



agricultural business chamber
the way to prosperity

strategy
success
opportunity
innovation
SSION
management
challenge
corporate
goal transformation
policy
marketing
business
intelligence
achievement
decision
partnership
growth
competition
economy
communication
legislation
innovative

70
years

BIENNIAL REPORT 2014-2016

PO Box 76297, Lynnwood Ridge
South Africa 0040

Grain Building, 1st Floor
477 Witherite Street
The Willows, Pretoria
South Africa

T. +27 (0) 12 807 6686
F. +27 (0) 12 807 5600
admin@agbiz.co.za
www.agbiz.co.za

Produced by Agri Connect
T. +27 (0) 12 843 5700



70 **BIENNIAL REPORT 2014–2016**
years

CONTENTS

Strategy	3
Foreword by Chairperson	4
Overview from the CEO	7
Functional areas of work	10
1. POLICY AND LEGISLATION	10
1.1 Land reform	11
1.2 Broad-Based Black Economic Empowerment	13
1.3 Labour relations, skills development and social compact	14
1.4 Climate change, carbon tax and waste management	18
1.5 Electricity and energy awareness	19
1.6 Water policy	20
1.7 National infrastructure development and road safety	21
1.8 Protection of Investment Bill	22
1.9 Border Management Authority Bill	23
1.10 Agricultural Policy Action Plan (APAP)	23
1.11 Rail branchline policy	24
1.12 Grains and feed export regulations	24
1.13 Breeding and technology levy system	24
2. AGRIBUSINESS INTELLIGENCE	25
2.1 Trade competitiveness	25
2.2 Agribusiness Competitiveness Executive Opinion Survey	26
2.3 Agbiz/IDC Agribusiness Confidence Index	29
2.4 Foreign direct investment trends	31
3. LINKING SA AGRIBUSINESS TO THE WORLD	33
3.1 Global agribusiness	33
3.2 Trade and trade facilitation	33
4. LIAISING WITH BUSINESS AND GOVERNMENT	38
4.1 Local linkages, forums and entities	38
5. STAKEHOLDER ENGAGEMENT	40
5.1 eNewsletter	40
5.2 Website	40
5.3 Workshops	40
5.4 Presentations	40
5.5 Council meetings	41
5.6 Exhibitions	41
5.7 Stakeholder surveys	41
5.8 Corporate DVD	41
5.9 Publications	41
5.10 Marketing brochure	41
5.11 Social media	41
5.12 The Greenkeeper discussion forum	42
5.13 Media engagement	42
6. HUMAN CAPITAL DEVELOPMENT	43
6.1 Agribusiness Centenary Bursary	43
6.2 Agbiz Congress Student Promotion Project	43
6.3 Linking academia with agribusiness	43
6.4 Grain industry training material	44

STRATEGY

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

MISSION

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

AGBIZ CULTURE AND VALUES

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

STRATEGIC INTENT AND CORE OBJECTIVES

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 ongoing and professional interaction with all relevant government institutions.

CORE OBJECTIVE 3:

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

CORE OBJECTIVE 4:

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

CORE OBJECTIVE 5:

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

STRATEGIC INTENT:

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

WHAT IS AGRIBUSINESS? (UNIDO, 2011)

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

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

FOREWORD BY CHAIRPERSON



SCHALK PIENAAR (CHAIRPERSON)

Two years ago the Agbiz biennial report reflected on the achievements, challenges and dynamics of the South African economy in general, and the agribusiness sector in particular, during the first twenty years of democracy. There were certainly major successes that the country and our members could celebrate, although there were worrying flags that were warning of tougher times to come.

How quickly the landscape has changed from fairly optimistic and in some cases even a bullish outlook to a resurgence of economic growth following the 2008/09 international economic meltdown, to economic stagnation and a damaging slow-down in growth, massive unemployment and a concomitant increasing burden on the state in terms of welfare costs. In fact, South Africa is teetering on the brink of a recession. There is a plethora of other symptoms to underline the dire situation in which the country finds itself. In addition, foreign direct investment in ventures of a capital nature that could alleviate the rising unemployment, has virtually dried up. Much of what we experience at present is also a knock-on effect of a lacklustre international economy.

In this regard the slump in international commodity prices (iron ore, coal, platinum, etc.) has been particularly bad news for South Africa. The world finds itself in a very worrying and uncomfortable space.

Locally, policy uncertainty regarding such cornerstone matters as ownership of land, expropriation and unfriendly employment policies, as well as very risky and dangerous political rhetoric, continues to adversely affect confidence and a willingness to really take bold and imaginative steps to convert all the negatives into positive and meaningful growth and investment decisions.

This reality is borne out by negative confidence indices based on research amongst businesses in the country. It is deeply concerning that it would appear as if Government is unable to distinguish between what the role of the State (government) is and what the role of a governing majority political party is. The massive drain on the fiscus by state-owned enterprises is ample evidence of this. Despite sterling efforts to stop the rot, unchecked corruption and looting of public assets have become an embarrassing characteristic of South Africa – and is massively detrimental to those who need support and upliftment the most, namely the poorest of the poor.

Regrettably the adverse climatic conditions currently being experienced are contributing to the woes of South Africa and southern Africa's economies. The extreme drought is now assuming record proportions and will certainly place huge demands on both Government and private sector resources. The situation regarding the drought is very serious and could expedite the region slipping into a full-blown recession.

THE ROLE OF AGBIZ

Agbiz has a vital role to play at this time. Although the organisation is deeply conscious of the factors impairing economic growth and development – the effects of this slowdown are, in fact, part of what we have to deal with on a daily basis – our main aim is to look ahead and find the signs of the next upturn in the economic fortunes of South Africa, the region and also internationally. With this goal in mind, Agbiz continually studies the elements of macro-economic activity relevant to the business of our members. In doing so our radar constantly scans the horizon for business opportunities where members can be pointed to, whilst also interacting with industry organisations and Government in an effort to continue to build on and improve the platforms on which to build and grow

the businesses of our members. This work also carries an international flavour with Agbiz actively being involved and represented in international conferences, workshops and membership.

Our point of departure is one of optimism and realism, but also the belief that the international economy does from time to time experience downturns, slowdowns and – very seldomly – economic meltdowns. The world is currently at the bottom or close to the bottom of a huge cyclical event. Southern Africa and South Africa are particularly vulnerable to these realities and it is therefore incumbent upon Agbiz not only to warn of dangers and problems, but also to look towards mechanisms for members to be shielded against the negative effects of economic recessionary conditions. In doing so, we also recognise that the global economy is migrating to new and exciting areas.

The time has come that it is no longer business as usual. There has been an over-reliance on mining and mineral extraction and beneficiation, but the needs of the world's consumers have also changed. The world has only now begun to see the fantastic opportunities for economic growth and development brought about by revolutionary technology. The ability and willingness to embrace this phenomenon will largely determine the winners and losers in the economic race. Together with this, the need to use risk-mitigation strategies such as diversification and expanding business to foreign markets will greatly contribute towards successful business survival.

Agbiz is keenly aware of this and our intellectual capacity is continuously being geared, developed and pointed to assist our members to move ahead as leaders and not followers. It is incumbent upon our members, and also the rest of the role players in our economy, to leave no stone unturned to develop leaders for the future. In fact, Agbiz is leading by example by providing bursaries to deserving candidates who follow advanced academic programmes.

