



BIENNIAL REPORT

2012 - 2014



the way to prosperity

Agbiz (Agricultural Business Chamber) is a voluntary, dynamic and influential association of agribusinesses.

Its mission is to negotiate for and facilitate a favourable agribusiness environment in order for its members to perform competitively and sustainably.



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Who we are

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

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.

Culture & Values

Agbiz is an inclusive, voluntary association of agribusinesses that co-operates 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.

Core Strategic Objectives

Core objective 1:

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

Core objective 2:

To influence the policy and legislative environment insofar as it affects agribusiness activities, by way of on-going 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.

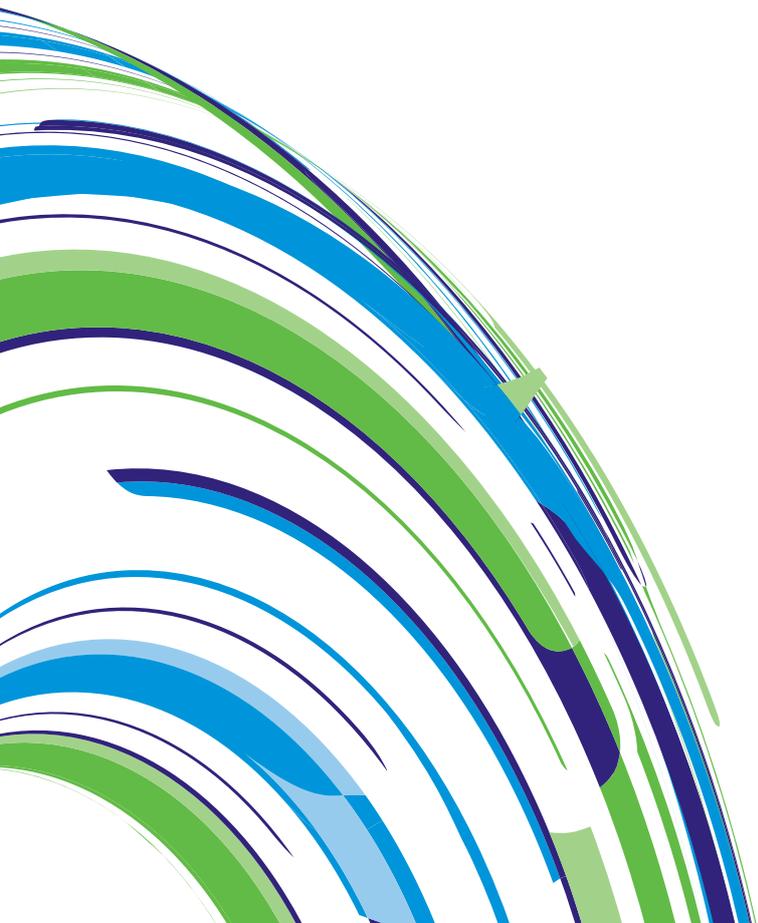
Core objective 5:

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

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 beverage; 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 distribution.




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Foreword by the Chairman

MR SCHALK PIENAAR

After 20 years of democracy, South Africa has witnessed huge change and transformation, and mostly for the better. Various independent and scientific reports have indicated increased household income, better household living conditions and improved household food security. The South African Advertising Research Foundation has indicated the very significant movement of households out of the poorer Living Standard Measures, viz. LSM's 1, 2 and 3, and into the middle class LSM's of 4, 5, 6 and higher.

In addition, the March 2014 Stats SA Report on "Poverty trends in South Africa: An examination of Absolute Poverty trends between 2006 and 2011", indicated that despite the 2008/09 economic downturn, South Africa succeeded in reducing poverty over this period. This was driven primarily by an expanding social safety net, income growth, above inflation wage increases, decelerating inflationary pressure on households and the growth in formal housing.

The global geopolitical environment has also been characterised by major shifts and risks, and business has had to contend with these economic and political power changes and risks, as well as the rise of new markets on an unheralded scale.

These, and earlier developments, have brought about new policies and legislation to maintain pace with increasing demands for food, water, energy, education, healthcare, safety and security,

and a general expectation for improved quality of life and technology to support the new order. Policy and legislation development has however also been aimed at addressing the issues of continuous high unemployment, further poverty alleviation and lingering inequality.

Agribusiness finds itself in the midst of all these developments and shifts – both nationally and internationally. Agribusiness needs to continually assess the environment and reposition itself to keep abreast of this evolving and dynamic world order so that competitiveness and sustainability are ensured. This is no more true in South Africa where society continues to transform and economic policy increasingly moves from an open market economy to what The Economist terms 'State Capitalism', where the state plays a significant, if not the major role, in the country's economy. While this approach can stimulate economic growth if approached carefully and in partnership with the private sector, its downside is also that it crowds out private sector and the efficiencies it brings, as well as significantly discourages private sector investment.

Given South Africa's well-documented structural economic problems and the state's increasing participation in the economy, the question arises whether South Africa's economy will grow sufficiently to meet its needs and demands. In World Economic Forum (WEF) terms, can South Africa graduate from a basic efficiency-driven economy to an innovation-driven economy? South Africa's continuous slide in the WEF's Annual

Global Competitiveness Index over the past number of years raises alarm bells. Agbiz is concerned that current socio-economic policy will condemn South Africa to a GDP growth rate of around 2-3 percent per annum over the next couple of years, which is totally inadequate.

Agbiz – A Strategic Imperative

The diverse, intense and focused nature of the scope of matters dealt with by Agbiz are the fundamental reasons for its existence. The range of these activities is dealt with in the following paragraphs of this biennial report. It is highly unlikely that individual agribusinesses have the means in terms of time, financial resources, location and intellectual capital to pursue its vital interests and concerns with government, industry and international role players to ensure an optimum playing field where its business can be conducted. The key focus areas of Agbiz are testament to this reality.

Agbiz has transformed itself from a "co-operative body" since its inception in 1946 to a fully-fledged agribusiness sector organisation. The transformation did not take place with a few decisions and amendments to our constitution, but has rather been a rapid up-scaling of the focus areas over the last number of years, necessitated by transformation of the national policy and governance environments, as well as the awakening of the African continent as an economic and business area attracting increasing international atten-

tion. In order to keep pace with the demands of these environments, Agbiz is increasingly involved in agribusiness affairs on a consultative, facilitating and advisory role.

The huge demands on the South African economy and the on-going search for policies and models to sustainably grow the economy at acceptable levels directly affects Agbiz, and especially its members. Infrastructure, energy, water, climate change, transformation issues, a positive and supportive trade environment, skills development, innovation and technological demands are but a few of the matters that are dealt with by Agbiz on a full-time and on-going basis. Little wonder that there are demands for still greater support and involvement by Agbiz in these matters on behalf of its members. The “light house” role of Agbiz will become less of an instrument to warn of pitfalls and risks, and more of a directional beacon to show the way forward for profitable, competitive and sustainable business. In doing so, the obvious support of an increasing membership, as well as the adequate funding of Agbiz, will be paramount.

Membership

Agbiz has seen a steady increase in its membership over the last two years. What has been most gratifying is that our membership has diversified and now includes role players across the spectrum of input suppliers to primary producers and processors that connect farmers to consumers of their products. The South African business landscape continues to change and transform and this brings opportunities for more new members which must actively be pursued by Agbiz. The voice of agribusiness and what it stands for has become respected – untainted by unwanted affiliations – driven only by a clear vision and focus in the business interests of members. Agbiz welcomes new members who can associate themselves with its basic values and agenda.



Mr Schalk Pienaar
(Chairman)



Dr Tobias Doyer
(Deputy Chairman)



Dr Hans Balyamujura



Mr Danie Marais



Mr Willie du Plessis



Dr John Purchase (CEO)

Executive Committee

Regrettably we had to say goodbye to some members who through a variety of reasons such as mergers and organisational changes, had to terminate their membership. Where appropriate we wish them well and hope that their prior association with us will continue to add value to their businesses.

Challenges remain in terms of membership. The Executive Committee and the Council will continue to pursue new and innovative initiatives to facilitate new membership, to accommodate different sizes of membership organisations and to ensure greater access of members to the activities of Agbiz. Undoubtedly this will stretch our resources even further but Agbiz exists solely for its members and their interests and they will remain the major focus in future.

Appreciation

A very warm word of appreciation goes to our members who have supported Agbiz and, where possible, participated in our activities. They have often gone to great lengths to attend workshops and react to requests for information and inputs on a variety of conceptual policies and position papers.

It has been a privilege to experience the support and involvement of the Executive Committee of Agbiz. Their combined wisdom has made Executive Committee deliberations a positive and enriching experience.

No appreciation will be complete without including those organisations and persons who have rendered sterling support through their association, financial contributions and otherwise during the last two years. It has been an honour to have received so much in all forms from people and organisations who we can truly refer to as friends of Agbiz.

Dr John Purchase, our Chief Executive, Lindie Stroebe, Tinashe Kapuya, Jennifer Roets, Erika Ruppung and Linette Jordaan are the true champions of Agbiz. As our executive staff it is truly impressive what they achieve in so many respects. Council agendas are but a summary of all their activities and yet they do still more. To them my sincere thanks and appreciation for being a remarkable team of men and women – a team whom we are all immensely proud of.



Overview from the CEO

DR JOHN PURHACE

In a world that has become increasingly complex and interconnected, as well as providing numerous new challenges and opportunities, Agbiz has over the past two years managed to make significant progress in a number of key focus areas emanating from its core objectives. By following critical strategic thinking and acting proactively to the relevant issues and challenges at hand, Agbiz leadership and personnel have positioned the organisation to constructively and positively influence the South African agribusiness environment to the benefit of its members and society at large.

The Executive Committee, comprising Mr Schalk Pienaar (Chairman), Dr Tobias Doyer (Deputy Chairman), Dr Hans Balyamujura, Mr Willie du Plessis, Mr Danie Marais 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 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 the

NEPAD Business Foundation (NBF). Agbiz furthermore is an important member of the International Food and Agribusiness Management Association (IFAMA) and serves on the IFAMA Board, while it also has close association with various international organisations, such as the Business and Industry Advisory Committee to the OECD (BIAC), USAID, FAO, UNDP, CAADP 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 New Growth Path (NGP) and the National Development Plan – Vision 2030, but also on various other pieces of legislation, policy documents and roundtable meetings (Reserve Bank) impacting on the economic environment.
- International trade and investment.
- Agricultural finance.
- National and international competitiveness.
- Broad-Based Black Economic Empowerment (B-BBEE), transformation and the promotion of links between agribusinesses and the developing agricultural sector.
- Land reform.
- Agro-logistics and infrastructural constraints.
- NEPAD and African issues, through the Joint Agribusiness Department of Agriculture, Forestry and Fisheries Forum for Africa (JADAF), SADC Trade Hub, NEPAD Business Foundation (NBF), NEPAD Agency (CAADP), FAO, UNDP (AFIM Platform), SACAU, Mazungumzo (Africa Forum in Brussels) 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 been varied, ranging from excellent in most cases to downright unacceptable in some cases. Clearly in some cases the level of distrust (political expediency?), disdain for private sector (who public servants should be serving), and/or sheer incompetence is curtailing the sector to reach 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. It remains an imperative for Agbiz that sound relationships are forged, both private-public and private-private, that create a basis of trust for progress and growth in South Africa and further abroad. It is time that government takes agribusiness far more seriously and plays its part in deepening the trust in a vital partnership between government and agribusiness. The National Development Plan of government's National Planning Commission calls for an active citizenry and social compact to chart the way forward, but the very selective use of this intent by elements in government leaves much to be desired.

Successfully addressing the above key focus areas would not be possible without the committed services of Agbiz professionals, viz. Ms Lindie Stroebel, Manager: Economic Intelligence and Finance, and Mr Tinashe Kapuya, Manager: International Trade Intelligence and Investment, in assisting the CEO.

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. To this end the weekly electronic newsletter has continued to be keenly welcomed by all

members and key subscribers. The www.agbiz.co.za website, recently revamped, is updated on a daily basis and its visitor count continues to grow exponentially 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 a number of 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 focussing and expanding the Agbiz communication focus.

Financial Management

Over the past two years Agbiz has maintained its sustainable funding model, with a net growth of both corporate and basic members ensuring modest surpluses in both financial years over the period of review. 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 of Mr Frans van Wyk, Mr Koos van Rensburg and Mr Ernst Pelser, has played a key role in supporting the Financial Manager, Ms Erika Ruppig, and CEO in ensuring good governance of the Agbiz finances.

Office administration and support

Without the able office administration and secretarial support of Ms Linette Jordaan, Agbiz personnel would not be able to function effectively. The Agbiz office administrative function establishes a firm foundation and basis from which its professionals can operate.

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.

Much of our success also comes from the trust and support of Agbiz leadership and members, as well as the support of the broader agribusiness and agriculture community. All farmers of South Africa, and further abroad, are more than just clients of the agribusiness sector. They are essentially the partners of agribusiness in the respective value chains and as such need to be appreciated and nurtured to ensure the sustainability and competitiveness of their enterprises, but also of the respective value chains.

May Agbiz continue to grow and play an even more constructive and progressive role in growing agriculture and agribusiness in South Africa and further into Africa.



*Dr John Purchase
(Chief Executive)*



*Ms Lindie Stroebel
(Manager: Economic
Intelligence and
Finance)*



*Mr Tinashe Kapuya
(Manager: Inter-
national Trade
Intelligence and
Investment)*



*Ms Jennifer Roets
(Communications
Officer)*



*Ms Erika Ruppig
(Management
Accountant)*



*Ms Linette Jordaan
(Office Manager)*



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
- Stakeholder engagement
- Human capital development

1. POLICY AND LEGISLATION

1.1 Land Reform

The Minister of Rural Development and Land Reform, Mr Gugile Nkwinti, published the Green Paper on Land Reform in the Government Gazette of 30 September 2011, as Notice 34656. Agbiz was appointed by the minister to participate in the National Reference Group (NAREG), whereby an opportunity was provided to proactively engage in the consultation process. Agbiz was represented in all the initial working groups, namely:

- 3-Tier Land Tenure System
- Valuer-General
- Land Management Commission (LMC)
- Land Rights Management Board (LRMB)
- Legislative Amendments and
- Communal Land Tenure

At a Joint NAREG Workshop hosted by the minister on 15 and 16 February 2013, there was a major expansion of the working group from 6 to 14, and certain controversial aspects were added, including the reopening of Land Restitution. While maintaining its commitment to seeking sustainable and just solutions, Agbiz raised its concerns with Mr Nkwinti and the Department.

