



BIENNIAL REPORT **2016-2018**

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2016-2018

CONTENTS

Strategy	3	2.2.4 Weather conditions	28
Foreword by Chairperson	4	2.2.5 Production and trade show impact of weather patterns	28
Overview from the CEO	7	2.2.6 Trade	30
Functional areas of work	11	2.3 Agricultural economic growth and confidence index	30
1. POLICY AND LEGISLATION		2.4 Foreign direct investment trends	31
1.1 Transformation	12	2.5 Drought strategy	31
1.1.1 Land reform	12	3. LINKING SA AGRIBUSINESS TO THE WORLD	
1.1.2 Broad-Based Black Economic Empowerment (B-BBEE)	13	3.1 World Trade Organisation	33
1.1.3 Labour relations, skills development and social impact	14	3.2 Trade and trade facilitation	33
1.2 Natural resources regulation	15	3.2.1 African trade relations	33
1.2.1 Water policy	15	3.2.2 European trade relations	33
1.2.2 Preservation and Development of Agricultural Land Bill	16	3.2.3 American trade relations	34
1.2.3 Carbon Tax Bill	16	3.2.4 BRICS (Development Fund)	34
1.2.4 Electricity and energy awareness	16	3.3 Agbiz Grain market intelligence	35
1.2.5 Waste exclusion regulations	17	4. LIAISING WITH BUSINESS AND GOVERNMENT	
1.3 Trade environment	18	4.1 Agbiz representation – international and local linkages, forums and entities	36
1.3.1 Protection of Investment Act	18	5. STAKEHOLDER ENGAGEMENT	
1.3.2 Border Management Authority Bill	19	5.1 Digital communication	40
1.3.3 Road Freight Strategy	19	5.2 Events	40
1.3.4 SAGNET	19	5.3 Event partnerships	41
1.3.5 Grains and feed export regulations	19	5.4 Presentations	42
1.4 Economic environment	20	5.5 Council meetings	42
1.4.1 SONA Nine-Point Plan, APAP and Phakisa	20	5.6 Stakeholder surveys	42
1.4.2 Business regulatory environment	21	5.7 Public awareness	42
1.4.3 Grain and oil seeds regulatory environment	22	5.8 Media engagement	42
2. AGRIBUSINESS INTELLIGENCE		6. HUMAN CAPITAL DEVELOPMENT	
2.1 Agribusiness competitiveness	24	6.1 Agribusiness centenary bursary	43
2.2 Agribusiness research	25	6.2 Human capital development within Agbiz	43
2.2.1 Weather and exchange rates an unlikely duo in agriculture	25	6.3 Agbiz Congress student promotion project	44
2.2.2 Climate change a reality that the farmer needs to adapt to	25	6.4 Linking academia and agribusiness	44
2.2.3 Shifts in weather patterns make planning difficult	27		

STRATEGY

Agricultural Business Chamber (Agbiz) is a voluntary, dynamic and influential association of agribusinesses operating in South Africa and southern Africa.

MISSION

Agbiz negotiates and positions for a favourable agribusiness environment in order for its members to perform competitively and sustainably.

AGBIZ CULTURE AND VALUES

Agbiz is an inclusive, voluntary association of agribusinesses that cooperates positively and acts dynamically, creatively and with integrity. The culture of Agbiz is to subscribe to the values of ethical business, accountability, leadership, trust, competence, quality service and excellent communication.

STRATEGIC INTENT AND CORE OBJECTIVES



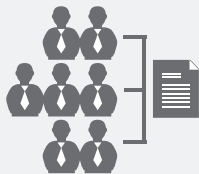
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To promote agribusinesses and Agbiz as key stakeholders and role players in the South African economy.

2



To influence the policy and legislative environment insofar as it affects agribusiness activities, by way of ongoing and professional interaction with all relevant government institutions.



3

To improve the commercial and sustainable agribusiness environment through liaison and cooperation with influential groupings within the business environment, both locally and internationally.

4



To support B-BBEE, transformation and development of emerging agribusiness and other role players in the agro-food value chain.

5



To create unique, relevant and accessible agribusiness intelligence to support Agbiz programmes.



STRATEGIC INTENT: The strategic intent of Agbiz is to advocate for and facilitate a favourable agribusiness environment in order for its members to perform competitively and sustainably.

WHAT IS AGRIBUSINESS? (UNIDO, 2011)

Agribusiness is a broad concept that covers input suppliers, agro-processors, traders, exporters and retailers. Agribusiness provides inputs to farmers and connects them to consumers through the financing, handling, processing, storage, transportation, marketing and distribution of agro-industry products and can be decomposed further into four main groups:

1. Agricultural input industry for increasing agricultural productivity, such as agricultural machinery, equipment and tools; fertilisers, pesticides, insecticides; irrigation systems and related equipment.
2. Agro-industry: Food and beverages; tobacco products, leather and leather products; textile, footwear and garment; wood and wood products; rubber products; as well as construction industry products based on agricultural materials.
3. Equipment for processing agricultural raw materials, including machinery, tools, storage facilities, cooling technology and spare parts.
4. Various services, financing, marketing and distribution firms, including storage, transport, ICTs, packaging materials and design for better marketing and distribution.



Schalk Pienaar (Chairperson)

FOREWORD BY CHAIRPERSON

The Agbiz biennial report of 2016 was presented to our members amidst increasing and worrying signs that the initial positive economic recovery after the 2008/2009 financial crisis was not being sustained.

The South African economy was particularly badly affected by low international commodity prices. At the time, Agbiz also expressed its grave concern for the massive drain on the fiscus due to badly managed state-owned enterprises, increased corruption and looting of public assets, and the then major drought in especially the summer rainfall areas. This drought was broken during the 2016/2017 summer crop season and a spectacular maize crop was harvested during 2017. Sadly, the drought in the Western and Eastern Cape has become worse and at the time of producing this report, the Western Cape and localised areas in adjacent provinces are hovering on the brink of a catastrophe due to its effects.

The dramatic effect of the droughts during the past number of years is highlighted because the harmful effects of climate change can no longer be ignored by anyone who cares about the well-being of our country and its people. Government, business, labour and civil society need to be extremely careful about policies, rules and regulations, business plans and practices that could have undesired and unintended consequences for the people of our country. It must be emphasised that the most vulnerable people – the poor, the aged and others

– stand to be the most negatively affected. There are massive consequences for the affordability of programmes and policies designed to alleviate poverty and relieve the plight of other vulnerable people in South Africa. It is equally necessary that efficiency and effectiveness be the hallmark of all policies and programmes implemented. No longer can corruption, looting, lawlessness and radicalism be tolerated. South Africa does not have the luxury to have time wasted on activities and positions that do not contribute to the welfare and well-being of all. The battle cry should be to build and expand, to be productive, to grow, and thus become an enviable example to the rest of the world.

▲▼ Agbiz has continued to be at the forefront of a variety of activities on a wide range of disciplines, advocating for policies, legislation, regulations and programmes that we believe are in the best interest of South Africa, our members and the agricultural sector as a whole.

It is in the pursuance of this very prayer that Agbiz has continued to be at the forefront of a variety of activities on a wide range of disciplines, advocating for policies,

legislation, regulations and programmes that we believe are in the best interest of, firstly, South Africa, and secondly, our members and the agricultural sector as a whole. This is a huge undertaking – some even say daunting – but we believe that our efforts are as realistic and objective as possible, because we base our views on evidence as well as facts. The findings of our research have contributed greatly to Agbiz being respected and appreciated as a respected voice for agribusiness in particular and the economy in general. The reason for this is that our members operate within a wide range of economic sectors and subsectors in the agricultural and other value chains. Therefore, we can address many aspects that are not only within the ambit of a narrow definition of agribusiness. The details of our biennial report bear testimony to this.

Previous reports have highlighted Agbiz's point of departure in all that we undertake, namely, optimism and realism. We are also very aware that in the world in which we live, amidst the realities of South Africa and the vagaries of human ineptitude and natural disasters, it is not business as usual. The sad developments over the past number of years through blatant bad management of the country at political and governmental level, at state-owned enterprises as well as within the private sector (commonly referred to as state capture, corruption, etc.) are hopefully now nearing an end. We can look forward to a new era, where there will be a renewed focus by politicians, Government, labour, business and civil society to share the vision for a prosperous South Africa. The challenges are many but a serious commitment to turn over a new leaf will be a good start. Many of the wrongs and problems are relatively easy to solve. It will, however, require brave and principled leadership beyond political expediency. The more difficult challenge will be to change the hearts and minds of those who are obstructive and counterproductive. For this, brave and principled strong leadership is crucial.

MEMBERSHIP

As far as the membership of Agbiz is concerned, there has been a steady increase. Our membership now comprises an impressive ensemble of prominent role players across the whole spectrum of the food, fibre and wine value chain. The diversity of members, unified in a unitary agribusiness organisation, greatly underscores the ability of Agbiz to speak with authority and an impressive mandate on behalf of its members. The combined contribution of Agbiz members to the GDP is more than 15%, which explains why Agbiz is

continually sought after and is involved in bodies such as the National Economic Development and Labour Council (Nedlac), Business Unity South Africa (BUSA), the various agricultural commodity trusts, and a whole host of other local and international bodies and forums. Sadly, a few members have resigned during the past two years. We followed up the reasons for this and are satisfied that these members did so for other reasons than believing that Agbiz is not a valued proposition. There has also been a keen involvement by members in the activities of Agbiz, which supports the efforts made to stay abreast of members' needs and to adjust our product offerings to them on an ongoing basis.

Agbiz members decided in 2016 to improve its governance by ensuring that its constitution was in line with the King IV guidelines for good governance. The new amended constitution was approved at a special members' meeting held on 20 April 2018. The members' meeting that will be held immediately after the congress will be undertaken within the ambit of the new constitution.

APPRECIATION

I would like to express my sincere appreciation to the members of Agbiz who have supported the association with enthusiasm and vigour during the past two years. Meetings, briefings and workshops have been attended in increasing numbers, and participation and contributions to our activities have also been sustained at a high level.

The Executive Committee (now known as the Steering Committee) has rendered sterling work and has been supporting the management of Agbiz continually. Individual members have often represented Agbiz at meetings beyond the expected call of duty and for this I am also truly grateful.

The Audit Committee has once again functioned with expertise and experience and has ensured that Agbiz's compliance and oversight remains at a high level. They have been supporting the administrative function by providing guidance and advice as well. The organisation owes the members of the Audit Committee a debt of gratitude.

I wish to express my appreciation to the great number of people and organisations that contribute in many different ways to our success. Many of these working relationships have developed over time and much of our success is due to their involvement. My gratitude and appreciation are hereby extended to them.

▲▼ **We can look forward to a new era, where there will be a renewed focus by politicians, Government, labour, business and civil society to share the vision for a prosperous South Africa.**

We have seen changes to our staff complement in the recent past. The staff members who have left for greener pastures have excelled in their commitment to Agbiz until the very end and I would like to recognise them for that. But it is the incumbent staff, under the capable leadership of our CEO, Dr John Purchase, that has again rendered outstanding service to Agbiz. I wish to extend my appreciation to this very special team of men and women. The days and nights that you have toiled to reach deadlines, the sheer volume of work that each one has had to do in the office, in meetings elsewhere, in interviews with the media and in so many other ways, will remain more than impressive. I can only salute them. They are indeed a super team.

IN MEMORIAM



It is with sadness that Agbiz announces the passing of its Chairperson, Mr Schalk Pienaar, on Sunday 6 May 2018. Mr Pienaar had been the Chairperson of Agbiz since 2010, a role that he fulfilled with true leadership and distinction. He will be sorely missed, not only by Agbiz and its members, but by the whole agriculture and agribusiness fraternity, for his wise counsel and constructive contributions over decades of service in various leadership positions in agribusiness.

EXECUTIVE COMMITTEE



SCHALK PIENAAR (CHAIRPERSON)
Managing Director at Schalk Pienaar Consultants
 Appointed to Exco in July 2007
 Appointed as Chairperson in June 2010



DANIE MARAIS
 (DEPUTY CHAIRPERSON)
Managing Director at NWK
 Appointed to Agbiz Exco in June 2012
 Appointed as Deputy Chairperson in August 2014



DR LANGELIHLE SIMELA
 (SECOND DEPUTY CHAIRPERSON)
Business Development Manager at ABSA/Barclays AgriBusiness
 Appointed to Agbiz Exco and Second Deputy Chairperson in July 2015



FRANCOIS STRYDOM
Managing Director at Senwes
 Appointed to Agbiz Exco in August 2014



SEAN WALSH
Managing Director at Kaap Agri
 Appointed to Agbiz Exco in August 2014



DR JOHN PURCHASE
Agbiz CEO
 Appointed at Agbiz in 2007



Dr John Purchase (Agbiz CEO)

OVERVIEW FROM THE CEO

Over the past two years Agbiz has continued to operate in an increasingly complex and challenging environment due to economic, political and environmental factors impacting on the sustainability of the agribusiness and agriculture environment. Agbiz has nevertheless made considerable progress in several key focus areas emanating from its core objectives. Following an approach of evidence-based strategic and critical thinking, Agbiz has acted proactively to address the relevant issues and challenges at hand, while Agbiz leadership and personnel have made great strides in positioning Agbiz to constructively and positively influence the South African agribusiness environment to the benefit of not only its members, but to society at large, through improved food security.

The Executive Committee, comprising Mr Schalk Pienaar (Chairperson), Mr Danie Marais (Deputy Chairperson), Dr Langa Simela (Second Deputy Chairperson), Mr Francois Strydom, Mr Sean Walsh and Dr John Purchase (CEO), met regularly to address governance matters and strategic issues. Similarly, the Agbiz Council met regularly to provide mandates for positions on a range of policy matters and issues in the agribusiness environment.

RAISON D'ÊTRE

The members of Agbiz are the core reason for the existence of this voluntary association, and as such the activities of Agbiz are directed at addressing the collective interests of the members and adding value to their business. To this end:

- Agbiz is the only organisation that serves the broader and common over-arching business interests of agribusinesses in South Africa.

- Agbiz addresses the legislative and policy environment on the many fronts that it impacts on the agribusiness environment.
- Agbiz facilitates considerable networking opportunities so that South African agribusinesses can play an active and creative role within the local and international organised business environment.

BUSINESS AFFILIATION AND ASSOCIATION

To achieve its challenging and varied goals, Agbiz has local affiliation to Business Unity South Africa (BUSA) and participates in both the Economic Policy Committee (EconPol), including its subcommittees for energy, trade and logistics, environment and tax, and the Social Policy Committee, attending to primarily labour and developmental matters. The CEO also holds the position of deputy chairperson of EconPol, regularly chairs its meetings and represents BUSA in relevant matters when necessary.

The CEO of Agbiz has also been appointed the business convener in the Trade and Industry Chamber of Nedlac (National Economic and Development Labour Council), while Agbiz also has representation in the Labour Market Chamber, the Development Chamber and the Monetary and Fiscal Policy Chamber of Nedlac. Given the emphasis the new president of South Africa, President Cyril Ramaphosa, has placed on social dialogue at Nedlac, Agbiz is clearly best positioned to effectively be of service to its members to address the critical challenges facing South Africa, and in particular its agro-food system.

Furthermore, Agbiz is an important member of the International Food and Agribusiness Management Association (IFAMA) and serves on the IFAMA Board. Agbiz and Prof Johan van Rooyen of Stellenbosch University/Bureau for Food and Agricultural Policy (BFAP) are responsible for the IFAMA Africa Chapter, manage its finances and annually sponsor the registration costs of a team of students from Africa participating in the annual IFAMA Student Case Competition. In June 2017, the African team won the competition for only the second time in its nearly three decades of existence – a truly magnificent achievement.

Agbiz also has close association with various international organisations, such as the Business and Industry Advisory Committee to the OECD (BIAC), United States Agency for International Development (USAID), Food and Agriculture Organization of the United Nations (FAO), United Nations Development Programme (UNDP), African Union Commission (AUC)/Comprehensive Africa Agriculture Development Programme (CAADP), African Center for Economic Transformation (ACET), International Monetary Fund (IMF) and others. Through Agbiz, members participate in a network that is widely recognised as an important, politically neutral and influential role player in the agribusiness sector of South Africa.

KEY FOCUS AREAS

Over the past two years Agbiz has focused primarily on the following important aspects, being identified as key strategic areas that have a direct influence on agribusinesses in South Africa:

- Economic policy, specifically through engagement on the National Development Plan
- Vision 2030, but also on various other pieces of legislation, policy documents and Reserve Bank roundtable meetings impacting on the economic environment
- International trade and investment, including South Africa’s trade policy
- Agricultural and agribusiness finance
- National and international competitiveness
- B-BBEE transformation and the promotion of links between agribusinesses and the developing agricultural sector
- Land reform
- Water reform
- Agro-logistics and infrastructural constraints
- NEPAD and African issues, through the SADC Trade Hub, NEPAD Agency (CAADP), FAO, UNDP (AFIM Platform), ACET and other fora

- Climate change and resource sustainability issues
- Value chain integration and development, and marketing of agricultural produce
- Innovation in agriculture and the value chain to achieve the necessary productivity and quality gains
- Labour matters, skills training and general human capital development

In addressing the policy and legislation environment, liaison and interaction with parliamentary portfolio committees, Nedlac (through BUSA), government ministers and senior officials have generally been good, but with some exceptions. Over the past two years there have clearly been some cases where the level of distrust, disdain for the private sector (whom public servants should be serving), and sheer incompetence and/or corruption have curtailed the sector in reaching its potential in attracting investment, growing sustainably, creating jobs and ultimately providing food security for the people of this country, both at a national and household level. A positive aspect is that Mr Cyril Ramaphosa has

► Continued on page 10

AGBIZ TEAM



AGBIZ TEAM



JOHN PURCHASE
Chief Executive Officer
Appointed: 2007

WANDILE SIHLOBO
Head: Agribusiness Research
Appointed: 2016

THEO BOSHOFF
Manager: Legal Intelligence
Appointed: 2017

SIFISO NTOMBELA
Head: International Trade and Investment Intelligence
Appointed: 2017

NATALIE VAN HARTE
Office Administrator
Appointed: 2016

NATASHA SWANEPOEL
Management Accountant
Appointed: 2016

JENNIFER ROETS
Communications Officer
Appointed: 2010
Resigned: 2018

MARIANA PURNELL
General Manager: Agbiz Grain
Appointed: 2013

ANNELIEN COLLINS
PA to General Manager of Agbiz Grain
Appointed: 2017

MICHAEL MOKHORO
Stakeholder Manager of WineBiz
Appointed: 2015



replaced Mr Jacob Zuma as president of South Africa and has appointed certain competent ministers to various critical economic portfolios in government. However, the governing party adopted a motion of expropriation without compensation, subject to a so-called sustainability test, at its Elective Conference in December 2017, and a motion has now been passed in Parliament for the Constitutional Review Committee to make proposals to Parliament by 30 August 2018 in this regard. This political move has created considerable uncertainty in both the primary agriculture and agribusiness sectors.

