year				Balances as at 31 March 2015			
	Gross carrying amount	Accumulated depreciation	Net carrying amount		Additions	Transfer of asset at cost	Disposal	Amortisation charge	Gross carrying amount	Accumulated amortisation and impairment	Net carrying amount	
	R'000	R'000	R'000		R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Computer software	436	(323)	113		-	-	-	(36)	436	(359)	77	
<b>Total</b>	<b>436</b>	<b>(323)</b>	<b>113</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(36)</b>	<b>436</b>	<b>(359)</b>	<b>77</b>	

## Notes to the Financial Statements

For the year ended 31 March 2016

	2016		2015
	R'000		R'000
<b>13. Inventory</b>			
Consumable stores	53		56
Inventory stock on hand (Feed)	1 228		30
<b>Total</b>	<b>1 281</b>		<b>86</b>

Inventories were not pledged as security.

The amount of any write-down of inventories is recognised as an expense in the period in which the reversal occurs.

For the period under review no inventory were written down.

Inventory expenditure recognised in the statement of financial performance.

<b>5 342</b>	<b>145</b>

### 14. Receivables from exchange transactions

Prepayments	11	578
Rental deposit (property lease)	251	251
<b>Total</b>	<b>262</b>	<b>829</b>

### 14.1 Receivables from non-exchange transactions

The balance of receivables mainly relates to invoice raised to Department of Rural Development and Land Reform (R7 million) as well as Agriseta(R543k).

7 779	4 458
<b>7 779</b>	<b>4 458</b>

### Age analysis of trade receivables/ accrued income

<b>Not past due</b>
<b>Past due for less than one month</b>
<b>Past due for longer than one month but for less than one year</b>
<b>Past due for longer than one year</b>
<b>Total</b>

2016		2015	
Gross	Impairment	Amount outstanding	Gross
7 779	-	7 779	3 733
-	-		-
-	-	-	725
-	-		-
<b>7 779</b>	<b>-</b>	<b>7 779</b>	<b>4 458</b>

## Notes to the Financial Statements

For the year ended 31 March 2016

### 15. Cash and cash equivalents

Current account	66 934	36 519
Cash on hand	1	2
<b>Total</b>	<b>66 935</b>	<b>36 521</b>

Cash and cash equivalents comprise cash and short-term highly liquid investments, that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest rate risk.

	2016		2015
	R'000		R'000

### 16. Finance lease liability

Finance lease liability	91	197
Less: Current portion	(80)	(137)
<b>Outstanding balance</b>	<b>11</b>	<b>60</b>

The National Agricultural Marketing Council has during the period under review made a total contribution of R162,000.00 to finance leases as defined in GRAP13.

The finance lease liability for the entity are photocopying machines. The interest rate implicit in the lease was estimated to be the prime rate at the inception of the lease. The entity leased photocopiers from Minolta and Cellular phone from Vodacom for a period of 36 and 24 months.

#### Terms and conditions

- i) All the leases are for an agreed period of 24 - 36 months, with an option to renew.
- ii) The photocopiers are installed and then the contract will continue on a monthly basis until the entity decides to terminate the contract with one month's written notice.
- iii) The contract will be renewed for a period of one year if the entity does not give written notice of cancellation of contract.

Reconciliation between the minimum lease payments and the present value:

<i>Minimum lease payments</i>	<b>91</b>	<b>197</b>
Payable within 1 year	85	150
Payable within 2 - 5 years	11	62
Less interest portion	(5)	(15)
<i>Present value of minimum lease payments</i>	<b>91</b>	<b>197</b>
Payable within 1 year	80	137
Payable within 2 - 5 years	11	60

## Notes to the Financial Statements

For the year ended 31 March 2016

	2016	2015
	R'000	R'000
<b>17. Payables from exchange transactions</b>		
Trade creditors	<b>4 955</b>	<b>438</b>
<b>17.1 Employee benefits due</b>		
Leave accrual	507	776
<b>Total</b>	<b>5 462</b>	<b>1 214</b>

The leave accrual is calculated by using the daily total cost to company of the employee, multiplied by the leave days due at year end.

### 18. Deferred liabilities

#### 18.1 Deferred revenue

	2016			
	Opening balance	Amount received/receivable	Amount utilised	Closing balance
	R'000	R'000	R'000	R'000
<b>Name of project</b>				
Strategic Infrastructure Project: SIP 11	3 331	1 482	3 306	1 507
Supply Chain Logistic Programme (WesternCape)	74	500	97	477
National Red Meat Development Project	9 166	27 700	19 173	17 693
Agricultural Sector Education, Training Authority (AgriSeta)	-	1 463	846	617
Agricultural Information Management System: (AIMS)	13 392	24 590	184	37 798
Norms and Standard	111	(100)	12	(1)
<b>Total</b>	<b>26 074</b>	<b>55 635</b>	<b>23 618</b>	<b>58 091</b>

Deferred revenue reflects the amount of income received during the current and previous financial year, but which will be utilised in the 2016/17 financial year.