Throughout the deliberations of the various working groups, Agbiz played an influential role in developing the working groups' thinking and eventual positions on the relevant issues considered. Agbiz, and in some cases also its members, participated particularly actively in the Freehold with limited Extent, Policy on Land Ownership of Foreigners, State-owned Land Tenure, Restitution of Land Rights, Strengthening the Relative Rights of those that work the land, Valuer-General, LMC and LRMB working groups, as their respective proposed interventions would directly influence the agribusiness environment. Legislation that has to

date emanated from this extensive, but certainly not always satisfactory process, is as follows:

- Spatial Planning and Land Use Management Act (SPLUMA)
- Restitution Amendment Bill
- Extension of Security of Tenure Amendment Bill
- Expropriation Bill (Department of Public Works responsibility, not directly from Land Reform NAREG)
- Property Valuation Bill and
- Land Commission Bill

The first four draft Bills were referred to NEDLAC and Agbiz participated, as part of the BUSA delegation, in interrogating these Bills in detail at NEDLAC and making recommendations to Parliament. Agbiz will continue to engage constructively on outstanding matters within the NAREG of the Department of Rural Development and Land Reform (DRDLR) to ensure orderly and sustainable land reform, but that does not compromise the agro-food system and food security in South Africa.

1.2 Broad-Based Black Economic Empowerment Amendments to the Act and Codes

The Broad-Based Black Economic Empowerment Act 53 of 2003 (B-BBEE Act) provided the initial legislative framework for B-BBEE in South Africa. The generic Codes of Good Practice (CoGP) were issued accordingly under the B-BBEE Act in 2007. The primary focus of the B-BBEE Act and the CoGP is to address the legacy of the apartheid policies and to enhance the economic participation of black people in South Africa.

In government's review process of the B-BBEE Act and CoGP, Agbiz submitted comprehensive comment on the draft Bill and CoGP. Important and far-reaching amendments were made to the B-BBEE Act and culminated in the gazetting of the assented B-BBEE Amendment Act No. 46 of 2013 on 27 January 2014. Agbiz also participated in the BUSA mandating process in terms of the new B-BBEE legislation. Significant changes were additionally made to the existing Codes of Good Practice (CoGP), with the new CoGP published in the Government Gazette on 11 October 2013 and will take effect from April 2015. These amendments have fundamentally changed the current B-BBEE framework and are a powerful expression of the government's intention to promote and implement B-BBEE. To date, the policy has been voluntary in principle and the B-BBEE framework simply provided a methodology for measuring the initiatives.

The new B-BBEE framework introduces penalties in certain circumstances, especially for fronting, and which is in itself a drastic variation from the previous policy. Even though the B-BBEE Amendment Act and new CoGP do not impose legal obligations on firms to comply with specific targets, a firm's B-BBEE status is becoming ever so more important in determining its ability to successfully tender for government and public entity tenders and obtain licenses, which in many cases is critical to conducting their business. In the private sector clients are increasingly requiring suppliers to have a minimum B-BBEE rating in order to boost their own B-BBEE ratings. With the direct and indirect compliance obligations, it has become very clear that every enterprise has to make B-BBEE a strategic consideration to ensure sustainability in conducting business in South Africa.

1.3 AgriBEE Charter Council

The major focus of the AgriBEE Charter Council over the past couple of years has been the finalisation and gazetting of the AgriBEE Sector Codes, which were then finally gazetted on 28 December 2012. The Scope of Application deems that all enterprises that derive the majority of their income from the following:

- The primary production of agricultural products
- The provision of inputs and services to enterprises engaged in the production of agricultural products
- The beneficiation of agricultural products whether of a primary or semi-beneficiated form and
- The storage, distribution and/or trading and allied activities related to non-beneficiated agricultural products are required to use the AgriBEE Sector Codes to determine their scorecard and compliance status.

With the 5-year terms of the AgriBEE Council members expiring in 2013, Ms Lindie Stroebel was appointed to the AgriBEE Charter Council in December 2013 by the Minister of Agriculture, Forestry and Fisheries, Ms Tina Joemat-Pettersson, with Dr John Purchase appointed as *secundus*. The AgriBEE Charter Council comprises of representatives from across the agricultural sector. The major task of the Charter Council is to oversee and support transformation in the sector, within the scope of the B-BBEE legislation and the AgriBEE Sector Codes. In doing so, the Charter Council consists of three working groups, respectively focusing on:

- Aligning the AgriBEE Sector Codes with the generic Codes of Good Practice
- Institutionalisation of the AgriBEE Charter Council and
- Monitoring the implementation of AgriBEE in the sector.



B-BBEE implementation in the agribusiness sector

Agbiz attempts to monitor implementation of B-BBEE within the agribusiness sector, as well as the intentions, challenges and opportunities. This was done via a survey amongst agribusinesses, that specifically fall under the scope of application for the AgriBEE Sector Codes.

Comparable surveys were done in 2007, 2009 and 2012, providing an excellent overview of the changes in the implementation, intentions and challenges perceived, especially considering the changes in the legislative framework during this period.

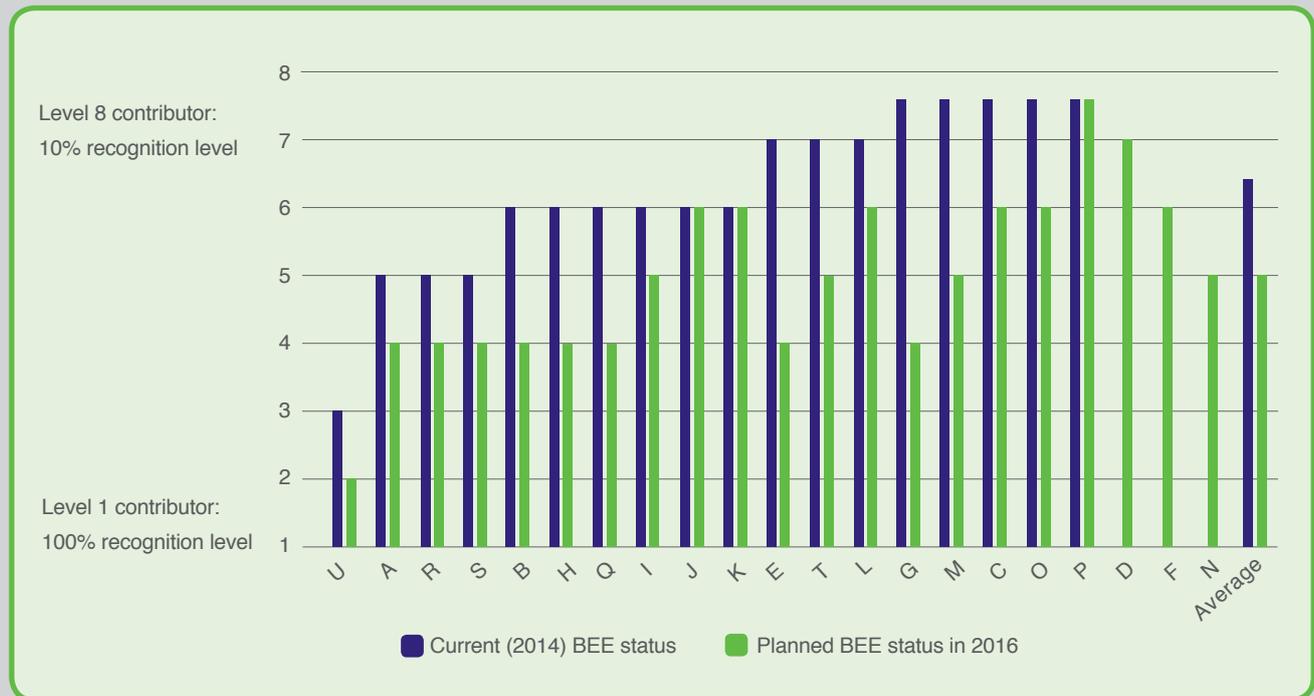


Figure 1: Current (2014) and planned (2016) BEE contribution levels of the respective agribusinesses

Note: Respective agribusinesses indicated as alphabetic letters to provide for confidentiality agreements.

Table 1: Prioritisation of elements in BEE strategies in 2007, 2009, 2012 and 2014

Priority Ranking	2007 survey	2009 survey	2012 survey	2014 survey
1	Skills Development	Skills Development	Socio-economic Development	Skills Development
2	Ownership	Preferential Procurement	Enterprise Development	Enterprise & Supplier Development
3	Employment Equity	Socio-economic Development	Skills Development	Social Development
4	Management Control	Enterprise Development	Preferential Procurement	Ownership

A brief overview of the findings of this study is reported in this text box. Due to a confidentiality agreement, names of the respective agribusinesses are not indicated, instead alphabetic letters are allocated in no particular order – this can be seen in Figure 1.

As was done in Figure 1, the respondents were sorted according to their current BEE scores. One respondent indicated a level 3 compliance, three a level 5, six a level 6, three a level 7 and five a level 8 compliance. Three respondents were non-compliant. (Interestingly, all three these respondents operated in co-operative form, indicating the difficulty they faced to date to strategise, implement and obtain an official score. This was largely due to the policy uncertainties to date, leading to a delay in their implementation.) On average the sample of agribusinesses achieved a level 6.4 score. With the exception of three respondents, all have the intention to significantly improve their levels within the next two years, indicating the pressure there is to comply – both being of business and social intentions. Eight of the respondents aspire to reach level 4 by 2016, but on average the intention is to reduce the level to level 5. This is in line with the findings in the 2012 survey, where the intention of the sample group agribusinesses were to reach an average of level 5.5 by 2015.

When the respondents were categorised according to their turnovers, it was found that the larger agribusinesses had the intention to reach lower (thus better) contribution levels. The category of agribusinesses with a turnover of less than R1 billion, had an average score of 6.5, with the intention to improve it to 5. Very similarly, the category of agribusinesses with a turnover of between R1 billion and R4 billion had an average score of 6.7, with the intention to improve to 5.2. The larger agribusinesses, with a turnover of higher than R4 billion, had an average score of 6, with the intention to improve it to 4.7 by 2016.

It was evident that the Skills Development (SD) element was prioritised by most agribusinesses in their BEE strategies. This was also the case in 2007 and 2009. In 2012, agribusinesses tend to prioritise the Socio-Economic Development (SED) and Enterprise Development (ED) elements above SD. In 2014, the Enterprise and Supplier Development, which is under the new Codes of Good Practice the combined version of the ED and Preferential Procurement element, was ranked second, with Social Development (previously SED) third. The priority rankings in 2014 clearly indicated what agribusinesses find to have the most business and social return on their investment, efforts and BEE intentions. In a country with very high unemployment and a serious shortage in education and skills development, it is enlightening to see that agribusinesses are not waiting for

government and/or the schooling system to address the problem, but to prioritise it themselves to optimise the developmental objective. As most agribusinesses are situated in the rural areas, this might have a significant contribution to the general economic and social wellbeing of the rural population.

Even though the Enterprise and Supplier Development element has been prioritised second, a number of challenges in this regard were observed from the responses in the survey. It was emphasised how difficult it is to obtain BEE status from suppliers, especially from small to medium farmers. Agribusinesses procure agricultural products from these farmers. Due to the continuous changes in legislation and the lack of understanding and clarity, especially regarding the uncertainty of the thresholds for Exempted Micro Enterprises (EME's) and the Small Qualifying Enterprises (SQE's), the farming community found it very difficult to construct BEE strategies and accordingly obtain accredited scorecards. Especially small and/or black farming enterprises do not have scorecards, making it very difficult for agribusinesses in this regard and basically impossible to gain points on their scorecards for supporting and/or procuring from black enterprises. However, it was clearly indicated from the survey responses that agribusinesses have a very positive intention to mentor and/or assist black emerging farmers and businesses and also to undertake joint ventures with black-owned businesses, black farmers and land reform beneficiaries.

The Ownership and Management control elements, respectively, did not score or rank high, in neither the agribusinesses' official scoring, nor their priorities in their strategies. This is largely due to the difficulties experienced in this regard. Agribusinesses scoring high in Ownership were mostly involved with institutional investors, who brought about indirect black ownership. Generally, agribusinesses indicated that they largely would avoid selling an ownership stake and would rather consider joint ventures with BEE partners. It was found to be very difficult to find BEE equity partners and co-owners with sufficient funds to obtain a share in the business and even more difficult to find a BEE equity partner and/or co-owner that can add significant value to the business.