The forging of sound relationships, public-private partnerships, is at the heart of creating a basis of trust and cooperation for progress and growth in South Africa and further abroad. Successfully addressing the above key focus areas would not have been possible without the committed services of Agbiz professionals, viz. Mr Wandile Sihlobo, Head: Agribusiness Research, Mr Theo Boshoff, Manager: Legal Intelligence (new position), and Mr Sifiso Ntombela, Head: International Trade and Investment Intelligence, in assisting the CEO.

DESKS

To provide a dedicated service to specific sectors and industries, Agbiz amended its constitution in 2014 to make provision for the establishment of semi-autonomous Desks to service the specialised needs not addressed by the major focus areas of Agbiz. The following Desks have been established and are functioning very well:

- **Agbiz Grain Desk**

In 2014 the Agbiz Grain Desk, with the storers of grain as members and formerly known as the Grain Silo Industry, was established. The Agbiz Grain Desk is very competently managed by Ms Mariana Purnell, with assistance from Ms Annalien Collins.

- **WineBiz Desk**

The wine and liquor industries have established a WineBiz Desk at Agbiz, with Mr Michael Mokhorro very ably managing the Desk as he engages with Government on issues specific and relevant to these industries, including the Liquor Amendment Bill.

COMMUNICATION

Clear and accurate communication, especially to our members, is essential for a member interest body to function effectively, and this has been emphasised by the leadership of Agbiz in strategic sessions and council meetings. To this end the weekly electronic newsletter has continued to be

keenly welcomed by all members and key subscribers. Daily market reports, a weekly wrap on relevant *Government Gazette* notices and ad hoc communication to members remain critical communication platforms.

The Agbiz website (www.agbiz.co.za) is updated daily and its visitor count continues to grow strongly as it is a reliable and in-depth source of information impacting the agribusiness environment. Relations with the agricultural magazines, daily press and broadcast media have developed positively over the review period, while invited presentations at a range of high-level conferences, including several international conferences, have further enhanced communication with role players and stakeholders. Ms Jennifer Roets, responsible for communication at Agbiz, has played a very significant and professional role in focusing and expanding the Agbiz communication focus, also through the social media networks. However, Ms Roets has resigned and Agbiz thanks her sincerely for her very professional service over a period of eight years and wishes her well with her new endeavours.

FINANCIAL MANAGEMENT AND FINANCIAL SUSTAINABILITY

Agbiz has maintained its sustainable funding model over the past two years, with a net growth of both corporate and basic members over the period of review, thus ensuring the creation of the new position of Manager: Legal Intelligence. As Agbiz essentially derives all its income from its members, it remains critically important that Agbiz consistently provides a real value proposition to its members. The Audit Committee, comprising Mr Frans van Wyk, Mr Koos van Rensburg and Mr Ernst Pelser, has played a key role in supporting the new financial manager, Ms Natasha Swanepoel, and the CEO in ensuring good governance of the Agbiz finances.

OFFICE ADMINISTRATION AND SUPPORT

Without the able office administration and secretarial support of Ms Natalie van Harte, Agbiz personnel would not have been able to function effectively.

THANKS AND APPRECIATION

My sincere thanks and appreciation go to the personnel of Agbiz for their continued dedication and support over the review period. Our successes have been the fruits of a collaborative and team approach. My sincere thanks to all our members, our Council and the Exco for their support and participation in the affairs of their business association.

FUNCTIONAL AREAS OF WORK

The core objectives of Agbiz are achieved through its work in the following functional areas:

- ▲ POLICY AND LEGISLATION
- ▲ AGRIBUSINESS INTELLIGENCE
- ▲ LINKING SA AGRIBUSINESS TO THE WORLD
- ▲ LIAISING WITH BUSINESS AND GOVERNMENT
- ▲ STAKEHOLDER ENGAGEMENT
- ▲ HUMAN CAPITAL DEVELOPMENT

1. POLICY AND LEGISLATION

Government policy for the 2014–2019 administration is directed by the Medium Term Strategic Framework (MTSF) and its 14 outcomes. The MTSF is informed by the New Growth Path (NGP), developed by the Economic Development Department (EDD), and the National Development Plan (NDP), developed by the National Planning Commission (NPC).

Three of the 14 outcomes have specific relevance to the agricultural and agribusiness environment:

- Outcome 4:** Decent employment through inclusive growth (six job drivers)
- Outcome 7:** Comprehensive rural development and food security
- Outcome 10:** Protect and enhance our environmental assets and natural resources

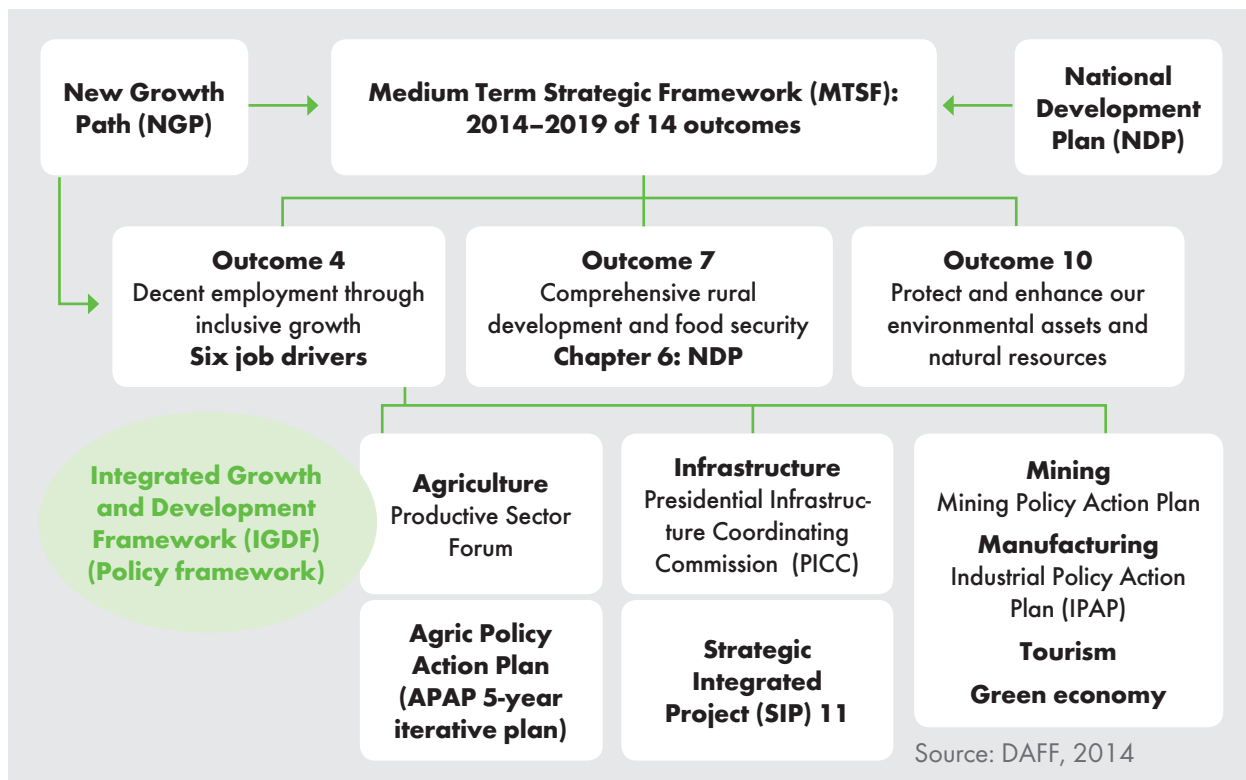
The six economic sectors identified and prioritised to deliver inclusive growth and employment (job drivers) are:

1. Agriculture and the agro-processing value chain
2. Infrastructure/construction
3. Manufacturing
4. Mining
5. Tourism
6. Green economy

Government policy framework

Government has expanded on this framework by announcing a nine-point plan in the State of the Nation Address (SONA) in 2015, and confirming it in the 2016 SONA as well, to reignite growth and create jobs:

1. Revitalising agriculture and the agro-processing value chain
2. Advancing beneficiation to add value to our mineral wealth
3. More effective implementation of a higher impact Industrial Policy Action Plan (IPAP – includes agro-processing)
4. Unlocking the potential of SMMEs, cooperatives, township and rural enterprises
5. Resolving the energy challenge
6. Stabilising the labour market
7. Scaling up private sector investment
8. Growing the ocean economy
9. Cross-cutting areas to reform, boost and diversify the economy:
 - Science, technology and innovation
 - Water and sanitation
 - Transport infrastructure
 - Broadband rollout
 - State-owned companies



While no mention was made of the nine-point plan by newly elected President Cyril Ramaphosa in the 2018 State of the Nation Address (SONA), it remains the de facto economic policy framework by which the current administration of government performance should be evaluated and judged. While there is certainly merit in the framework in general, implementation in many cases has been very poor, and abetted by state capture and rampant corruption, this has systematically eroded confidence in the State and the ability to establish an enabling environment for economic growth. This has spurned the current rise of populism politics that harbours grave dangers for South Africa. Strong and principled leadership, both in government and business, is an absolute necessity to turn South Africa around.

1.1 TRANSFORMATION

1.1.1 Land reform

Advocating for viable and sustainable policies to accelerate land reform continued to be a central focus area for Agbiz. Whilst several policies emanating from the Green Paper on Land Reform proceeded to draft legislation, the legitimate frustration experienced due to inaction at grass roots level culminated in calls for more radical policies to be adopted. This finally led to the Constitutional Review Committee’s instruction to investigate a possible amendment to the Constitution to allow for expropriation without compensation.

Expropriation without compensation

When it was announced that the ANC will debate a proposal to amend the property clause within the Constitution at their 54th National Conference in December 2017, Agbiz launched an extensive media campaign to highlight the unintended consequences of a possible amendment and to make known the various alternative models capable of making more funds available for land reform without endangering property rights, the land market and investor confidence in the sector, as per the objective of the National Development Plan (NDP). Although the motion was ultimately passed by Parliament to review Section 25 of the Constitution, subject to conditions to ensure economic sustainability, the Agbiz communication campaign was arguably the most successful one initiated by the business community and resulted in Agbiz being approached by the Strategic Dialogue Group (SDG) of the ANC to facilitate a process with other agricultural organisations. Agbiz facilitated a session with the major role players in agribusiness and agriculture and identified four strategic interventions that have the potential to accelerate land reform in a sustainable manner. A technical task team led by Agbiz has compiled a comprehensive input submitted to the SDG of the ANC. Agbiz will also participate fully in the formal parliamentary process and provide inputs to the Constitutional Review Committee.

- **Regulation of Agricultural Landholdings Bill**

Aside from the ongoing debates around constitutional amendments, Agbiz participated in processes relating to draft legislation emanating from the 2011 Green Paper on Land Reform. Following a two-year consultation process under the auspices of the Inter-Departmental Task Team on Outcome 7 (IDTT07), the draft Regulation of Agricultural Land Holdings Bill was published for public comments. Agbiz led the business delegation at National Economic Development and Labour Council (Nedlac) on the Bill where objections were noted against the use of land ceilings to effect redistribution as well as the prohibition on agricultural landownership by foreign nationals. Whilst the creation of a land commission to compile a register of land ownership by race, gender and nationality was seen as enabling, land ceilings have proven to be an ineffective way to effect redistribution in other jurisdictions and no clear case could be made out for prohibiting land ownership by foreign nationals. However, the Bill was withdrawn from the Nedlac process at the eleventh hour, pending the outcome of the Constitutional Review Committee.

- **Property Valuation Regulations**

Draft regulations were also published in terms of the Property Valuation Act that set out a fixed formula according to which property identified for land reform would be valued. The initial formula did not reflect any recognised methods for valuing agricultural properties, nor did it take cognisance of the pliable nature of Section 25 of the Constitution. Section 25 allows for a value judgement to be made on the basis of each factual situation, so it remains unclear to what extent a valuation conducted using a rigid formula could provide an accurate estimation of just and equitable compensation, as prescribed by the Constitution. Agbiz consulted widely with experts in the valuation practice and submitted comprehensive comments. To date the final regulations have not been published and will likely also await the outcome of the constitutional amendment debate.

- **Communal Land Tenure Bill**

Encouraging signs appeared on the legislative front as far as communal land is concerned with the draft Communal Land Tenure Bill published for public comments. The Bill deviates somewhat from the policy developed during the National Reference Group (NAREG) process, but the developments are generally positive. The Bill seeks to provide for ownership to be transferred to communities, subject to certain restrictions

and allows the freedom to choose its governing entity. Detailed comments were submitted and Agbiz will play a leading role when the Bill goes to Nedlac.

▲▼ **The Portfolio Committee on Rural Development and Land Reform did initiate a private member's Bill to reopen the restitution claims lodgement process and Agbiz duly submitted comments in this regard.**

- **Restitution of Land Rights Amendment Bill, ESTA Amendment Bill and Expropriation Bill**

Legislative processes in Parliament have been somewhat slower. The Extension of Security of Tenure (ESTA) Amendment Bill submitted to Parliament in excess of two years ago was passed by the National Assembly but is still under discussion at the National Council of Provinces (NCOP). Similarly, the Expropriation Bill was sent back to Parliament by the president but no progress has taken place in the National House of Traditional Leaders. The Portfolio Committee on Rural Development and Land Reform did initiate a private member's Bill to reopen the restitution claims lodgement process and Agbiz duly submitted comments in this regard.

1.1.2 Broad-Based Black Economic Empowerment

- **Amended AgriBEE Sector Code**

Following the promulgation of the Broad-Based Black Economic Empowerment (B-BBEE) Amendment Act of 2014, as well as the publishing of the B-BBEE Generic Codes of Good Practice in 2014, the AgriBEE Charter Council, on which Agbiz has been serving since its inception, was obliged to amend the AgriBEE Sector Code gazetted in December 2012. After an arduous and difficult process in the AgriBEE Charter Council, and engagement with the commissioner of the B-BBEE Commission, the substantially amended AgriBEE Sector Code was eventually published in the *Government Gazette* of 7 December 2017. Agbiz, together with Mr Melcus Nel of Signa, hosted AgriBEE Workshops on respectively 21 and 22 February 2018 in Pretoria and Paarl to inform members and interested non-members as to the measuring elements involved, the weightings and targets in order to develop an implementation strategy to achieve a certain level of scorecard compliance.

• **AgriBEE Charter Council**

Ever since the establishment of the AgriBEE Reference Group by then Minister Thoko Didiza in 2004, and the inauguration of the replacement AgriBEE Charter Council in 2008, Agbiz has played a key role in its functioning and deliberations. The broad role of the AgriBEE Charter Council is the following:

- Provide guidance on sector-specific matters affecting B-BBEE initiatives in the sector.
- Compile reports on the status of B-BBEE within the sector.
- Share information with sector members and the minister.
- Report to the minister and to the advisory council on progress made by the sector subject to the AgriBEE Sector Code. Reports would typically contain quantitative and qualitative information about sectoral performance, including details about all the elements of the sector’s B-BBEE scorecard.

Reporting by members and non-members that fall within the scope of application of the AgriBEE Sector Code will thus in future be critical.

1.1.3 Labour relations, skills development and social compact

• **National minimum wage and labour market stability**

During the course of the past two years, social partners at Nedlac negotiated an agreement to introduce a national minimum wage as well as amendments to the Labour Relations Act to improve labour market stability. The ‘package deal’ is captured in the National Minimum Wage Bill, Basic Conditions of Employment Amendment Bill and Labour Relations Amendment Bill due to be promulgated by Parliament shortly.

In terms of the amendments, a national minimum wage applicable to all sectors will replace the current sectoral determinations unique to some industries. Initially the minimum wage will be set at R20 per hour, with agriculture given a special dispensation of R18 per hour, subject to incremental increases over the next two years to align with the rest of the economy. This wage must include all company contributions towards social security, although some deductions are permitted for employee contributions. Non-wage-related conditions of employment will continue to be regulated by collective agreements where they exist. Where no bargaining council exists in an industry, the non-wage-related conditions in the sector determinations will continue to apply as a transitional measure. An electronic application procedure is also being piloted whereby employers, who bona fide cannot afford the national minimum wage, can apply to the Department of Labour for conditional exemption. Amendments to improve labour market stability include secret ballots prior to strikes as well as compulsory rules for picketing, which have been agreed to.

Agbiz supplied regular inputs to the team representing BUSA in the Nedlac process and several Agbiz members participated in the voluntary pilot programme to test the electronic application procedure for exemptions.

▲ Agbiz supplied regular inputs to the team representing BUSA in the Nedlac process and several Agbiz members participated in the voluntary pilot programme to test the electronic application procedure for exemptions.

- **Skills development and the SETA landscape**

The development of skills in the sector lies at the core of improving efficiency and productivity to ensure global competitiveness. The agribusiness environment is already being challenged by fundamental technology challenges, driven by the so-called Fourth Industrial Revolution, that require reskilling and upgrading of skills to ensure efficiency and competitiveness. Just the introduction of Blockchain and cryptocurrencies in the trade environment will test the ability of the agribusiness sector to adapt.

Agri SETA, which derives its mandate from the Skills Development Act, is a critical institution to facilitate the development of skills in the sector. AgriSETA essentially creates and promotes opportunities for social, economic and employment growth for agri-enterprises through relevant, quality and accessible education, training and development in both primary and secondary agriculture, in conjunction with other stakeholders in agriculture.

Unfortunately, governance matters at AgriSETA deteriorated over time, and together with other stakeholders, Agbiz took the necessary measures to ensure Board and Audit & Risk Committee appointments were made to effect the necessary changes. These changes have been hugely successful, but the Special Investigative Unit (SIU) has been tasked by the president of South Africa to investigate corruption and fraud in AgriSETA, and Agbiz welcomes this investigation.

Legislation changes to the SETA landscape are currently being considered in Nedlac and Mr Len Hansen has represented Agbiz in the Task Team at Nedlac.

▲▼ **Water sector regulation is a core policy area and as such Agbiz will continue to remain at the forefront providing inputs on how to best achieve water sector transformation.**

1.2 NATURAL RESOURCES REGULATION

1.2.1 Water policy

Water sector regulation is a core policy area and as such Agbiz will continue to remain at the forefront providing inputs on how to best achieve water sector transformation, whilst maintaining investor confidence in farming enterprises that are reliant on a steady supply of water.