MEMBERSHIP

Agbiz has experienced a steady growth in its membership. Large corporations involved in the agro value chain continue to join our ranks. Similarly, smaller

businesses – even single owner enterprises – continue to become Agbiz members. We are grateful for this as it confirms that we are perceived to be adding value to members. There is general recognition of Agbiz as a respected representative of role players in the agro value chains. This respect goes far beyond our own ranks; Government and foreign leaders of business regularly seek our time and this is gladly and proudly grasped because they are opportunities to further the interests of our members.

To accommodate new members previously belonging to other industry bodies, an innovative step was taken to accommodate them in ring-fenced desks, with dedicated personnel attending to their specialised needs. In this regard, members of the Grain Silo Industry now belong to Agbiz under the auspices of Agbiz Grain. Another new desk member is VinPro, who joined Agbiz during 2014 and together with SALBA, has established the WineBiz desk at Agbiz. VinPro represents 3 600 South African wine producers and cellars. VinPro has its roots in the “old” KWV, which was established in 1918 and is a critical role player in the wine industry. Agbiz is privileged to have these new representative members and look forward to the qualitative value that they will add to the organisation.

APPRECIATION

First and foremost I wish to acknowledge our members whom Agbiz has had the honour to serve. Not only did members regularly attend council meetings, but they also participated and contributed to the work that we do in many meaningful ways. Briefings and workshops were attended and valuable inputs were made to vital matters of national and sectoral importance by participating in task teams and the furnishing of quality information and data when called upon to do so. The contributions of our members are truly appreciated.

The role of our Executive Committee has become more prominent during the period under review. This is due to a significant increase in the requests to Agbiz for opinions, views, inputs, commentaries and active participation in matters related to regulations and policies that affect the business lives of our members. It has been necessary to divide our resources due to programme constraints and Exco members have also

attended meetings on behalf of our CEO when he was tied up with other business commitments. The Audit Committee functions on a low-key basis and “behind the scenes”. Yet, its role is crucial for the well-being of Agbiz and it gives comfort and confidence to the organisation and its members by keeping a watchful eye on our financial affairs.

Agbiz works and interacts with various people and organisations that contribute widely to our success. These working relationships have been built up over time and are deeply treasured by Agbiz. To them my sincere gratitude and appreciation.

The staff of Agbiz, under the capable leadership of Dr John Purchase, has continued to render outstanding service. They often work behind the scenes and unobtrusively, but their contributions are visible in so many ways – also beyond the borders of South Africa. Agbiz would like to extend its appreciation to each and every one of this very special Agbiz team.

“ Agbiz works and interacts with various people and organisations that contribute widely to our success.”

EXECUTIVE COMMITTEE



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



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



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



KAMLESH RIGA
Financial Director at BKB
Appointed to Agbiz Exco in August 2014



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



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



DR JOHN PURCHASE
Agbiz CEO
Appointed at Agbiz in 2007

OVERVIEW FROM THE CEO

Despite operating in an environment that has increasingly become more complex and challenging due to a combination of economic, political and environmental factors impacting negatively on the environment and creating a “perfect storm scenario”, Agbiz has over the past two years again managed to make significant progress in a number of key focus areas emanating from its core objectives. Agbiz follows critical strategic thinking and acts proactively to address the relevant issues and challenges at hand, while 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 (Chairperson), Mr Danie Marais (Deputy Chairperson), Dr Langa Simela (Deputy Chairperson), Mr Francois Strydom, Mr Sean Walsh, Mr Kamlesh Riga 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. Dr Simela was elected unopposed in July 2015 after Agbiz amended its constitution at a special members’ meeting.

RAISON D’ÊTRE

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

- Agbiz is the only organisation that serves the broader and common overarching 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 for South African agribusinesses to play an active and creative role within the local and international organised business environment.

STRUCTURAL DEVELOPMENTS

Agbiz has seen two structural developments over the past two years:

1. It has established an Agbiz Grain desk, with the storers of grain, formerly Grain Silo Industry, joining



DR JOHN PURCHASE (AGBIZ CEO)

as a special membership category after amendments adopted to the Agbiz Constitution at the annual general meeting held in August 2014. The Agbiz Grain desk is competently managed by Ms Mariana Purnell, with assistance from Ms Lizbé Esterhuizen.

2. The wine and liquor industries have established a WineBiz desk at Agbiz, with Mr Michael Mokhoro very ably managing the desk as he engages with Government on issues specific and relevant to these industries.

BUSINESS AFFILIATION AND ASSOCIATION

To achieve its challenging and varied goals, Agbiz has local affiliation to Business Unity South Africa (BUSA). Furthermore, Agbiz is an important member of the International Food and Agribusiness Management Association (IFAMA) and serves on the IFAMA Board. On behalf of IFAMA, it also hosted the 25th IFAMA Global Forum and Symposium in Cape Town, South Africa, in June 2014, the first time for this prestigious forum to be held on the African continent. Agbiz also has close association with various international organisations, such as the Business and Industry Advisory Committee to the OECD (BIAC), USAID, FAO, UNDP, AUC/CAADP, ACET and others. Through Agbiz, members participate in a network of role players that is widely recognised as important, politically neutral and influential in the agribusiness sector of South Africa.

KEY FOCUS AREAS

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

- Economic policy, specifically through engagement on the National Development Plan – Vision 2030, but also on various other pieces of legislation, policy documents and round-table 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
- Water reform
- Agro-logistics and infrastructural constraints
- NEPAD and African issues, through the SADC Trade Hub, NEPAD Business Foundation (NBF), NEPAD Agency (CAADP), FAO, UNDP (AFIM Platform), ACET and other fora
- Climate change and resource sustainability issues
- Value chain integration and development, and marketing of agricultural produce
- Innovation in agriculture and the value chain to achieve the necessary productivity and quality gains
- Labour matters, skills training and general human capital development

In addressing the policy and legislation environment, liaison and interaction with parliamentary portfolio committees, NEDLAC (through BUSA), government ministers and senior officials have generally been good, but with some exceptions. Clearly in some cases the level of distrust (political expediency), disdain for the private sector (whom 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. A positive aspect is that Government has prioritised agriculture and the agro-processing value chain as its number one priority in its 9-point plan to stimulate and reignite economic growth.

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. Successfully addressing the above key focus areas would not have been possible without the committed services of Agbiz professionals, viz. Ms Lindie Stroebel, Manager: Agribusiness Intelligence, and Mr Tinashe Kapuya, Head: International Trade and Investment Intelligence, in assisting the CEO. Ms Stroebel, however, resigned early in 2016 to head up the operations of the Produce Management Association (PMA) in South Africa, and Agbiz wishes her well in her new endeavours. It is indeed a pleasure to announce that Mr Wandile Sihlobo has joined Agbiz in the position of Manager: Agribusiness Intelligence.

COMMUNICATION

Clear and accurate communication, especially to our members, is essential for effective functioning, 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 is updated on a daily basis and its visitor count continues to grow strongly as it is a reliable and in-depth source of information impacting the agribusiness environment. Relations with the agricultural magazines, daily press and broadcast media have developed positively over the review period. 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 focusing and expanding the Agbiz communication focus, also through the social media networks.

FINANCIAL MANAGEMENT AND SUSTAINABILITY

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 Mr Frans van Wyk, Mr Koos van Rensburg and Mr Erenst Pelsler, has played a key role in supporting the management accountant, Ms Erika Ruppung, and the CEO in ensuring good governance of the Agbiz finances.