## Notes to the Financial Statements

For the year ended 31 March 2016

	2015			
	Opening balance	Amount received/receivable	Amount utilised	Closing balance
<b>18.1 Deferred revenue</b>				
<b>Name of project</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Strategic Infrastructure Project: SIP 11	4 145	3 518	4 332	3 331
Supply Chain Logistic Programme (WesternCape)	452	-	378	74
National Red Meat Development Project	2 820	16 669	10 323	9 166
Agricultural Sector Education, Training Authority (AgriSeta)	390	559	949	-
Agricultural Information Management System: (AIMS)	-	13 500	108	13 392
Norms and Standards	-	700	589	111
<b>Total</b>	<b>7 807</b>	<b>34 946</b>	<b>16 679</b>	<b>26 074</b>

### 18.2 Agent and principal liability

#### Nature of the relationship

The NAMC has entered into a service level agreement with Northern Cape Department of Agriculture, Land Reform and Rural Development for the purpose of facilitating the implementation of Vine Yard Development Scheme in the Northern Cape. The contract value is R27,950,000. The NAMC act as an agent and the Department is the principal. NAMC charged R1,118,000 management fee which is 4% of the contract value.

	2016			
	Opening balance	Amount received	Amount utilised	Closing balance
<b>Name of project</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Vineyard Development Scheme	17 223	27 764	31 638	13 349
<b>Total</b>	<b>17 223</b>	<b>27 764</b>	<b>31 638</b>	<b>13 349</b>

Included in the amount received for Vine Yard Development Scheme, is interest of R715,000 generated from investments of surplus funds on Vineyard Yard project.

<b>Total Liabilities 2015/16</b>	<b>71 440</b>
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## Notes to the Financial Statements

For the year ended 31 March 2016

### 18.2 Agent and principal liability

#### Nature of the relationship

The NAMC has entered into a service level agreement with Northern Cape Department of Agriculture, Land Reform and Rural Development for the purpose of facilitating the implementation of Vine Yard Development Scheme in the Northern Cape. The contract value is R40,100,000.00. The NAMC act as an agent and the Department is the principal.

Agent and principal liability	2015			
	Opening balance	Amount received	Amount utilised	Closing balance
Name of project	R'000	R'000	R'000	R'000
Vineyard Development Scheme	11 740	27 149	21 666	17 223
<b>Total</b>	<b>11 740</b>	<b>27 149</b>	<b>21 666</b>	<b>17 223</b>

Included in the amount received for Vine Yard Development Scheme, is interest of R779,000 generated from investments of surplus funds on Vineyard Yard project.

<b>Total Liabilities 2014/15</b>	<b>43 297</b>
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## Notes to the Financial Statements

For the year ended 31 March 2016

### 19. Reconciliation of surplus/(deficit) for the year to net cash flows from operating activities

	2 016	2015
	R'000	R'000
Surplus/(Deficit)	1 753	1 438
Adjusted for:		
Loss on disposal of property, plant & equipment.	7	78
Impairment loss on inventory	-	12
- Amortisation on intangible assets	46	36
- Depreciation on property, plant and equipment	1 786	1 190
Accrued income	-	50
- Interest received	(2 841)	(1 940)
- Finance cost(Finance lease)	14	25
Operating cash flows before working capital changes	<b>765</b>	<b>889</b>
Working capital changes	28 344	18 539
(Increase)/decrease in receivable from exchange & non-exchange transactions	(2 754)	(3 922)
(Increase)/decrease in inventory	(1 195)	(33)
Increase/(decrease) in payables	32 293	22 494
<b>Net cash utilised in operations</b>	<b>29 109</b>	<b>19 428</b>

Some comparative figures affecting the cash flow have been adjusted to conform to changes in the presentation of the period under review.

## Notes to the Financial Statements

For the year ended 31 March 2016

	2 016	2015
	R'000	R'000
<b>20. Operating lease commitment</b>		
Up to 1 year	916	2 441
Between 2 and 5 years	83	999
<b>Total</b>	<b>999</b>	<b>3 440</b>

The operating leases for the entity are for office rental and telephone management system with a lease period of 36 months. The escalation rate for rental of office space is 8% p.a. and no escalation clause for the telephone management system. The leasehold improvement disclosed under note 11 of this financial statements are for the repairs and maintenance of offices and air conditioners.

Operating expenditure recognised in the statement of financial performance on a straight line basis.

**Amount accrued to the statement of financial position due to straight-lining**

2 031	2 037
59	157

## Notes to the Financial Statements

For the year ended 31 March 2016

### 21. Financial instruments

#### Introduction and overview

This note represents information about the entity's exposure to each of the below risks, the entity's objectives, policies and processes for measuring and managing risk, and the entity's management of capital. Further quantitative disclosures are included throughout these financial statements.

#### Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit and Risk Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

The entity has exposure to the following risks from its use of financial instruments:

Credit risk - the risk of financial loss to the entity if a counterparty to a financial instrument fails to meet its contractual obligations.