- **Water and Sanitation Master Plan**

Over the past year Agbiz has become a prominent member of Business Unity South Africa's (BUSA) environmental committee and will continue to play a leading role as the water sector's regulatory environment undergoes review. The long-awaited first draft of the Water and Sanitation Master Plan for South Africa, which was released in 2017, seeks to inform the basis of the new Water and Sanitation Bill expected in 2018. The primary aim of this Bill is to consolidate water services and raw water regulation into a single bill and accelerate transformation in terms of water allocation through a ban on trading water rights and coupled to a 'use-it or lose-it' approach. Prior to the Bill being published, Agbiz went to great lengths to inform its members about how to best advise their clients to be positioned for continued surety of supply.

• **Economic regulator for water**

The Master Plan proposes that an independent regulator be established to set the tariffs for raw water extraction as well as water services at an arm’s length away from the Department of Water and Sanitation (DWS). An independent regulator modelled on the National Energy Regulator of South Africa (NERSA) has merit as it removes an institutional conflict of interest inherent in the current dispensation, whereby the DWS can set the tariffs according to its fiscal needs. Whilst the principle is good, the scope and mandate of the regulator still needs to be clarified and constitutional hurdles relating to the allocation of functions between different spheres of government still need to be ironed out. Agbiz plays a leading role in shaping the policy framework of the proposed regulator through BUSA’s environmental committee.

• **Strategic communication to members on the future of water rights**

In this process we advocated for investment to obtain a good AgriBEE rating as well as the voluntary conversion of existing lawful use rights into water licences, given that existing lawful use is likely to be done away with in the new dispensation, and that an applicant’s BEE rating will likely play a more prominent role in the evaluation of new water licence applications. We are also participating in the development of policy regarding an independent regulator for water tariffs, similar to the institutional arrangements in place within the energy sector.

• **Procedural licence application regulations**

This process is facilitated by the publication of new regulations in 2017 that sets out the procedure to apply for new water licences, as well as the launch of an electronic application platform. Agbiz is participating in on-going discussions with the DWS to improve upon the regulations, by motivating for an amendment in the public participation process, timeframes and criteria for financial provision to be required – an ongoing process. This is a core policy area and, as such, Agbiz will continue to remain at the forefront providing inputs on how to best achieve water sector transformation, whilst maintaining investor confidence in farming enterprises that are reliant on a steady and secure supply of water.

1.2.2 Preservation and Development of Agricultural Land Bill

Agbiz is playing a leading role in multi-sectoral deliberations on the draft Preservation and Development of Agricultural Land Bill at Nedlac. The Bill seeks to

regulate competing interests for agricultural land through spatial planning and other regulatory instruments to ensure that scarce, high-value agricultural land is protected from encroachment by other industries. It is a highly complex and contentious bill, which has gone through four redrafts to date. It is somewhat contentious as it affects multiple industries and must balance legitimate, albeit competing interests within the broader business community.

▲▼ Agbiz is playing a leading role in multi-sectoral deliberations on the draft Preservation and Development of Agricultural Land Bill at Nedlac.

1.2.3 Carbon Tax Bill

The Carbon Tax Bill was released in 2017 and provided a strong indication that government will implement the policy in 2018 or later. The new Bill pronounces a carbon charge of R120 per tonne carbon dioxide equivalent (GtCO₂-eq), which will increase by 10% per annum in the first five years of implementation. The agricultural sector is fully exempted in the Bill whereas food manufacturing is not fully exempted. Though the direct impact will be reduced, the indirect effects on agriculture could be significant, especially for high-input users of fuels, gas and electricity. While the primary aim of reducing greenhouse gas emissions is recognised, the policy could increase food prices and exacerbate food insecurity if government does not effectively recycle the revenue generated to support industries. Agbiz continues to participate in forums that advise government on the expected effects of the Bill on the economy and strongly advocate for full tax exemption to agriculture beyond the first five years of policy implementation.

1.2.4 Electricity and energy awareness

Energy, and especially the continuous supply of fair-priced electricity through the state utility, Eskom, is of critical importance to industry. For this reason, Agbiz serves on the BUSA energy subcommittee to collectively address issues of major concern, not just to the agribusiness sector, but to South Africa as a whole.

It is common knowledge that blatant corruption and gross mismanagement within this state-owned enterprise (SOE) have put South Africa’s economy

and welfare at enormous, even calamitous, risk. Major issues addressed include the following:

- The Integrated Energy Plan (IEP) and Integrated Resource Plan (IRP) consultation process has been flawed, is inadequate and not legally concluded. BUSA has taken up the matter with the relevant minister.
- Engagement with NERSA on the following:
 - (a) Non-payment for electricity by municipalities – a major issue impacting on agribusinesses in rural areas where municipalities are defaulting on electricity payments to Eskom, with resulting cut-offs of supply.
 - (b) Stimulation of electricity demand.
 - (c) Separate displaying of the electricity levy on electricity accounts.
- BUSA and Eskom have established a task team with working groups, focusing on (1) Stimulation of demand, (2) Tariff increase methodology, and (3) Eskom’s financial sustainability. Work plans are in the process of being finalised.
- Eskom’s third multi-year price determination (MYPD3) and fourth multi-year price determination (MYPD4) regulatory clearing account (RCA) applications.

1.2.5 Waste exclusion regulations

On 12 January 2018 the Department of Environmental Affairs published the draft Waste Exclusion Regulations for public comments. This publication follows on months of consultation between business and the Department to exclude certain waste streams that are reused for industrial processes from the onerous permitting provisions of the National Environmental Management: Waste Act, subject to certain restrictions. The list includes several waste streams that could be generated or used by agribusinesses, including:

- ash from combustion processes that can be used as inorganic fertiliser, soil ameliorant and conditioner
- gypsum from paper production that can be used for soil ameliorant and conditioner
- biomass that can be used for composting, soil conditioner in forestry or agricultural plantations and animal bedding.

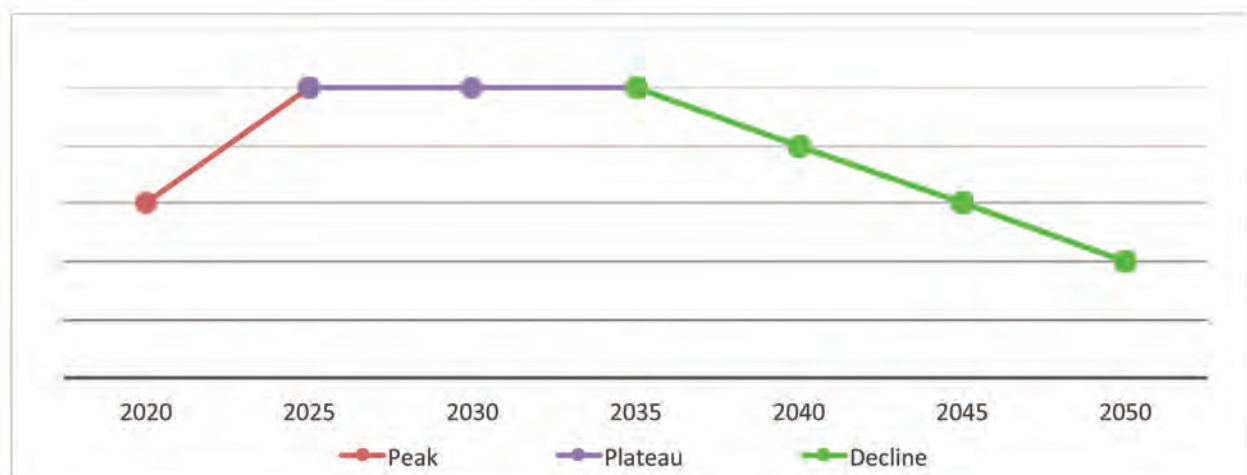
• Climate change mitigation measures

As a signatory to the United Nations Framework Convention on Climate Change (UNFCCC), South Africa has chosen to give effect to its international obligations and prevent global warming from exceeding 2 °C by 2100 through a series of measures designed to reduce greenhouse gas emissions. As a developing country, we have committed to a ‘peak, plateau, decline’ trajectory.

• Climate Change Bill

The carbon tax proposal is regarded by Government as the primary mechanism to force this change and indications are that it will finally be implemented on 1 January 2019. The new Bill pronounces a carbon charge of R120 per tonne carbon dioxide equivalent (GtCO₂-eq), which will increase by 10% per annum in the first five years of implementation. The primary agricultural sector is fully exempted in the Bill, whereas food manufacturing is not fully exempted. Though the direct impact on primary agriculture will be reduced, the indirect effects could be significant especially for high-input users of fossil fuels, gas and electricity. While the primary aim of reducing greenhouse gas emissions is recognised, the policy could increase food prices and exacerbate food insecurity if Government does not effectively recycle the revenue generated to support industries. Agbiz continues to participate in forums along with BUSA’s environmental

Figure 1: Greenhouse gas emission trajectory



committee that advises Government on the expected effects of the Bill on the economy and strongly advocates for full tax exemption to agriculture beyond the first five years of policy implementation.

- **Greenhouse gas reporting regulations**

In 2017, the Department of Environmental Affairs enacted the Greenhouse Gas Reporting Regulations to the Air Quality Act and qualifying enterprises were due to submit data on their annual emissions for the first time in March this year. This data will be used to inform carbon budgeting, a mechanism contained in the draft Carbon Tax Bill to complement the direct taxation on carbon emissions.

- **Industry-specific policies and measures**

Whilst the proposed Carbon Tax Bill will include carbon budgets for large emitters, the Department of Environmental Affairs is in the process of developing industry-specific policies and measures to reduce emissions from those entities that fall under the threshold to report on their greenhouse gas (GHG) emissions and are not directly taxed, but still contribute to our total emissions as a country. These policies and measures are still in the early stages of development but Agbiz will continue to be at the forefront providing inputs, as creative ways need to be found to incentivise carbon-neutral developments within the agricultural and agribusiness space.

- **Extent of irrigated agriculture**

Agbiz Grain members participated in the update of estimates related to South African irrigated agriculture, specifically crop water use and the surface area utilised. This kind of water accounting describes a catchment's hydrological processes, manageable and unmanageable water flows and their interaction with land use. The information can provide an overview on water resources (per selected area) and facilitate decision-making, and will be used in assessing possible expansions in irrigated agriculture. Dr John Purchase served on the reference group of this Water Research Commission (WRC) project.

1.3 TRADE ENVIRONMENT

1.3.1 Protection of Investment Act

South Africa's Department of Trade and Industry (the dti) holds a view that bilateral investment treaties (BITs) extend too far into the country's policy space and limit the country's ability to promote local investors. The Protection of Investment Act intends to replace BITs by providing the protection of investors and their investments and achieve a balance of rights and obligations that apply to all investors. On 3 November 2015 the Protection of Investment Act No. 22 of 2015 was passed in parliament. The key concern on the Act is the removal of international arbitration in order to protect South African investors and the economy. From an international perspective, this Act provides



little protection to South African investments in the country, which could limit foreign direct investment in the future. Agbiz participated in the Nedlac process on the new Act.

1.3.2 Border Management Authority Bill

This Bill seeks to establish one centralised authority to handle all matters involving South Africa's ports of entry, including policing and customs. It also aims to control the porous borders of the country. On 8 June 2017 the Bill was passed by the National Assembly and sent to the National Council of Provinces (NCOP). The Bill is, however, a highly controversial piece of legislation and certain matters are still being considered. Agbiz again participated in the Nedlac process on this contentious Bill.

1.3.3 Road Freight Strategy

Agbiz Grain participated in the Department of Transport discussions regarding the draft report of the Road Freight Strategy. The process included research into the current regulatory framework and current legislative developments, the scope and extent of the road freight sector and best practices in international road freight regulation.

The project identified a number of issues in need of strategic interventions in the interest of improving road freight operational efficiency and quality, road safety and the limitation of externalities. The Draft Road Freight Strategy has also considered the modal shift 'back to rail', amongst others.

South Africa has a very good Road Traffic Act, but it is not being implemented or enforced. The road freight industry has grown tremendously over the past ten years and enforcement is not keeping up. There is a decrease in skills and technical managers, and the condition of vehicles is unsatisfactory. It is, however, critically important for the industry to contain costs and increase efficiency; there should not be a further monetary burden on the operator.

1.3.4 SAGNET

The Southern Africa Grain Network (SAGNET) was registered as a non-profit organisation (NPO) in January 2017 and Agbiz Grain hosted its first general members' meeting in Pretoria during May 2017. A one-day workshop was held on 17 May 2017 to inform the delegation of the various industry structures that are active in the grains value chain of South Africa. The aim was capacity building, identifying opportunities for

▲▼ The SAGNET business plan covers key strategic issues that affect the regional grain value chain, namely production, marketing and trade, policy and several cross-cutting considerations.

collaboration/business and meeting potential partners. The group also visited NAMPO as guests of Grain SA and the third day comprised the official business of SAGNET. The SAGNET business plan covers key strategic issues that affect the regional grain value chain, namely production, marketing and trade, policy and several cross-cutting considerations.

1.3.5 Grains and feed export regulations

• Feeds and Pet Food Bill

The Feeds and Pet Food Bill, as drafted by the Department of Agriculture Forestry and Fisheries (DAFF), aims, among other objectives, to provide for the regulation of feed and pet food manufactured for commercial purposes, for the regulation of certain feed ingredients used in the manufacturing of feed and pet food, and for the licensing of certain facilities used for the manufacturing of feed or pet food. Given conflicting positions by different interest groups in the industry, Agbiz was requested by DAFF to facilitate consultation through two workshops, with the last workshop held on 24 October 2017. Both workshops were concluded successfully.

• GMO maize imports

In December 2016, the following maize events that had been causing asynchrony with the United States (US) were approved by the Executive Council, the decision-making body under the Genetically Modified Organisms (GMO) Act:

- MON 87460 x NK603
- 3272 x Bt11 x MIR604 x GA21
- TC1507 x 59122 x MON810 x MIR604 x NK603
- TC1507 x 59122 x MON810 x NK603
- TC1507 x MIR604 x NK603
- TC1507 x MON810 x MIR162 x NK603
- MON87460 maize event.

Applications for imports/use of these events could be submitted to the office of the registrar in line with the prescribed procedures and all importers/users would be required to adhere to the permit conditions.

1.4 ECONOMIC ENVIRONMENT

1.4.1 SONA Nine-Point Plan, APAP and Operation Phakisa

In the 2015 SONA, former President Jacob Zuma announced a nine-point plan to boost economic growth and create much-needed jobs. Revitalising agriculture and the agro-processing value chain was among the nine key areas identified. The components

of the revitalisation entailed fast-tracking land reform, creating agri-parks and providing rural infrastructure to promote agricultural exports and agro-processing in the country. The revitalisation of the sector is achieved through an Agricultural Policy Action Plan (APAP). All the stated government targets in both the Nine-Point Plan and APAP to revitalise and grow agriculture have not been met, largely due to weaker implementation and budgetary constraints.

Operation Phakisa

Operation Phakisa focused on agriculture, rural development and land reform. The aim is to contribute to developing the agricultural sector through inclusive growth, employment creation, rural development and land reform as outlined in the National Development Plan (NDP). The various work streams included grains, horticulture, livestock as well as producer support, land reform, rural development and labour.

The workstream on grains has finalised three initiatives to support the smallholders in the grain value chain and DAFF is now consulting with industry partners as they move forward towards the implementation of the outcomes of the Operation Phakisa. The three grain initiatives are:

1. Formalise the integration of smallholder farmers into the grains value chain through SAFEX contracts for smallholder grain farmers.
2. Create a structured financial solution for smallholder farmers by tapping into a government security fund (to be created through redirected grant funds).

3. Establish a grains information centre to provide farmers with relevant information in a format that is comprehensive, considering literacy level and access to technology for improved yield and quality.

Deliberations led to the decision that a producer support package for the grain industry is important, but it was ultimately decided that it should be focused much wider and cover the following, which is also of importance to extension officers:

- Grains 101 – basic industry knowledge of the grain value chain, role players, etc.
- Grains 201 – basic information on how the grain market works in South Africa
- Grain SA/Grain Farmer Development Association (GFADA) – grain farmer development programmes

Infrastructure development for the grain industry is high on the agenda. As it is a very wide topic, a survey should be done of existing studies and reports: grain agro-logistics, infrastructure audit (SIP11); road to

rail and side branches by Transnet; permanent and temporary storage infrastructure. Once that has been completed, a national grain infrastructure development programme can be considered. The development of a suite of financial models (to support production, processing and research and development) with state guarantees/incentives based on the knowledge of all that exists was debated. A major effort is to be put into an information hub.

- **Value Chain Roundtable (VCRT)**

DAFF has indicated that it is in favour of altering the original wheat value chain roundtable (VCRT) to a grain value chain roundtable, which will include all the grain (and oilseed) industries. The forum steering committees for the respective grains have written to the Department of Agriculture, Forestry and Fisheries (DAFF) to request the formation of such a roundtable.

1.4.2 Business regulatory environment

- **Regulation of credit agreements**

Following the publication of a guideline document outlining the manner in which credit providers are obligated to report their client's credit information to bureaus, Agbiz co-ordinated a series of workshops with the National Credit Regulator (NCR). Members highlighted the unique nature of agricultural credit and the potential harm that can be done if these unique credit agreements are misinterpreted and blended with consumer credit information. Through joint initiatives with the South African Credit & Risk Reporting Association (SACRRA), a unique template is being developed for agribusinesses that will safeguard the interests of their clients. Through the process Agbiz has forged good relations with the regulatory entities. Efforts are now underway to review the prescribed affordability assessment regulations and credit life insurance provisions to rationalise its application to the agribusiness sector.

▲▼ Through joint initiatives with the South African Credit & Risk Reporting Association (SACRRA), a unique template is being developed for agribusinesses that will safeguard the interests of their clients.

At the same time, the Portfolio Committee on Trade and Industry crafted a bill to amend the National Credit Act by allowing for debt 'intervention' in the case of micro-lending and natural disasters, expand the powers of the NCR and place an obligation on credit providers and counsellors to report suspected reckless credit agreements. Agbiz made written and oral presentations to the Portfolio Committee, which were well received.

- **Competition law amendments**

In 2017 there were also moves to further define and amend the legislative instruments regulating competition in the industry. Agbiz consulted widely and provided comprehensive inputs to a guideline document on information sharing between competitors, which were released in 2017. This is an area of the law that has traditionally been very ambiguous, and as such Agbiz welcomed the opportunity to provide inputs with the aim of providing clarity in relation to its impact on the agro-food value chain.

A draft Competition Amendment Bill was also published for public comments over the festive period between 2017 and 2018. The Bill seeks to further delineate between permissible and impermissible conduct in relation to ambiguous terms such as the prohibition on activities which may reduce competition in an industry. The Bill also introduced the concept of 'public interest' as a criterion when assessing mergers and acquisitions, especially in relation to its effect on emerging black firms in a given sector. Once again, Agbiz submitted comments and is participating in multilateral processes through BUSA.