In the 2014 survey, there was a very unclear indication regarding the prioritisation of the Management control element, as the majority indicated to generally avoid the element, but a significant number of agribusinesses still indicated that they would indeed prioritise it. The respondents in the survey indicated that it is a major difficulty to find adequately qualified and experienced BEE employees. As agribusinesses are mostly based in the rural areas, this exacerbated the situation, as most highly qualified and experienced BEE employees prefer the lifestyle and benefits of living in

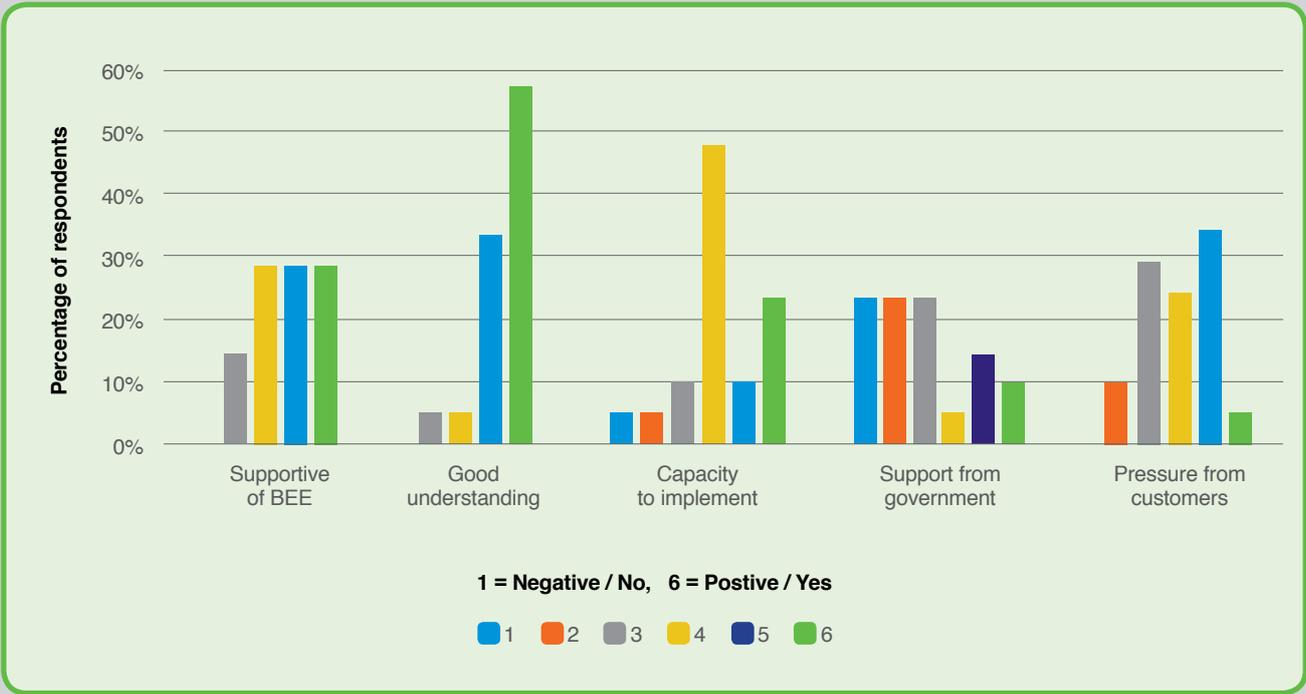


Figure 2: Understanding the intentions and enabling environment

the cities rather than working at agribusinesses in the rural areas. The fact that agribusinesses are inclined to prioritise the Skills Development element, will have a positive effect on this phenomenon; even though the impact will only be seen in the longer term.

In previous surveys, there was a clear correlation between the support of BEE, as well as the intention to implement BEE strategies and getting a score card with the general understanding of the legislation, the capacity to implement, and the support from government. In 2014, agribusinesses generally were much more supportive of BEE. In contradiction to responses in previous years' surveys, agribusinesses indicated that they now have a very good understanding of BEE and that most of them do now have the dedicated capacity to implement it. Similarly in the previous

years' surveys, government support in this regard remained very negative. It was also observed that there is growing pressure from customers to comply with BEE. Broadly, the responses indicated that agribusinesses are benefitting from investing in capacity, whether it is full time employment, consultants or support from organisations, such as Agbiz, to gain improved understanding and information on BEE. This increased the general intention to support BEE. It is therefore clear that agribusinesses are no longer waiting on government support before taking action in this regard. Figure 2 indicates percentage of respondents indicating a negative, or positive response to [1] whether they support BEE, [2] have a good understanding of BEE, [3] have the capacity to construct and implement BEE strategies, [4] have access to support from government in this regard, and [5] experience pressure from customers to implement and/or comply.



1.4 Spatial Planning Land Use Management Act

The Spatial Planning and Land Use Management Act, 2013 (SPLUMA) was assented to by the President of the Republic of South Africa on 5 August 2013, after protracted engagement and revision both within NEDLAC, where Agbiz participated fully, and in Parliament. The Act will come into operation on a date still to be determined by the President by proclamation in the government Gazette. SPLUMA is a framework act for all spatial planning and land use management legislation in South Africa. It seeks to promote consistency and uniformity in procedures and decision-making in this field. The other objectives include addressing historical spatial imbalances and the integration of the principles of sustainable development into land use and planning regulatory tools and legislative instruments. High potential and unique agricultural land has been afforded special protection in the Act. Implementation will be by means of Municipal Planning Tribunals in which both the private and public sector will be represented, and where applicable, agribusinesses will need to get involved and participate in such structures.

1.5 Co-operatives Amendment Bill

Following extensive work on the Co-operatives Amendment Bill at NEDLAC over a protracted period of time and in which Agbiz played a leading role as it has many members conducting business in a co-operative business form, as well as passing through Parliament, the President assented the Co-operatives Amendment Act (Act No.6 of 2013) on 5 August 2013. However, industry still awaits proclamation in the Government Gazette for the Act to come into operation. Agbiz believes the Act establishes an enabling environment for agribusinesses wishing to conduct their business in a co-operative business structure.

1.6 Regulations of the Consumer Protection Act (GM Labelling)

With the inclusion of the controversial clause on the labelling of GM products in the Consumer Protection Act (No. 68 of 2008) and the subsequent gazetting of firstly draft and then final regulations on this particularly problematic and highly technical issue, Agbiz convened an industry task team to engage with the dti and the Consumer Commission on this issue. Given confusion and criticism from all parties concerned once the regulations had been implemented, government subsequently convened an in-house task team, comprising four departments, to resolve the impasse on the wording and interpretation of the highly contentious regulations. Little, if any, progress has been made to resolve the issue. Meanwhile food companies are labelling as they

interpret the regulations, and the Consumer Commission is upholding its own interpretation, while the anti-GM lobby continues to vent its unfortunate and unfounded opposition to the much-needed GM technology.

1.7 Competition Commission (Information Exchange)

Following a couple of high profile agro-food industry cases brought before the Competition Tribunal by the Competition Commission (CC) and in which so-called Information Exchange was indicated as a major concern, the CEO Forum appointed a task team comprising the National Agricultural Marketing Council (NAMC), Department of Agriculture, Forestry and Fisheries (DAFF) and Agbiz to engage the CC on providing definitive guidelines and a framework on what is allowed under information exchange, and what not, specifically by industry associations. After various engagements and workshops with industry role players, and with CC not able to provide definitive guidelines, it was agreed to disagree on the matter and the principles involved. However, industry gained much from the interaction to position information exchange in such a way that it will in all probability not be deemed to constitute anti-competitive behaviour. Industry now still lacks certain information to make its markets work more effectively, while government lacks certain information for planning and evaluation purposes. The matter is still being pursued by Agbiz through its BUSA channel of engagement and influence.

1.8 Labour Legislation and Developments

Labour issues have dominated the socio-economic environment in South Africa over the review period and will in all probability command centre stage for a while to come, given the rise of organised labour militancy and political radicalism. The agricultural sector was not spared violent protest and riots, especially in the Western Cape towards the end of 2012, and the Minister of Labour issued a sectoral determination setting minimum wages significantly higher than the previous going rates. This prompted the Agri-Sector Unity Forum (ASUF), of which Agbiz is an active member and runs the ASUF Secretariat, to engage with the Minister of Labour and the deputy president's team to dialogue issues and stabilise the situation. This process has by and large been successful, but much still needs to be done to improve labour relations especially at farm-level, but also within the broader industry. Agbiz strongly supports the former deputy president's proposal that a Framework Agreement between the major stakeholders be developed to guide the improvement in labour relations.

This process has however been undermined by COSATU bringing a Section 77 Application at NEDLAC against the broader agro-food industry for so-called “Lack of Transformation of the Sector”. Agbiz is one of the respondents and currently participating in the process, as required by law.

BUSA, on behalf of Agbiz, also participated in NEDLAC on amendments to the Labour Relations Act, Basic Conditions of Employment Act, Employment Services Act and Employment Equity Act. Despite major concerns raised by BUSA on a multitude of issues emanating from these respective Amendment Bills and underpinned by an independent Regulatory Impact Assessment (RIA) on two of the Bills, the Department of Labour forced these controversial pieces of legislation through Parliament. There is no doubt that these amended Acts will place a further significant burden on the business community, have a negative effect on especially small business and, most importantly, will neither sustain nor create new jobs as envisioned in the New Growth Path and National Development Plan.

1.9 National Development Plan (NDP)

Agbiz participated in various workshops and imbizos in the development phase of the NDP, as well as participated in the consultation and comment phase thereof. While not perfect, Agbiz believes that the NDP provides a sound guiding framework for the development of South Africa and all its people, in order to ensure a more stable and normalised society, greater equality and opportunity, economic and employment growth, and greater prosperity for all. The successful implementation of the National Development Plan is however premised on pro-business structural reforms to the economy that need to be brought about by government. Already there is a disturbing trend developing that government quotes and uses the NDP selectively to drive a specific agenda, without properly considering the cohesive and coherent nature thereof that is necessary to drive economic growth, grow employment, and alleviate poverty and inequality.

1.10 Climate Change, Carbon Tax and Waste Management

Since the publishing of the initial Climate Change Green Paper for public consultation on 27 November 2010, Agbiz has actively participated in the climate change policy development space over the past number of years. This engagement has been conducted primarily through BUSA’s Task Team on Climate Change, through interaction with the Department of Agriculture, Forestry and Fisheries (DAFF), and through individual and direct engagement with government and other role players. The broader agro-food system has a major role to play in both mitigation and adaptation,

being both an emitter of greenhouse gases and being negatively affected by climate change. A presentation, entitled “Agribusiness on constraints to agricultural productivity and food security in the era of climate change”, was delivered by Agbiz’s CEO at the 3rd Global Conference on Agriculture, Food and Nutrition Security and Climate Change in Johannesburg on 4 December 2013.

Agbiz also submitted extensive comments to National Treasury on the proposed Carbon Tax, as well as submitted comment through BUSA. Whether fully or partially is uncertain, but the Agbiz engagement has resulted in agriculture being exempted from the proposed Carbon Tax at least until 2019. Considerable work remains with regard to Greenhouse Gas (GHG) emissions reporting and the proposed Desired Emission-Reduction Outcomes (DERO’s) as this will also impact on the agribusiness environment. DERO’s also need to still be aligned with the proposed Carbon Tax Policy. The Waste Amendment Bill has in the meantime been passed by Parliament and awaits promulgation. This Bill deserves attention of the agro-food industry as it introduces what is essentially a new tax in the form of a waste management charge. The intention is to focus on post-consumer waste and to impose the levy at the point of sale of the consumer goods.

1.11 Electricity and Energy Awareness

Recent blackouts and dire warnings from authorities of electricity outages for the winter of 2014, have again raised the spectre of a constrained electricity supply being the single most important limiting factor to South Africa’s current economic growth. To this end Agbiz Council engaged with a high-level ESKOM delegation on 2 April 2014, while Agbiz has participated within BUSA’s Task Team on electricity in engaging ESKOM and government on possible solutions to this now endemic economic constraint.

While Agbiz welcomes the gazetting of the Draft Position Paper on the South African Biofuels Regulatory Framework on 15 January 2014 as Notice No. 24 of 2014, as well as the announcement of 15 October 2015 as the commencement date of mandatory blending of biofuels into mineral petroleum, various concerns around especially the prescriptive designation of feedstock, the positioning of biofuel plants and the issuing of biofuel manufacturing licenses remain.

Energy and the agro-food system are inextricably linked, especially from a production, processing, distribution and cold chain consumption perspective, but also from a renewable generation and resource perspective. To this end Agbiz will continue to engage with government and parastatals to address the important issue of energy for economic growth and food security.

1.12 Water Policy

Water, as part of the Land-Water-Energy Nexus, is an integral part of agriculture and agribusiness and as such Agbiz has engaged government, primarily through BUSA and ASUF, on the National Water Resource Strategy Version 2 (NWRS2). Cabinet approved draft NWRS2 for publication in the Government Gazette of 7 August 2012. An extensive consultation process was conducted from September 2012 to March 2013, and the Strategy was redrafted to take into account comments and alignment with government's objectives and existing frameworks. Cabinet approved the finalised NWRS2 on 26 June 2013.

The NWRS2 identifies the following 5 strategic priorities that the water sector will focus on over the next 5 years and these are:

- Water Conservation & Water Demand Management
- Planning infrastructure development and operation & maintenance of water resources infrastructure
- Achieving equity, including Water Allocation Reform (WAR)
- Institutional establishment & governance and
- Compliance Monitoring and Enforcement.

The implementation of the NWRS2 highlights that each major water-use sector, including agriculture, will be mobilised to develop their own implementation plan in which key areas of importance for that specific sector will be addressed in line with the strategic priorities. It has already been resolved that ASUF will represent the agriculture and agribusiness sector in the formal engagement structure with the Department of Water Affairs.

1.13 National Policy on Intellectual Property

Agbiz commented in detail on the Draft National Policy on Intellectual Property, as published in the Government Gazette No. 36816, Notice 918, of 4 September 2013. Agbiz advocated for strong protection and recognition of Intellectual Property rights as these incentivise research and development investment, innovation and technology development necessary to stimulate economic growth and employment. Of specific importance was the issue of Plant Breeders' Rights which was significantly undermined in the draft position paper. As a number of Agbiz members hold registered

Plant Breeders' Rights, which is an internationally and locally well-recognised form of Intellectual Property, Agbiz took a strong stand in terms of the recognition and protection of Plant Breeders' Rights. Many other members hold patents (agrochemicals), which is another form of Intellectual Property and equally important to protect.

1.14 National Infrastructure Development and Road Safety

The New Growth Path (NGP) identified infrastructure as one of the key job drivers for job creation, mainly through four activities, namely [1] construction of new infrastructure, [2] operation of new facilities, [3] expanded maintenance and [4] the manufacturing of components for the infrastructure programme. The "National Development Plan (NDP): Vision 2030", supports the country's medium and long-term objective of achieving sustainable and inclusive growth. Accordingly, the Presidential Infrastructure Co-ordinating Commission (PICC) was formed. One of the PICC's eighteen flagship infrastructure projects, called the Strategic Integrated Projects (SIP), is dedicated to agriculture - SIP 11. The National Agricultural Marketing Council (NAMC) was appointed to co-ordinate SIP11 on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF) and Department of Rural Development and Land Reform (DRDLR). Through the interaction at the CEO Forum, Agbiz was involved in an attempt to gain an understanding of the status of all existing agricultural infrastructure, in order to measure the gaps which exist. Agbiz also conducted a survey amongst agribusinesses on the role infrastructure development plays in influencing competitiveness of agribusinesses. The text box on page 15 indicates findings of a survey conducted by Agbiz in support of the NAMC in this regard.

The Road Transport Management System (RTMS) is a standard to improve performance of transporters, with the objective to prevent overloading, improve efficiency, minimise accidents, proactive vehicle maintenance, promote legal compliance, enhance driver wellness, eliminate unsafe practices, promote skills development, monitoring of performance and continual improvement. Agbiz is involved in this initiative through the RTMS Steering Committee and continuously promotes accreditation amongst transporters in the agricultural sector. Agbiz considers this industry-led, voluntary, self-regulation scheme as the ultimate structure to change the mindset, attitude and behaviour of transport role players in the agricultural sector.