Liquidity risk - the risk that the entity will not be able to meet its financial obligations as they fall due.

Market risk - the risk that changes in market prices, such as interest rates, will affect the entity's income or the value of its holdings of financial instruments. Market risk comprises interest rate risk, currency risk and other price risk.

## Notes to the Financial Statements

For the year ended 31 March 2016

The following are the carrying values of the NAMC's financial instruments per category:

	<i>Note</i>	Carrying amount 2016	Carrying amount 2015
		R'000	R'000
<b>Financial assets at amortised cost</b>		<b>74 965</b>	<b>41 230</b>
Cash and cash equivalents	15	66 935	36 521
Receivables	14	8 030	4 709
<b>Financial liabilities at amortised cost</b>		<b>5 553</b>	<b>1 411</b>
Finance leases	16	91	197
Payables	17	5 462	1 214

### Prepayments are excluded from financial instruments in both financial years

The following table presents the gains or losses per financial instrument category:

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
<b>2016</b>	R'000	R'000	R'000
Interest income	2 841	-	2 841
Finance costs	-	(14)	(14)
<b>Total</b>	<b>2 841</b>	<b>(14)</b>	<b>2 827</b>

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
<b>2015</b>	R'000	R'000	R'000
Interest income	1 940	-	1 940
Finance costs	-	(25)	(25)
<b>Total</b>	<b>1 940</b>	<b>(25)</b>	<b>1 915</b>

## Notes to the Financial Statements

For the year ended 31 March 2016

### **Exposure to risks: Credit risk**

Financial assets, which potentially subject the entity to the risk of default by counter parties and thereby subject the entity to concentrations of credit risk, consist mainly of cash and cash equivalents and receivables. Receivables consists mainly of prepayments made to suppliers per request by the suppliers, rental deposits and trade receivables with a maximum exposure to credit risk equal to the carrying value of these instruments.

Cash and cash equivalents are placed with high credit quality financial institutions therefore the credit risk with respect to cash and equivalents is limited.

Credit risk with respect to receivables is limited due to the nature of the NAMC's revenue transactions. The NAMC trades only with recognised, creditworthy third parties and all debtors are requested to settle their accounts within 30 days. The entity does not have any significant exposure to any individual customer or counter-party. Accordingly, the entity does not consider there to be any significant concentration of credit risk, which had not been adequately provided for. Receivables are presented net of the allowance for doubtful debts.

The maximum exposure to credit risk at the reporting date was:

### **Financial assets at amortised cost**

Cash and cash equivalents

Receivables

	Carrying amount 2016	Carrying amount 2015
	R'000	R'000
	74 965	41 230
Cash and cash equivalents	66 935	36 521
Receivables	8 030	4 709

## Notes to the Financial Statements

For the year ended 31 March 2016

### 21. Financial instruments (continued)

The following table reflects the NAMC's exposure to liquidity risk from financial liabilities:

#### *Exposure to risks: Liquidity risk*

The entity minimises this risk by ensuring that enough working capital (cash reserves and short-term receivables) are available to cover its current liabilities through the analysis of the commitments against the cash available in our current and call accounts.

	2016		2015
	Gross	Impairment	Gross
	R'000	R'000	R'000
Cash and equivalents		-	-
Neither past due nor impaired	66 935	-	36 521
Receivables		-	-
Neither past due nor impaired	8 030	-	4 709
<b>Total</b>	<b>74 965</b>	<b>-</b>	<b>41 230</b>

The following table provides information regarding the maturity analysis on NAMC's contractual undiscounted cash flows for its payables:

	Carrying amount	Total contractual cash flows	Not later than one year	2-5 years
	R'000	R'000	R'000	R'000
<b>31-Mar-16</b>				
Finance lease liabilities	91	91	80	11
Payables	5 462	5 462	5 462	-
<b>Total</b>	<b>5 553</b>	<b>5 553</b>	<b>5 542</b>	<b>11</b>
<b>31-Mar-15</b>				
Finance lease liabilities	212	212	150	62
Payables	1 214	1 214	1 214	-
<b>Total</b>	<b>1 426</b>	<b>1 426</b>	<b>1 364</b>	<b>62</b>

## Notes to the Financial Statements

For the year ended 31 March 2016

### **Exposure to risk: Market risk**

#### *Interest rate risk*

The entity's exposure to market risk (in the form of interest rates risk) arises primarily from the entity's investment in cash and cash equivalents and the obligations in respect of the entity's finance leases. The entity's financial assets and financial liabilities are managed in such a way that the fluctuations in variable rates do not have a material impact on the surplus or deficit as the entity settles its outstanding obligation within 30 days and interest on outstanding debts is charged monthly using the applicable interest rates. Refer to the sensitivity analysis below to illustrate the possible effect of changes in the variable interest rate on the financial assets and liabilities.