OFFICE ADMINISTRATION AND SUPPORT

Without the able office administration and secretarial support of Ms Linette Jordaan, Agbiz personnel would not have been able to function effectively. Unfortunately Ms Jordaan has now reached retirement age and Agbiz

thanks her sincerely for 18 years of excellent service and wishes her all the best for her retirement years.

THANKS AND APPRECIATION

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

AGBIZ TEAM (from left to right)

TINASHE KAPUYA

Head: International Trade and Investment Intelligence

Appointed: 2013

MARIANA PURNELL

General Manager: Agbiz Grain

Appointed: 2013

LIZBÉ ESTERHUIZEN

PA to General Manager of Agbiz Grain

Appointed: 1990

JENNIFER ROETS

Communications Officer

Appointed: 2010

DR JOHN PURCHASE

Chief Executive Officer

Appointed: 2007

LINDIE STROEBEL

Manager Agribusiness Intelligence

Appointed: 2006

Resigned: 2016

LINETTE JORDAAN

Office Manager

Appointed: 1998

Retired: 2016

ERIKA RUPPING

Management Accountant

Appointed: 2013

MICHAEL MOKHORO (not present)

Stakeholder Manager of WineBiz

Appointed: 2015



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

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

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

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

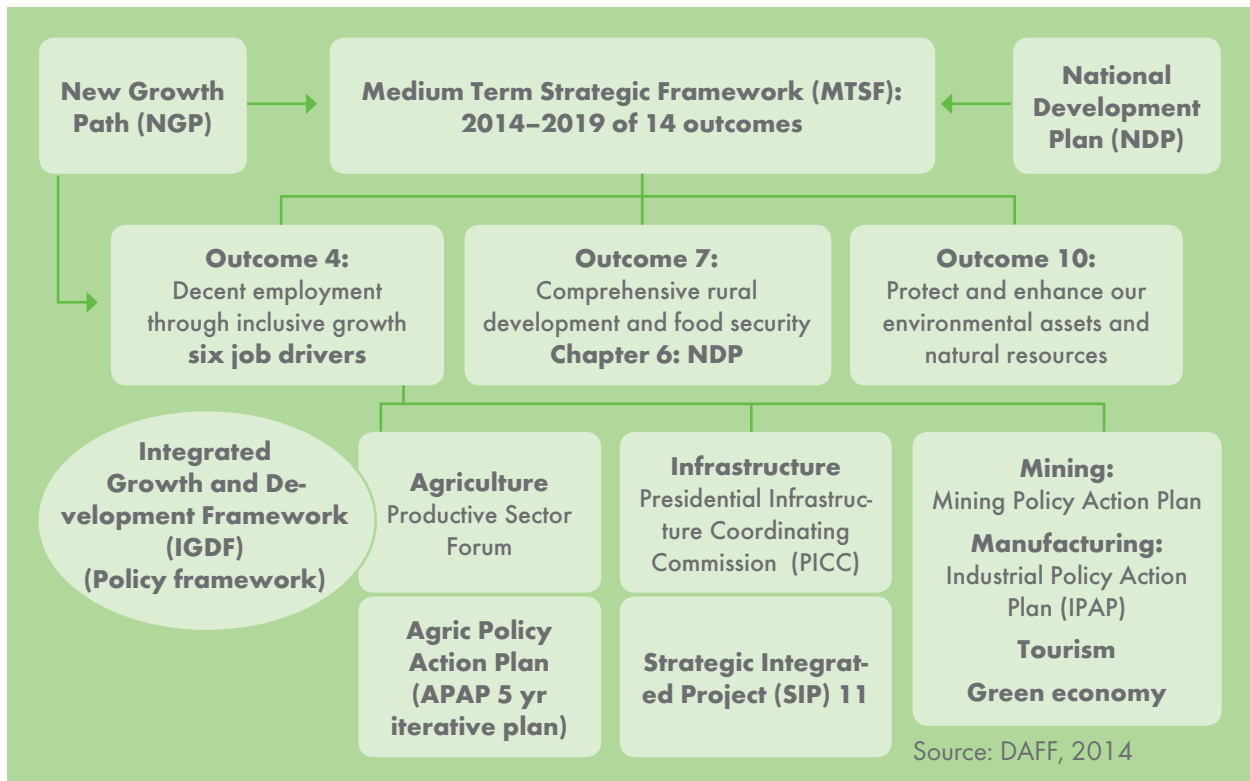
The six economic sectors identified and prioritised to deliver inclusive growth and employment (job drivers) are:

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

Government policy framework

Government has expanded on this framework by announcing a 9-point plan in the State of the Nation Address (SONA) in 2015, and confirming it in the 2016 SONA as well, to reignite growth and create jobs:

1.	Revitalising agriculture and the agro-processing value chain
2.	Advancing beneficiation to add value to our mineral wealth
3.	More effective implementation of a higher impact Industrial Policy Action Plan (IPAP - includes agro-processing)
4.	Unlocking the potential of SMMEs, cooperatives, township and rural enterprises
5.	Resolving the energy challenge
6.	Stabilising the labour market
7.	Scaling up private sector investment
8.	Growing the ocean economy
9.	Cross-cutting areas to reform, boost and diversify the economy: <ul style="list-style-type: none"> • Science, technology and innovation • Water and sanitation • Transport infrastructure • Broadband rollout • State-owned companies



While the intentions are good, there are inherent structural and systemic problems in the South African economy inhibiting economic growth, while policy uncertainty in the country's agriculture and agribusiness environment furthermore continues to discourage significant investment growth in the sector. It is for this specific reason that Agbiz is involved in the policy and legislation environment in order to advocate for an enabling environment for agribusiness to thrive and develop in.

To this end it focusses on the following major overarching policy aspects impacting on the sector:

1.1 LAND REFORM

Since 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 has fully participated in firstly the National Reference Group (NAREG) established by the minister, and subsequently in the Inter-Departmental Task Team on Outcome 7 (IDTTO7). Agbiz was represented in all six the initial NAREG working groups, and 14 policy positions and various bills and acts emanated from these policies.

Agbiz submitted positions into many of the policies and bills, many of which were supported conditionally in order to ensure the necessary legal-based and predictable land reform, clearly articulated in the Constitution of South Africa.

However, there were two policy positions that Agbiz was fundamentally opposed to, viz. the Agricultural Land Holdings Framework Policy, dealing with land ceilings and foreign ownership, and "Strengthening the Relative Rights of People Working the Land", also known as the so-called 50-50 model.

In terms of the latter position, major stakeholders, including Agbiz, met with Minister Nkwinti on 21 May 2015, following his controversial budget vote speech, and expressed serious reservations with the original government policy position. At said meeting and in subsequent IDTTO7 deliberations, a more pragmatic approach to equity sharing (farm equity schemes) by landowners with farm workers was agreed upon. To date, a number of pilot projects (about 10) have been initiated by commercial farmers themselves.