- **Aquaculture Bill**

Although Agbiz does not currently have members active in the aquaculture industry, a great deal of time and intellectual capacity was invested in leading the Nedlac engagements on this Bill in the interest of the broader business community. The Bill sought to introduce a compulsory licencing regime for participation in the industry in addition to a series of permits required to carry out specific activities. This Bill is seen as dangerous over-regulation and could set a precedent to regulate a multitude of business activities through a system of compulsory licences for all businesses. Engagements were finalised at Nedlac but the industry is looking for innovative ways to

achieve the objects of the Bill without submitting all aspects of the business to a licencing regime.

• **National Liquor Amendment Bill**

WineBiz participated in the business constituency of the Nedlac Task Team that addressed the Liquor Amendment Bill. The Bill was tabled by the Department of Trade and Industry (the dti) along with a socio-economic impact assessment (SEIAS) that is required by the Department of Monitoring and Evaluation (DPME). Unfortunately, the SEIAS did not quantify the economic impact of the Bill and BUSA requested that an additional economic impact assessment should be commissioned. Under the auspices of Nedlac, Genesis Analytics was requested to conduct a socio-economic assessment. Despite the economic impact assessment revealing that the alcohol industry would lose many jobs and that advertising agencies and the media are likely to lose a considerable amount in revenue as well as jobs, Government was not willing to amend the provisions of the Bill that restricts the advertising of alcoholic beverages. The following clauses have been retained in the Bill, despite the concerns of business:

1. Advertising restrictions for television, radio, print media, billboards, public platforms, theatres and cinemas, social media and the internet.
2. Increase of the legal drinking age from 18 to 21 years of age.
3. Cancellation of the registration of a registrant that does not meet the B-BBEE compliance prescribed by the minister.
4. Extended liability – the Bill seeks to hold manufacturers and retailers liable for any harm or unlawful conduct caused by the supply of liquor to an unlicensed outlet or death and injury to any natural person.

1.4.3 Grain and oilseeds regulatory environment

• **Breeding and technology levy system**

SA Cultivar and Technology Agency (SACTA) was officially launched as the collection agent for statutory levies on open-pollinated crops at a formal media function on 23 November 2017. This levy offers a solution to farm-saved seed and will encourage breeders to develop new, improved cultivars with better yields for South Africa. The levy is divided among local seed-breeding companies on the basis of performance as measured by their market share. Three aspects are taken into account to determine market share – actual seed sales statistics (30%), farmers’ declaration on delivery about the cultivars they planted (50%) and analysis/identification by sampling (20%).

Wheat and barley were the first crops to be subjected to the breeding and technology levy. Over the past marketing year, the levy of R25 per tonne was collected from wheat and barley farmers at the first point of sale. Since up to 70% of wheat seed is kept on farms for planting, there was previously no incentive for wheat breeders to market new cultivars. The approval of the soya bean levy application has been delayed due to intervention by the National Agricultural Marketing Council (NAMC) and the Agricultural Research Council (ARC).

The industry’s application was altered without consulting the affected parties who applied for the soya bean levy or the party subsequently implicated in the soya bean levy collection. Industry obtained an interdict against the publication of this notice in the *Government Gazette* on Friday 2 March 2018.

• **Agricultural Product Standards Act (LEAF)**

LEAF Services is an assignee of DAFF appointed in terms of Section 2(3) (a) of the Agricultural Product Standards Act No. 119 of 1990. It is a private company that will inspect all local agricultural products. The appointment was gazetted as per Notice 345 of 2016 published in Government Notice No. 40075 of 17 June 2016.

Since its appointment, LEAF Services has been requested by the grain industry to provide information with respect to the following:

- Phasing in of inspection activities
- Identified inspection points
- Recommended frequency of inspections during the first (initial/base) year of inspection
- Details on the identification of non-conformities including their categorisation (ranking e.g. critical, major and minor)
- Inspection and sample analysis procedures and work instructions
- Deployment of resources (infrastructure, personnel, inspection tools, etc.)
- Business plan inclusive

LEAF Services has not complied with this request and has subsequently appointed SGS, an international company to assist with its activities. Additional consultative meetings will be held before coming to any conclusions regarding the implementation of its mandate.

• **Revival of the wheat industry**

Steps to revive the wheat industry commenced in 2014 and led to a whole list of actions that was agreed upon by industry:

- 1 Minimum out-loading guarantee. No compensation for higher grade.
- 2 Delivery of imported wheat on the JSE. No penalty – ZERO origin discount.
- 3 Minimum protein levels; 9,5% protein up to super grade.
- 4 Reference base price; 12% protein change to 11,5%.
- 5 Price differential between grades; 4% change to 2%.
- 6 Passport system for agrochemicals.
- 7 Quicker submissions for grading amendments in terms of Agricultural Product Standards (APS) Act.

The following goals have been achieved:

- The silo industry has implemented a 'guaranteed grade' on the JSE for wheat.
- The wheat cultivar release guidelines have been relaxed and now focus on quality as well as higher yields.
- The wheat cultivar list has been removed from the APS Act and the SAGL will in future be the custodian thereof as it is an independent organisation.
- The implementation of a breeding and technology levy system for wheat was successful and will encourage wheat breeders to enhance their efforts at developing higher yielding cultivars.
- The wheat grade price differentials introduced by the JSE have also been adopted in the physical market.
- The suggestion to lower the protein levels of grades by 0,5% was proposed by the millers; however, by November 2017 there was no longer consensus in the industry as the traders and millers had decided to oppose this, arguing that too many changes had occurred in the trading environment. Although the JSE gave the wheat industry until the end of January 2018 to propose any amendments to the grading regulations, this did not materialise before the launch of the next season's JSE wheat contract for the main hedging months.
- By lowering the protein level of B1 to 11,5%, wheat producers will in effect save money – they will not need high nitrogen applications to increase protein levels to obtain a better price. In addition, larger

- 8 Remove cultivar list from APS Act. Southern Africa Grain Laboratory (SAGL) to be the custodian.
- 9 Differentiate between different imported wheat grades and data.
- 10 Evaluate/compare release criteria tolerance levels (local vs imports).
- 11 Review release criteria tolerances regarding biological standards.
- 12 Decrease number of years required for release of irrigation cultivars.
- 13 Quality segregation of wheat at silo level.



volumes of wheat will then fall into the B1 grade. Millers will also benefit as this is the protein level most often desired for their purposes. The proposal does not involve changes to the rest of the parameters. The hectolitre mass (HLM) cut-off point as it is currently does not create many problems for producers and falling number improves with storage time.

To further support the goal of breeding superior yielding wheat, Agbiz Grain negotiated with the British High Commission Science and Innovation division to sponsor a South African team of four research leaders in wheat and barley to visit the United Kingdom. The team visited a select group of UK research centres from 26 February to 2 March 2018 to learn about the latest technologies in yield improvement of winter grain crops and to establish research collaboration on winter cereal crops – both for technology exchange and skills development – with the ultimate intent of accessing international donor funding. The South African team consisted of:

Mariana Purnell

General Manager: Agbiz Grain

Dr Renée Prins

Director: CenGen (Pty) Ltd

Dr Francois Koekemoer

Director: Research and Development, Sensako

Dr Willem Botes

Head: SA Wheat Breeding Platform, Department of Genetics, Stellenbosch University

Dr Toi Tsilo

Director: Small Grain Institute, ARC



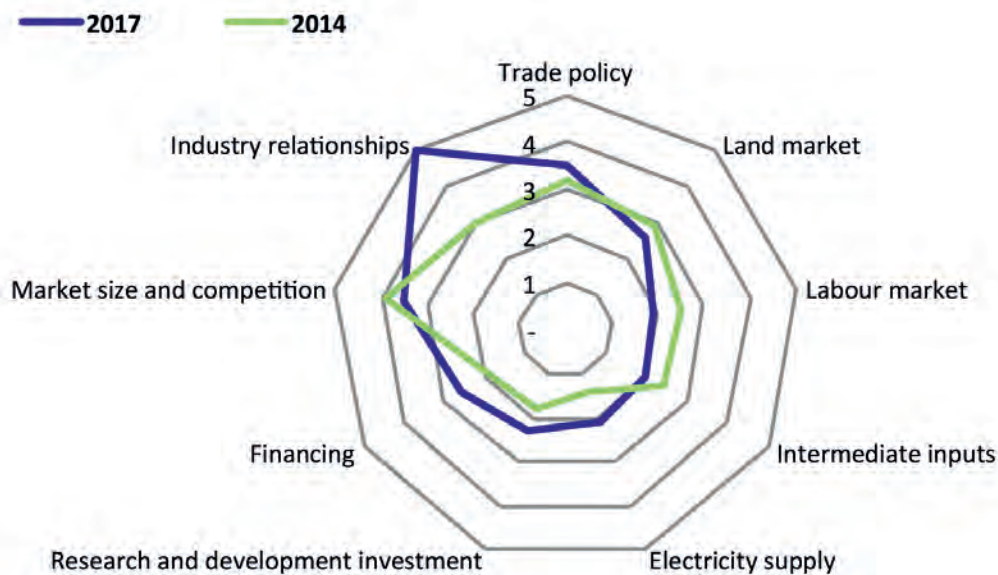
2. AGRIBUSINESS INTELLIGENCE

2.1 AGRIBUSINESS COMPETITIVENESS

The competitiveness of the agribusiness sector has weakened since 2014, driven down by policy uncertainty and deteriorating economic conditions. Land reform uncertainty is one of the key factors

affecting the confidence and competitiveness in the sector, followed by the cost and availability of quality labour and intermediate inputs. Interestingly, the existence of industry relations is important in boosting the sector’s competitiveness.

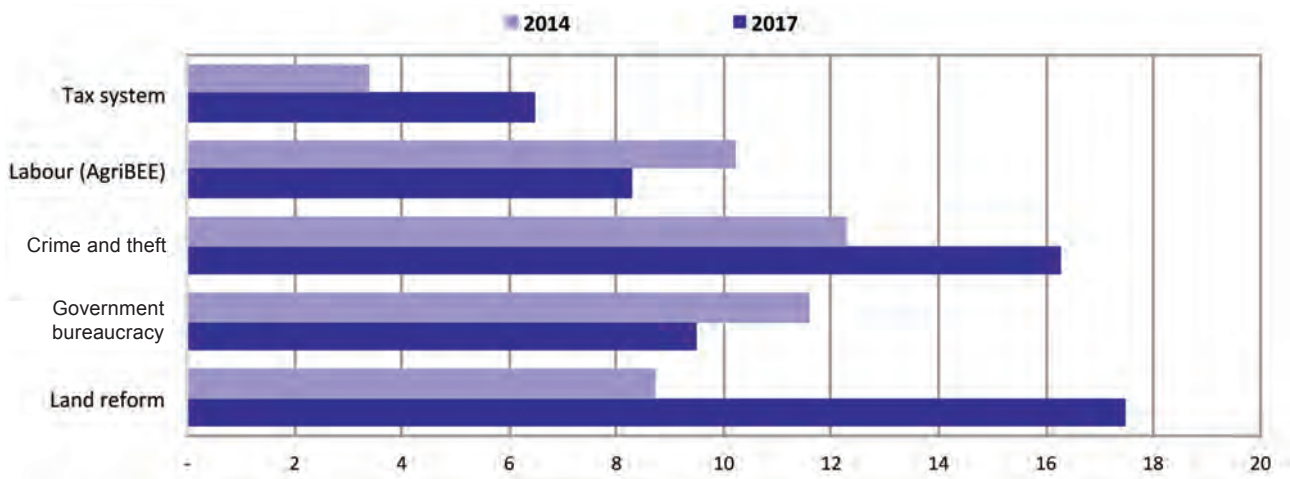
Figure 1: Agribusiness competitiveness performance in 2017



The top five factors that are constraining growth in the agribusiness sector are land policies, labour policies, crime and theft, government bureaucracy as well as increasing taxes. The proposed carbon

tax and sugar tax are the greatest concerns for the industry since they have the potential to increase costs and thereby affecting the competitiveness.

Figure 2: Most problematic factors affecting agribusiness sector



2.2 AGRIBUSINESS RESEARCH

2.2.1 Weather and exchange rates an unlikely duo in agriculture

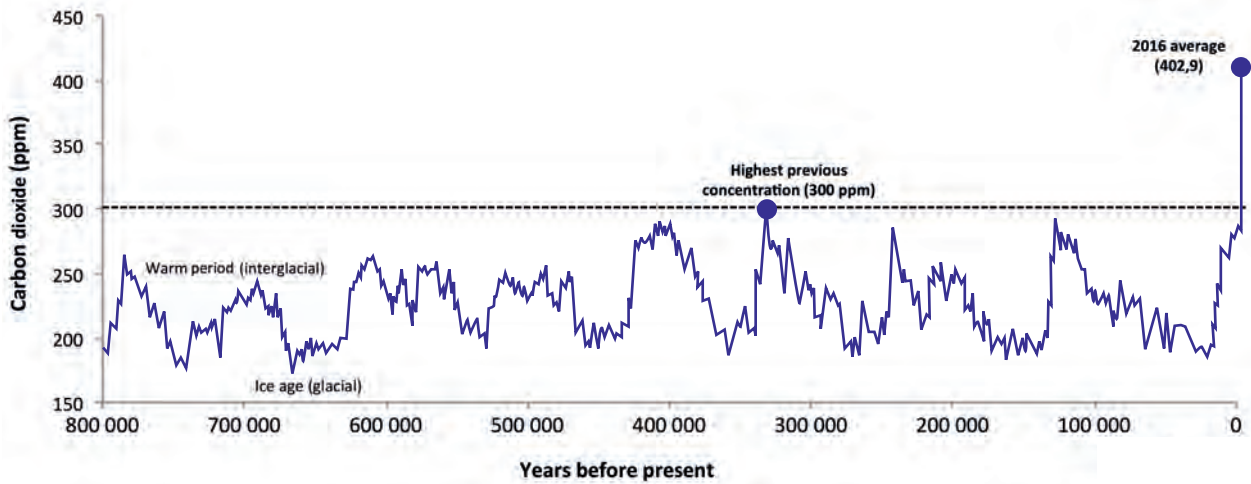
South Africa’s agricultural sector is continuously influenced by global and local demand and supply conditions, weather patterns and exchange rate fluctuations. In the 2017/18 production season, weather conditions are once again playing a bigger role with the drought in the Western Cape and the delayed onset of rainfall earlier in the season in the Free State and North West, which affected production negatively. Meanwhile, the weak US dollar translates into rand strength, which leads to offsetting impacts on farmers’ bottom line – a decline in the cost of imported inputs (such as fuel, fertilisers and chemicals) on the one hand, and commodity exports on the other hand. In net terms, unfavourable weather implies a decline in production while exchange volatility points to no change in profitability. In this biennial report, while

considering the collective impact of these variables, we make a succinct reflection on weather, local market conditions and trade in the agricultural sector for the past few season, as well as expectations for the 2017/18 production season.

2.2.2 Climate change a reality that the farmer needs to adapt to

Climate change is a critical mega-trend that is affecting global agriculture and South Africa’s agro-industry is not spared in this regard. There are two fundamental aspects that underpin the weather conditions in South Africa’s agricultural sector – inter-seasonal variation and intra-seasonal variation. The former relates to long-term trends, which fall under climate change, exhibited in Figure 3. The atmospheric carbon dioxide concentration in parts per millions (ppm) reached an average of 403 in 2016 – the highest in the past 800 000 years. Scientists say it is because of this high

Figure 3: Carbon dioxide during ice and warm periods for the past 800 000 years



Source: National Oceanic and Atmospheric Administration
 Figure adapted from data: NCEI

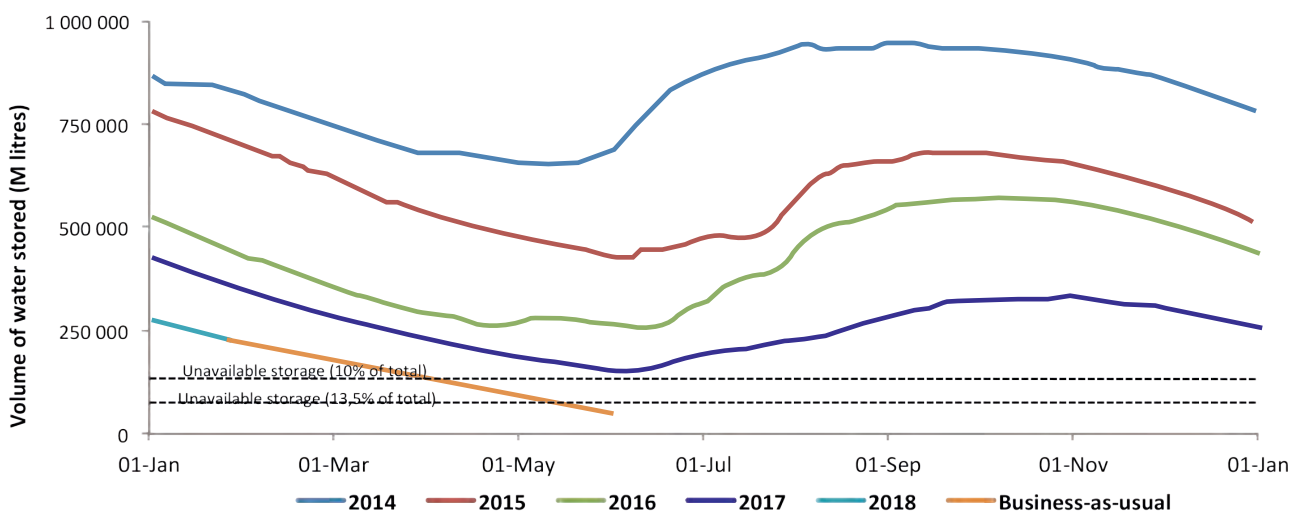
concentration of carbon dioxide that we experience extreme weather patterns, a rise in temperature and sea levels compared to the long-term norms.

prolonged drought over the past 100 years. As early as 1990, researchers warned that the city was going to run out of water in 2007.

Climate change is also evident in South Africa, where we have been used to an average of 526 mm of rainfall per year over the past 60 years. However, the recent past has seen a progressive decline in annual average rainfall, with the years post-2010 averaging 7% lower compared to the previous three decades. Across the nine provinces, climate change is now most visible in the Western Cape, which is experiencing the worst

That forecast was wrong by 10 years, but this is expected for multi-year projections. Looking at University of Cape Town data, the volume of water storage for the six biggest dams has been declining significantly year after year (Figure 4). The impact of climate change was highlighted years ago but little was done to mitigate the effects that are evident across the country.