#### **Concentration of interest rate risk**

	2016	2015
	R'000	R'000
<b>Variable rate instruments</b>		
Financial assets	66 935	36 521
Financial liabilities	(91)	(197)
<b>Total</b>	<b>66 844</b>	<b>36 324</b>
<b>Fixed rate instruments</b>		
Financial assets:		
Accounts receivable	8 030	4 709
Financial liabilities:		
Accounts payable	(5 462)	(1 214)
<b>Total</b>	<b>2 568</b>	<b>3 495</b>

## Notes to the Financial Statements

For the year ended 31 March 2016

### 21. Financial instruments (continued)

The exposure to the changes in interest rates primarily affects NAMC's current and call accounts and finance lease arrangements.

An averaged 1% change in the market interest rate on the outstanding balances of the following instruments at year end will have the following effect per annum:

	Change in interest rate	Current balance	Upward change (+1%)	Downward change (-1%)
<b>2016</b>		<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Net surplus for the year		1 753	2 423	1 084
Change in net surplus			38%	-38%
Cash and cash equivalents	1%	66 935	669	(669)
Net surplus for the year		1 789	1 788	1 790
Change in net surplus			-0,05%	0,05%
Finance lease	1%	91	(1)	1
<b>2015</b>				
Net surplus for the year		1 438	1 803	1 073
Change in net surplus			25%	-25%
Cash and cash equivalents	1%	36 521	365	(365)
Net surplus for the year		1 438	1 436	1 440
Change in net surplus			-0,14%	0,14%
Finance lease	1%	197	(2)	2

The upward and downward effect of the % change in interest rate would be immaterial and not bear a significant effect on the financial position. Reference has been made to the changes in prime rate.



## Notes to the Financial Statements

For the year ended 31 March 2016

	2016	2015
	R'000	R'000

### 22. Tax exemption

The NAMC is exempted from income tax in terms of Section 10(1) cA (i) of the Income Tax Act, 1962.

### 23. Related parties

Parties related to National Agricultural Marketing Council:

#### Relationship

#### Name of related party

Executive Managers are regarded as related parties

Controlling entity

Department of Agriculture, Forestry and Fisheries

National department - (under common control with controlling entity)

Department of Rural Development and Land Reform

Public entity - (under common control with NAMC)

Agricultural Research Council (ARC)

Land and Agricultural Bank of South Africa (under common control with NAMC)

Land and Agricultural Bank of South Africa

During the year the entity in the ordinary course of business entered into various transactions with related parties. Transactions entered into and balances outstanding between these parties are as follows:

#### Related transactions

Department of Agriculture, Forestry and Fisheries - Grant	34 635	36 005
Department of Agriculture, Forestry and Fisheries - Strategic Infrastructure Project and Norms and Standards	3 218	4 218
Department of Rural Development and Land Reform - National Redmeat Development	19 173	16 669
Land and Agricultural Bank of South Africa	50	-
Agricultural Research Council (ARC)	750	1 750

**The transaction with related party transactions indicates the amount utilised from grants from related parties during 2015/16**

**57 826      58 642**

# NATIONAL AGRICULTURAL MARKETING COUNCIL

## Notes to the Financial Statements

For the year ended 31 March 2016

	2016	2015
	R'000	R'000

Key management personnel: refer to note 9 & 10 of the financial statements

### Related parties balances

Department of Agriculture, Forestry and Fisheries -Strategic Infrastructure Project and Norms and Standards	1 506	3 442
Department of Rural Development and Land Reform,	10 673	4 360
Agricultural Research Council	-	1 750
The balances on related parties transactions indicates the conditional grants remaining to be utilised during the financial year 2016/17. The balances disclosed are interest free and not secured.	<b>12 175</b>	<b>9 552</b>

### 24. Significant estimates and judgement made by management

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The entity has in the period under review assessed the useful lives of property plant and equipment and intangible assets.

The assumptions used in determining the useful lives and residual values were based on the following:

- (i) Asset type and what it is made of.
- (ii) Asset special features.
- (iii) Asset condition i.e the physical condition and age of the assets.
- (iv) The rate of use of assets, number of users and location.
- (v) The residual value for vehicles were set at the industry second hand value.

#### 24.1 Change in accounting estimates

During the current period management have reviewed the useful lives and residual values of the entity's property, plant and equipment and have restated the depreciation figures prospectively. The effect of this review has decreased the depreciation charges for the current and future periods by R114,919.

## Notes to the Financial Statements

For the year ended 31 March 2016

### 25. Budget differences

#### 25.1 Material differences between budget and actual amounts

##### A. Revenue

An increase in revenue of R26.2 million mainly relates to additional amount received for sponsorship projects as disclosed under note 18 of the financial statements and also interest of R2,8 million was generated from investment of surplus funds.

##### B. Personnel expenditure

A variance of (12%) on personnel expenditure is as a result of increase in the amount paid towards performance bonuses which is normally paid using interest generated from investments and management fees generated from sponsored projects. Disclosed separately is the amount of personnel expenditure which relates to National Red Meat Development Project.

##### C. Administration expenses

A variance of 32% on administration expenses is as a result of a decrease in number of international trips and decrease in travel and accommodation line item.