Strategic correlation among the various policy instruments and institutions:

Policy type	Actual policies
Foundation	<ol style="list-style-type: none"> 1. Spatial Planning and Land Use Management Act (SPLUMA finalised). 2. Rural Development Policy Framework – CRDP approach. 3. Agricultural Land Holdings Framework Policy – Private land with limited extent and Regulation of Foreign Ownership of Land (Regulation of Landholdings Bill pending). 4. Land Management Commission (Draft Bill to Parliament soon). 5. Property valuations – just and equitable compensation – Property Valuation Act assented.
Redistributive	<ol style="list-style-type: none"> 6. Pro-active Land Acquisition Policy (PLAS). 7. Reopening of Restitution – Restitution of Land Rights Amendment Act implemented. 8. Land tenure reform in commercial farming areas (“Strengthening the Relative Rights of People working the Land”). Implementation after amendment. Also Extension of the Security of Tenure Amendment Bill currently in Parliament. 9. Communal land tenure policy and redistributive arm to decongest communal areas – Communal Land Tenure Bill pending.
Development and support	<ol style="list-style-type: none"> 10. Rural Development Framework (RDA, RIDFF, AVMP, etc.). 11. Recapitalisation and Development Policy. 12. State Land Lease and Disposal Policy. 13. Communal Property Associations Policy – Communal Property Associations Amendment Bill pending. 14. MTSF developed between DRDLR and DAFF.

In terms of the Agricultural Land Holdings Framework Policy, the Draft Regulation of Land Holdings Bill was developed by the Department of Rural Development and Land Reform (DRDLR) towards the end of 2015, and Agbiz had sight thereof.

Agbiz commissioned a study by a combined team from BFAP, University of the Free State and University of Stellenbosch to provide insights on the agricultural economic reality, which was not considered during the drafting of the Bill. The study was delivered to both the Socio-Economic Impact Assessment (SEIA) team and DRDLR. Clearly the Bill was problematic both from a constitutional perspective, as well as from a practical implementation perspective. Implementation of the proposed version of the Bill would not only be impossible due to the lack of clarity on most issues, but also have disastrous effects on the commercial agricultural industry and will in time severely compromise South Africa’s food security. A SEIA team has recommended significant amendments to the draft Bill and the amended Bill is being awaited.

Apart from the two controversial policy positions indicated above and for which working groups were established under IDTTO7, two other working groups for respectively district land reform committees (DLRCs) and agri-parks were also established. DRDLR’s consultation on the DLRCs left much to be desired with terms of reference unilaterally drafted and adopted by Government, including the composition of these DLRCs. There are clearly deficiencies in the structure of these DLRCs and it is doubtful whether they will be able to effectively perform the function as envisaged in the NDP. Agribusinesses will have to monitor developments in their areas of business and participate in the processes of these DLRCs where possible.

The concept of agri-parks is a fairly widely accepted and adopted concept across the world, obviously in many different business forms and ownership models, and depending largely on the level of sophistication of the agro-food sector in a particular country. Government has committed R2,0 billion per annum for the next couple of years to establish agri-parks in 44 district municipalities across the country, 70% of which are in the communal land areas.

While much uncertainty still surrounds the establishment and functioning of these agri-parks, Agbiz has committed to engage constructively in their development and to participate where it makes business sense. There are already examples of such constructive engagement, especially in the Eastern Cape, but also in other provinces. Government has established District Agri-parks Management Committees (DAMCs) to oversee implementation at district level, while also establishing the National Agri-parks Advisory Council (NAAC), on which Agbiz serves, to advise the minister of the DRDLR on the development and functioning of agri-parks.

Agbiz has been closely involved in the NEDLAC and parliamentary processes of the emotive and controversial Expropriation Bill, both individually and in working closely with the Banking Association South Africa, Agri SA and especially Business Unity South Africa (BUSA). Submissions were made to Parliament on behalf of BUSA in the early parliamentary hearings, as well as later to the Select Committee on Economic and Business Development in Parliament. Agbiz has also submitted detailed comments on the gazetted Preservation and Development of Agricultural Land Framework Bill, as developed by the Department of Agriculture, Forestry and Fisheries (DAFF).



Agbiz will continue to constructively seek sustainable solutions to the vexing land reform question in South Africa.”

While maintaining its commitment to seeking sustainable and just solutions to land reform, Agbiz has from time to time raised its concerns with Minister Nkwinti and the Department (DRDLR) on policy and legislation positions that Agbiz believes will fundamentally impact negatively on the sustainability and competitiveness of our agro-food system, and thus compromise our vulnerable food security

situation. Agbiz will continue to constructively seek sustainable solutions to the vexing land reform question in South Africa, while seeking to ensure food security within an open and competitive market environment for agriculture and agribusiness.

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 original B-BBEE Act and the CoGP were to address the legacy of the apartheid policies that marginalised black people from the economy and to subsequently enhance the economic participation of black people in South Africa.

However, the overarching Broad-based Black Economic Empowerment (B-BBEE) environment has changed considerably over the past number of years due to low compliance, with the:

- Commencement of the B-BBEE Amendment Act (Act No. 46 of 2013) on 24 October 2014; and
- Revised Codes of Good Practice being gazetted in 2013 and coming into operation on 11 October 2014.

While Agbiz in principle supports B-BBEE to transform the economy, there are major concerns as to how B-BBEE has now been structured. These concerns emanate from the following: firstly, onerous targets that have been set that will be impossible and too costly to meet; secondly, the broad-based principle that has largely been done away with (the Minister established a task team to investigate Broad-based Ownership Schemes (BBOS) and Employee Ownership Schemes, (EOS) after significantly lowering the broad-based ownership recognition level); and thirdly, that it now simply acts as a disincentive to investment in the sector.

The new B-BBEE framework introduces penalties in certain circumstances, especially for fronting, 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 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 of 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.

AgriBEE Charter Council

Over the past two years, the major focus of the AgriBEE Charter Council, on which Agbiz serves, has been the finalisation of the new AgriBEE Sector Code, aligned with the amended generic Codes of Good Practice (CoGP), and gazetted on 20 November 2015 for comment. On 9 March 2016 the AgriBEE Charter Council finalised the new AgriBEE Sector Code, and its gazetting for immediate implementation can be expected in April 2016.

The AgriBEE Charter Council also established an AgriBEE portal where enterprises that fall within the scope of application of the AgriBEE Sector Code can post their scorecards for business purposes. The AgriBEE Charter Council has also embarked on an initiative to form a non-profit company (NPC) to manage its affairs. Agbiz has noted its objections to establishing a costly and unnecessary institutional structure and has proposed that the current business model, where DAFF provides the AgriBEE secretarial service, be maintained.

1.3 LABOUR RELATIONS, SKILLS DEVELOPMENT AND SOCIAL COMPACT

While labour action through strikes and violent protest have taken a much welcomed lower incidence and trajectory than the previous two years, Agbiz still engaged in labour issues, primarily through BUSA. Agbiz was also able to play a facilitating role in resolving the damaging Ceres Fruit Growers strike in 2015. However, this violent labour protest, as well as other incidents in the broader industry, again emphasised the necessity to develop a social compact between industry, labour and government to create a sound and agreed basis for best practice in labour relations, improve labour productivity and ensure greater gainful employment in an environment of strong sector growth.



Social compact

Agbiz strongly supported the former Deputy President Kgalema Motlanthe's proposal that a framework agreement (social compact) between the major stakeholders be developed to guide the improvement in labour relations, and much progress was made. Unfortunately, this process came to an abrupt end when Deputy President Motlanthe left office. This past year DAFF has again raised the matter and Agbiz has committed to exploring ways and means to develop such an agreed social compact on labour and labour relations, with the agribusiness sector included.

Labour Relations Declaration

BUSA, on behalf of Agbiz, also participated in the ongoing NEDLAC deliberations on the Labour Relations Declaration. The high-level Committee of Principals (CoP) and two technical task teams met regularly over the past year to agree on pertinent salient issues.