Figure 4: Big six Western Cape water storage system dams



Source: <http://cip.csag.uct.ac.za/monitoring/bigsix.html>

Figure adapted from data: City of Cape Town, Figure: © Climate System Analysis Group, University of Cape Town

2.2.3 Shifts in weather patterns make planning difficult

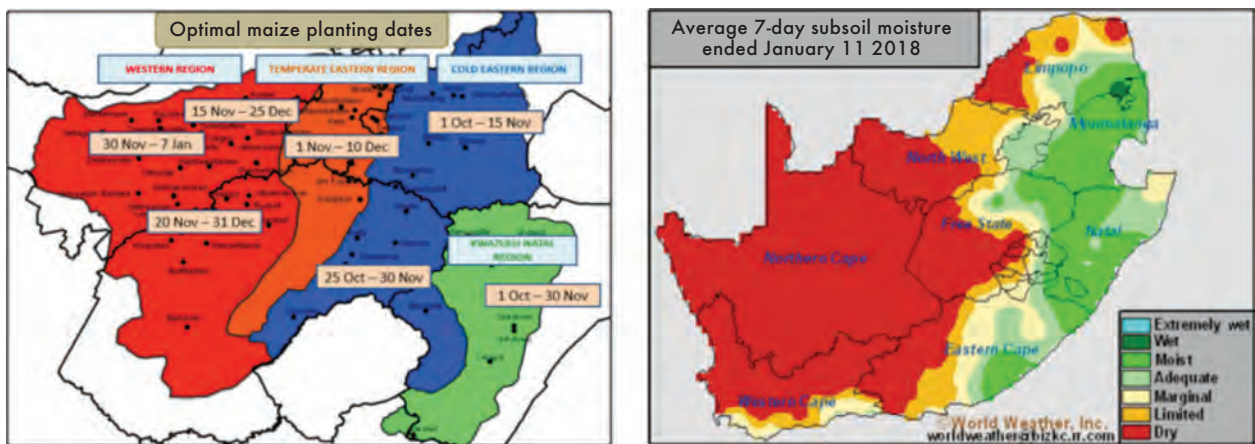
Climate change aside, the intra-seasonal variations, i.e. the geographic and temporal distribution of rainfall, seem to have shifted over time. Anecdotal evidence

Weather has been a major risk factor particularly in the past few seasons, as rainfall patterns did not only change but were slightly erratic.

suggests a delay in the onset of the summer season. For example, the peak rainfall period in South Africa is early October in the eastern regions and from November in the western regions. Recent rainfall patterns have seen a three- to six-week delay, which translates to a shift in optimal planting dates for summer crops such as maize and soya beans.

As such, the farming sector has had to continuously adapt to this shift to ensure that planting coincides with peak rainfall patterns, which would ensure that crops receive sufficient moisture for seed germination and crop development (Figure 5). However, the farming

Figure 5: Optimal planting dates and soil moisture



Source: Agbiz Research Source: World Weather Inc. (data as at January 2018)



sector has struggled not only due to the uncertainty regarding the onset of the seasonal peak, but also because of erratic and progressively lower rainfall.

Therefore the changes in the rainfall patterns mean that farmers will also need to adjust the planting dates. Weather has been a major risk factor particularly in the past few seasons, as rainfall patterns did not only change but were slightly erratic, making it difficult for farmers to plan the planting schedules effectively.

2.2.4 Weather conditions

While the 2016/17 production season was an exception, the two seasons before that as well as the 2017/18 production seasons experienced erratic weather patterns. In the current summer crop production season, rainfall in the eastern regions of the country was delayed, which subsequently affected the planting activity.

However, the delayed rainfall proved to be effective. Figure 5 shows that the eastern region of South Africa has favourable subsoil moisture, which bodes well for crops in the eastern parts of Eastern Cape, eastern Free State, southern Limpopo, KwaZulu-Natal and Mpumalanga. Meanwhile, the central and western parts of the Free State and North West experienced delayed rainfall, and when it finally materialised, it proved to be erratic and light. As a result, the area planted to summer crops in the 2017/18 production season was down by 5% from the previous season. Worth noting, however, is that rainfall did improve later in the season, leading to higher yields in crops such as soya beans and yellow maize.

2.2.5 Production and trade to show impact of weather patterns

Maize

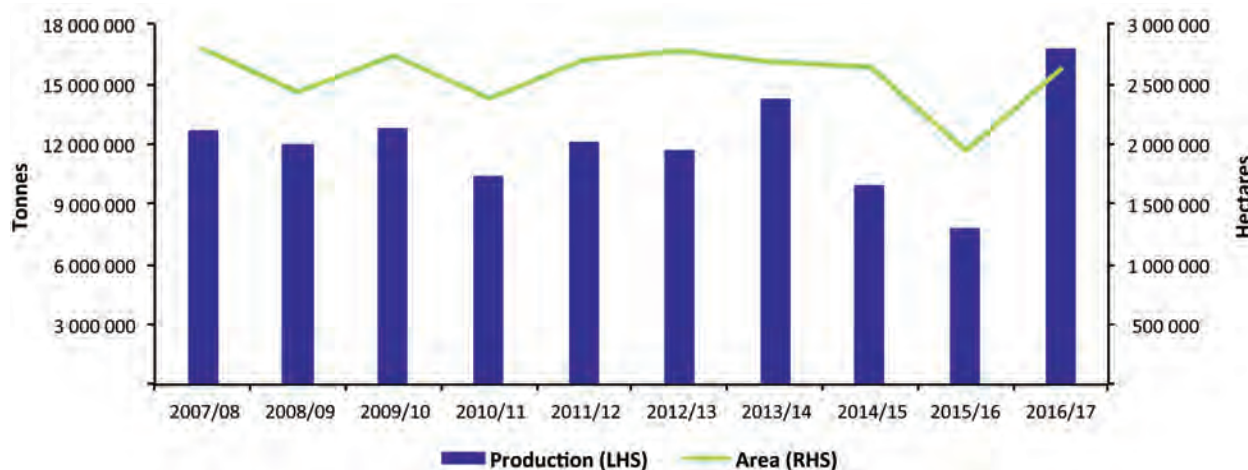
The results of weather changes are also mirrored in crop production, particularly summer crops such as maize. Between 2007 and 2013, South Africa’s maize production averaged 12,3 million tonnes and the area planted was flat across this period (Figure 6).

▲▼ The results of weather changes are also mirrored in crop production, particularly summer crops such as maize.

While the rainfall patterns were already changing slightly as far back as 2007, South Africa had adequate rainfall in the 2013/14 production season, although somewhat delayed, around February. This is typically a pollination period and it led to a bumper harvest of 14,3 million tonnes. The years after that experienced an El Niño-induced drought, which led to a reduction in area planted and subsequently lower maize yields. The 2016/17 production season showed a massive rebound, yielding 16,8 million tonnes of maize, the biggest harvest in the history of South Africa.

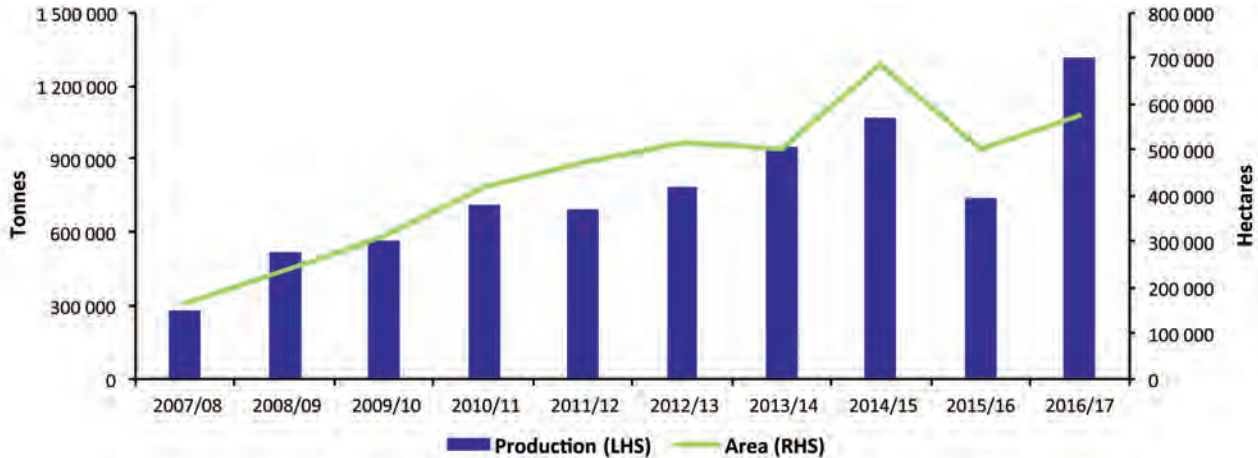
This was a welcome relief following two consecutive years of drought, where white and yellow maize

Figure 6: SA maize production



Source: CEC and Agbiz Research

Figure 7: SA soya bean production



Source: CEC and Agbiz Research

prices averaged R4 392 and R3 357 per tonne, respectively, in 2016, which is a 50% y/y and 26% y/y increase. In 2017, white and yellow maize prices averaged R2 161 and R2 097 per tonne, respectively, down by 51% y/y and 38% y/y, due to the record harvest.

Soya beans

Unlike the maize market, which has experienced a somewhat stagnant output in the period between 2007 and 2013, soya bean production trebled in the same period. The output declined in the 2015/16 production season, but soon recovered to a record 1,3 million tonnes in the 2016/17 production season, which is five-fold the volume seen in 2007/08 production year (Figure 7). One of the reasons for this notable increase in production is an increase in area

planted, which in turn, is driven by strong domestic demand on the back of the development of new soya bean crushing plants.

Wheat

Contrary to summer crop production trends, wheat production has been in decline for some time in South Africa (Figure 8). This is partially driven by a decline in hectares planted in the Free State due to lower profitability relative to other crops, as well as a decline in area planted in the Western Cape, a major winter wheat-producing province with a share of 40% in total production. After having a good run in the 2016/17 production season, the 2017/18 production declined by 21% from the previous season at 1,5 million tonnes. One major driver is unfavourable weather conditions in the Western Cape.

Figure 8: SA wheat production



Source: CEC and Agbiz Research

With that said, the impact on prices has been minimal as South Africa’s wheat prices already trade along the import parity. The major determinant of the import parity price is the Chicago wheat price and the rand to the US\$ exchange rate. We expect a sideways movement in Chicago wheat prices due to the large production of 759 million tonnes, up by a minimal 1% from the 2016/17 season. Therefore, domestic wheat prices should resemble a similar trend.

The positive developments are not limited to the aforementioned commodities; most crops performed fairly well in the past few seasons.

2.2.6 Trade

South Africa is generally a net exporter of agricultural commodities and products (Figure 9). In 2017, South African agricultural exports grew past US\$10,0 billion for the first time, boosted by growth in exports of edible fruits, beverages, spirits, vegetables, grains and other agricultural products. This is a 15% increase from 2016 – a year that was characterised by an El Niño-induced drought.

South Africa’s agricultural sector recorded a positive trade balance of US\$3,3 billion in 2017, which is also a record level in a dataset starting from 2001. The impact of the severe drought in the Western Cape will only transpire in the 2018 trade statistics, as table grapes and major vegetable products are set to decline by double digit from the 2016/17 production season. At the time of writing, however, the scale of the potential decline in export activity is unclear.

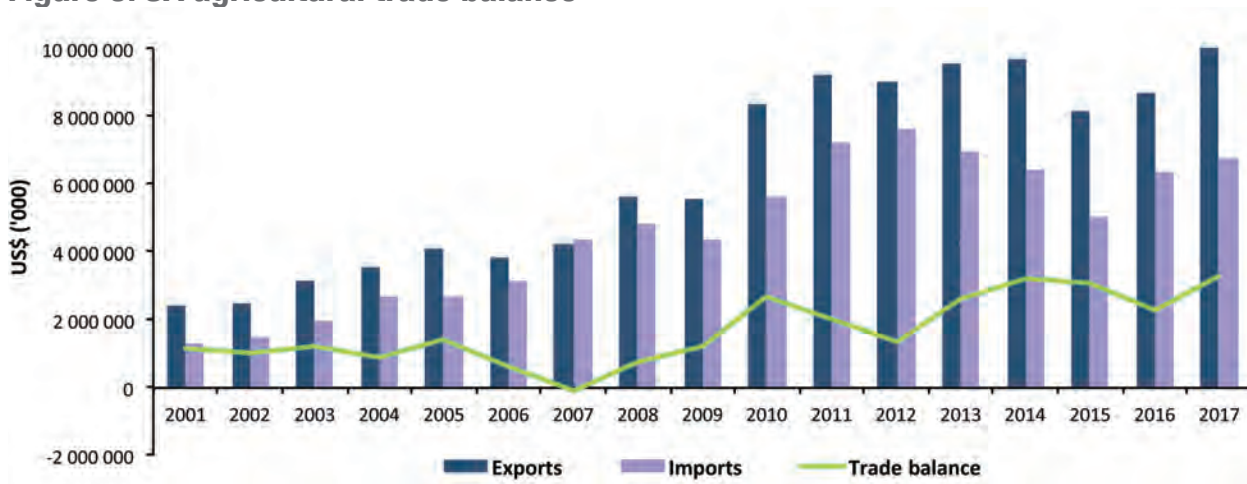
2.3 AGRICULTURAL ECONOMIC GROWTH AND CONFIDENCE INDEX

After an extended contraction in 2015 and 2016, the South African agricultural economy grew by 17,7% in 2017. This was boosted by strong output in almost all the subsectors, such as field crops, livestock and horticulture, among others.

It is also worth noting that in the past few years, the Agbiz/IDC Agribusiness Confidence Index proved to be a good leading indicator of agricultural GDP performance (see Figure 10). However, the deterioration in confidence levels in the latter part of 2017 was not to be followed by a similar magnitude of decline in agricultural GDP, as factors driving each variable were quite distinct at the time. Confidence is mainly pressured by uncertainty regarding land reform, which hadn’t had a material impact on agricultural investments at the time. Meanwhile, the agricultural economy was driven by solid output in 2017 following good rainfall.

With that said, the Agbiz/IDC Agribusiness Confidence Index improved by nine points to 58 in the first quarter of 2018, after declining to levels below the 50-points mark in the last quarter of 2017. The survey was conducted between 21 February and 1 March 2018. Therefore the overall results are somewhat reflective of broader positive sentiment following recent political developments, tail-end benefits of robust agricultural output in the 2016/17 production, as well as favourable weather conditions for the 2017/18 summer crop-growing areas of the country. However, about two-thirds of

Figure 9: SA agricultural trade balance



Source: ITC and Agbiz Research

the responses were received before the National Assembly adopted the motion on land expropriation without compensation, so it remains to be seen if this development will have an impact on agribusiness confidence.

Conclusion

The overall picture of South Africa’s agricultural sector can be described as mixed, at best. Adverse impacts on the wheat crop and somewhat on the 2017/18 summer crop production are expected to lead to subdued production. However, the lower output is not expected to lead to any fundamental shifts in the market. First, because the sector is coming out of a season of historic output levels that will still provide some buffer stocks against severe price swings. A stronger exchange rate over the immediate to short term will ensure that inflation levels remain low and steady. Despite some of the policy uncertainties that have remained endemic to the agricultural sector, vis-à-vis land reform, the sector is generally being buoyed by a general wave of renewed optimism and agribusiness confidence, all of which is expected to shake off the adverse effects of policy and weather.

2.4 FOREIGN DIRECT INVESTMENT TRENDS

Between 2015 and 2016 South Africa’s foreign direct investment improved by 31% to US\$2,27 billion, after dropping to its lowest level in 2015. Improving foreign flows signal the changing landscape in South Africa after a prolonged environment of low growth and weakening investor confidence.

2.5 DROUGHT STRATEGY

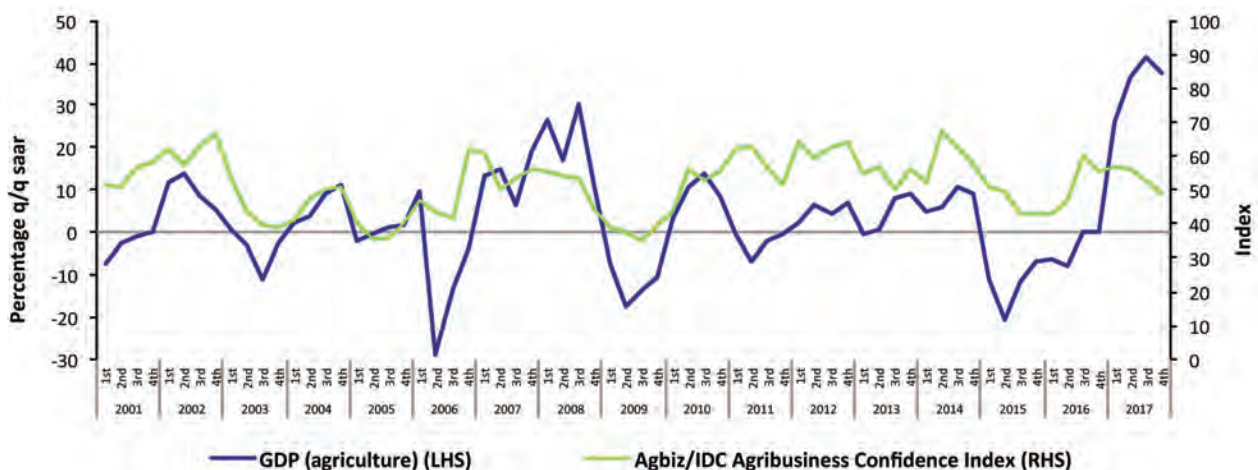
• **2015/16 drought in the summer rainfall region**

The prolonged drought in the summer rainfall region during the whole of 2015 and 2016 impacted severely on both the agriculture and agribusiness sectors of the economy, leading to widespread crop failure and net importation of maize, South Africa’s core agricultural commodity. Together with other stakeholders, Agbiz formed a drought task team to firstly determine the impact on the financial position of farmers from an aggregated point of view, as well as to engage Government on relief measures.

Financial flows (millions of US\$ unless otherwise specified)	2005	2010	2015	2016
FDI inflows	6 646,93	3 635,60	1 729,38	2 270,42
FDI outflows	930,29	-75,67	5 743,60	3 382,08
Personal remittances, % of GDP	0,24	0,28	0,26	0,25

Source: UNCTAD

Figure 10: Agbiz/IDC Agribusiness Confidence Index and SA GDP (agriculture)



Source: Statistics South Africa and Agbiz Research

To quantify the financial position of farmers, Agbiz conducted a survey among all the commercial banks, Land Bank and agribusinesses. While the damage to balance sheets was evident, crop farmers were especially assisted by the financial institutions and within the ambit of the National Credit Act to access credit at market rates for the record crop season of 2017. The drought task team was ineffectual for various reasons, but largely due to strong differences in approach to engaging Government.