Agribusiness infrastructure development survey

In support of the business plans constructed by the NAMC for the SIP11 of the PICC, Agbiz conducted a survey amongst agribusinesses to obtain a better understanding of their perception and the role in infrastructure development in the agricultural sector. This text box serves as a short summary of the major findings of the survey.

Agribusinesses indicated that national infrastructure and general transport infrastructure in the country is generally deteriorating and malfunctioning. Even though they were not over-optimistic, they experienced the infrastructure that they have an influence on, such as their own operational infrastructure and their own market infrastructure, to be rather well-maintained and functional.

In all three phases, the level of access was rated just slightly above the 3 out of 5 level, with phase 1 being the lowest and phase 3 the highest. Phase 1 was also considered the least efficient and cost effective. Phases 2 and 3 were also rated below 3 out of 5 for being efficient and cost effective. Agribusinesses all agreed that investment in each of these levels, especially in phase 1, will bring about huge contribution to the growth of the sector and the agricultural economy.

As the agribusinesses perceived the investment in infrastructure development to have such a great contribution to growth, the survey further investigated the perception on who would be regarded the responsible entity for development of specific means of infrastructure, as well as to under-



Figure 1: Agribusiness perception on the status of general infrastructure

In 2011, the NAMC commissioned a study on transport operating cost benchmarks for agricultural logistics. The study analysed the situation at three different levels of transport in the industry, being the post-harvest to silo, mill, pack house, dairy, harbour or processor (Phase 1), the essential primary distribution with large payload vehicles (Phase 2) and the secondary distribution and deliveries to retail and other outlets (Phase 3). To construct comparable information, the Agbiz survey envisaged gaining an understanding about agribusinesses' access to each of these 3 phases in agro-logistics, as well as to measure the perceived efficiency and cost effectiveness thereof and the contribution of investment at each of these levels to growth in the industry and the economy.

stand if agribusinesses have the intention to invest therein themselves. Figures 3 and 4 indicate the results thereof.

Forty percent of respondents perceived it to be the government's responsibility to develop the infrastructure related to phase 1. The vast majority considered not government, but private sector to take responsibility for development of phase 2 and 3 infrastructure. Between 20 and 30 percent saw an opportunity in having government and agribusinesses to collectively address the responsibility in all three phases. Accordingly, only between 20 and 40 percent of respondents indicated that they had any plans in investing in phases 1, 2 and 3 respectively in the next two years.

Agribusinesses were very clear on their perception that development of rail, national highways, secondary (agricultural) roads, ports and harbours, airports, bio-security and border control, as well as the agricultural colleges, are all the responsibilities of government and accordingly also indicated no intention to invest therein in the near future. However, between 60 and 80 percent of agribusinesses indicated that

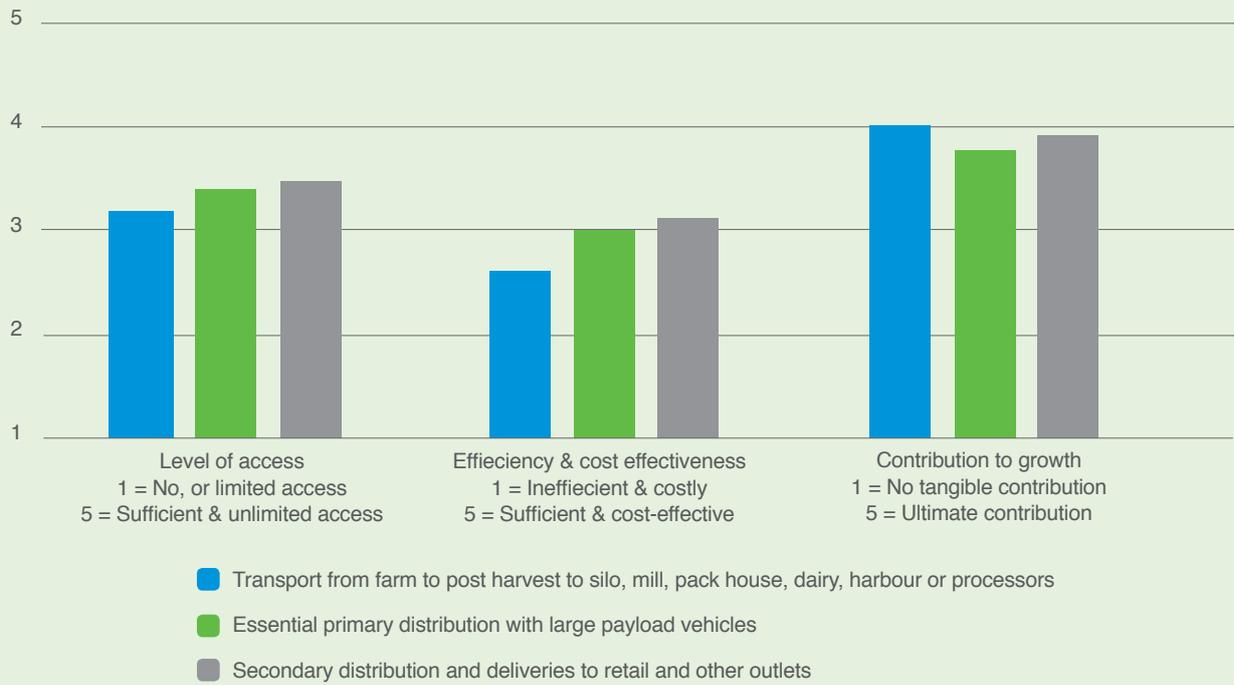


Figure 2: Access, effectiveness and importance of infrastructure

they acknowledge that private sector is responsible for development of agro-processing facilities, storage facilities, marketing facilities, and pack houses. A few also indicated that the responsibility should be shared between government and private sector in collaborative efforts. This also reflected in the intention to invest in the abovementioned, as almost half of respondents indicated their intention to invest in agro-processing, storage and marketing facilities, as well as in Research and Development facilities.



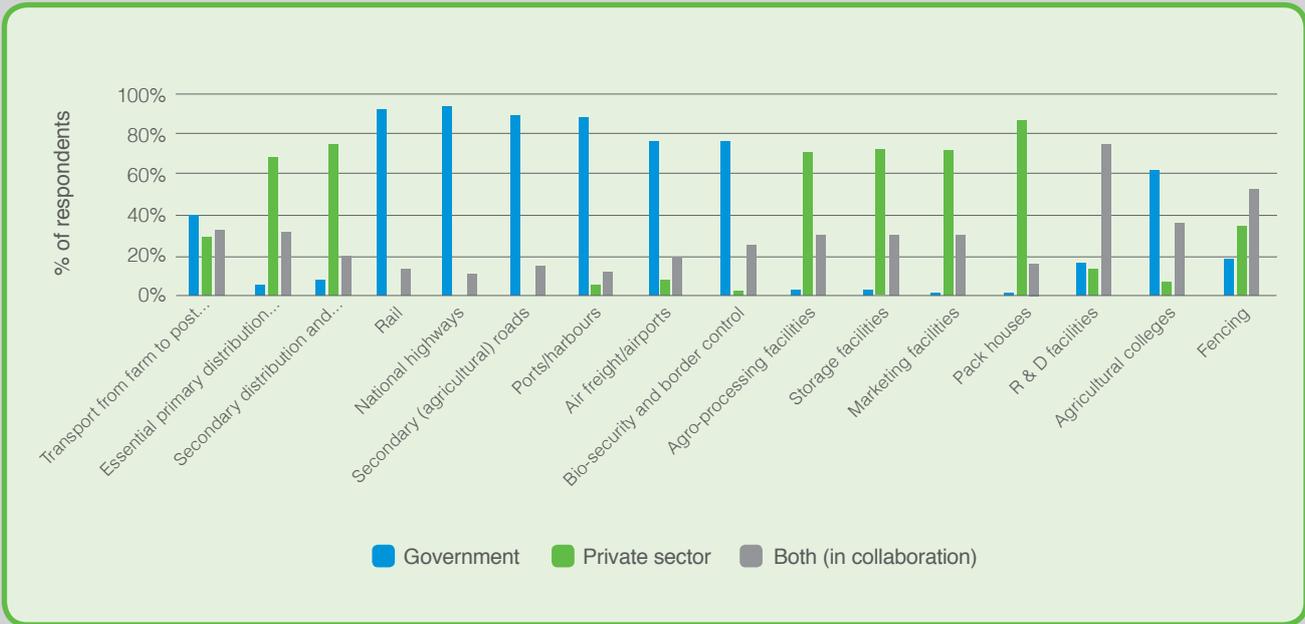


Figure 3: Agribusinesses' perception about the responsible entity for development of respective means of agricultural infrastructure

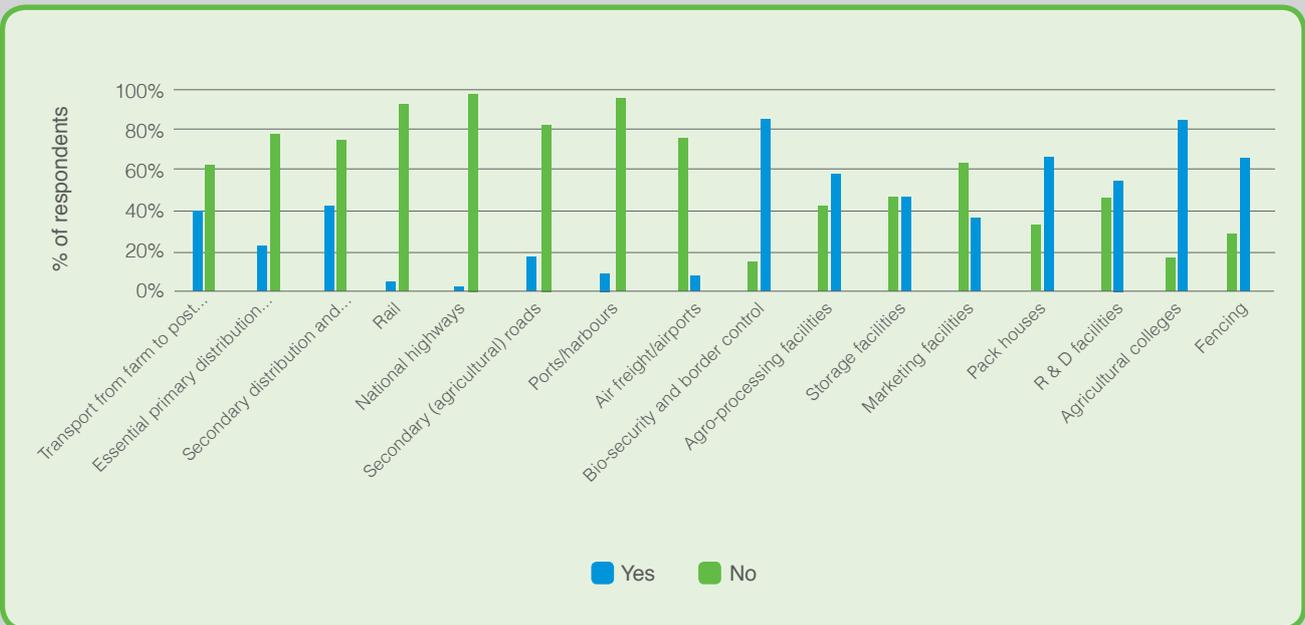


Figure 4: Agribusinesses' intention to invest in respective means of infrastructure in the next two years

2. AGRIBUSINESS INTELLIGENCE

South Africa's agro-food complex revolves around a wide variety of activities, comprising both primary agricultural production and processing of food, feed and fibres. In 2013, the agro-food complex contributed six percent to the economy and employed ten percent of the country's workforce. Furthermore, its strong forward linkages with the rest of the economy, as well as its significant flow of exports to many parts of the world, makes it an important economic sector. Hence, the performance of the agro-food complex is imperative to the country's future growth path.

Given this background, it is imperative for Agbiz to negotiate on evidence-based agribusiness intelligence. Agbiz has a fundamental stance to negotiate for an enabling environment and thus towards improving the overall competitiveness of the sector, thus the focus on competitiveness. As the terminology for competitiveness has been broadly used recently amongst policy makers, the Agbiz approach is three fold, [1] through measuring the trade competitiveness, [2] comparing it with the Executive Opinion Survey and [3] timeously keeping track of agribusinesses' confidence by means of the Agbiz / IDC Agribusiness Confidence Index.

2.1 Trade Competitiveness

Agbiz has commissioned the TRADE Research Niche Area, from the North-West University to assist with the measuring of the trade competitiveness of the agribusiness complex in South Africa, due to their dedicated expertise in the field. The trade competitiveness performance is measured by investigating the long-term trends in the revealed competitiveness of the agro-complex. Competitiveness reflects the ability of a sector to sustain productivity in an international level.

The Revealed Trade Advantage (RTA) index, as developed by Vollrath in 1991, is used as an indicator for relative trade advantage, or competitiveness, as it accounts for exports and imports simultaneously. The RTA index is derived by subtracting the Revealed Import Advantage (RMA) index from the Revealed Export Advantage (RCA) index. An $RTA > 0$ reveals a positive revealed competitiveness and an $RTA < 0$ no competitiveness. In this study the competitiveness for the period 1992 to 2012 is calculated for six broad clusters in the agro-complex, as indicated in the graphs.

The primary sector, agro-processing of food, agro-processing of non-food, the forestry industry and even the production and capital input industry, respectively showed stark increases in their levels of competitiveness between 1994 and

1998. This is directly the result of the increased access to and participation in the international markets after the lifting of sanctions and the country's rapid integration into the global markets due to democratisation and the abolishment of apartheid policies.

The primary sector maintained its competitive position throughout to 2012. However, the (polynomial) trend line indicated a slight decline since 1998, with numerous fluctuations over the depicted period. The agro-processing of food maintained its revealed competitiveness until 2006. The trend actually shows a significant drop in the period from 2002 to 2012. South Africa has neither an import nor export specialisation in agro-processing of non-food items. The sector maintained its revealed competitiveness until 2004, but, similar to the agro-processing of food, indicated a sharp declining trend from the early 2000's.