The Labour Relations Technical Task Team addresses the concerns with labour market stability, particularly violent and prolonged strikes and the impact on employment, investment and growth, while the Wage Inequality Technical Task Team addresses the problem that Government has indicated in terms of the working poor and that more people should be employed, with employees earning a decent wage. Labour has additionally indicated that they have a problem with the systemic unequal wage structure in the country.

(i) Labour Relations Technical Task Team

There has been agreement to a number of legislative changes to give effect to the Cheadle opinion on balloting. This will ensure secret balloting is required in trade union and employer organisation constitutions, with deregistration consequences in the event of non-compliance. There has further been agreement to a code of good practice on collective bargaining and industrial relations that will include:

- Guidance on collective bargaining.
- Building workplace engagement capacity through accredited training that could be funded by SETAs.
- Reconsidering the role of workplace forums to provide non-bureaucratic and inclusive forums for employees to communicate with management, provided that this does not undermine collective bargaining.

- Prohibiting the use of dangerous objects and weapons (as defined in the Dangerous Weapons Act) in industrial action. There was agreement to expedited disciplinary processes via the CCMA s188A process.
- Higher levels of disclosure of information prior to strikes, taking into account confidentiality and privacy issues.
- Promotion of peace and stability committees for strike action and to develop a draft protocol on industrial action and police, thereafter to engage with SAPS thereon.

The task team has received first drafts of proposals on compulsory advisory arbitration and is engaging on proposals to strengthen collective bargaining. There is no agreement on these proposals at this stage.

(ii) Wage Inequality Technical Task Team

Business has indicated that it can consider a wage floor as part of the minimum wage system that includes collective bargaining and sectoral determinations, provided the floor does not lead to job displacement. However, enforcement of a national minimum wage (NMW) is a major challenge.

The following developments are to be noted:

- In December 2015, the Development Policy Research Unit (DPRU) at the University of Cape Town (UCT) released the study commissioned by the Department of Labour further investigating the feasibility of a national minimum wage for South Africa.
- There is agreement on exclusion of unpaid volunteers employed for charitable purposes and the State Security Agency from the national minimum wage. Exclusion of trainees and those covered by the Merchant Shipping Act and nonprofit organisation (NPO) employees is still to be agreed upon. The business approach on exclusions is that genuine employees should be covered by the national minimum wage, but those who are volunteering for charitable purposes or for work experience/training should be excluded.
- There is agreement as to what allowances, payments and working subsidies should be excluded from remuneration for the purposes of the NMW. The gross salary, before deductions, should be the amount used for the NMW. There is not yet agreement as to whether employer contributions to pension and

medical aid and “money in kind” can be calculated as part of the gross amount. Business has argued that such contributions and payment in kind should form part of the gross salary.

- Towards the latter part of 2015, a number of process challenges were experienced in the technical task team. Labour was keen to engage on “without prejudice” discussions on the national minimum wage level, whereas business maintained that the determination of the level should be subject to independent and careful analysis by the Employment Conditions Commission. This gave rise to a bilateral process of engagement between the Deputy President and the CoP representatives of each constituency. An agreement was reached to move forward with “without prejudice” discussions on the national minimum wage by three-a-side teams of the CoP, the outcome of which would be sent to the Employment Conditions Commission for stress testing.

There are, however, also further outstanding areas of concern for consideration:

A smaller group of the CoP consisting of a three-a-side has been established to get momentum and make progress on the national minimum wage. A meeting was scheduled for 14–16 January 2016. The meeting was held on a without-prejudice basis to try and agree on:

- an initial number/range for a national minimum wage for economic and social evaluation
- exclusions and exemptions
- phasing requirements
- a number/range that is evidence-based, with an understanding of the consequences.

Based on the feedback, business developed the following guiding principles to guide their participation at the meeting as has been articulated at the various task team meetings:

- Agreement is paramount: Business seeks an agreed outcome from this Labour Relations (LR) Indaba process that addresses labour relations stability and will restore business confidence.
- Package approach: An agreement on the national minimum wage has to go hand in hand with agreement on LR stability measures to address violence and compulsory advisory arbitration.
- Evidence-based setting: Independent experts to address socio-economic and market considerations.

- Simplicity: The legislative approach needs to be simple so that it is easy to enforce and does not create undue regulatory burdens.
- Reinforce the role of NEDLAC: NEDLAC is a forum for policy and advice, and we must not undermine it by making it into a collective bargaining forum.

Business remains convinced that finding a solution that is in the best interests of the country will bring labour market stability, as well as validate our democratic institutions. Our approach on the national minimum wage consists of a combination of a value-based commitment to a national minimum wage level that ensures that employees earn a fair wage, hand in hand with evidence-based appreciation of socio-economic and market imperatives.

Skills development and the SETA landscape

The Government Gazette of 10 November 2015 called for public comments on the Proposal for the New Skills Development Strategy (NSDS). A joint submission was made by Agbiz and Agri SA, on behalf of primary and secondary agriculture, in response to the call for public comments, while BUSA submitted similar, but more general, comments and sentiments.

Overarching comments on the SETA landscape proposal

Organised agriculture's (farming and agribusinesses) position on this matter is that the AgriSETA should be improved and have strengthened accountability of the board. Over the past 15 years of the National Skills Development Strategy there has been excessive induced instability into the system, which has made it very difficult for agriculture to come to grips with skills development in the sector and to take it forward in a structured and organised manner.

It is our belief that the ministerial appointees to governing boards have not strengthened these boards, but have rather weakened and politicised them. Whilst there used to be a balance in governing boards of equal (and only) employee and employer representatives, ministerial appointees brought a new and political dimension into strategic planning and decision-making. The funds raised by the skills levy are from a specific economic sector to be used largely to the benefit of that sector – these funds should be governed by the employers and employees of a specific sector, no-one else.

The newly structured SETAs (Sector Education and Training Authorities) were functioning optimally and carved a strategic direction, which was relevant to the sector and its human development needs. The ministerial appointees brought a political dynamic into the SETA. Over the years, external forces therefore compelled SETAs to engage in activities it did not necessarily want to do or that were not important to the sector.

Underspending has plagued SETAs since inception. Organised agriculture disagrees with the proposals to change the SETA landscape as drastically as proposed. However, we realise that changes need to be instituted and we will make very specific proposals in this regard. In essence, organised agriculture then supports Option 1 in the Gazette, which calls for minimum change.

Specific comments on the SETA landscape proposal

Agbiz strongly agrees with the notion of learning pathways and occupations (rather than jobs) as defining future learning. However, when discussing providers as a delivery mechanism on learning pathways, it must be stressed that agricultural colleges are key delivery agents that need to be recognised and capacitated to do so – both from a human capacity perspective and its infrastructure, which is badly neglected.

We support the notion that workplaces should be opened up. However, for reasons mentioned earlier pertaining to matters such as farm security, one should be realistic about the matter of just allowing large numbers of generally unknown persons onto farms and business premises.

The early concepts put forward with regard to the National Skills Development Strategy IV are fully supported by organised agriculture. The Department of Higher Education and Training (DHET) has been reminded that organised agriculture disagrees with the concept of Sector Education and Training Advisory Boards (SETABs), but the term is used in the context to align the discussion to the terminology used in the Gazette.