The CEO of Agbiz, as a council member of the National Agricultural Marketing Council (NAMC), also initiated and chaired a NAMC Section 7 committee that made recommendations to the minister of the Department of Agriculture, Forestry and Fisheries, which were all adopted by Government. However, Government's response to the drought in terms of relief measures was left wanting and just again emphasised that the commercial sector especially was on its own to weather the impact of the drought.

- **2017/18 drought in the winter rainfall region (Western Cape and parts of the Northern and Eastern Cape)**

At the time of writing of this report, the persistent and severe drought in the winter rainfall region is continuing and causing widespread damage, as succinctly reported by the Bureau for Food and Agricultural Policy (BFAP) and the Western Cape Department of Agriculture. In February 2018 Agbiz launched another survey of financial institutions to determine the deteriorating financial position of farmers on an aggregated basis.

Given the different and diverse nature of farming enterprises in the region, the situation is more complex and the real extent of the drought will only really become apparent towards the latter part of 2018. The working of the Section 7 committee of the NAMC has again been reactivated to deal with the unfolding crisis situation.



3. LINKING SA AGRIBUSINESS TO THE WORLD

3.1 WORLD TRADE ORGANISATION (WTO)

Trade ministers from the WTO's 164 member countries convened in Buenos Aires, Argentina from 10 to 13 December 2017 for the Eleventh Ministerial Conference (MC11), which is the highest decision-making body of the WTO. The CEO of Agbiz represented business in the official South African delegation. The MC11 was expected to focus on and come out with tangible commitments on domestic support, market access for cotton, public stockholding for food security, the special safeguard mechanism for developing countries and export restrictions. Other issues based on proposals received from members include e-commerce, investment facilitation, SMMEs and transparency of domestic regulations in services. However, there were no substantial outcomes at MC11, except the agreement to secure a deal on elimination of fisheries subsidies by the next Ministerial Conference in December 2019.

3.2 TRADE AND TRADE FACILITATION

The South African Government has indicated that they will use trade policy to advance the regional and continental economic industrialisation agenda. In essence, priority is given to negotiating and completing the African Continental Free Trade Agreement (ACFTA), Tripartite Free Trade Agreement (TFTA) and the Southern African Development Community (SADC) Free Trade Agreement. However, Government will still support proposals that are aligned to its industrialisation strategy in multilateral and bilateral trade negotiations. Below are briefs on progress or activities happening at multilateral, continental and bilateral trade engagement levels.

▲ The South African government has indicated that they will use trade policy to advance the regional and continental economic industrialisation agenda.

3.2.1. African trade relations

The negotiations on the ACFTA were expected to reach the finalisation phase in December 2017. The ACFTA is expected to enter into force in 2018. A series of government meetings have been taking place, with discussions about, among others, sanitary and phytosanitary measures, rules of origin, tariffs and other non-tariff measures. The ACFTA agreements seek to create a single African market that will boost intra-African trade and ease the movement of business people in the continent. Other African trade relations continuing to benefit the continental intra-trade, is the TFTA that promotes trade and investments in three regional blocks, namely the Common Market for Eastern and Southern Africa (COMESA), SADC and the East African Community (EAC).

3.2.2 European trade relations

The main trade agreement governing the trade between South African and European countries is the European Union-Southern African Development Community Economic Partnership Agreement (EU-SADC EPA), which was signed in June 2016. The agreement became the first regional EPA in Africa to be fully operational

after Mozambique joined in February 2018. In signing the EPA agreement, members committed to act towards sustainable development, including upholding social and environmental standards. EPA creates joint institutions to support dialogue, smooth handling of all trade issues and monitoring of the impact of the trade deal. In November 2017, a subcommittee of geographical indicators (GIs) on wine and spirit was launched, which will monitor the implementation of Protocol 3 on GIs. In January 2018, a subcommittee on customs and trade facilitation was launched, which will monitor the implementation of customs and trade as well as the rules of origin, under the EU-SADC EPA agreement.

It is evident that by the end of 2019, the United Kingdom (UK) will not legally be part of the European Union (EU), nor a signatory to the EU-SADC EPA, due to Brexit. This raises concern as to what kind of trading relationship South Africa will have with the UK, considering that large quantities of agricultural produce are exported to the UK on an annual basis, especially wine, fruits and nuts.

3.2.3 American trade relations

The African Growth and Opportunity Act (AGOA) is a United States Trade Act, enacted on 18 May 2000 and extended on 29 June 2015 to cover a period up to 2025. AGOA provides trade preference for quota and duty-free entry into the US markets for certain goods in textile and apparel goods. South Africa is part of the African countries benefiting from AGOA, and it is especially the motor industry that benefits. The recent developments on AGOA include the request to review the state of the agreement. For example, in November 2017 the office of the United States Trade Representative (USTR) wrote a letter to the chairman of

the US International Trade Commissions, requesting the approval of a study to assess the trade and investment issues related to AGOA. Among issues, the US wants to know what gain the sub-Saharan countries have obtained under AGOA and how this has affected the US. Questions raised by the US: In which markets within the State Security Agency (SSA) can US companies extend their trade and investment opportunities? What trading arrangement should the US pursue with the SSA? Given the Donald Trump dynamic, it is highly likely that South Africa can expect unfavourable changes to AGOA sooner, rather than later.

▲ Given the Donald Trump dynamic, it is highly likely that South Africa can expect unfavourable changes to AGOA sooner, rather than later.

3.2.4 BRICS (Development Fund)

South Africa joined the emerging economies in the BRICS bloc in 2010 to strengthen its relations with the emerging economic powerhouses. BRICS is a powerful bloc occupying 26% of the planet's land and is home to 43% of the world's population. BRICS accounts for almost 30% of the world's GDP. BRICS countries agreed to establish the New Development Bank (NDB) at its Sixth BRICS Summit in July 2014 in Brazil, and its headquarters were officially opened in Shanghai, China in February 2016. In August 2017, the first regional centre of the BRICS NDB was opened in Johannesburg, South Africa. The focus of the regional centre is to identify and prepare project proposals that the bank could fund.

3.3 AGBIZ GRAIN MARKET INTELLIGENCE Market opportunities

• Britain

Agbiz Grain promoted the UK Department for International Trade (DIT) to members, particularly to inform them of opportunities to attend key agricultural trade shows in the UK. DIT was prepared to coordinate a formal programme for South African agricultural industry role players to attend the UK's leading farm machinery trade show, LAMMA, in January 2017. DIT also offered to arrange match-making sessions with various UK leaders in the farm machinery business and engagements with industry. The Regional Head of Science and Innovation of the British High Commission has held discussions with Agbiz Grain to determine joint opportunities for research for the benefit of the grain industry. As part of the Wheat Industry Revitalisation Programme, Agbiz Grain negotiated with the British High Commission Science and Innovation division to sponsor a South African team of four research leaders in wheat and barley to visit the UK. Meetings were arranged with a select group of UK research centres to discuss scientific collaboration on winter cereals with the aim to improve the crop yields for South African farmers.

• Australia

Agbiz Grain has been instrumental in a joint project between South Africa and Australia, following a report on the release of Tungsten, a wheat variety with exceptional performance.

• Argentina

Agbiz Grain met with an Argentinian delegation – the president of INTA (similar to the ARC in South Africa), the president of the National Institute of Agricultural Technology as well as the president of the Argentinian Chamber of Agri-machinery Manufacturers. The main focus of their visit was to establish collaboration with regard to agro-industry, science and technology as well as with the government. The group invited an Agbiz delegation to Argentina in 2017 during the Expo Agro, a mega exhibition that is held in March every year. Apart from attending the expo, a study tour based on our needs and meetings with potential business partners were also proposed.

• Ireland

Irish agricultural firms were introduced to Agbiz Grain members. Enterprise Ireland brought a group

of Irish farm equipment and agritech specialists on a market study tour to South Africa in November 2017. The counter-seasonality offers Irish agritech and farm machinery producers an additional southern hemisphere market. They have noted that South Africa has a preference for imported European and North American equipment and, despite the weak value of the South African rand, European exports can compete on price. They had a special interest in the Eastern Cape.

• Sweden

Agbiz Grain moderated a discussion at the Swedish Embassy to engage South African agricultural stakeholders on the factors that are affecting competitiveness, value addition and the investment environment in the sector. In attendance was the Swedish ambassador to South Africa, the Swedish deputy minister for agriculture, agricultural associations – namely Agbiz and AgriSA, government stakeholders, and DAFF as well as several private companies with links to agriculture. The aim was to strengthen understanding of the agricultural industry in the region, identify areas of collaboration with Swedish counterparts and implement initiatives to jointly develop the agricultural industry.

• United States

Agbiz Grain notified all Agbiz Grain members of the Cochran Fellowship Programme, which provides financial and logistics support to visit the United States on a custom-made study tour.

International

• 2017 World grain network meeting

Agbiz Grain attended the event, which focused on technical issues pertaining to grain quality.

• 2017 International Grains Council

Agbiz Grain attended the 45th session of the International Grains Council (IGC) and the IGC Conference as part of the official DAFF delegation, as South Africa is a member of IGC. Contacts were also made with companies that:

- i) manufacture a mobile drier for grain storage in silo bags, bunkers or stores
- ii) provide smart crop sensors for use in grain bins.

Some of them subsequently visited Agbiz Grain members.

4. LIAISING WITH BUSINESS AND GOVERNMENT

4.1 AGBIZ REPRESENTATION – INTERNATIONAL AND LOCAL LINKAGES, FORUMS AND ENTITIES

Agbiz is affiliated to a number of local and global business organisations, while its personnel serve on a number of business- and industry-related forums and entities, such as:

International business affiliation

International Food and Agribusiness Management Association (IFAMA) – Dr John Purchase also serves on the Board of IFAMA.

International business linkage

Business and Industry Advisory Committee (BIAC) to the Organisation for Economic Cooperation and Development (OECD), based in Paris, France.

Local business affiliation

To achieve its challenging and varied goals, Agbiz has local affiliation to Business Unity South Africa (BUSA) and participates in both the Economic Policy Committee (EconPol), including its subcommittees for Energy, Trade and Logistics, Environment and Tax, and the Social Policy Committee (SocPol), attending to primarily labour and developmental matters. The CEO also holds the position of deputy chairperson of EconPol, regularly chairs its meetings and represents BUSA in relevant matters and engagements when necessary.

National Economic and Development Labour Council (Nedlac)

The CEO of Agbiz has also been appointed as the business convenor in the Trade and Industry Chamber of Nedlac, while Agbiz also has representation in the Labour Market Chamber, the Development Chamber and the Monetary and Fiscal Policy Chamber of Nedlac. Mr Sifiso Ntombela also represents Agbiz/BUSA on the Technical Sectoral Liaison Committee (Teselico) Trade subcommittee of the Trade and Industry Chamber. Given the emphasis the new president of South Africa, Mr Cyril Ramaphosa, has placed on social dialogue at Nedlac, Agbiz is clearly best positioned to effectively be of service to its members to address the critical challenges facing South Africa, and in particular its agro-food system.

Reserve Bank Economic Roundtable

Mr Wandile Sihlobo represents Agbiz on the Economic Roundtable of the Reserve Bank where his inputs are highly valued and respected.

National Agricultural Marketing Council (NAMC)

Dr John Purchase served a term on the NAMC from 2012 to 2017.

Maize Trust

Dr John Purchase has been serving as a trustee of the Maize Trust since 2012, and has been chairperson of the Maize Trust since the beginning of 2017.

CEO Forum of the Department of Agriculture, Forestry and Fisheries (DAFF)

Dr John Purchase represents Agbiz on the CEO Forum and its steering committee. The CEO Forum is the overarching formal engagement structure between organised agriculture and the DAFF.

South African Grain Information Services (SAGIS)

Currently Dr John Purchase and Ms Mariana Purnell serve as directors of the South African Grain Information Service, with Dr Purchase having been chairperson for the past two years.

Agricultural Trade Forum of DAFF

Mr Sifiso Ntombela represents Agbiz on the Agricultural Trade Forum (ATF) of the DAFF.

AGBIZ GRAIN COLLABORATES/INTERACTS WITH NUMEROUS OTHERS (some constantly, others less frequently)

- Agbiz
- AgriSETA
- Animal Feed Manufacturers Association (AFMA)
- Agricultural Research Council (ARC)
- Crop Estimates Committee (CEC)
- Department of Agriculture, Forestry and Fisheries (DAFF)
- Department of Environmental Affairs (DEA)
- Grain Handling Organisation of Southern Africa (GOSA)
- Grain SA
- National Agricultural Marketing Council (NAMC)
- National Chamber of Milling (NCM)
- Protein Research Foundation (PRF)
- SA Chamber of Baking (SACB)
- South African Cereals and Oilseeds Trade Association (SACOTA)
- South African National Seed Organisation (SANSOR)
- Southern Africa Shippers Transport and Logistics Council (SASTALC)

AGBIZ GRAIN REPRESENTATION

Agbiz Grain committees

- Agbiz Grain Steering Committee
- Agbiz Grain Executive Committee
- Agbiz Grain Technical Committee: Grain Quality (for issues such as grading regulations on maize, wheat, soya beans, sunflower, sorghum, as well as food safety (HACCP), disputes and sampling apparatus)
- Agbiz Grain Technical Committee: Training
- Agbiz Grain Technical Committee: JSE/Grain Trading
- Agbiz Grain Technical Committee: TFR ground and B-silos

Agbiz Grain's general manager serves as director or trustee on the following industry boards

- SA Grain Laboratory Board
- Winter Cereal Trust Board
- SA Grain Information Services Board
- Grain Farmer Development Association Board
- South African Cultivar Technology Association (SACTA)
- Southern African Grain Arbitration Service Association (SAGAS)

Industry committees

- Southern African Grain Network Steering Committee
- Cereal Science and Technology SA Executive Committee
- JSE Agricultural Products Advisory Committee
- Wheat Forum Steering Committee
- Wheat Forum

- Research Technical Committee for Wheat
- Research Technical Committee for Barley
- Maize Forum Steering Committee
- Maize Forum
- Sorghum Forum
- Soya Bean Working Group
- Sunflower, Soya Bean and Soya Food Forum
- Sunflower and Soya Bean Forum
- SA Groundnut Forum
- Crop Estimates Liaison Committee
- Supply and Demand Estimates Liaison Committee
- Southern Africa Grain Arbitration Services Governing Committee
- Integrated Value Information System (IVIS) Steering Committee

Ad hoc committees

- Agricultural Policy Action Plan – Wheat Value Chain Roundtable
- Single Grain Forum Committee
- Branch line Strategy Development Committee
- Winter Cereal Trust Oversight Committee
- NSTF Adjudication Panel – Business sector representative for 2016/2017 and 2017/2018 NSTF-South32 Awards

Regional bodies

- Southern African Grain Network (SAGNET) – board member
- AfriGAM – secretariat

Single grains forum

Agbiz Grain has been instrumental in the promotion of a single grains forum. The proposal was accepted by the maize, wheat and sorghum forums as well as the Oil and Protein Seed Development Trust during October 2017.

The main reason for a single grains forum is that affairs of the maize, wheat, sorghum and oil- and protein seeds forums overlap considerably and agenda items are often duplicated. The same organisations and entities are represented on the forums and deliberations are similar, if not identical. A single forum will improve the relationships with various government departments as it will form a critical mass, provide a collective voice, have more negotiating power and save cost over time.

A single forum will more effectively utilise available capacity and knowledge and will improve internal and external cohesion.

Following buy-in by all the industries, the Maize Trust resolved to appoint an external consultant to conduct a feasibility study on the single grains forum and investigate the possibility of an industry research platform.

▲ Agbiz Grain has been instrumental in the promotion of a single grains forum.

5. STAKEHOLDER ENGAGEMENT

Effective communication is integral to the key objectives of Agbiz and we are committed to providing meaningful, timely and accurate information to primary stakeholders as defined below. Agbiz utilises a wide variety of dynamic communication methods to ensure that stakeholder communication is always clear, constructive and interactive.

Our stakeholders

Agbiz defines its stakeholders as individuals, groups or organisations that can affect or be affected by the actions of Agbiz' business as a whole. There are obviously different categories of stakeholders, given their specific characteristics and potential impact. These include:

- Agribusinesses
- Agricultural producers
- Government, politicians and regulatory authorities
- Academia
- Non-governmental organisations (NGOs) and other groups with special interests
- International institutions, trading partners and countries
- Consumers
- Media

We interact with our stakeholders through a variety of communication channels, such as the weekly e-newsletter, e-mail, corporate website, annual reports, research reports and other publications. In addition, we participate in more formal and structured engagement, such as meetings, workshops, information days and other events, and carry out consultations and surveys.

Agbiz provides agribusiness intelligence to its members, stakeholders and the media through presentations at conferences, meetings with members and potential members, direct e-mail, *Agbiz e-Newsletter*, The Greenkeeper online forum, Twitter and Facebook.

Key information that is shared timeously with members, media and others:

Daily

Agbiz morning market viewpoint on agri-commodities

Weekly

Agbiz e-Newsletter

South African agricultural commodities weekly wrap

Highlights of the *Government Gazette*

Monthly

Petrol price update

Harvester sales

Consumer Price Index

Producer Price Index

Crop estimates

Quarterly

Agribusiness confidence index survey

Labour stats SA

GDP report

Ad hoc information

From the CEO's desk

BUSA newsletters and international trade facilitation

5.1 DIGITAL COMMUNICATION

• **Agbiz e-Newsletter**

The weekly e-newsletter has become very popular with stakeholders. It represents the views and opinions of Agbiz and includes collective information from various reliable resources in the agribusiness sector. The information contained in the newsletter empowers the target audience to become responsible and informed partners in the economic prosperity of the agribusiness sector in South Africa.

▲▼ The weekly e-newsletter represents the views and opinions of Agbiz and includes collective information from various reliable resources in the agribusiness sector.

• **Website**

The Agbiz website www.agbiz.co.za is informative and user-friendly. Agbiz continues to extend the range of the website to provide up-to-date information, such as relevant news, economic indicators, trade information and legislative material. It also provides links to a host of other important resources.

In response to a growing demand for information about members operating in specific industries, a members' directory was created on the website, which classifies members in categories according to their key activities in the value chain. Another new feature on the Agbiz website is bill tracking, which provides quick access to information about agribusiness-related bills tabled by different government departments and where each bill is in the process of development and implementation.

• **Social media**

The reporting period was highly productive for Agbiz in social media. Agbiz's presence on Facebook and Twitter has grown exponentially. We are limiting organic fan growth, especially on Facebook, with no paid marketing. Facebook, Twitter and LinkedIn are used to engage with stakeholders on economic, policy, trade and social matters. Worth mentioning is that the Twitter following of Agbiz economist, Mr Wandile Sihlobo, was close to 15 000 by the end of the reporting period.