South Africa has a significant revealed competitiveness in the forestry industry, as it indicated RTA levels of above 0 for the entire period from 1992 to 2012. However, similar to the agro-processing clusters, a sharp decline in the trend was observed since 2002 and is currently merely above the 0 threshold.

Agribusinesses play an important role in providing inputs to the agricultural sector. Accordingly, the competitiveness of the production and capital inputs clusters respectively, was also measured. South Africa's production input industry only had a revealed competitiveness from 1996 to 1998. It is also evident that there is no revealed competitiveness in the capital input industry. Even though continuously negative, after a slight upsurge, the cluster experienced a decline since 2006. There is a relative high level of import specialisation in this cluster, which is not necessarily unfavourable, as it may be an indication of the adoption of global technologies within the agro-complex as a whole. For items such as tractors, it was found that the current levels of competitiveness were predominantly derived from re-exports to other markets in southern Africa.

Figure: Revealed competitiveness of six agricultural clusters respectively



Note: The dotted reference lines indicate RTA = 0. RTA > 0 indicates positive revealed competitiveness and RTA < 0 no competitiveness.

2.2 Agribusiness Competitiveness Executive Opinion Survey

To understand the trends in the trade competitiveness of the sector as a whole, an institutional analysis was conducted at firm level, whereby individual firms were requested to participate in the data gathering through questionnaires. Executive opinions are thereby gathered. The hard trade data is used to measure competitiveness over a specific period, the survey data measures competitiveness as it is perceived. The executive survey offers unique measures and captures the informed judgments of business leaders and decision makers in the agribusiness sector.

In the application of the descriptive methodology, the basic requirements that have an influence on the competitiveness of the agribusiness sector in South Africa, such as infrastructure, primary education and macro-economic stability, as well as efficiency enhancers such as higher education, technology and efficient financial markets, together with innovation and sophistication factors, are measured.

Agribusinesses from across the country, serving and operating in the entire agricultural sector, participated in the executive

survey. The majority (54 percent) of responding agribusinesses had a turnover of below R100 million, whereas 11 percent were between R100 million and R700 million, 15 percent between R700 million and R3 billion and 20 percent above R3 billion. Half of these agribusinesses operate as private companies and almost 30 percent as public companies. Seven percent of respondents operated in co-operative form and 11 percent of respondents were relevant associations.

Comparable surveys were conducted in 2004, 2008, 2010, 2012 and 2014. The surveys were constructed in a way to rate the respondents' perceptions on each question on a 1 to 7 rating scale. The figure below indicates the results in a 0 to 3 scale, whereas the closer to 0, the more inhibiting the factors are and the closer to 3, the more enhancing the factors are. From the figure below, significant factors were highlighted and represent the aggregate ranking of a number of questions supporting that particular factor. It is evident that the general environment has become less and less enabling over the past decade, measured from 2004 to 2014, as the "circle" closes in to the centre, representing a more inhibiting influence to the competitiveness of the sector.

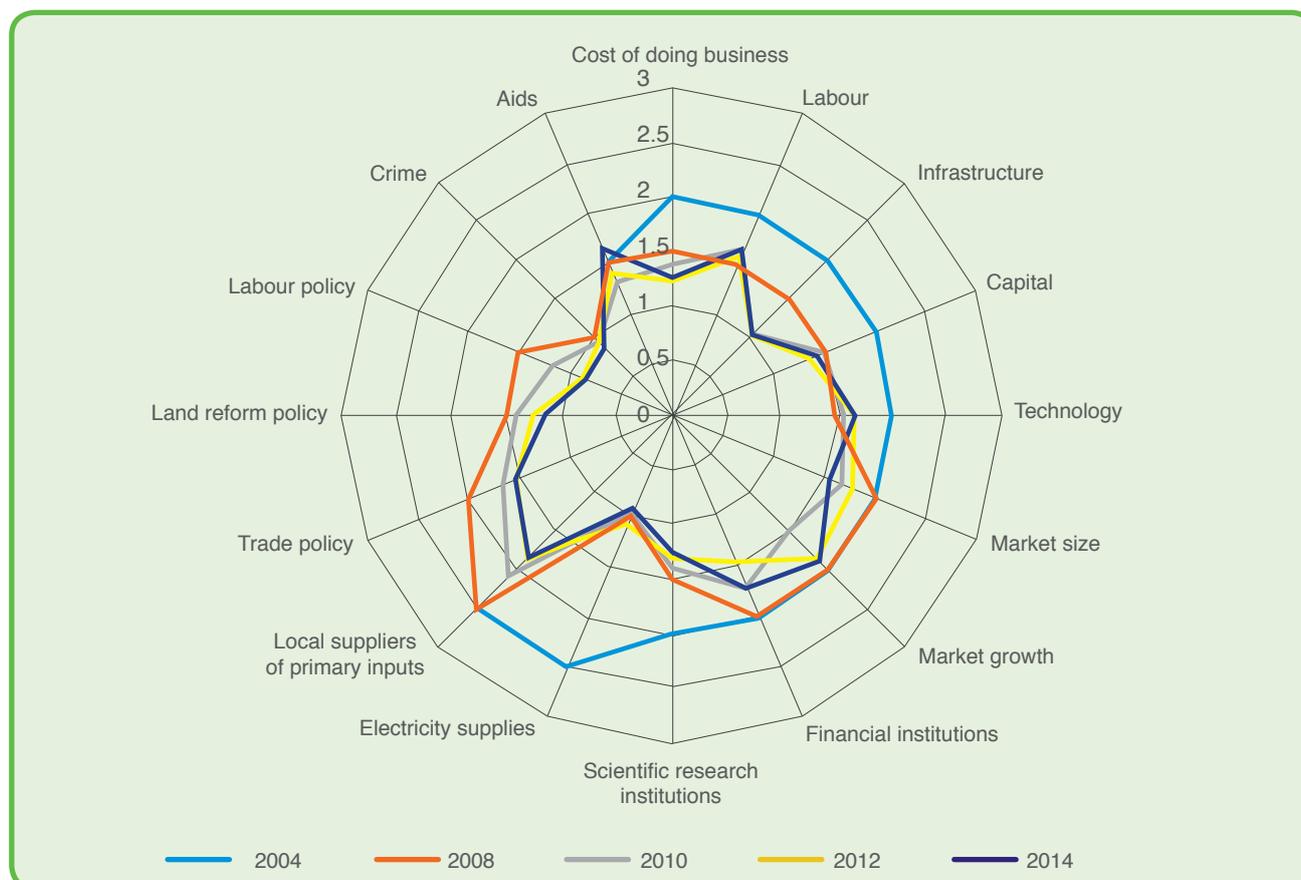


Figure: Changes in the factors driving competitiveness, from 2004 to 2014

Note: The closer the rating is to 0 (inside of the web), the more inhibiting it is. The closer it is to 3 (outside of the web) the more enhancing it is.

In summary of the findings from the 2014 survey, a list of the top 20 ranked constraints, as well as the top 20 ranked enhancers are presented in the table below.

Table: Top 20 perceived constraints and enhancers to the competitiveness of the agribusiness sector in 2014.

	Top 20 constraints	Top 20 enhancers
1	Trust in the honesty of politicians/government officials.	Competitive advantage in selling affordable high quality products.
2	Competence of personnel in the public sector at national level.	Invest in human resources to attract, train and retain staff.
3	Effectiveness of personnel in the public sector at local level (provincial/municipal).	Abundance of competition in the local market.
4	Government bureaucracy in South Africa.	Technologically advancement of production processes in your business.
5	Cost of transport.	Strategic intention to produce or sell environmentally friendly products.
6	Corruption in South Africa.	Availability of unskilled/semi-skilled labour (drivers, floor operators, manual labour, etc.).
7	South Africa's labour policy.	Unique products and services as the competitive advantage of your business.
8	Administrative regulations in South Africa.	Changing consumer trends in South Africa.
9	Crime in South Africa.	Relationships and networks in the industry.
10	Cost and accessibility of the courts for dispute resolution.	Sophistication of local buyers of your products and/or services.
11	Electricity suppliers in South Africa.	Regulatory standards (e.g. product standards, energy, safety, environment).
12	Cost of supplies/inputs.	Localised competition in the local market.
13	Existing South African infrastructure development model.	State of the art and automated operational infrastructure.
14	Cost of using the infrastructure in South Africa.	Ethical awareness of local buyers of your business's products and/or services.
15	National infrastructure (roads, communication, electricity, water, etc.).	Proprietary product differences as a competitive edge.
16	Enforcement of environmental regulations in South Africa.	Updated demands of local buyers of your business's products and/or services.
17	South Africa's BEE policy.	Incentivised compensation of management in your business.
18	South Africa's land and water reform policy.	The quality of local suppliers of your business's primary inputs.
19	Tax system.	Availability and sufficiency of local suppliers of your business's primary inputs.
20	The cost of quality technology.	Threat of substitutes of your business's products or services range.

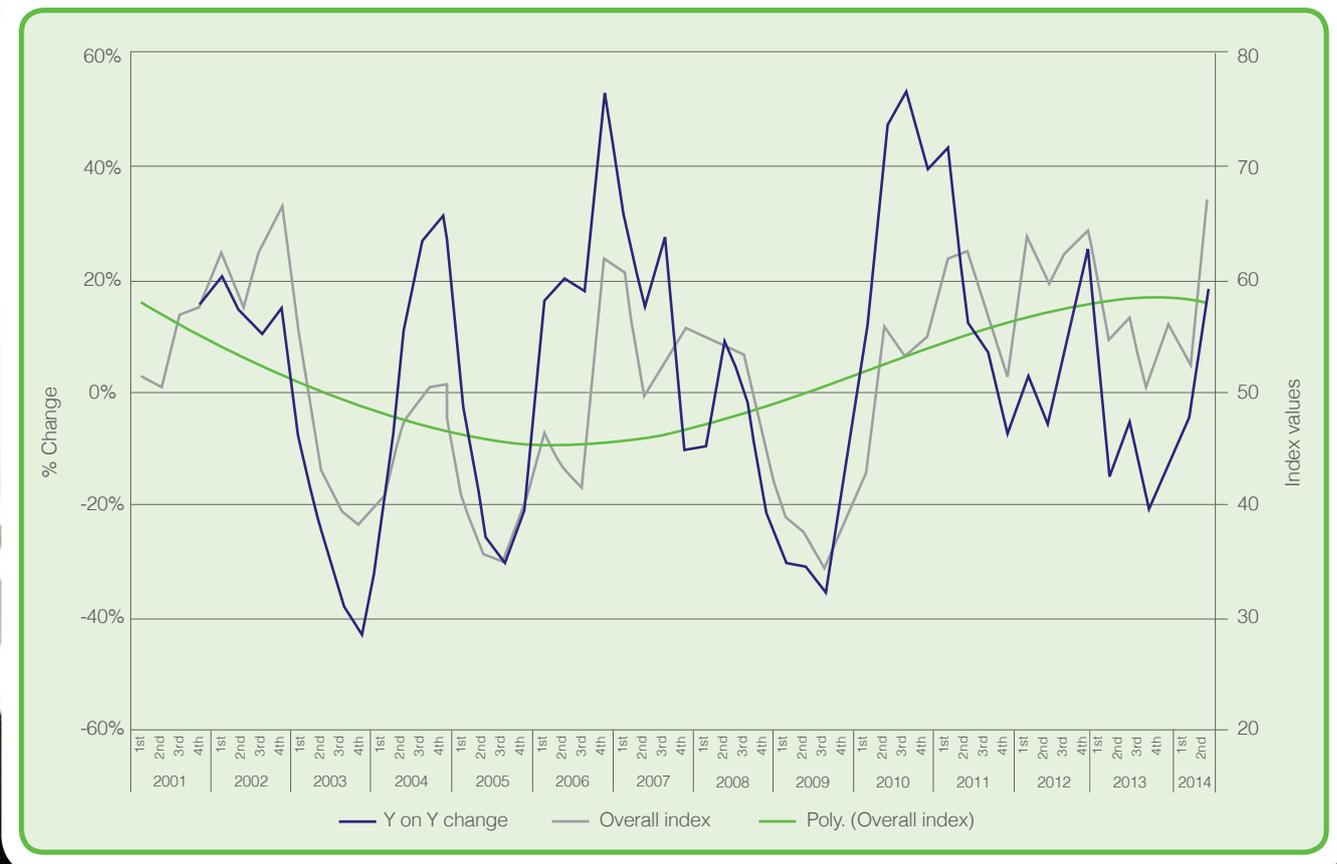
2.3 Agbiz / IDC Agribusiness Confidence Index

Every quarter of the year, Agbiz, with the support of the Industrial Development Corporation (IDC), constructs the Agbiz / IDC Agribusiness Confidence Index. The index serves as a timeous indicator of changes in the perceptions of agribusiness leaders regarding ten fundamental business factors influencing their decision-making in the sector. Agribusinesses, not primary producers, participate in this quarterly survey. An effort is made to ensure that the responses are reflective of agribusinesses from all the different geographical regions of the country, serving all the different industries in the sector.

Due to the seasonality of agriculture, the year-on-year changes are indicated together with the overall index and its trend line in the figure below, to provide insights on the general trend in confidence over time. The polynomial trend

of the overall index provides an indication of the business cycles in the agribusiness sector over the past 14 years. It is evident that there was a “down” cycle from 2003 to 2009 and an “up” cycle from end of 2009 to date. The timing of the “down cycle” goes directly along the trend observed for the revealed competitiveness of the different agribusiness clusters. However, the “up” cycle is in stark contrast with the general decline in revealed competitiveness over that period.

Based on responses from agribusinesses, as well as speculation based on discussions with agribusiness executives, a few suggestions are proposed to understanding the situation. The increase in confidence since 2009 goes along with the perceived recovery of global and local markets since the global recession and financial crisis. This does reflect the increasing importance of agribusinesses globally, in comparison with the period prior to 2007’s commodity boom, as well as the elasticity of demand for agricultural and food products.