The following five roles for SETABs, as defined in the Gazette, are supported by organised agriculture:

- Role 1:** Determine the skill needs of employers by occupation
- Role 2:** Secure workplace-based learning opportunities for learners
- Role 3:** Support institutional and workplace-based learning for the current workforce
- Role 4:** Support education and training institutions to meet skills needs
- Role 5:** Perform system support functions and manage the budgets linked to their mandate.

In essence, the section on funding in the Gazette describes a future funding model. Organised agriculture disagrees with this model and does not support it. In broad terms, there is total disagreement with the following:

- the centralisation of funds
- decision-making powers over the bulk of the levy to be centralised within the NSF, and not by stakeholders who paid the levy
- the absolute divide between PIVOTAL and sector-specific discretionary grants
- the apparent shifting of skills levy funds to supplement voted funds to finance universities for “no fees increase” or “fees must fall” campaigns is against the spirit of the act and is not supported.

The governance of SETAs needs to be addressed. The composition of boards and the role of ministerial appointees, board fees and the participation of line function government departments need to be analysed in depth. SETAs need to be made permanent structures, as the five-year license agreement only creates uncertainty and limits long-term planning. In the case of AgriSETA, it is recommended that its scope needs to be aligned to that of the Department of Agriculture, Forestry and Fisheries (DAFF).

Summary of key recommendations:

- SETAs should remain Schedule 3 entities and should not be changed to become SETABs as delivery units within DHET
- SETAs should retain their executive powers and boards should not be changed into advisory boards
- The composition of SETA boards, their management, structure and remuneration should be revisited
- SETAs should retain control over their levy funds
- SETA functions should be limited to provide for a more focused delivery environment
- NSDS IV should allow for sectoral freedom and reporting should be based on performance
- The capacity and infrastructure of agricultural colleges need to be prioritised
- If post-school training is to make an impact, decision-making needs to be in the hands of employers and labour who know best what is required by industry.

“
the question of global warming and its effect on climate change has become increasingly relevant, especially to the agriculture and agribusiness environment.”

1.4 CLIMATE CHANGE, CARBON TAX AND WASTE MANAGEMENT

Given the catastrophic and widespread southern African droughts of 2014 through to 2016, accompanied by unprecedented heat waves, the question of global warming and its effect on climate change has become

increasingly relevant, especially to the agriculture and agribusiness environment. While the El Niño phenomenon undoubtedly played a role in changed global air pressure and air flow systems, thus causing the drought, increasing evidence is pointing to man-made global warming and climate change primarily due to carbon-intensive economies and general neglect of the environment through poor waste and emissions management.

Again, these are cross-cutting issues in the economy of South Africa, and indeed across the globe, and Agbiz is involved in the policy and legislation matters in this regard, primarily through BUSA's Environment Committee.

Main focus areas have been:

- Consultation on South Africa's position for the United Nations Framework Convention on Climate Change (UNFCCC) Congress of Parties (COP 21) held in Paris in December 2015, where the objective was to achieve a legally binding and universal agreement on climate for the first time in 20 years, with the aim of keeping global warming below 2 °C. Government also consulted Business on South Africa's Intended Nationally Determined Contribution (INDC) to this goal.
- Engagement with National Treasury on the introduction of the Carbon Tax Bill to change carbon behaviour, albeit through a proposed revenue-neutral tax system. Agbiz commented on the gazetted draft Bill in December 2015, while BUSA made an extensive submission on the complex and highly technical Bill. Further consultation is currently taking place and Agbiz and BUSA are fully involved.
- Mandatory greenhouse gas (GHG) reporting and GHG being declared priority air pollutants by the Minister of Environmental Affairs. Mandatory priority pollutants prevention plans are currently under discussion for certain sectors.
- Waste Amendment Act and the mandatory development of an industry waste management plan for certain sectors.
- Green economy engagement with the Department of Trade and Industry (the dti).
- The Minister of Environmental Affairs published the National Environmental Management Laws Amendment Bill (NEMLA) for public comment in October 2015 and comments were submitted by BUSA.

1.5 ELECTRICITY AND ENERGY AWARENESS

The reporting period has been characterised by frequent interruptions in electricity supply, termed load-shedding, that has had a devastating effect on the agribusiness sector, and especially on the agro-processing sector. Eskom, as the monopolistic parastatal mandated to supply electricity to the country, has been unable to meet demand due to unplanned maintenance work and delays in new generating capacity, with specific reference to the mega coal-fired Medupi and Kusile power stations. Load-shedding and inconsistent supply have certainly been a factor impacting negatively on the gross domestic product (GDP) of both the country and the sector over the past two years.

Over the last few months of 2015 and early in 2016 load-shedding occurred less frequently, but this has primarily been due to a massive decrease in electricity demand, rather than greater efficiency in generating capacity by Eskom. Major users of electricity have either closed down unprofitable production units due to ever-increasing electricity costs and intermittent supply, or have installed their own generating capacity, in many cases renewable energy options. Many of our members are excellent examples of the latter option in order to be energy-secure in future, at a predictable price regime.

Since energy is an overarching issue in the national economy, Agbiz participates in the Energy Sub-Committee of BUSA's Economic Policy Committee and thus makes its inputs primarily through BUSA. Of major significance this past year, has been the National Energy Regulator of South Africa (Nersa), seeking comment on Eskom's delayed 2013/14 multi-year price determination 3 (MYPD3) application. BUSA's excellent submission no doubt played a major role in limiting the price increase to a 9,4% average from 1 April 2016.

As BUSA stated in its submission: The recent historical tariff trajectory reflects the impact of the steep price increases on the tariff. Annual average tariffs have increased by 70,18% (cumulatively) between 2010/11 and 2014/15. The MYPD2 and MYPD3 decisions were to lead to an increase in the average tariff of 11,51% per annum between 2010/11 and 2017/18, and 8% per annum between the start and finish of the MYPD3 period (from 65,51 c/kWh to 89,13 c/kWh).

Taking into account the MYPD2 RCA reopener decision, as well as the MYPD3, the projected cumulative increase in the average tariff between 2010/11 and 2017/18 is already 123,72% (from 41,57 c/kWh to 89,13 c/kWh), while the current reopener application would result in a significantly higher cumulative increase in the average tariff, a price trajectory which will have significant impacts on a business's ability to remain viable, let alone competitive. It brings South Africa's relative position in terms of price to one of the highest in the world by 2017/18, which removes the competitive advantage historically enjoyed from low electricity prices.

Major challenges with regard to cogeneration and the Renewable Energy Independent Power Producers Procurement Programme (REIPPP) remain and these are being addressed with political leadership at the highest level. However, it is clear that Government and its relevant SOEs and regulators (Nersa) in this regard, need to undergo a major mind shift in terms of electricity generation and distribution in South Africa. If not, they will be rendered increasingly irrelevant as cheaper and environment-friendly renewable energy solutions are unilaterally implemented by private sector.

On national energy efficiency, the Department of Energy in South Africa (DoE), with support from the Danish Energy Agency, has commissioned the Danish Energy Management Consortium to support the process of developing the post-2015 National Energy Efficiency Strategy (NEES). A report was released that constitutes Deliverable 2 of the post-2015 NEES development work package, which explores the energy-saving potential for the period 2012 to 2030, both for the economy as a whole and also at sectoral level. The analysis indicates that the structure of the economy overall has had only a small effect on energy consumption for the period 1993 to 2012. However, structural changes were a positive driver of energy consumption (increasing energy consumption) during the earlier years, turning to a negative one from 2009 onwards. This can be explained by a restructuring of the economy towards services and the financial sectors, as is expected when economies reach certain development stages.