The Greenkeeper is Agbiz' online agribusiness discussion forum that addresses issues facing the agribusiness sector and serves as platform to foster public debate and opinion on these issues. Agbiz media releases are published here as well as articles and updates written by heads of Agbiz research. The Greenkeeper is available at: www.thegreenkeeper.co.za

5.2 EVENTS

Agbiz hosted the following events during the reporting period:

• **Agbiz Congress 2016**

The Agbiz Congress 2016 was hosted by the Agricultural Business Chamber (Agbiz) from 31 May to 3 June 2016 in Somerset West, Cape Town. The congress took place as Agbiz celebrated its 70th anniversary. It brought together 280 key leaders and decision makers from agribusinesses, commodity groups, government, universities, media and expert speakers. The congress theme 'Fit for the future' recognised the determining crossroads of challenges and choices faced by the South African agribusiness sector.

• **Agbiz information sessions**

Over the past year, Agbiz hosted two information sessions, one in Paarl and one in Pretoria, focused on specific legislation, including land reform, water reform and climate change legislation, as well as important sectoral economic and agro-economic indicators.

• **Workshops**

Workshops are of major benefit to Agbiz and its members, both from an information-sharing and networking perspective. They also provide Government and government institutions with the necessary platforms to engage the private sector on developments that need to be noted for strategic decision-making. Agbiz workshops seek out participation from members and partners with expertise in developing policies, legislation, strategies and guidelines.

AgriBEE workshops

Agbiz hosted two half-day sessions during 2018, one in Gauteng and one in the Western Cape, to inform role players and stakeholders how to develop and implement a B-BBEE strategy for their business, in terms of the revised AgriBEE Sector Code, which was published in the *Government Gazette* of 8 December 2017.

Credit Act workshops

Following the publication of a guideline document outlining the manner in which credit providers are obligated to report their client's credit information to bureaus, Agbiz co-ordinated a series of workshops with the National Credit Regulator (NCR).

5.3 EVENT PARTNERSHIPS

• Vision 2030 Summit

In partnership with Tiger Brands, Agbiz facilitated a discussion at the Vision 2030 Summit during June 2017. As host of the session, Agbiz facilitated a discussion on the role that agribusinesses are playing and could continue playing in future in attracting young people, especially entrepreneurs, to the agro-food value chain. The focus was on what the constraints and challenges are, and how these constraints and challenges could be addressed.

• King IV

During February 2017, Agbiz and Standard Bank co-hosted a knowledge-sharing event, which unpacked the corporate governance requirements pertaining to the recently published King IV report. Attorney Michael Judin, who presented at this event, is a senior member of the King Committee that drafted the King Codes on corporate governance and an excellent speaker on this critically important subject.

• NAMC discussion on methodology used by the USDA to determine the South African crop

In March 2017, Agbiz sponsored the NAMC's open discussion on the methodology that the USDA utilises in calculating the estimate of the South African crop. Dr Curt A. Reynolds, USDA's Satellite Imagery Archive (SIA) manager and crop production analyst for sub-Saharan Africa from the USDA's Foreign Agricultural Service (FAS) visited South Africa during that period, and the USDA-SA office agreed to participate in discussion on the topic.

• Agri Africa Investment Indaba (AAIL)

In 2016 and in 2017, Agbiz partnered with African Agri Council to advocate and promote investment into African agriculture. AAIL 2017 provides a forum for investors, bankers, project owners, entrepreneurs, industry stakeholders and governments to connect and identify real opportunities in African agriculture.

• Mandela Day

On 18 July 2017, in honour of Mandela Day and in the spirit of giving back to the community, Agbiz staff planted flower seedlings at the Childhood Cancer Foundation (CHOC) house in Pretoria North. This is one of many houses in the country that provide daily accommodation for children undergoing cancer treatment.

Agbiz Grain hosted the following events during the reporting period

Workshop on technologies for quantitative crop estimates, April 2016: Some of the latest technologies for condition-reporting in agriculture, which are used by the Crop Estimates Consortium, were showcased. Demonstrations showed how technologies are integrated to produce quantitative crop estimation systems that are accurate, cost-effective, timely and reliable.

Agbiz Grain Mini Symposium, August 2016:

The theme was 'The Triple Bottom-line - People, Profit, Planet'. The target audience was the upper level operational managers and decision makers involved in grain handling and storage.

Workshop for the development of learning material, January 2017:

The Agbiz Grain technical committee for training met for three days to refine the outline and content for the development of

the grain grader and grain handling controller.

Wheat Indaba, February 2017: Two events were held, one in Pretoria and one in Elsenburg, for all wheat industry role players to report back on progress with all aspects identified for the revitalisation of the wheat industry.

Sentinel 2 Agriculture Workshop, May 2017:

Crop Estimate Liaison Committee (CELC) stakeholders were presented with the South African validation site feedback of the Sen2Agri project, in collaboration with the European Space Agency and the Catholic University Louvain in Belgium.

Afrifume ProFume Training Workshop, November 2017:

Agbiz Grain together with National Fumigants hosted a two-day training workshop for fumigators to handle and use ProFume. The product

is now registered in South Africa as a methyl bromide alternative. Grain-handling and storage companies that did not have any relevant fumigation applicant at the training session, will not be able to buy the product.

Agbiz Grain Mini Symposium, August 2017:

The theme was 'Risk Management'. The target audience was the upper level operational managers and decision

makers involved in grain handling and storage.

Agricultural Apps Workshop, February 2018:

The event focused on the grains value chain with participants from Government, the Agriculture Research Council and private sector. The workshop aimed to get all the role players to share information and ideas, and to collaborate to ensure a more effective and efficient use of resources.

5.4 PRESENTATIONS

Over the two-year period, Agbiz made more than 100 presentations to a range of external and internal stakeholders, including high-level invited participation at local and international events such as:

- International Food and Agribusiness Management Association (IFAMA)
- Agricultural Economics Association of South Africa (AEASA)

Numerous presentations were also made to members and stakeholders on critical issues that affect their strategic planning.

5.5 COUNCIL MEETINGS

Agbiz administration hosted five highly successful council meetings, which included various topical guest speakers and effective networking dinners over the two-year review period.

5.6 STAKEHOLDER SURVEYS

Surveys were used to gather feedback from stakeholders for writing reports and articles on important matters, such as drought impact, agribusiness confidence, competitiveness of agribusiness in South Africa and timely B-BBEE surveys. Agbiz Grain also conducted an app survey targeted specifically at the grain value chain. A total of 122 recipients were identified, but only 14 completed responses were received from various role players in the South African grain industry. Although limited, it helped with the planning of the app workshop.

5.7 PUBLIC AWARENESS

• **Expropriation without compensation**

Agbiz developed a communication strategy targeting various profiles of society to create awareness on the proposed ruling party policy of 'expropriation without compensation', which will have dire consequences for not only the agro-food system of South Africa, but also

for its economy as a whole. Agbiz has released four articles on the subject, at more or less 10-day intervals, and these have been well carried by the media.

• **Research notes**

For public engagements and debates, Mr Sihlobo continues to write a fortnightly column for *Business Day* newspaper, as well as a weekly column for *Farmer's Weekly* magazine.

5.8 MEDIA ENGAGEMENT

Agbiz has established good relationships with members of the media. Regular interaction with journalists, reporters and editors keeps our stakeholders informed and promote a fair representation of Agbiz in the media.

Print, broadcast and on-line media monitoring are outsourced. Reports of coverage are received daily and are published in our e-newsletter and on the website, as appropriate. During the period under review, coverage was mainly focused around the issues of land reform, the drought and food security, investment in agriculture and international trade.

• **Media days**

Agbiz hosted two media days during the reporting period to unpack the current state of affairs, major developing trends and forecasts, policies and influences in the economy as well as implications for agribusiness.

• **Annual World Congress of the International Federation of Agricultural Journalists**

The annual World Congress of the International Federation of Agricultural Journalists (IFAJ) was held from 2 to 8 April 2017 in South Africa. Aside from Agbiz sponsoring the 2017 IFAJ congress' website, the CEO of Agbiz also presented at the congress.

6. HUMAN CAPITAL DEVELOPMENT

A focus area for Agbiz is to attract young talent to the agricultural sector. A number of programmes have been put in place to achieve this objective.

6.1 AGRIBUSINESS CENTENARY BURSARY

In celebration of a number of Agbiz members who celebrated their 100 years' existence, an annual agribusiness centenary bursary fund was established. Postgraduate students in agricultural economics or agribusiness-related fields can apply for this annual bursary.

The primary objective of the bursary is to promote research on master's or PhD level in agribusiness-related fields. Agbiz is proud to support and be associated with the set research of the agribusiness centenary bursary holders.



2016
NNGADISENG MOTAUNG
MSc Agricultural Economics
University of the Free State



2017
HESTER VERMEULEN
PhD Consumer Science
University of Pretoria

6.2 HUMAN CAPITAL DEVELOPMENT WITHIN AGBIZ

The following personnel have either completed studies during the reporting period or are currently busy with postgraduate studies:

- **Natalie Van Harte**

In 2017, Ms Van Harte completed her postgraduate diploma in business administration (PDBA degree), NQF Level 8. The course was made up of nine subjects over three semesters. Agbiz paid for the subject 'Operations Management' during her second semester.

- **Jennifer Roets**

In 2017, Ms Roets completed the Editing: Principles and Practice certificate course at the University of Pretoria. The course is intended to expand delegates' skills in using language as a tool to present information.

- **Sifiso Ntombela**

Mr Ntombela is busy completing a PhD Agricultural Economics at the University of Pretoria titled *A General Equilibrium Analysis of the Effects of the Carbon Tax Policy of Agricultural Industries*. He has written the following three forthcoming journal papers:

1. Impacts of agricultural policy reforms adopted post 1994 on agricultural production: A VECM mode approach, *World Development Perspective Journal* (forthcoming 2018)
2. Estimating trade elasticities for South Africa's agricultural commodities to advance policy modelling in the sector, *Agrekon Journal* (forthcoming 2018)

3. A General Equilibrium Analysis of the Effects of the Carbon Tax Policy of Agricultural Industries, *Food Policy Journal* (forthcoming 2018)

• **Theo Boshoff**

Mr Boshoff is in the process of studying towards a research master's degree in Law (LLM) at North-West University under the supervision of Prof Elmien du Plessis. His topic is: *Who is the custodian of just and equitable? A comparative study between the judicial interpretation of just and equitable and efforts by the state to codify it.*

• **Natasha Swanepoel**

Ms Swanepoel is currently studying for her Chartered Institute of Management Accountants (CIMA) Professional Qualification in order to become a chartered global management accountant (CGMA). She has completed her studies up to Level 2 (management) and will continue her studies through Agbiz to the final level. This level consists of three subject categories, namely strategic management, risk management and financial strategy.

6.3 AGBIZ CONGRESS STUDENT PROMOTION PROJECT

Since 2008 Agbiz has been hosting a very successful congress student promotion programme where top graduated students in agribusiness-related fields of study get the opportunity to meet and engage with industry leaders. During the 2012 congress, the inaugural student case competition was hosted to provide students with the opportunity to showcase their academic abilities, skills and expertise, while finding practical and commercially viable answers to real-world issues. Since then, the competition has developed into one of the premium events at the congress to attend and to sponsor. For the 2016 Agbiz Congress, 16 students from six different universities were selected to participate in the student promotion project. The response from observing agribusiness executives as well as the students was extremely positive.

6.4 LINKING ACADEMIA AND AGRIBUSINESS

Through research programmes, Agbiz has strong linkages with universities in South Africa. The objective is to gain from the expertise and knowledge within the universities and to provide them with insight

into the needs of agribusinesses. Furthermore, Agbiz personnel mentor a number of graduate students and interns within industry groups.

• **Agricultural Economics Association of South Africa (AEASA)**

Agbiz has effectively participated in the AEASA annual conferences either through the chairing of workshops on infrastructure development or by research presentations.

In 2017, Mr Sihlobo presented on 'Current conditions in the SA agricultural economy' at the AEASA conference in Durban, KwaZulu-Natal.

Mr Sifiso Ntombela presented the following two study papers at the 2017 AEASA conference:

1. Impacts of agricultural policy reforms adopted post 1994 on agricultural production: A VECM mode approach
2. Estimating trade elasticities for South Africa's agricultural commodities to advance policy modelling in the sector

The first paper was voted and ranked among the top three PhD study papers in the agricultural economics field in South Africa.

• **New voices**

Agbiz Grain participated in the New Voices – CST-SA Conference held during May 2017, which is aimed at giving postdoctorate, PhD and master's degree students an opportunity to present their research to an audience in order to build their confidence in public speaking. Research that ranged across various spectrums of the cereal industry was presented by the students.

• **Sponsoring a student to attend congress**

Agbiz Grain sponsored a student from the Biotechnology and Food Technology Department of the Tshwane University of Technology to attend the Global Sorghum Conference in April 2018.

• **Grain industry training material**

The development of all the training material for the grain grader and grain-handling controller qualifications has now been completed and successfully submitted to AgriSETA and Quality Council for Trades and Occupations (QCTO). A training workshop regarding accreditation with AgriSETA/QCTO will be held to ensure the successful implementation of these qualifications for the grain industry.



FINANCIAL STATEMENTS
FOR THE YEAR ENDED **28 FEBRUARY 2018**

INDEX

The reports and statements set out below comprise the financial statements presented to the Executive Committee:

	Page
General information	3
Executive Committee's responsibilities and approval	4
Independent Auditor's report	5-6
Executive Committee's report	7-8
Statement of Financial Position	9
Statement of Income	9
Statement of Changes in Equity	10
Statement of Cash Flow	11
Accounting policies	12-13
Notes to the Financial Statements	14-18
The following supplementary information does not form part of the financial statements and is unaudited:	
Detailed Income Statement for Agbiz	19
Detailed Income Statement for Agbiz Grain Desk	20

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business	The Agricultural Business Chamber (Agbiz) is registered as an association with a 'not for gain' object.
Executive Committee	Mr Schalk Willem Pienaar (Chairperson) Mr Daniel Frederick Marais (Deputy Chairperson) Dr Langelihle Simela (Deputy Chairperson) Dr John Luscombe Purchase (CEO) Mr Francois Strydom Mr Sean Walsh
Registered office	Grain Building 477 Witherite Road The Willows Pretoria 0184
Business address	Grain Building 477 Witherite Road The Willows Pretoria 0184
Postal address	PO Box 76297 Lynnwood Ridge Pretoria 0040
Bankers	ABSA Bank
Auditors	Enslins Bethlehem Incorporated Chartered Accountants (SA) Registered Auditors
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Constitution of the Agricultural Business Chamber.
Preparer	The financial statements were internally compiled by: Natasha Swanepoel (BCom Hons Management Accountancy)
Date issued	9 March 2018

EXECUTIVE COMMITTEE'S RESPONSIBILITIES AND APPROVAL

The Executive Committee is required to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the organisation as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

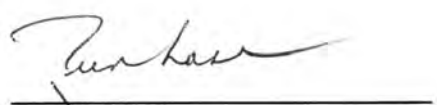
The Executive Committee acknowledge that they are ultimately responsible for the system of internal financial control established by the organisation and place considerable importance on maintaining a strong control environment. To enable the committee to meet these responsibilities, the committee sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the organisation and all employees are required to maintain the highest ethical standards in ensuring the organisation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the organisation is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the organisation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Executive Committee is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

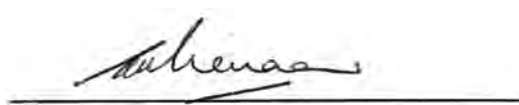
The Executive Committee has reviewed the organisation's cash flow forecast for the year to 28 February 2019 and, in the light of this review and the current financial position, they are satisfied that the organisation has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the organisation's financial statements. The financial statements have been examined by the organisation's external auditors and their report is presented on page 5.

The financial statements set out on pages 7 to 20, which have been prepared on the going concern basis, were approved by the Executive Committee on 9 March 2018 and were signed on its behalf by:



Dr John Luscombe Purchase (CEO)



Mr Schalk Willem Pienaar (Chairperson)

INDEPENDENT AUDITOR'S REPORT

To the members of the Agricultural Business Chamber

Opinion

We have audited the financial statements of the Agricultural Business Chamber set out on pages 9 to 18, which comprise the Statement of Financial Position as at 28 February 2018, and the Statement of Financial Performance, Statement of comprehensive income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Agricultural Business Chamber as at 28 February 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Constitution of the Agricultural Business Chamber.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the association in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Executive Committee is responsible for the other information. The other information comprises the Executive Committee's report as required by the board, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Committee for the financial statements

The members of the Executive Committee are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities, and for such internal control as the Executive Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Executive Committee are responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members of the Executive Committee either intends to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the association.
- Conclude on the appropriateness of the association's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members of the Executive Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Enslins Bethlehem Incorporated
Registered Auditors

9 March 2018

Partner
EE Bakker CA(SA)
Registered Auditor

3 Pres Boshoff Street
Bethlehem
9700

EXECUTIVE COMMITTEE'S REPORT

The Executive Committee has the pleasure in submitting their report on the financial statements of the Agricultural Business Chamber for the year ended 28 February 2018.

1. Nature of the organisation

The Agricultural Business Chamber is registered as an association with a 'not for gain' object. The visionary framework, strategic intent, mission and objectives were updated in 2012 and the Constitution of the Agricultural Business Chamber was updated in 2015.

The strategic intent is to act as an independent and autonomous entity to promote, represent and support enterprise organisations, which do business with or are involved in the agricultural industry in the Republic of South Africa, Africa region and internationally, in all matters that influence the business environment in which agribusiness functions, with the strategic intent to enable South African agribusiness to operate competitively and profitably in a sustainable manner.

The mission of the Agricultural Business Chamber is to negotiate for and facilitate a favourable agribusiness environment in order for its members to perform competitively, profitably and sustainably.

The core objectives of the Agricultural Business Chamber are:

- Core Objective 1:** To promote agribusiness and the Agricultural Business Chamber as key stakeholders in the South African economy.
- Core Objective 2:** To influence the policy and legislative environment insofar as it affects agribusiness activities, by way of ongoing and professional interaction with all relevant government institutions.
- Core Objective 3:** To improve the commercial and sustainable agribusiness environment through liaison and co-operation with influential groupings within the business environment, both locally and internationally.
- Core Objective 4:** To support B-BBEE, transformation and development of emerging agribusiness and other role players in the agro-food value chain.
- Core Objective 5:** To create unique, relevant and accessible agribusiness intelligence to support the Agricultural Business Chamber programmes.

The Agricultural Business Chamber is an inclusive, voluntary association of agribusinesses that cooperates positively and acts dynamically, creatively and with integrity. The culture of the Agricultural Business Chamber is to subscribe to the values of ethical business, accountability, leadership, trust, competence, quality service and excellent communication.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities, except for the special requirements as set out in note number 5. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the organisation are set out in these financial statements.