3. LINKING SA AGRIBUSINESS TO THE WORLD

3.1 Global Agribusiness

Agbiz aligns the interests of its membership with South Africa's policy framework (i.e. National Development Plan (NDP), New Growth Path (NPG), Industrial Policy Action Plan (IPAP), Trade Policy Framework, and the New Export Strategy (NES), among others). To that end, an export-led growth strategy pursued by the overall trajectory of government policy has seen Agbiz positioning itself through engagements that are focused on the deepening of South Africa's traditional markets on the one hand, and the broadening of the country's exports to newly emerging markets on the other. To effectively pursue this objective, Agbiz promotes agricultural trade and investment for its members by working closely with the Department of Agriculture, Forestry and Fisheries (DAFF), Department of Trade and Industry (the dti), National Agricultural Marketing Council (NAMC), Department of Health and the International Trade Administration Commission (ITAC), among others, within South Africa. Outside of South Africa, Agbiz has engaged with international stakeholders (both public and private), such as the United Nations Development Programme (UNDP), the NEPAD Business Foundation (NBF), the Comprehensive African Agricultural Development Programme (CAADP), all of which serve the objective of promoting the development of agriculture within Africa. Agbiz also has a good relationship with the European Commission to South Africa, various African and Asian embassies, as well as the United States Department of Agriculture (USDA).

3.2 Trade and Trade Facilitation

Agbiz welcomed the Trade Facilitation Agreement that came out of the Bali negotiations in December 2013. The sentiment within the business community is that, if Africa and the rest of the developing world in particular, fully commits to meeting the broader objectives of trade facilitation, this can lead to reduction of costs, enhanced efficiencies, and new market opportunities within and across countries and regional trade blocs.

Agbiz acknowledges and supports the work that is being done by the South African Revenue Services (SARS) in implementing trade facilitation measures such as international customs instruments (i.e. harmonisation and coding of data, standardisation of procedures, simplification and modernisation of procedures and other support tools for trade facilitation initiatives). Such work has given South Africa a head start in implementing trade facilitation measures. However, Agbiz notes that there remains work to be

done in further increasing efficiency and reducing trade costs, particularly at the country's sea ports.

Bilateral Investment Treaties

In November 2013, the government published the draft Promotion and Protection of Investment Bill which is being introduced as part of an overhaul of the regulatory framework for foreign investment in South Africa. As a result, government cancelled Bilateral Investment Treaties (BITs) with Belgium and Luxembourg, Spain, Germany and Switzerland, with further terminations of the remaining BITs with European, and even non-European countries to follow. As such, the Investment Bill will effectively replace these bilateral treaties by providing domestic legislation that sets out the rights and obligations of the government, and of all investors, both local and foreign.

Agbiz received this Bill with much pessimism, with concern mainly centred on the dispute resolution mechanisms available to foreign investors, which are limited to domestic courts, tribunals or arbitration. Under the BITs, disputes were referred to international arbitration. Further concern is also on the proposal that foreign investors would not be guaranteed compensation at full market value in the event of an expropriation by the government, but merely as provided for by the Constitution. Given the foregoing, the draft Promotion and Protection of Investment Bill has created uncertainty and will most likely slow down, or even discourage, the much needed foreign direct investment.

3.2.1 Africa Trade Relations

The Tripartite Free Trade Area (T-FTA) Negotiations

Between 2012 and 2014, there has been increased momentum to promote intra-African economic co-operation through an integration of Regional Economic Communities' (RECs). In overcoming the "spaghetti bowl" of trade agreements, a more consolidated "Tripartite Free Trade Area" (T-FTA) is being negotiated. The T-FTA, consisting of The Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), and Southern African Development Community (SADC) represents an opportunity for expanded opportunities for agricultural exports into the sub-region. Agbiz, through BUSA, is actively participating in the provision of inputs which are informing the T-FTA discussions and negotiations to develop South Africa's position within NEDLAC. The focus of the T-FTA has been on the review of Rules of Origin (RoO) and the identification of tariff lines under different negotiation categories.

The SADC-FTA

The SADC-FTA has been facing several challenges, with member states not adhering to the SADC Trade Protocol. For instance, Zimbabwe in particular, has unilaterally increased its tariffs in contravention with the spirit of the agreement, while not being fully compliant with its “tariff phase-down” and derogation commitments. To date, limited progress has been achieved with regard to completion of tariff phase downs, removal of NTBs and developing a mechanism to assist member states that are not yet in the FTA to participate therein, with Angola, the Democratic Republic of Congo (DRC) and Malawi yet to ratify the SADC Protocol. With regard to strengthening the SADC Free Trade Agreement (FTA), Agbiz has been engaging through various avenues, namely the Agricultural Trade Forum (ATF), BUSA and the Southern African Agriculture Development Partnership Platform (SAADPP) in sharing information and advocating for the removal of tariff and non-tariff barriers (NTBs).

Southern Africa Customs Union (SACU)

Agbiz has participated in discussions, within BUSA and the dti, on strengthening the Southern Africa Customs Union. The need to strengthen SACU has emerged after Namibia’s unilateral restrictions on meat exports which are against the commitments of the Customs Union. Agbiz has been engaging the ATF and the dti in sharing information on this specific issue, with the dti setting up a bilateral desk to resolve the matter. Beyond this, Agbiz participated in a dti consultation workshop over the possibility of creating regional agricultural value chains through a “Hub and Spoke” model, as a viable alternative to strengthen SACU integration and resolve disputes associated with BLNS countries implementing protectionist policies for its ‘infant’ industries.

Trade and Investment Promotion in Africa

In keeping with the mandate to promote investment in Africa, Agbiz together with its partners (namely, The Department of Agriculture, Forestry and Fisheries (DAFF), Spear and the Bureau for Food and Agricultural Policy (BFAP)) continued developing and nurturing the Joint Agribusiness Department of Agriculture, Forestry and Fisheries Forum for Africa (JADAFa). The JADAFa website, hosted by Agbiz at www.jadafa.co.za, has been revamped and will form part of another dynamic interactive site for agribusinesses that are trading and investing in Africa. The purpose of this partnership is to promote agricultural trade and investment in Africa by making information readily available to investors, and improving border and market access to support the Comprehensive African Agriculture Development Programme (CAADP) of the African Union (AU). A stakeholder engagement was held in March 2014 to gather feedback from industry to make JADAFa more effective and useful for agribusinesses.

Business and investment opportunities in Africa

The Tripartite Free Trade Area consists of 26 countries (about half of the African continent) with a combined gross domestic product (GDP) of R12.5 trillion and a total population of 622 million people. Within the Regional Economic Communities (RECs), SACU’s agricultural exports a total of R500 million to the East African Community (EAC), R29 billion to SADC, and R13.6 billion to the COMESA region (excluding SADC countries), respectively. This level of export earnings has been achieved under conditions of high trade costs and infrastructural limitations. An FTA would potentially reduce costs, thereby further opening up opportunities for trade. Statistics from the IMF Outlook (2013) reflect that the combined GDP is set to reach R24 trillion and population will reach 732 million people by 2020. The Outlook shows the magnitude of the opportunities that the FTA will create for South Africa’s agricultural and agribusiness sector.

3.2.2 Europe Trade Relations

SADC-EC EPA Negotiations

Agbiz has participated in the SADC-EPA negotiations through DAFF and the dti towards resolving market access issues such as agricultural safeguards, RoO and geographical indicators (GIs). Efforts to conclude the Economic Partnership Agreements (EPA) have gained much impetus in sight of the October 2014 deadline set by the EU. Agbiz has been involved in the discussions of the EPA under the subcommittee of the Technical Sectoral Liaison Committee (TESELICO) within NEDLAC, as well as the Agricultural Trade Forum (ATF). Agricultural market access is yet to be finalised as the text agreement is still being negotiated, while South Africa waits for consolidation of offers from other SACU members.

South Africa-EU citrus exports

In its efforts to assist members with market access into Europe, Agbiz facilitated an engagement between the Southern African Citrus Growers Association (CGA) with the European Union Trade Representatives in South Africa in order to discuss the industry’s compliance efforts in light of Citrus Black Spot (CBS)-induced measures. Agbiz will continue to engage with concerned stakeholders, including the Department of International Relations and Corporation (DIRCO), as South Africa’s industry complies with EU sanitary and phyto-sanitary measures.

3.2.3 Asia Trade Relations

SACU-INDIA Preferential Trade Agreement (PTA)

Progress of the SACU-India PTA has been limited, with India unyielding to South Africa’s request list of products. A revised modest level of ambition has been set to 4 percent of the tariff lines. Agbiz has been involved in the SACU-India PTA discussions under a subcommittee of the Technical Sectoral Liaison Committee (TESELICO) within NEDLAC, as well as

the Agricultural Trade Forum (ATF). The negotiation process of the preferential trade agreement is taking place through the dti and DAFF.

South Africa-Asia Trade Relations

Trade relations with Asia have been pursued within the frame of Economic Co-operation Meetings – for instance the South Africa–South Korea Economic Co-operation Forum, in which Trade and Investment Agencies between South Africa and specific countries meet to discuss possible business opportunities. Agbiz, under BUSA, participates in the meetings with the view of looking for export opportunities for the agribusiness sector. Agbiz makes presentations to the incoming delegations on the potential agricultural investment opportunities and to present the trade potential based on the respective countries as export markets of South African agricultural products. The dti also organises outbound missions to other countries to explore trade and investment opportunities.

3.2.4 America Trade Relations

The African Growth Opportunity Act (AGOA)

Agbiz has been participating in discussions to support the extension of AGOA, and South Africa’s continued inclusion thereof. Agbiz made a presentation at a Trade and Industrial Policy Strategies (TIPS) Development Dialogue to share information on the importance of AGOA to South Africa’s agricultural sector, especially citrus and wines. Agbiz also had the opportunity to host US Deputy Secretary of Agriculture, Ms Krysta Harden, for a lunch meeting to discuss AGOA and other mutual trade matters.

Agbiz, through BUSA, under the subcommittee of the Technical Sectoral Liaison Committee (TESELICO) within NEDLAC, and through interactions with the dti is in support of the government position of advocacy and sharing information with the US counterparts. Agbiz is in support of the government position which notes that anti-dumping duties on US chicken portions, as well as the sanitary and phytosanitary (SPS) measures on beef and pork, are WTO compliant and drawn from scientific evidence, respectively.





4. LIAISING WITH BUSINESS

4.1 Local linkages, forums and entities

Over the reporting period a key development has been the establishment of the Agri-Sector Unity Forum (ASUF) by 6 founder members, viz. African Farmers Association of South Africa (AFASA), Agri SA, National African Farmers Association of South Africa (NAFU SA), TAU SA, South African Agricultural Processors Association (SAAPA) and Agbiz. Agbiz has provided the Secretariat for ASUF over the past two years in an attempt to bring greater unity of purpose to South Africa's agriculture sector, as well as to engage government with one voice on major policy and legislation issues impacting on the sector. To this end ASUF held its first ASUF Policy Conference, entitled "Policy Certainty in Agriculture", on 27 and 28 February 2014 in Stellenbosch, Western Cape, where the following agreed to policy positions were tabled to government and other stakeholders: Employment and Labour, Land Reform, Infrastructure, Agro-logistics and Rural Development, Safety and Security, and Water Availability. This hugely successful event was very well attended and supported, also by Agbiz members, and lay a platform for future engagement on the aforementioned, but also other critical factors impacting on the sector.

In further broadening its stakeholder engagement, Agbiz and its personnel also serve on various local key representative forums and entities, in advisory and/or decision-making capacities, such as:

- CEO serves on the Board of Directors of the Land and Agricultural Bank of South Africa.
- Department of Agriculture, Forestry and Fisheries' (DAFF's) CEO Forum and its Steering Committee (CEO is currently chairman of CEO Forum Plenary).
- DAFF's Agricultural Trade Forum (ATF).
- AgriBEE Charter Council (Ministerial appointment of Ms Stroebel and CEO to Council).
- National Agricultural Marketing Council (NAMC) – (Ministerial appointment of CEO to Council).
- Trustee of the Maize Trust.
- Director of the Section 21 Company, Grain Farmer Development Association (GFADA), as well as a member of the Grain Value Chain Network.
- Ms Stroebel serves as member of the Reserve Bank's Economic Roundtable.
- Agbiz personnel serve in various capacities in BUSA and NEDLAC task teams.
- Agbiz is a co-founder and Steering Committee member of the newly established Agricultural Development Finance Forum (ADeFFSA) for South Africa.
- Joint Agribusiness Department of Agriculture, Forestry and Fisheries Forum for Africa (JADAFSA): Agbiz, together with Spear CC, are engaged in a public-private partnership

(PPP) with the Department of Agriculture, Forestry and Fisheries (DAFF) to promote and facilitate mutually beneficial trade and investment between South Africa and the Rest of Africa, through enhanced agricultural and agro-industrial investments and partnerships – see www.jadafa.co.za

4.2 Global linkages, forums and entities

In order to broaden its stakeholder engagement internationally, Agbiz and its personnel serve and/or participate in various forums and entities that have a continental or international focus, such as:

- NEPAD Business Foundation (NBF): Agbiz is a member of the NBF and participates in its Southern African Agricultural Development Programme (SAADP) activities by, among others, serving on its Steering Committee. The goal is to work towards Africa's prosperity by breaking down barriers to economic growth, trade and investment.
- Food and Agricultural Organisation of the United Nations (FAO): Agbiz participated in a meeting with Secretary General of FAO, Dr José Graziano da Silva in Pretoria in July 2012. Follow up meetings were also held with the FAO's Southern Africa representative, Dr Tobias Takavarasha, who also addressed the Agbiz Council in Durban on 27 November 2013.
- Comprehensive African Agriculture Development Programme (CAADP): Agbiz participated in the 10th CAADP Partnership Platform Meeting held in Durban from 19-22 March 2014 with three delegates. Agbiz further serves on the South African CAADP Country Team and participated in the CAADP National Planning Workshop of 8-9 April 2014.
- International Food and Agribusiness Management Association (IFAMA): Agbiz is an institutional member of the International Food and Agribusiness Management Association (IFAMA), while Agbiz's CEO also serves on its Board. Agbiz participated in the Annual IFAMA World Forum and Symposium in Shanghai during 2012 and in Atlanta, USA in 2013. Agbiz, together with the University of Stellenbosch, recently partnered with IFAMA to host the Annual IFAMA World Forum and Symposium in Cape Town from 16-19 June 2014.
- United Nations Development Programme's (UNDP) African Facility for Inclusive Markets (AFIM): The African Facility for Inclusive Markets (AFIM) is a regional project working to accelerate progress toward the Millennium Development Goals (MDGs) by supporting the development of inclusive, pro-poor markets across Africa. Agbiz has participated in a number of its initiatives, while AFIM personnel also participated in the Agbiz 2012 Congress.
- Business and Industry Advisory Committee (BIAC) to the OECD: Through BIAC, Agbiz receives the latest position papers by BIAC, as well as has access to important OECD policy documents.