1.6 WATER POLICY

The Department of Water and Sanitation (DWS) developed the National Water Resource Strategy

Version 2 (NWRS2) as per the requirement of the National Water Act, 1998 (Act No. 36b of 1998). The NWRS2 was first published by notice in the Government Gazette in 2013 and responds to the priorities set by Government in the National Development Plan (NDP) and the government outcomes adopted in 2010. It provides a fairly comprehensive strategy for effective water resource management and water services in the country. Implementation provided for sector participation, partnership, good governance and consideration of water in all planning and decision-making. Among others, DWS consulted Agbiz on the drafting of the implementation plan, which has recently been finalised.

The five NWRS2 priority focus areas were concentrated on, viz.

1. Achieving equity, including water allocation reform
2. Water conservation and water demand management
3. Institutional establishment and governance
4. Compliance, monitoring and enforcement
5. Planning, infrastructure development and operation and maintenance of water resources infrastructure.

The strategic actions in the respective chapters were then used to draft appropriate key performance indicators (KPIs) for the implementation plan, which is available from the Agbiz office.

On 13 November 2015, DWS further published Notices 1153 and 1154 respectively in the Government Gazette for comment:

1. Revision of the norms and standards for setting water service tariffs in terms of Section 10 of the Water Services Act, 1997.
2. Revision of the pricing strategy for water-use charges in terms of Section 56(1) of the National Water Act, 1998.

Agbiz submitted comment on the Pricing Strategy for Water-use charges as it becomes clear that Government intends instituting a water price regulator, similar to the Nersa, to implement a full cost recovery regime. This would imply considerable price increases for irrigation water and impact on the competitiveness of producers and large-scale water users.

1.7 NATIONAL INFRASTRUCTURE DEVELOPMENT AND ROAD SAFETY

Cost of logistics

Market-related transport cost benchmarks as they apply to agricultural logistics were first developed for the National Agricultural Marketing Council (NAMC) in 2010 with the objective to gain a better understanding of transport costs as it relates to food and produce prices. As the study was discontinued and lack of updating information created a void in transport cost monitoring, Agbiz undertook to support the updating of the study. Max Braun was commissioned to provide Agbiz with updates on the transport cost benchmarks and to provide valuable insights to pertinent developments affecting industry and ultimately food prices. The study considered four value chains: dairy, slaughtered meat, deciduous fruit and citrus and grains.

“**The transport cost for each stage is measured in cost per litre or cost per kilogram and consolidated.**”

The transport cost for each stage is measured in cost per litre or cost per kilogram and consolidated. The cost of transport is then measured in tonnes per kilometre or kilolitre, whichever applicable. Lastly, it measures the cost per tonne (or kilolitre) delivered. Collectively, it reflects the high cost attached to “pick it up/put it down”.

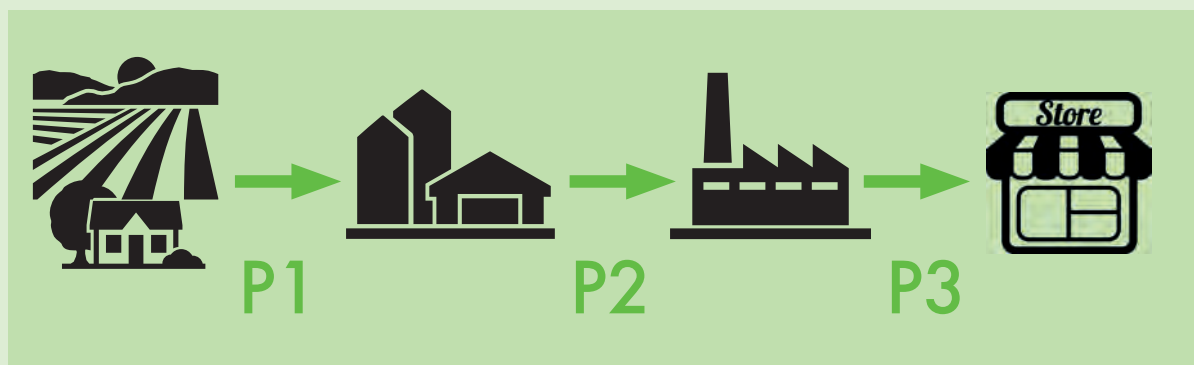
The three-stage cost comparison reviews transport from farm to consumer.

The stages are:

P1 – farm gate to silos or mills, dairy or processor, pack house or distribution centre, abattoirs

P2 – transport to warehouses, processors, etc.

P3 – last mile to retailers, hospitality industry and convenience stores



Changes in legislation

The Twenty Second Regulation Amendment to the National Road Traffic Regulations has a considerable impact on logistics activities in agriculture. The main aspects are the following: consignor and consignee compliance, which requires the need for trade weighing, together with axle weighing and the level of

daily cargo volumes; producing load-by-load dispatch documentation that complies with these new laws; maintaining records of all this information; the person who operates a motor vehicle that carries goods on a public road must be in possession of a declaration containing a whole range of information.

The following table provides a summary of the changes in cost per different stage in March 2015, August 2015 and February 2016:

Value chain	2015 Mar				2015 Aug					2016 Feb				
	P1	P2	P3	Total	P1	P2	P3	Total	Difference	P1	P2	P3	Total	Difference
Average cost per kilogram/cost per litre														
Dairy	0,51	0,38	1,11	2,00	0,53	0,41	1,15	2,10	105,1%	0,57	0,42	1,19	2,17	103,6%
Fruit	0,29	0,37	1,09	1,75	0,31	0,38	1,13	1,81	103,5%	0,32	0,39	1,15	1,87	103,0%
Meat	0,45	0,57	1,01	2,04	0,48	0,61	1,06	2,14	105,3%	0,50	0,65	1,08	2,23	103,9%
Grains	0,45	0,35	0,86	1,66	0,46	0,36	0,89	1,71	103,2%	0,47	0,40	0,91	1,78	104,0%
Average tonnes/kilolitre per kilometre														
Dairy	1,77	0,60	5,06	7,43	1,84	0,66	5,26	7,76	104,5%	1,94	0,66	5,44	8,04	103,6%
Fruit	0,49	1,24	5,04	6,77	0,51	1,28	5,20	6,99	103,3%	0,54	1,28	5,33	7,15	102,3%
Meat	1,08	0,78	6,30	8,16	1,13	0,83	6,55	8,51	104,3%	1,20	0,88	6,49	8,57	100,7%
Grains	1,47	1,11	5,48	8,07	1,52	1,15	5,63	8,30	102,8%	1,54	1,25	5,81	8,60	103,6%
Average cost per tonne/kilolitre delivered														
Dairy	512	378	1 108	1 998	532	414	1 153	2 099	105,1%	565	417	1 192	2 174	103,6%
Fruit	292	367	1 092	1 751	305	381	1 127	1 813	103,5%	324	390	1 153	1 867	103,0%
Meat	452	570	1 015	2 037	476	607	1 062	2 145	105,3%	504	646	1 079	2 229	103,9%
Grains	445	352	863	1 660	462	365	885	1 712	103,2%	467	400	914	1 781	104,0%

Courtesy: Max Braun Consulting, done for Agbiz; February 2016

1.8 PROTECTION OF INVESTMENT BILL

On 13 December 2015 President Jacob Zuma assented to the Protection of Investment Bill. The Bill follows two years of public engagement in which the Government unrelentingly refused to renew bilateral investment protection treaties with several EU member countries. During the negotiation, Government stated that the intent of the Bill was to modernise South Africa's policy approach on foreign investment and to treat foreign and local investors similarly. The Government's stated approach was to let the bilateral investment protection treaties expire through the sunset clause and graduate these into the new investment protection regime. Upon deliberations within the NEDLAC task team, and after considering Government's intentions, it was decided that the Bill should in essence be called the Protection of Investment Bill rather than the Promotion and Protection of Investment Bill. The removal of the word "promotion" was deliberate because apart from the title, it did not appear anywhere else in the Bill, and there were no clauses that specifically addressed matters of "promoting" investment.