Most of the travel and accommodation expenses were financed through sponsorship funding and has been allocated to the projects operational expenditure.

##### D. Operating expenses

The operating expenditure shows a variance of (55%), other income generated under various programme has been utilised to finance this over expenditure. Disclosed separately is the amount of operating expenses which relates to sponsored projects.

A variance of (55%) on operating expenditure is due to some of the expenditure not realised as at year end and this has been disclosed as commitments under note 30 of the financial statements. The other operating expenses with variance of 100% are for sponsored projects.

##### E. Depreciation

A variance of (159%) on depreciation and amortisation due to the increase in the number of assets purchased for National Red Meat Development Project.

## Notes to the Financial Statements

For the year ended 31 March 2016

### 25.2 Budget and the actual amounts basis of preparation and presentation

The budget is approved on an accrual basis by nature of classification. The approved budget covers the period from 1 April 2015 to 31 March 2016. The budget and annual financial statements are both on the accrual basis. The financial statements are prepared using classification on the nature of expenses in the statement of financial performance. The difference between approved and final budget is due to reallocation between various programmes and line items within the programmes.

	2016	2015
	R'000	R'000

#### 26. Reconciliation of irregular expenditure

Opening balance	-	73
Add irregular expenditure understated in the previous financial year	-	219
Amount not condoned	-	-
Less amount condoned by accounting authority	-	-
Less amount recoverable (condoned)	-	-
Less amount not recoverable (not condoned)	-	(292)
<b>Irregular expenditure awaiting condonation</b>	<b>-</b>	<b>-</b>

#### Analysis of expenditure awaiting condonation per age analysis

Current year	-	-
Prior years	-	73
<b>Total</b>	<b>-</b>	<b>73</b>

#### Details of irregular expenditure - Current year

	2015
Incident	Disciplinary steps taken/ criminal proceedings
	'R000
	None
	-

## Notes to the Financial Statements

For the year ended 31 March 2016

### 27. Other Commitments schedule for the orders issued to the suppliers as at 31 March 2016

	2016 R'000
The Government Printing Works	1
Baypoint Trading CC	1
Europcar South Africa	2
Diners Club International	10
Bidvest Car Rental	3
Sage VIP	5
P.K Visagie	100
ProAct Management & Constructing (PTY) LTD	193
Allaboutxpert (PTY) Ltd	304
Dirk Louw/Silver Moon Investments 358	337
Voor-Groenberg Nurseries cc	423
Agrico (PTY) LTD	1 001
Bosman Adama (PYT) LTD/Lelienfontein	1 264
Jeanies Production (PTY) Ltd	3 535
YBS Darnol (PTY) LTD	5 746
<b>Total</b>	<b>12 925</b>

### 27.1 Commitments schedule for the orders issued to the suppliers as at 31 March 2015

Name of supplier	2015 R'000
<b>Capital Commitments</b>	
Ditiro Trading and Construction Enterprise	133
Nature of the contingent assets	133

The contingent assets disclosed are for the materials purchased for the construction of feedlot but were not delivered as at year end.

**Notes to the Financial Statements**

For the year ended 31 March 2016

**27.1 Commitments schedule for the orders issued to the suppliers as at 31 March 2015  
(continued)**

	2015 R'000
<b>Other commitments</b>	<b>10 238</b>
SW Regenstein	57
Kgalagadi Trading and Investments	610
Namakwaland Konstruksies BK	1 906
Agrico (PTY) LTD	3 000
Nammic Engineering	1 102
KLK Landbou Beperk	1 101
JE Jansen	980
Kaap Agri Upington	275
Cape Vines Nurseries cc	233
Voor-Groenberg Nurseries cc	249
The Government Printing Works	2
Human Communications (PTY) LTD	5
Ulysses Tours & Safaris	16
Diners Club International	6
Avis Rent a Car	13
Mudziwa Travel	16
The Government Printing Works	1
Ethics Monitoring & Management	55
Kleine Zalze Lodge	35
Southern Sun	1
SAB & T Chartered accountants Inc t/a nexia sab&t	129
T & T Drilling (PTY) LTD	49
Cafe 41 Groenkloof (Circle Seven Trading)	1
Protea Hotel Stellenbosch	180
Die Michael Oosthuizen Family Trust	14
Regenesys Management (Pty) Ltd	7
TI Construction and Projects (PTY) LTD	195
<b>Total Commitments</b>	<b>10 371</b>

## Notes to the Financial Statements

For the year ended 31 March 2016

### 28. Prior period error

#### 28.1 Prepayments of rental office space

##### Nature of prior period error

The correction of prior period error relates to the overpayment of the March rental and services invoiced in the previous financial year 2014/15. The expenditure was captured twice in the prior year which resulted in expenditure being over stated and the supplier account being overpaid.

To correct the error the expenses in the prior year were reversed and the overpayment to the supplier was shown as a prepayment.