5. STAKEHOLDER ENGAGEMENT

From a corporate perspective, Agbiz defines its stakeholders as individuals, groups or organisations that can affect or be affected by the actions of the business of Agbiz as a whole. There are obviously different categories of stakeholders, given their specific characteristics and potential impact, such as the agricultural producers (farmers) of South Africa and of countries outside of South Africa, the South African government and the governments of other countries, consumers, the media, NGO's international organisations and bodies, trading partners and countries, and many others.

Agbiz utilises a wide variety of communication methods to ensure that its communication with stakeholders is clear and understandable, and sets out all relevant facts. Care is taken to ensure that engagement with stakeholders is, where appropriate, not just one-way communication but constructive, partnership-based engagement. This is done through using the following platforms:

5.1 eNewsletter

The weekly electronic newsletter 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 better informed and responsible partners in the economic prosperity of the agribusiness sector of South Africa. The publication's target audience comprises executives and senior managers in agribusiness, policy and decision makers in government, academia, industry associations and the media.

5.2 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. Agbiz recently re-launched its website with a fresh new look and responsive design. The responsive web design allows the website layout to adapt to the size of device it is being viewed on (i.e. tablets and smartphones).

5.3 Social media

Communicating corporate messages and issues through social media is important and necessary in order to improve and promote conversations with stakeholders. The following digital platforms are used:

Online Discussion Forum

In 2014, Agbiz launched an online agribusiness discussion forum, The Greenkeeper. The forum addresses issues facing

the agribusiness sector and serves as platform to foster public debate and opinion on these issues. Independent and neutral journalists are invited to write articles on a diverse range of agribusiness topics. The Greenkeeper is available at: www.thegreenkeeper.co.za

Facebook and Twitter

Engagement on Facebook and Twitter started in 2013 and is gaining momentum. These platforms are used to share information and insights on economic, policy and social matters.

News Blog

News from various trustworthy sources are posted on the Agbiz news blog daily.

5.4 Exhibitions

Agbiz exhibited at the PMA Career and Bursary Fairs, which were held at the University of Stellenbosch and the University of Pretoria. Through these exhibitions Agbiz aims to engage with students and to promote career opportunities in the agribusiness sector. A number of Agbiz members' Human Resources Departments made use of this opportunity to meet with students, and to identify potential candidates for future positions.

5.5 Workshops

A number of workshops were organised and facilitated by Agbiz over the review period. The workshops sought out participation from members and partners with expertise in developing policies, legislation, strategies and guidelines. The workshops dealt with issues such as Agro-logistics, Finance and Development Finance in Agriculture, AgriBEE, Trade Development Strategy and Trade Competitiveness. These workshops are of major benefit to Agbiz members, both from an information sharing and networking perspective. They also provide Government and Government institutions the necessary platforms to engage the private sector on developments that need to be noted for strategic decision-making.

5.6 Presentations

Over the two year period, Agbiz made almost 70 presentations to a range of external and internal stakeholders, including high level invited participation at local and international events such as: The IFAMA Symposium and Forum, 3rd Global Conference on Agriculture and Climate Change, SAADPP Launch, COP-MOP6 in India, SACAU Conference in Madagascar, 6th Africa Economic Forum 2012, Africa Forum in Brussels & Agricultural Committee of European Commission. Numerous presentations were also made to members on critical issues that affect their strategic planning.

5.7 Council Meetings

Agbiz administration furthermore hosted 7 highly successful council meetings, which included various topical guest speakers and effective networking dinners, over the two year review period.

5.8 Stakeholder Surveys

Surveys were used to gather feedback from stakeholders for writing reports and articles on important matters, such as agribusiness confidence, competitiveness of agribusiness in South Africa and B-BBEE implementation in the agribusiness sector.

5.9 Media Engagement

Media exposure is one of the most important channels to communicate with the general public and Government. Agbiz has established good relationships with key media contacts and received extensive coverage in the printed media, on television, in radio and online news sources. During the period under review coverage was mainly around the issues of food safety, food prices, investment in agriculture, land reform, trade, AgriBEE, climate change and training. The media play an important and responsible role in informing and educating the general public on issues pertaining to food security as they have a direct interest in issues such as food prices, food quality and safety, stewardship of the environment, rural development and security, labour matters and animal welfare.

5.10 Publications

Agribusiness Contribution to the National Development Plan

In 2014 Agbiz launched the publication, "Agribusiness Contribution to the National Development Plan". The publication showcases programmes and projects where a number of Agbiz members are involved to help create – in line with the NDP – a future for the youth, to encourage job creation and to offer training in specific skills to entrepreneurs.

Surviving the global food jungle

Agbiz in partnership with the National Agricultural Marketing Council (NAMC) launched a publication, "Surviving the global food jungle" in 2012. The extraordinary work that Prof Macros Fava Neves has done across the world in the global food business is largely captured in this book. Prof Fava Neves specialised in strategic planning processes for companies and food production chains, and is a professor at the School of Business of the University of Sao Paulo.



Negotiating the intricacies of trade agreements

South Africa's trade agreements have come under the spotlight recently, with government cancelling many bilateral investment treaties with countries abroad. **John Purchase**, CEO of Agbiz, spoke to **Lindi van Rooyen** about the changes and what they mean for local producers.



JOHN PURCHASE

Has the EU (or other countries) historically benefited more from trade agreements with SA than we have?
I don't think one can

deadlock. Agriculturally, Europe remains our main trading partner, even though our exports to Africa and Asia have grown significantly over

General Agreement on Tariffs and Trade (GATT) Article VI and the GATT agreement on subsidies and countervailing measures.

Planne vir vraag-en-aanbodkomitee vorder

Deur **SUSAN BOTES**

Die werkswyse van 'n komitee wat 'n maandelikse skatting van die vraag en aanbod van grane en oliesade sal publiseer, is amper gereed.

'n vergadering in Pretoria aan belanghebbendes gesê.

'n Behoeft aan só 'n komitee is vroeër vanjaar op die spits gedryf toe mielies verlede jaar in dieselfde tyd in- en uitgevoer is en daar gevolglik onsekerheid was

Die komitee sal aanvullend tot die Oesskattingskomitee funksioneer. Belanghebbendes het besluit dat dit wenslik sal wees dat die komitee se syfers, wat veral op in- en uitvoer sal fokus, op dieselfde dag as die

om die Mededingingskommissie se gevoel oor dié komitee. 'n Regsmening van die kommissie sal ingewin word sodra die finale dokumentasie ter tafel gelê kan word, sê Purchase.

Buiten dat die NLBR die inlig-

An example is the USA-approved African Growth and Opportunity Act (Agoa). Trade agreements are generally complex and are negotiated to create win-win situations, but can become skewed due to shifts in production

itself from cheap imports from countries whose farmers are subsidised?
The best way to deal with countries that subsidise their agriculture significantly and create a skewed playing field is to

product exporters are increasingly positioning themselves to access these opportunities. Greater diversification in terms of our export destinations is a good development and SA should seek to develop

the market more difficult.
Can SA's export market survive without the EU market? Are there other enough stable markets that we should be focusing on?
It would be catastrophic for

Make sure of demand, aquaculture project warned

HOPEWELL RADEBE
Land and Agriculture Editor

TRADE and Industry Minister Rob Davies needed to ensure that there

The programme aims to promote investment in fish production and to support infrastructure development in an aquaculture industry through active farmer support and manage-

reased investment in aquaculture, increased production, job creation, broadening of participation and the diversification of the sector.
Agbiz CEO John Purchase yes-

attraction of this type of farming. However, mainstream South Africans were generally not major fish eaters and there was uncertainty as to the level of uptake and when the

ed plans and government in driving de-
said. Therefore, the our encourage and elicit in
the purpose of addr

Trade, Development and Co-operation Agreement - a treaty concluded between the European Community and SA, signed in 1999 and which came into force in 2004. There are many trade-

finds that a foreign country subsidises its exports, injuring domestic producers in the importing country. According to WTO rules a country can launch its own investigation

EU exports a result of the EU's strict requirements?

In a recent meeting with EU Trade Commissioner Karel de Gucht, Agbiz

Bemerkingswet neig terug na staatsbeheer

Talle vraagtekens hang oor die voorgestelde wysigings aan die bemerkingswetgewing vir landbouprodukte wat onlangs vir kommentaar beskikbaar gestel is. Dit lyk asof die staat daarmee groter beheer oor die mark en ook oor landboutrusts wil verkry.



Arbeid en grond – die knelpunte

Twee van die kernkwessies binne die landbou is grondhervorming en stakings oor minimum lone. Kenners het op AMT se vooruitskouingskonferensie gepraat oor hoe dit voedselsekerheid en beleggings gaan raak.

Werlede jaar se stakings in die Wes-Kaap en die styging van 52% in die minimum loon, wat daartoe gelei het word

in ander lande in boerdery belê. Die groot rede vir die gebrek aan beleggings lê in die onsekerheid weens arbeidskwessies, lone en grondhervorming. Boere sal toenemend me-

Die boodskap is dat daar tans ernstige kommer is oor die departement se benadering tot grondhervorming en ons het al verskeie briewe van mnr. Guile Nkwinti, Minister van Lande-

Quo vadis South African AGRICULTURE?

The National Development Plan (Vision 2030) presents a way forward for agriculture, recognising the importance of commercial and smallholder farming and advocating a pragmatic, engaged approach, explains **John Purchase**, CEO of Agbiz.

Farmers need to rethink their businesses – Purchase

South African farmers will have to face the reality of reduced profitability, or risk going out of business.

"We need to engage government in order to improve the sector. Agriculture is just not profitable enough to

deregulation and liberalisation in the mid-1990s. This is despite increased biosecurity threats and failures, a skewed global agricultural trade environment (subsidies, dumping and non-tariff

agri-food markets can be proud of the progress made in developing competitive and efficient supply chains, especially during the past few years. South Africa's agri-food system is

'RURAL BUSINESSES NEED GOOD GOVERNANCE, ECONOMIC STABILITY AND SECURE PROPERTY RIGHTS.'

The question of this in the industry now it viewed

Gebeure voor verkiesing kan beleggings verdraag

a net exporter of agricultural produce (primary and processed agricultural produce), earning valuable foreign exchange, while the sector has generally ensured national food security since the turn of the previous century.

MARKET GROWTH
Local and foreign markets have expanded, and the

some time, confront the industry more fully now, and will require cool heads and dedicated attention in 2013. These issues primarily relate to land reform, labour and broad-based black economic empowerment implementation – in short the transformation of the sector.

ambit of the Constitution



f To comment on this story, visit www.facebook.com/FarmersWeeklySA

6 | farmer'sweekly | 28 DECEMBER 2012

of South Africa while ma investor confidence and g remains largely unclear f government policy persp Transformation of our r agri-food environment m different things to differe in our complex and charn society. This divergent ex ultimately poses the bigg threat to the agri-food sys

LAND AND LABOUR

A case in point is the so-c consultation process follo



'THIS IS NOT GOVERNMENT INTERVENTION. THIS IS PEOPLE INTERVENTION.'

– Prof Albert Modi of the School of Agricultural, Earth and Environmental Sciences at the University of KwaZulu-Natal, on a hands-on research project in Umbumbulu on the KZN south coast (pg 25).

'ONCE WE HAVE ALIGNED OURSELVES POLITICALLY, THE OBVIOUS NEXT STEP IS TO LOOK AT TRADE.'

– Dr John Purchase, CEO of Agbiz on the future benefits for South Africa of being part of Brics (pg 16).

'THERE SIMPLY IS NO SUPPORT FROM GOVERNMENT'S SIDE FOR THE FOOD PRODUCERS OF SA.'

– Henk Vermeulen, Free State Agriculture CEO, on struggling farmers feeling isolated and abandoned (pg13).

'WE WILL NOT TOLERATE ANY FURTHER DELAY ON THIS PROJECT.'

– Public Enterprises Minister Malusi Gigaba's promise in April this year on the construction delays on Eskom's new Medupi power station (pg 23).

'THE IMPORTERS WILL HAVE TO ABSORB THE EXTRA COST AND THEY WILL GET HURT.'

– Ernst Janovsky, head of Absa AgriBusiness, on the expected implementation of the poultry import tariff (pg 20).

Africa. Vision 2030 articu a rural development strat based on agricultural gro development. It recognis importance of both comm smallholder agriculture i national and household security, while emph employment potentil forward and backwa and multiplier effects a land reform strategy significant transfer of farm land (20%) to b through fair rem compensation operated by di land committe committees we comprise stakeh government and

Loonskok het dalk gunstige nadraai

Die skokstyging in die minimum loon vir plaaswerkers het nie net die spelreëls in die landbou oornag onherroeplik verander nie. Dit was volgens ingeligtes ook die sneller wat die Regering met toenemende kommer laat kennis neem van die opbouwende finansiële druk in die sektor.

DIE ongeskrewe reël wat sommige mense die "wet van onbedoelde gevolge" noem, bly spook in die landbou. Die gewraakte verblyfregwetgewing in die 1990's het byvoorbeeld verreikende gevolge vir werkskepping op plase gehad – gevolge wat nooit ontflont is nie.

landbou, die departement, die nywerheidsontwikkelingskorporasie IDC en die Landbouemarkingsraad saam gaan sit en besin oor wat nou moet gebeur.

WATTER INGREPE VAN STAATSKANT, MAAR OOK OP PLASE, IS MOONTLIK?

die afwesigheid van skaalekonomie en 'n balansstaat wat nie die verhoogde risiko kan hanteer nie.

"Ons sien dit by talle landboubesighede, hulle sê vir ons die midde slagboere kan nie meer oorleef nie, hul risiko is te hoog."

Dan noem hy 'n groot landbou-onderneming wat reeds plase

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6. HUMAN CAPITAL DEVELOPMENT

Agbiz reflects the intentions of its individual members to increase its emphasis on human capital development. Internationally the need to invest in young talent in the agricultural sector, is being addressed. Agbiz considers it a responsibility to assist the industry in attracting and maintaining talent.

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. Post graduate students in agricultural economics, or agribusiness related fields, can apply for this annual bursary.

In 2013, the bursary was awarded to Mr Gunther Griessel, a Master's Degree student in agricultural economics at the University of the Free State.