3. Executive Committee

The Executive Committee members in office at the date of this report are as follows:

Changes

Mr Schalk Willem Pienaar (Chairperson)
 Mr Daniel Frederick Marais (Deputy Chairperson)
 Dr Langelihle Simela (Deputy Chairperson)
 Dr John Luscombe Purchase (CEO)
 Mr Francois Strydom
 Mr Sean Walsh

EXECUTIVE COMMITTEE'S REPORT (CONTINUED)

4. Audit Committee

The Agricultural Business Chamber has a functioning Audit Committee. The members of the Audit Committee are as follows:
Mr Frans van Wyk CA(SA) (Chairperson)
Mr Koos van Rensburg (MBL)
Mr Erenst Pelser BCom (Economics)

5. Events after the reporting period

The Executive Committee is not aware of any material event that occurred after the reporting date and up to the date of this report.

6. Going concern

The Executive Committee believes that the organisation has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The Executive Committee has come to the conclusion that the organisation is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Executive Committee is not aware of any new material changes that may adversely impact the organisation. The Executive Committee is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the organisation.

7. Auditors

Enslins Bethlehem Incorporated continued in office as auditors for the organisation for 2018.

8. Agbiz Grain Desk

The Agricultural Business Chamber hosts a dedicated grain desk operating as Agbiz Grain Desk. It was previously a company known as Grain Silo Industry (GSI). All the staff, assets and liabilities of GSI were transferred to the Agricultural Business Chamber with effect from September 2014. All relevant activities will henceforth be conducted by Agbiz Grain Desk.

The results of these activities will be reported separately and the reserves so generated will be recorded separately in the equity of the Agricultural Business Chamber.

For the year under review the activities resulted in a surplus of R742 515.

9. WineBiz Desk (SALBA)

The Agricultural Business Chamber leases to South African Liquor Brand owners Association (SALBA) one furnished office of 15m², including the use of the common areas: reception area, kitchen, bathrooms and boardroom facilities, of the following property: Agricultural Business Chamber office, 477 Witherite Road, 1st Floor, The Grain Building, The Willows, Pretoria.

This is a 1 year term agreement which initially commenced on 1 November 2015 and terminated on 31 October 2016. The agreement automatically renews for another period of 1 year unless terminated 3 months prior to the end of the contract.

SALBA shall pay the Agricultural Business Chamber during the initial term fees of R6 217 per month (including VAT). The annual increase in the fees will be calculated in accordance with the South African consumer price index (CPI) as published by Statistics South Africa.

The results of these activities will be reported separately and the reserves so generated will be separately recorded in the equity of the Agricultural Business Chamber.

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	2	229 263	335 937
Current assets			
Trade and other receivables	3	683 654	39 601
Cash and cash equivalents	4	8 969 339	7 469 440
		9 652 993	7 509 041
Total assets		9 882 256	7 844 978
Equity and liabilities			
Equity			
Reserves		6 432 687	5 690 172
Accumulated surplus		1 550 273	1 577 070
		7 982 960	7 267 242
Liabilities			
Current liabilities			
Trade and other payables	8	1 899 296	577 736
Total equity and liabilities		9 882 256	7 844 978

STATEMENT OF INCOME

Figures in Rand	Note(s)	2018	2017
Operating income	9	10 318 727	10 051 699
Other income	10	1 025 161	2 391 191
Operating expenses		(10 628 170)	(10 976 983)
Operating surplus	11	715 718	1 465 907
Surplus for the year		715 718	1 465 907
Other comprehensive income		-	-

STATEMENT OF CHANGES IN EQUITY

Figures in Rand	Special reserve	Winding-up reserve	Agbiz Grain Desk reserve	Total reserves	Accumulated surplus	Total equity
Balance at 1 March 2016	307 371	4 000 000	994 061	5 301 432	111 163	5 412 595
Surplus for the year	-	-	-	-	1 465 907	1 465 907
Special reserves expenses	(59 204)	-	-	(59 204)	-	(59 204)
Total comprehensive income for the year	(59 204)	-	-	(59 204)	1 465 907	1 406 703
Transfer to designated reserves	-	-	447 944	447 944	-	447 944
Total contributions by and distributions to owners of company recognised directly in equity	-	-	447 944	447 944	-	447 944
Balance at 1 March 2017	248 167	4 000 000	1 442 005	5 690 172	1 577 070	7 267 242
Surplus for the year	-	-	-	-	715 718	715 718
Total comprehensive income for the year	-	-	-	-	715 718	715 718
Transfer to designated reserve	-	-	742 515	742 515	(742 515)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	742 515	742 515	(742 515)	-
Balance at 28 February 2018	248 167	4 000 000	2 184 520	6 432 687	1 550 273	7 982 960
Note(s)	5	6	7			

STATEMENT OF CASH FLOW

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Cash generated from operations	13	1 554 284	1 378 553
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(59 275)	(212 560)
Sale of property, plant and equipment	2	4 890	8 140
Special reserve		-	(59 204)
Net cash from investing activities		(54 385)	(263 624)
Total cash movement for the year		1 499 899	1 114 929
Cash at the beginning of the year		7 469 440	6 354 511
Total cash at the end of the year	4	8 969 339	7 469 440

ACCOUNTING POLICIES

1. Presentation of financial statements

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. The financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Cost include the costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is provided using the straight line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment as follows:

Item	Depreciation method	Average useful life
Office furniture	Straight line	6 Years
Office equipment	Straight line	5 Years
Computer equipment	Straight line	3 Years

If the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to its major components and each such component is depreciated separately over its useful life.

Land is not depreciated.

The residual value, depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through surplus or deficit) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments that meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments that are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment.

Financial instruments at fair value

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, are measured at fair value through surplus and deficit.

1.3 Tax exemption

The Agricultural Business Chamber is an association with a 'not for gain' object and has submitted an application to the South African Revenue Services for the exemption of income tax in accordance with Section 30B of the Income Tax Act no 58 of 1962 read together with section 10(1)(d)(iii). The South African Revenue Services has confirmed the exemption status, subject to the conditions that the annual returns are submitted to the Tax Exemption Unit and any possible new legislation that comes into operation.

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Any contingent rents are expensed in the period they are incurred.

1.5 Operating income

Revenue is recognised to the extent that the association has received all membership fees for the financial period under review. Revenue is measured at the fair value of the consideration received or receivable.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

2. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office furniture	244 832	(153 204)	91 628	200 426	(130 461)	69 965
Office equipment	47 354	(24 961)	22 393	47 354	(18 814)	28 540
Computer equipment	546 358	(431 116)	115 242	542 806	(305 374)	237 432
Total	838 544	(609 281)	229 263	790 586	(454 649)	335 937

Reconciliation of property plant and equipment – 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture	69 965	46 402	(1 996)	(22 743)	91 628
Office equipment	28 540	-	-	(6 147)	22 393
Computer equipment	237 432	12 873	(1 010)	(134 053)	115 242
	335 937	59 275	(3 006)	(162 943)	229 263

Reconciliation of property plant and equipment – 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture	55 600	30 558	-	(16 193)	69 965
Office equipment	-	30 737	-	(2 197)	28 540
Computer equipment	209 397	151 265	(4 637)	(118 593)	237 432
	264 997	212 560	(4 637)	(136 983)	335 937

3. Trade and other receivables

	2018	2017
Trade receivables	683 654	39 601

The fair value of trade and other receivables (at initial recognition) is equal to the invoiced amounts unpaid.

The reason for the increase in trade and other receivables can be attributed to the income received in advance in respect of the sponsorships for the Agbiz Congress 2018.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cheque account	606 383	14 406
Investment Agbiz	5 906 995	5 781 419
Investment Agbiz Grain	2 455 560	1 641 339
Credit card	401	32 277
	8 969 339	7 469 441

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

Figures in Rand

2018

2017

5. Special reserve income statement

The surplus reported in the 2013 financial year was placed aside for special development projects.

During the past few financial years a part of the reserves was utilised for the corporate video and renovations done in the office.

The special reserves were utilised as follows:

In 2017 the special reserves were used for additional installation and renovation costs.

Special reserve	248 167	307 371
Reserves utilised	-	(59 204)
	248 167	248 167

6. Reserve for winding-up operations

Due to the risk of losing corporate members and the significant and immediate impact it could have on the financial position of the Agricultural Business Chamber, the Agbiz Audit Committee recommends that an accumulated reserve of R4 000 000 be maintained to ensure that all operational costs can be covered for a period of at least six months should no income accrue.

Reserve for winding-up operations	4 000 000	3 000 000
Increase in reserve	-	1 000 000
	4 000 000	4 000 000

7. Agbiz Grain Desk reserve

In an effort to ensure accurate reporting with regard to the Agbiz Grain Desk a separate Agbiz Grain investment account was opened. A monthly reconciliation ensures the correct allocation to/from this account.

The surplus reported in the current financial year will be placed aside for projects such as:

- SAGL services not yet completed
- In this case, it is required during the following financial year

Agbiz Grain Desk reserve	1 442 005	994 061
Transfer of Agbiz Grain Desk surplus to reserve	742 515	447 944
	2 184 520	1 442 005

8. Trade and other payables

Accrued audit fees	3	-
IFAMA African Chapter start-up capital	26 347	26 347
Income received in advance	1 195 175	-
Provision for 2017 IFAMA paper	-	25 000
Provision for 2018 Agbiz Congress expenses	31 912	170 499
Provision for expenses – Travel claim	25 067	-
Provision for honorariums	102 799	55 613
Provision for leave	398 361	270 251
Trade payables	(375)	641
VAT	120 007	29 385
	1 899 296	577 736

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

Figures in Rand

2018

2017

Trade and other payables principally comprise of amounts outstanding for trade purchases and ongoing costs. The average period taken is less than 30 days. The Agricultural Business Chamber considers that the carrying amount of trade and other payables approximates their fair value.

Employees' entitlement to annual leave is recognised when it accrues to the employee. An accrual is made for the estimated liability for annual leave due as a result of services rendered by employees up to reporting date.

IFAMA entrusted the Agricultural Business Chamber to manage the allocated funds for the African Chapter initiative. These funds will be managed completely independently from the Agricultural Business Chamber finances and the balance will be transferred to a separate bank account.

During 2017 it was decided to present the net obligation with regards to the IFAMA African Chapter.

No expenses will be incurred in terms of the IFAMA (African Chapter) unless the Agricultural Business Chamber has received the required funds.

9. Operating income

Agbiz membership fees

7 820 516

7 809 394

Agbiz Grain Desk membership fees

2 498 211

2 242 305

10 318 727

10 051 699

10. Other income

Agbiz Congress income – Agbiz

-

1 381 520

Agbiz Grain App workshop income – Agbiz Grain Desk

43 860

-

Agbiz Info/AgriBEE sessions income – Agbiz

64 660

-

Eastern Cape income – Agbiz

26 640

12 655

Gains on disposal of assets – Agbiz

1 884

3 503

Interest received – Agbiz

336 863

516 973

Interest received – Agbiz Grain Desk

152 624

136 036

Management fees – Agbiz

44 498

61 342

Material development – sponsors – Agbiz Grain Desk

180 000

-

Seminar income – Agbiz Grain Desk

-

62 132

Symposium income – Agbiz Grain Desk

103 158

79 035

Wheat indaba sponsorship – Agbiz Grain Desk

-

71 135

WineBiz Desk income

70 974

66 860

1 025 161

2 391 191

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

Figures in Rand

2018

2017

11. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges

Premises

- Contractual amounts – Agbiz
- Contractual amounts – Agbiz Grain Desk

271 656	287 926
130 641	122 717
402 297	410 643

Property plant and equipment

Depreciation on property plant and equipment

Employee costs – Agbiz

Employee costs – Agbiz Grain Desk

1 884	3 503
162 943	136 983
6 497 022	4 861 298
1 473 490	1 423 831

12. Auditor's remuneration

Fees – Agbiz

Fees – Agbiz Grain Desk

27 845	25 148
11 934	10 778
39 779	35 926

13. Cash generated from operations

Cash generated from operating activities

Adjustments for:

Depreciation and amortisation

Surplus on sale of assets

Changes in working capital:

Trade and other receivables

Increase in trade and other payables

715 718	1 465 907
162 943	136 983
(1 884)	(3 503)
(644 053)	446 347
1 321 560	(667 181)
1 554 284	1 378 553

14. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due

– within one year

– in second to fifth year inclusive

394 927	-
33 115	-
428 042	-

The entity has entered into a lease agreement for the lease of its office area and parking facilities as well as for the use of a storeroom. The lease was signed for a period of three years and the agreement will terminate on 31 March 2019. The lease payments are subject to an escalation of 8% per annum.

No comparative figures are indicated for 2017 as the total amount of commitments for that period proved to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

Figures in Rand

2018

2017

15. Related parties

Relationships

Members of key management

Mr Schalk Willem Pienaar (Chairperson)
Mr Daniel Frederick Marais (Deputy Chairperson)
Dr Langelihle Simela (Deputy Chairperson)
Dr John Luscombe Purchase (CEO)
Mr Francois Strydom
Mr Sean Walsh
Mr Kamlesh Motilal Riga – Term ended June 2016

Related party balances

Amounts included in trade receivable (trade payable) regarding related parties

Honorarium payable

(102 799)	(55 613)
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Related party transactions

Compensation paid to key management:

Compensation paid to key management

2 780 979	2 352 278
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16. Agbiz Congress

Income

Congress – Registrations

Congress – Sponsorship

Congress – Exhibitions

Congress – Students

Congress – Workshop

- **1 381 520**

- 518 535

- 546 305

- 63 009

- 160 000

- 93 671

Expenses

Congress – Management fee

Congress – Marketing

Other expenses

Speaker fees

Student fees

Travel and accommodation

Venue hire

Congress – Travel and accommodation

Congress – Venue hire and admin

- **1 381 520**

- 45 000

- 318 740

- 42 695

- 49 623

- 67 008

- 113 331

- 98 120

- 79 149

- 567 854

Surplus

- -

No Agbiz Congress was held in the 2017/18 financial year. The Agbiz Congress is only held every 2 years.

17. WineBiz Desk income statement

Income

WineBiz Desk – Income

70 974

66 860

70 974

66 860

Expenses

Computer and connections

Insurance

Office necessities

Office hire and admin

Printing and stationery

61 940

55 979

10 581

8 685

2 803

2 632

1 134

528

46 142

42 958

1 280

1 176

Surplus

9 034

10 881

DETAILED INCOME STATEMENT FOR AGBIZ

Figures in Rand	Note(s)	2018	2017
Operating income			
Membership fees		7 820 516	7 809 394
		7 820 516	7 809 394
Other income			
Agbiz Info/AgriBEE sessions income		64 660	-
Agbiz Congress income	16	-	1 381 520
Eastern Cape income		26 640	12 655
Gains on disposal of assets		1 884	3 503
Interest received		336 863	516 973
Management fees		44 498	61 342
WineBiz Desk income		70 974	66 860
		545 519	2 042 853
Total income before operating expenses		8 366 035	9 852 247
Operating expenses			
Accounting fees		22 428	12 798
Affiliation and membership fees		270 484	245 800
Agbiz Info/AgriBEE sessions expenses		128 043	-
Audit fees	12	27 845	25 148
Bank charges		7 021	6 901
Bursary grants		34 000	32 000
Community projects		917	-
Computer and connection expenses		140 762	119 296
Conference and events		8 719	4 820
Agbiz Congress expenses	16	-	1 381 520
Consulting fees		37 184	68 920
Depreciation amortisation and impairments		162 943	136 983
Eastern Cape expenses		5 037	-
Economic and trade intelligence		205 380	220 599
Employee costs		6 497 022	4 861 298
Honorariums		243 746	190 255
Human resource expenses		12 792	4 238
Insurance		46 367	36 519
International liaison		30 274	156 395
Jadafa		-	1 950
Lease rentals on operating lease		271 656	287 926
Marketing		88 524	215 202
Networking and meetings		66 121	13 733
Office necessities		13 176	11 052
Parliamentary liaison		31 600	34 800
Printing and stationery		18 882	22 501
Provision for bad debts		(440 910)	251 915
Provision for leave		128 110	119 402
Repairs and maintenance		1 361	5 038
Staff training		9 040	46 667
Travel and accommodation		262 368	264 629
WineBiz Desk expenses	17	61 940	55 979
		8 392 832	8 834 284
Deficit surplus from Agbiz activities for the year		(26 797)	1 017 963

The supplementary information presented does not form part of the financial statements and is unaudited

DETAILED INCOME STATEMENT FOR AGBIZ GRAIN DESK

Figures in Rand	Note(s)	2018	2017
Operating income			
Membership fees		2 498 211	2 242 305
		2 498 211	2 242 305
Other income			
Interest received		152 624	136 036
Material development – sponsors		180 000	-
Seminar income		-	62 132
Agbiz Grain App workshop income		43 860	-
Symposium income		103 158	79 035
Wheat indaba sponsorship		-	71 135
		479 642	348 338
Total income before operating expenses		2 977 853	2 590 643
Operating expenses			
Accounting fees		9 612	-
Affiliation fees		11 910	9 375
Agbiz Grain App workshop expense		31 274	-
Audit fees	12	11 934	10 778
Bank charges		2 689	2 820
Cleaning service		753	8 400
Computer and connection expenses		45 159	37 606
Conference and events		16 754	-
Consulting and professional fees		11 712	5 504
Employee costs		1 473 490	1 423 831
Human resource expenses – community projects		129	-
Insurance		14 745	15 450
International liaison		16 754	18 809
Lease rentals on operating lease		130 641	122 717
Legal fees		-	6 685
Marketing		9 729	11 600
Material development		90 000	130 000
Material development meetings		-	18 400
Networking and meetings		20 984	90 967
Office necessities		8 633	7 790
Postage fees		655	542
Printing and stationery		9 019	13 285
Research and development		174 172	-
Seminar – travel and accommodation		-	2 291
Seminar – venue		-	39 079
Student sponsorship		15 000	-
Subscription fees		860	1 104
Symposium – printing and stationery		929	1 390
Symposium – speaker fees		7 697	24 120
Symposium – venue		62 495	60 662
Travel and accommodation – staff and SC		57 609	79 494
		2 235 338	2 142 699
Surplus from Agbiz Grain Desk activities for the year		742 515	447 944

The supplementary information presented does not form part of the financial statements and is unaudited

AGBIZ MEMBERS: 1 MARCH 2016-28 FEBRUARY 2018



Koup Produsente Koöperasie Bpk • Schalk Pienaar Consultants
 • Sutherlandse Landboukoöperasie Bpk • Marais Consulting