The effect of the prior period error is as follows:	<b>2015</b>
	R'000
Increase in prepayments	233
Decrease in operating expenses	(233)

The impact in accumulated surplus as at 31 March 2015

The effect of the correction of error is as follows:	<b>2 015</b>
	R'000

##### Statement of financial position

Increase in accumulated surplus	(233)
Increase in prepayments	233

#### 28.2 Inventory

##### Nature of prior period error

The correction of prior period error relates to the inventory for feed bought for the National Red Meat Development Project, as at 31 March 2015, it was discovered that there were still inventory on hand at two of the feedlot in the Eastern Cape. This was previously recognised as operational expenditure during 2014/15 financial year.

**Notes to the Financial Statements**

For the year ended 31 March 2016

The effect of the prior period error is as follows: **2015**  
R'000

Increase in Inventory	30
Decrease in operating expenses	(30)

The impact in accumulated surplus as at 31 March 2015

The effect of the correction of error is as follows:

<b>Statement of financial position</b>	<b>2 015</b>
	R'000
(Increase)/decrease in accumulated surplus	(30)
(Increase)/decrease in inventory	30

**28.3 Agent and Principal transactions****Nature of prior period error**

A project executed by the NAMC on behalf of Northern Cape Department of Agriculture, Land Reform and Rural Development, was erroneously accounted for as a conditional grant with project inflows and outflows being accounted for in the entity's project revenue and expenses in the previous financial year.

The effect of the prior period error is as follows: **2 015**  
R'000

<b>Statement of financial performance</b>	
Decrease in revenue	21 666
Decrease in project expenses	(21 666)

The impact in accumulated surplus as at 31 March 2015

The effect of the correction of error is as follows:

<b>Statement of financial position</b>	
(Increase)/decrease in accumulated surplus (NIL)	-



## Notes to the Financial Statements

For the year ended 31 March 2016

### 29. Reclassifications

#### General administrative expenses

An amount of R1,216,000 ( 2014/15: R961,000) relating to Information Technology (IT) costs has been disclosed separately under note 4 of these annual financial statements. In 2014/15 these costs were disclosed under general administrative expenses.

#### Construction Work-in-Progress

An amount of R2,132,000 previously classified as Construction Work-in-Progress has now been transferred to project assets in the current financial year. Refer to note 11 of these annual financial statements.

#### Deferred revenue

An amount of R17,2 million which is the closing balance relating to Vineyard Development Scheme project has now been disclosed separately under note 18.2 of these annual financial statements as agent and principal liability, due to the nature of the contract where NAMC is acting as an agent the Northern Cape Department of Agriculture, Land Reform & Rural Development is the principal.

### 30. Segment reporting

#### 30.1 Measurement of segment surplus or deficit, assets and liabilities

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

#### 30.2 Segment information

The entity is organised and reports to accounting authority and executive authority on the basis of five segments. The segments were organised around the type of services they deliver/provide. Management uses these same segments for determining strategic objectives.

Information reported about these segments is used by management as a basis for evaluating the segment's performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The NAMC's financing (including finance costs and finance income) and revenue from taxes and transfers are allocated to operating segments. Inter-business unit services are not valued and are deemed to have been supplied for no consideration, and are therefore not eliminated. However, the quality of services provided internally is monitored as part of the non-financial service performance information through quarterly performance information reports.

## Notes to the Financial Statements

For the year ended 31 March 2016

The entity business operations offices are in Pretoria, and with satellite offices for the National Red Meat Development project.

The NAMC has the following five primary reportable segments:

### **Programme 1: Administration**

The purpose of this programme is to provide support services towards achieving internal business excellence within the NAMC. The programme is currently structured in accordance with the following sub- programmes:

Sub Programme 1.1	: Office of the Chief Executive Officer;
Sub Programme 1.2	: Finance & Administration Management and,
Sub Programme 1.3	: Human Resources Management.

The segments were aggregated on the basis of services delivered as management considered that the economic characteristics of segments throughout the NAMC were sufficiently similar to warrant aggregation.

### **Programme 2: Markets and Economic Research Centre (MERC)**

The purpose of this programme is to provide quality research to key stakeholders in support of agricultural marketing decision making.

### **Programme 3: Statutory Measures**

The purpose of this programme is to facilitate the process to implement statutory measures in order to promote the efficiency of the marketing of agricultural products.

### **Programme 4: Agricultural trusts**

The purpose of this programme is to provide advisory services relating to trusts to the Minister.

### **Programme 5: Agri-business Development**

The purpose of this programme is to provide development programmes that will link small holder farmers to markets.