In 2014, the decision was made to award two bursaries, due to the high standard of applications received. The one bursary was awarded to Mr Andries Radley, a PhD student in agricultural economics, at the North West University and the other to Mr Sifiso Mhlaba, a PhD student in agricultural economics at the University of Pretoria.

As the primary objective of the bursary is to promote Masters, or PhD level research in agribusiness related fields, Agbiz certainly is proud to be associated with and supporting the set research of the 2014 Agribusiness Centenary Bursary holders.

6.2 *Agbiz Congress Student Promotion Project*

For the 2012 Agbiz Congress, 16 students from 5 different universities were selected to attend the congress, network with agribusiness leaders and obtain the opportunity to showcase their skills during the Agbiz / IFAMA Student Case Competition. Besides the excellent networking opportunity the students benefitted from, the case competition gave them the opportunity to get exposed to a real live agribusiness problem and situation, given that they had limited time to address the problem, come up with business solutions and present and defend it before a judging panel of agribusiness executives. This not only was a great learning experience for students, but also served as a way to showcase talent. The response from observing agribusiness executives, as well as the students was extremely positive.

Following the successes from the student promotion programme hosted at the Agbiz congresses in 2008, 2010 and especially 2012, the decision was made to repeat the initiative at the Agbiz Congress in 2014. Another 16 students will be selected to attend the Congress and to participate in the Student Case Competition, which will be based on the same structure as in 2012. Agbiz would also like to thank each of the sponsoring agribusinesses, making it possible to fund this initiative and for reaching out to their respectively allocated students to achieve the successes of this programme.

6.3 *Linking Academia with Agribusiness*

Agbiz has, through research and promotion programmes, maintained good linkages with relevant universities in South Africa. The main objective is to gain from the expertise and knowledge within the universities and to provide them with insight to the needs of agribusinesses and to the policy environment impacting on agribusinesses.

Agbiz played a significant role in hosting the International Food and Agribusiness Management Association (IFAMA)'s Annual World Conference in Cape Town in June 2014, which involved an academic symposium and a global student case competition, which provides for excellent platforms to involve relevant academic and student exposure to the agribusiness environment. Agbiz's intention included to bring about international academics and students to focus on researching South African and African agribusiness challenges and opportunities. Agbiz will also play a fundamental role in structuring and facilitating the African IFAMA Chapter, which is to provide for further human capital development, especially with the objective of linking academia with agribusiness.

AGBIZ gallery







General information

Country of incorporation and domicile	South Africa
Nature of business	The Agricultural Business Chamber is an association, registered as an association with a “not for gain” object.
Executive Committee	Mr. Schalk Willem Pienaar (Chairperson) Dr. Tobias Ockert Doyer (Deputy Chairperson) Dr. Hans Natson Balyamujura Mr. Daniel Frederick Marais Mr. Willem Hendrik du Plessis Dr. John Luscombe Purchase
Registered office	Grain Building 477 Witherite Road The Willows Pretoria 0041
Business address	Grain Building 477 Witherite Road The Willows Pretoria 0041
Postal address	PO Box 76297 Lynnwood Ridge Pretoria 0040
Bankers	ABSA Bank
Auditors	“Enslins Bethlehem Incorporated Chartered Accountants (S.A.) 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: Erika Ruppig (BCom Management Accountancy)”
Date issued	Wednesday, April 02, 2014

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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, amended with special disclosures as set out in these financial statements. 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, amended with special disclosures as set out in these financial statements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Executive Committee acknowledges 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 2015 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 4.

The financial statements set out on pages 5 to 16, which have been prepared on the going concern basis, were approved by the Executive Committee on 02 April 2014 and were signed on its behalf by:



Dr. John Luscombe Purchase



Mr. Schalk Willem Pienaar (Chairperson)

Independent Auditor's Report

to the members of the Agricultural Business Chamber

We have audited the financial statements of the Agricultural Business Chamber, as set out on pages 7 to 16 which comprise the statement of financial position as at 28 February 2014, and the statement of income and retained earnings and statement of cash flows for the year ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, amended with special disclosures as set out in these financial statements, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Agricultural Business Chamber as at 28 February 2014, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, as amended and set out in these financial statements, and the requirements of the constitution of the Agricultural Business Chamber.



Enslins Bethlehem Incorporated
Registered Auditors

2 April 2014
Pretoria

EE Bakker CA (SA)
Registered Auditor

Executive Committee's Report

The Executive Committee has pleasure in submitting their report on the financial statements of the Agricultural Business Chamber for the year ended 28 February 2014.

1. Nature of the organisation

The Agricultural Business Chamber is an association, registered as an association with a “not for gain” object. The visionary framework, strategic intent, mission and objectives have been updated for 2011.

The strategic intent is to act as 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 function, 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 stakeholder in the South African economy.

Core objective 2: To influence the policy and legislative environment insofar as it affects agribusiness activities, by way of on-going 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 co-operates 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.

Executive Committee's Report

(continued)

3. Executive Committee

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

Mr. Schalk Willem Pienaar (Chairperson)
Dr. Tobias Ockert Doyer (Deputy Chairperson)
Dr. Hans Natson Balyamujura
Mr. Daniel Frederick Marais
Mr. Willem Hendrik du Plessis
Dr. John Luscombe Purchase

4. Audit Committee

The Chamber has a functioning Audit Committee. The members of the Audit Committee are as follows:

Mr. Frans van Wyk (Chairperson)
Mr. Koos van Rensburg
Mr. Erenst Pelsler

5. Events after the reporting period

The Executive Committee is not aware of any material event which 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 satisfied themselves 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 has been appointed as auditors for the organisation for 2014.

Statement of Financial Position as at 28 February 2014

Figures in Rand	Note (s)	2014	2013
Assets			
Non-Current Assets			
Property, plant and equipment	2	43 381	73 045
Current Assets			
Trade and other receivables	3	625 162	61 555
Cash and cash equivalents	4	4 201 531	3 976 954
		4 826 693	4 038 509
Total Assets		4 870 074	4 111 554
Equity and Liabilities			
Equity			
Accumulated surplus		3 749 877	3 472 614
Liabilities			
Current Liabilities			
Trade and other payables	5	1 120 198	638 941
Total Equity and Liabilities		4 870 074	4 111 554

Statement of Income and Retained Earnings

Figures in Rand	Note (s)	2014	2013
Operating income	6	5 770 911	5 330 193
Other income	7	428 355	1 418 502
Operating expenses		(5 922 003)	(6 026 081)
Operating surplus		277 263	722 614
Surplus for the year		277 263	722 614

Statement of Cash Flow

Figures in Rand	Note (s)	2014	2013
Cash flows from operating activities			
Cash generated from operations	9	222 647	524 730
Cash flows from investing activities			
Sale of property, plant and equipment	2	1 930	-
Total cash movement for the year		224 577	524 730
Cash at the beginning of the year		3 976 954	3 452 224
Total cash at end of the year	4	4 201 531	3 976 954

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, amended with special disclosures as set out in these financial statements. 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 are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Costs include all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Costs include 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, which are as follows:

<i>Item</i>	<i>Average useful life</i>
Furniture and fixtures	6 years
Office equipment	5 years
IT equipment	3 years

The residual value, depreciation method and useful life of each asset are reviewed at each annual reporting period if there are indicators present that there has been a significant change from the previous estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price. This includes transaction costs, except for financial instruments which are measured at fair value through surplus or deficit.

Financial instruments at amortised cost

Debt instruments, as defined in the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which 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 the end of 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 so, an impairment loss is recognised.

Financial instruments at cost

Commitments to receive a loan are measured at cost less impairment.

Accounting Policies

(continued)

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment. This includes equity instruments held in unlisted investments.

Financial instruments at fair value

All other financial instruments are measured at fair value through profit and loss.

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. 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 Operating income

When the outcome of a transaction involving the rendering of services can be estimated reliably, operating income associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of operating income can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the organisation;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, operating income shall be recognised only to the extent of the expenses recognised that are recoverable.

Service operating income is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Operating income is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

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

Service fees included in the price of the product are recognised as operating income over the period during which the service is performed.

1.5 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency of the organisation, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

Notes to the Financial Statements

2. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and impairments	Carrying value	Cost / Valuation	Accumulated depreciation and impairments	Carrying value
Furniture and fixtures	96 527	(61 099)	35 428	147 202	(96 181)	51 021
Office equipment	16 617	(13 294)	3 323	16 617	(9 971)	6 646
IT equipment	133 901	(129 271)	4 630	147 957	(132 579)	15 378
Total	247 045	(203 664)	43 381	311 776	(238 731)	73 045

Reconciliation of property, plant and equipment - 2014

	Opening balance	Disposals	Depreciation	Total
Furniture and fixtures	51 021	-	(15 593)	35 428
Office equipment	6 646	-	(3 323)	3 323
IT equipment	15 378	(921)	(9 827)	4 630
	73 045	(921)	(28 743)	43 381

Reconciliation of property, plant and equipment - 2013

	Opening balance	Disposals	Depreciation	Total
Furniture and fixtures	66 558	-	(15 537)	51 021
Office equipment	9 969	-	(3 323)	6 646
IT equipment	33 023	-	(17 645)	15 378
	109 550	-	(36 505)	73 045

3. Trade and other receivables

Trade receivables	496 917	61 555
Prepaid expenses - Congress 2014	128 245	-
	625 162	61 555

Credit quality of trade and other receivables

None of the financial assets that are fully performing has been renegotiated in the current financial year.

Fair value of trade and other receivables

The fair value of trade and other receivables (at initial recognition) is equal to the invoice amounts related to these receivables in regard to sponsorships for the 2015 financial year not yet received, and will also reflect in income received in advance.

Prepaid expenses reflect payments made towards the venue hire for the IFAMA and Agbiz Congress that will be held in the 2015 financial year.

Notes to the Financial Statements

(continued)

Figures in Rand

2014

2013

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cheque account	133 644	138 993
32 Days notice account	-	3 837 961
Depositor Plus	4 057 945	-
Credit card	11 844	-
Credit card main account	(1 902)	-
	4 201 531	3 976 954

The 32 days notice account has been closed during the year, and the funds have been transferred to a new Depositor plus account with better interest rates and shorter waiting periods for the availability of funds. Furthermore, the carrying amounts of these assets approximates the fair values.

5. Trade and other payables

Trade payables	155 774	27 517
Amounts received in advance - Congress 2014	518 509	174 900
VAT	59 465	9 269
Executive travel fund	103 055	-
Provision for leave	183 395	195 245
Funds in trust: Unity in Agriculture	-	42 796
Asset replacement fund	100 000	189 214
	1 120 198	638 941

Trade and other payables principally comprise of amounts outstanding for trade purchases and on going 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.

The income received in advance consists of sponsorships for the IFAMA and the Agricultural Business Chamber Congress that will be held in the 2015 financial year. These amount have not yet been received, and also reflects under trade and other receivables. Refer to note number 3. The VAT outstanding also increased from the prior year due to these sponsorships that have not yet been received.

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.

In an effort to ensure sufficient resources towards a well structured asset replacement framework, the Audit Committee of the Agricultural Business Chamber suggested an Asset Replacement Fund to serve the purpose. This asset replacement fund however is not in compliance with the International Financial Reporting Standards for Small and Medium-sized entities.

Standard Bank entrusted the Agricultural Business Chamber to manage the allocated fund for the Unity in Agriculture initiative. These funds have been managed completely independent from the Agricultural Business Chamber finances and the balance has been transferred to their bank account during the current financial year.

6. Operating income

Membership Fees	5 770 911	5 330 193
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Notes to the Financial Statements (continued)

Figures in Rand

2014

2013

7. Other income

Profit and loss on sale of assets and liabilities	1 009	-
Management fees	237 288	140 989
Interest received	190 058	111 549
Congress income	-	1 165 964
	<u>428 355</u>	<u>1 418 502</u>

Management fees - Income received for CEO's involvement at Land Bank, Maize Trust and NAMC.

8. Auditors' remuneration

Fees	<u>42 500</u>	<u>38 500</u>
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9. Cash generated from operations

Cash generated from operating activities	277 263	722 614
Adjustments for:		
Depreciation and amortisation	28 743	36 454
Surplus on sale of assets	(1 009)	-
Changes in working capital:		
Increase in trade and other receivables	(563 607)	255 750
Increase in trade and other payables	481 257	(490 088)
	<u>222 647</u>	<u>524 730</u>

Detailed Income Statement

Figures in Rand	Note (s)	2014	2013
Operating income			
Membership fees		5 770 911	5 330 193
Other income			
Gains on disposal of assets	7	1 009	-
Management fees	7	237 288	140 989
Interest received		190 058	111 549
		428 355	252 538
Operating expenses			
Accounting fees		16 698	29 663
Marketing		185 324	70 857
Affiliation and membership fees		270 000	245 000
Agricultural Unity Forum		12 615	-
Provision for asset replacements		66 815	-
Auditors remuneration	8	42 500	38 500
Bad debts		-	15 960
Bank charges		7 239	6 136
Bursary grants		50 000	25 000
Computer expenses		68 960	56 766
Conference and events		47 870	8 655
Consulting and professional fees		36 238	9 000
Depreciation, amortisation and impairments		28 743	36 454
Economic and Trade Intelligence		125 197	19 160
Employee costs		3 917 737	3 662 363
Honorariums		243 801	210 834
Insurance		25 980	22 296
International liaison		146 076	39 901
Lease rentals on operating lease		222 473	202 232
NDP Project		59 617	-
Networking and meetings		45 482	57 195
Office necessities		7 699	6 263
Parliamentary correspondent		26 400	24 000
Printing and stationery		51 798	48 078
Repairs and maintenance		1 200	2 195
Staff training		6 565	14 223
Travel - local		208 976	244 680
		5 922 003	5 095 411
Operating surplus		277 263	487 320
Congress (Refer to page 16)		-	235 294
Surplus for the year	10	277 263	722 614

Income Statement for Congress Activities

Figures in Rand	Note (s)	2014	2013
Congress income			
Sponsorships		-	843 774
Registration Fees		-	284 190
Advertising and exhibition income		-	38 000
		-	1 165 964
Gross surplus			
		-	1 165 964
Congress expenses			
Promotional material		-	270 820
Travel and venue hire		-	659 850
		-	930 670
Operating surplus			
		-	235 294
Surplus from congress activities			
		-	235 294