## Notes to the Financial Statements

For the year ended 31 March 2016

### 30.2 Segment information (continued)

Segment surplus or deficit, assets and liabilities

2016	ADMINISTRATION	MARKET RESEARCH CENTRE(MERC)	STATUTORY MEASURES	AGRICULTURAL TRUSTS	AGRIBUSINESS DEVELOPMENT	ELIMINATIONS	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>REVENUE</b>							
Revenue from non-exchange transactions	18 874	15 331	2 092	935	22 740	-	59 972
Revenue from exchange transactions	-	-	-	-	851	-	851
Inter-segment transfers	-	-	-	-	-	-	-
Share of surplus of associates	-	-	-	-	-	-	-
<b>Total segment revenue</b>	<b>18 874</b>	<b>15 331</b>	<b>2 092</b>	<b>935</b>	<b>23 591</b>	<b>-</b>	<b>60 823</b>
<b>EXPENSES</b>							
Salaries & Wages	11 756	8 787	2 267	969	5 948	-	29 727
Depreciation & Amortisation	872	-	-	-	960	-	1 832
Other Expenses	9 510	5 319	127	270	15 112	-	30 338
<b>Total segment expenses</b>	<b>22 138</b>	<b>14 106</b>	<b>2 394</b>	<b>1 239</b>	<b>22 020</b>	<b>-</b>	<b>61 897</b>
<b>Total segment surplus</b>	<b>(3 264)</b>	<b>1 225</b>	<b>(302)</b>	<b>(304)</b>	<b>1 571</b>	<b>-</b>	<b>(1 074)</b>

Interest revenue	2 841	-	-	-	-	-	-	2 841
Other unallocated revenue								-
Interest expense	14	-	-	-	-	-	-	14
Unallocated expenses								-
<b>Surplus for the period</b>	<b>(437)</b>	<b>1 225</b>	<b>(302)</b>		<b>(304)</b>	<b>1 571</b>	<b>-</b>	<b>1 753</b>
<b>ASSETS</b>								
Segment assets (tangible assets)	1 567	-	-	-	-	4 427	-	5 994
Segment assets (intangible assets)	51	-	-	-	-	74	-	125
Receivable from exchange and Non-exchange transactions	805	-	-	-	-	7 236	-	8 041
Inventory	53	-	-	-	-	1 228	-	1 281
Cash and cash equivalent	5 186	39 350	-	-	-	22 399	-	66 935
<b>Total assets</b>	<b>7 662</b>	<b>39 350</b>	<b>-</b>		<b>-</b>	<b>35 364</b>	<b>-</b>	<b>82 376</b>
<b>LIABILITIES</b>								
Segment liabilities	642	47	10	-	-	1 327	-	2 026
Unallocated liabilities	338	164	47	32	76		-	657
Other payables from exchange transactions	1 086	39 350	6	7	33 920	-	-	74 369
<b>Total liabilities</b>	<b>2 066</b>	<b>39 591</b>	<b>63</b>	<b>39</b>	<b>35 323</b>	<b>-</b>	<b>-</b>	<b>77 052</b>
<b>OTHER INFORMATION</b>								
Capital expenditure*	240	-	-	-	-	1 182	-	1 422
Non-cash items excluding depreciation	21	-	-	-	-	-	-	21
Accrued expense	469	45	6	7	2 402			2 929
Deferred revenue	617	39 305	-	-	31 518	-	-	71 440

### 31.Subsequent events after reporting date

#### 31.1 Non-Adjusting Events after reporting date (Contingent liabilities)

Categories of contingent liability	Nature of contingent liability	Estimated amount
		<b>2016</b>
		<b>R'000</b>
Claims against NAMC- labour legal matter	Possible settlement amount for employee retrenched during 2013/14	500
<b>Total</b>		<b>500</b>

Litigation claim in respect of unfair dismissal of employee

The NAMC's reporting date is 31 March 2016 and on the 6th of July 2016, a legal confirmation was received from the attorney. NAMC received an alleged unfair retrenchment case that will sit on the 28 November 2016. An estimate amount of R500 000.00 is the maximum exposure that could be awarded should the claim prove successful. The amount is an estimate from the attorney of the possible amount payable. This is classified as a Non-Adjusting event as no conditions existed at the reporting date relating to this litigation claim.

# ANNEXURE A: CONTACT DETAILS

## CONTACT DETAILS OF INDUSTRY TRUSTS

Name	Commodities	Contact details	Tel	Fax	E-mail and website
Citrus Industry Trust	Citrus	Dr Konanani Liphadzi Grain Building Agrihub Office Park 477 Witherite Road The Willows, Pretoria, 0040	012 007 1150	012 667 3128	ceo@fruitsa.co.za
Cotton Trust	Cotton	Mr Hennie Bruwer PO Box 912232 SILVERTON 0127	012 8041462	012 804 8616	henniebruwer@cottonsa.org.za
Deciduous Fruit Industry Development Trust	Deciduous fruit	Mr Anton Rabe PO Box 163 PAARL 7620	021 870 2900	021 871 1305	anton@hortgro.co.za
Dry Bean Trust	Dry beans	Mr CF Kleingeld PO Box 15587 PRETORIA 0039	012 808 1660	012 808 1662	marketing@beanseed.co.za  <a href="http://www.beans.co.za">http://www.beans.co.za</a>
Lucerne Seed Industry Research and Development Trust	Lucerne	Mr Derick Engelbrecht PO Box 185 OUDTSHOORN 6620	044 272 8991	044 329 2838	lusern@mwweb.co.za
Maize Trust	Maize	Mr Leon du Plessis PO Box 74626 Lynnwood Ridge 0040	012 807 3958	012 349 8707	l-lagric@mwweb.co.za
Meat Industry Trust	Red meat	Ms Alet Calitz PO Box 36802 MENLOPARK 0102	012 348 7572	012 361 9837	aletd@levyadmin.co.za
Mohair Trust	Mohair	Mr Deon Saayman PO Box 2243 PORT ELIZABETH 6056	041 487 1386	041 487 1336	info@mohair.co.za

# CONTACT DETAILS

## CONTACT DETAILS OF INDUSTRY TRUSTS

Name	Commodities	Contact details	Tel	Fax	E-mail and website
Oil and Protein Seed Development Trust	Oilseeds	Mr Gerhard Keun PO Box 5562 RIVONIA 2128	011 234 3400	011 234 3402	oliesade@worldonline.co.za
Potato Industry Development Trust	Potatoes	Ms Elsabe Els Private Bag x 135 PRETORIA 0001	012 349 1906	012 325 6102	ggeyer@agric.co.za www.potatoes.co.za
Sorghum Trust	Sorghum	Mr Leon du Plessis PO Box 74626 Lynnwood Ridge 0040	012 807 3958	012 349 8707	l-lagric@mweb.co.za
Winter Cereal Trust	Winter cereals	Dr Simon Letsoalo PO Box 7088 CENTURION 0046	012 663 1660	012 663 3109	wct@grainmilling.co.za
SA Wine Industry Trust	Wine	Mr Charles Erasmus Private Bag x 5034 STELLENBOSCH 7599	021 809 3164	021 889 5900	www.sawit.co.za
Wool Trust	Wool	Mr André van de Venter PO Box 2500 PORT ELIZABETH 6056	041 484 4307	041 484 4309	andre@wooltrust.co.za

# CONTACT DETAILS

## CONTACT DETAILS OF ASSOCIATIONS

Name	Commodities	Contact details	Tel	Fax	E-mail and website
Cape Wool SA	Wool	Mr Louis de Beer PO Box 2191 Port Elizabeth 6056	041 484 4301	041 484 6792	<a href="mailto:louise@capewools.co.za">louise@capewools.co.za</a> <a href="http://www.capewools.co.za">www.capewools.co.za</a>
Citrus Growers' Association of Southern Africa	Citrus	Mr Justin Chadwick PO Box 461 HILLCREST 3650	031 765 2514	031 765 8029	<a href="mailto:justchad@iafrica.com">justchad@iafrica.com</a> <a href="http://www.cga.co.za">www.cga.co.za</a>
Cotton SA	Cotton	Mr Hennie Bruwer PO Box 912232 SILVERTON 0127	012 804 1462	012 804 8616	<a href="http://www.cottonsa.org.za">http://www.cottonsa.org.za</a>
Dried Fruit Technical Services	Dried fruit	Mr Dappies Smit PO Box 426 PAARL 7620	021 872 1502	021 872 2675	<a href="mailto:dappies@dtd.co.za">dappies@dtd.co.za</a>
Lucerne Seed Organisation	Lucerne seed	Mr Derick Engelbrecht PO Box 185 OUDTSHOORN 6620	044 272 8991	044 329 2838	<a href="mailto:lusern@mwweb.co.za">lusern@mwweb.co.za</a>
Milk Producers' Organisation	Milk	Dr Koos Coetzee PO Box 1284 Pretoria 0001	012 843 5600	012 804 4811	<a href="mailto:Koos.coetzee@po.co.za">Koos.coetzee@po.co.za</a>



# CONTACT DETAILS

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Name	Commodities	Contact details	Tel	Fax	E-mail and website
Milk South Africa	Dairy	Mr Nico Fouche PO Box 1961 BROOKLYN SQUARE 0075	012 460 7312	012 460 9909	nico@milksa.co.za
Mohair South Africa	Mohair	Mr Deon Saayman P O Box 2243 SYDENHAM PE 6056	041 487 1386	041 487 1336	deon@mohair.co.za  www.mohair.co.za
SATI (The South African Table Grape Industry)	Table grapes	Mr Willem Bestbier P O Box 2932 PAARL 7620	021 872 1438	021 872 4375	rhomona@satgi.co.za www.satgi.co.za
SAGIS (South African Grain Information Service)	Barley, canola, groundnuts, maize, oats, sorghum, soybeans, sunflower seed and wheat	Mr Nico Hawkins PO Box 669 PRETORIA 0001	012 523 1400	012 523 1401	management@sagis.org.za www.sagis.org.za
South African Grain Laboratory	Wheat, oats, maize, malt, sorghum and other grains	Ms Wiana Louw PostNet Suite #391 Private Bag x1 The Willows 0041	012 807 4019	012 807 4160	Info@sagl.co.za www.sagl.co.za





## National Agricultural Marketing Council

Promoting market access for South African agriculture

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