The Protection of Investment Bill, in its revised format, was also heavily criticised, primarily because it still could not address the "dilution of investors' rights" to seek redress, should expropriation of their investments occur. As such, in the case of expropriation of investments, investors no longer have recourse to investor-state dispute settlement in the form of international arbitration. Rather, the Act now prescribes two options for dispute settlement. Firstly, domestic mediation, which can only happen if the investor and the Government agree on the appointment of the mediator. Secondly, investors could approach the domestic courts, a process which could take years without any guarantee of a successful outcome. The Act, however, contains a provision for the Government to consent to international arbitration, but only if all domestic remedies have been exhausted, or if the arbitration is a "state-to-state arbitration" as opposed to an "investor-state" arbitration. It is these tenets of the Act that have raised some fears concerning the safeguarding of foreign investments in South Africa.

1.9 BORDER MANAGEMENT AUTHORITY BILL

The Border Management Authority (BMA) Bill, formerly called the Border Management Agency Bill, was introduced by the Department of Home Affairs with the intent of tightening border controls to prevent illicit trade of goods and services, as well as illegal immigration. The BMA Bill had been presented in Cabinet and tabled before Parliament, before a request was formally made from NEDLAC to have the Bill reviewed by a NEDLAC task team first, before it is presented to Parliament.

The intended purpose of the Bill is to create an agency that deals specifically with cross-border functions. Because cross-border functions are dealt with by different departments and organs of state, the agency would necessarily constitute personnel from various departments, who would be redeployed. According to the Bill, the BMA would have jurisdiction over a 10 km radius of ports and points of entry, with enforcement functions designated to border and coastal guard security teams within the BMA.

The Bill is important to agriculture and agro-processing for a number of reasons:

- Firstly, it means that all functions carried out by the line departments such as DAFF, the Department of Health, the Department of Trade and Industry (the dti), the South Africa Revenue Services (SARS), among others, will fall under the BMA.
- Secondly, the transfer of these functions means that at least 56 pieces of legislation will need to be amended and reconstituted so that the functions of relevant departments are legally transferred and placed under the authority of the agency. A number of these acts affect agriculture, for example, the Agricultural Pests Act, 1983 (Act No. 36 of 1983), the Agricultural Product Standards Act, 1990 (Act No. 119 of 1990), the Animal Diseases Act, 1984 (Act No. 35 of 1984), the Animal Health Act, 2002 (Act No. 7 of 2002), Fertilisers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1974 (Act No. 36 of 1947), Perishable Products Export Control Act, 1984 (Act No. 9 of 1983), and several others.
- Thirdly, the amendments made to relevant legislation will imply expertise and human resources will also be transferred from line departments to the BMA. It is reported that at least 6 000 civil servants will be

affected by the proposed transfer of functions. The process of establishing the BMA is estimated to take up to three years. According to an economic impact assessment report commissioned by the Department of Home Affairs, the costs of establishing a border guard for the BMA was estimated to be between R15 billion and R24 billion.

Agbiz is part of the task team that is now reviewing the Bill, and the stated position is that the BMA Bill should be summarily dismissed for three reasons:

- Firstly, because the required funding of establishing the BMA cannot be justified on the basis of cost.
- Secondly, because the problems of vertical and horizontal co-ordination in government should be addressed through inter-departmental memorandums of understandings (MoUs), service level agreements and an inter-ministerial committee, rather than a substantive piece of costly legislation such as the BMA Bill.
- Thirdly, the Bill creates a new problem in that it disconnects the policy makers in line departments and the enforcement that occurs at the border. The functions to be transferred from various departments to the BMA at the port of entry do not remove the responsibility of the department itself from formulating policies, which are expected to be enforced by BMA staff.
- Fourthly, the BMA creates a new layer of bureaucracy that adds to the costs of cross-border trade, and consequently, acting against progressive trade facilitation.

1.10 AGRICULTURAL POLICY ACTION PLAN (APAP)

The Agricultural Policy Action Plan (APAP) is aligned with the National Development Plan (NDP) and the Industrial Policy Action Plan (IPAP). It is based on sectoral and transversal key action programmes, while for each of the identified commodities, the plan includes a problem statement, aspirations, policy levers, nature of interventions and key outputs. APAP is a five-year iterative plan that seeks to provide long-term focused interventions in the respective agricultural value chains and will be reviewed annually. Value Chain Round Tables (VCRT) comprising the industry, DAFF and labour, have been established for horticulture, wheat and poultry. Agbiz participates in the VCRTs.

1.11 RAIL BRANCHLINE STRATEGY

Interactions were initiated with the Department of Transport to identify and prioritise branchline-related issues and define strategic solutions regarding the development of a branchline strategy. The draft National Rail Policy Green Paper split branchlines into two categories, viz. strategic and non-strategic branchlines. The policy recommends that Government provide financial support for strategic branchlines and concessioning of the non-strategic branchlines to the private sector, as vertically integrated railways.

1.12 GRAINS AND FEED EXPORT REGULATIONS

Two new export regulations regarding grains and feed products under the Agricultural Product Standards Act (119/1990) (APSA) were published in the Government Gazette, No. 38320 of 19 December 2014. New regulations regarding the grading of wheat, sorghum and sunflower were published under the Agricultural Product Standards Act in January 2015.

1.13 BREEDING AND TECHNOLOGY LEVY SYSTEM

A statutory breeding and technology levy system (BTLS) for all open pollinated grain and oil seed crops has been proposed to support the development of traits to produce cultivars with desired characteristics that also perform well agronomically. Self-pollinated winter cereal crops will be the first to be subject to the BTLS. The collection and administration of the BTLS will be based on the model used by the industry trusts. The statutory Winter Cereals Trust (WCT) levy applications in terms of the Marketing of Agricultural Products (MAP) Act, Act 47 of 1996 (as amended) for the normal wheat and barley industry research levy and the BTLS levy will be made concurrently to the NAMC.



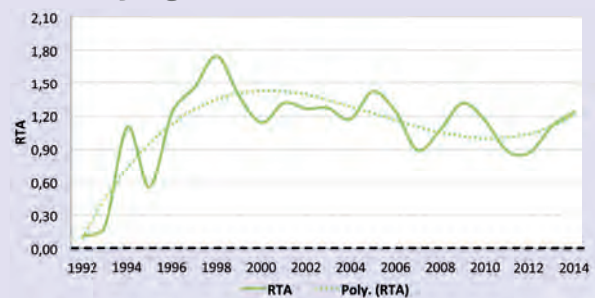
2. AGRIBUSINESS INTELLIGENCE

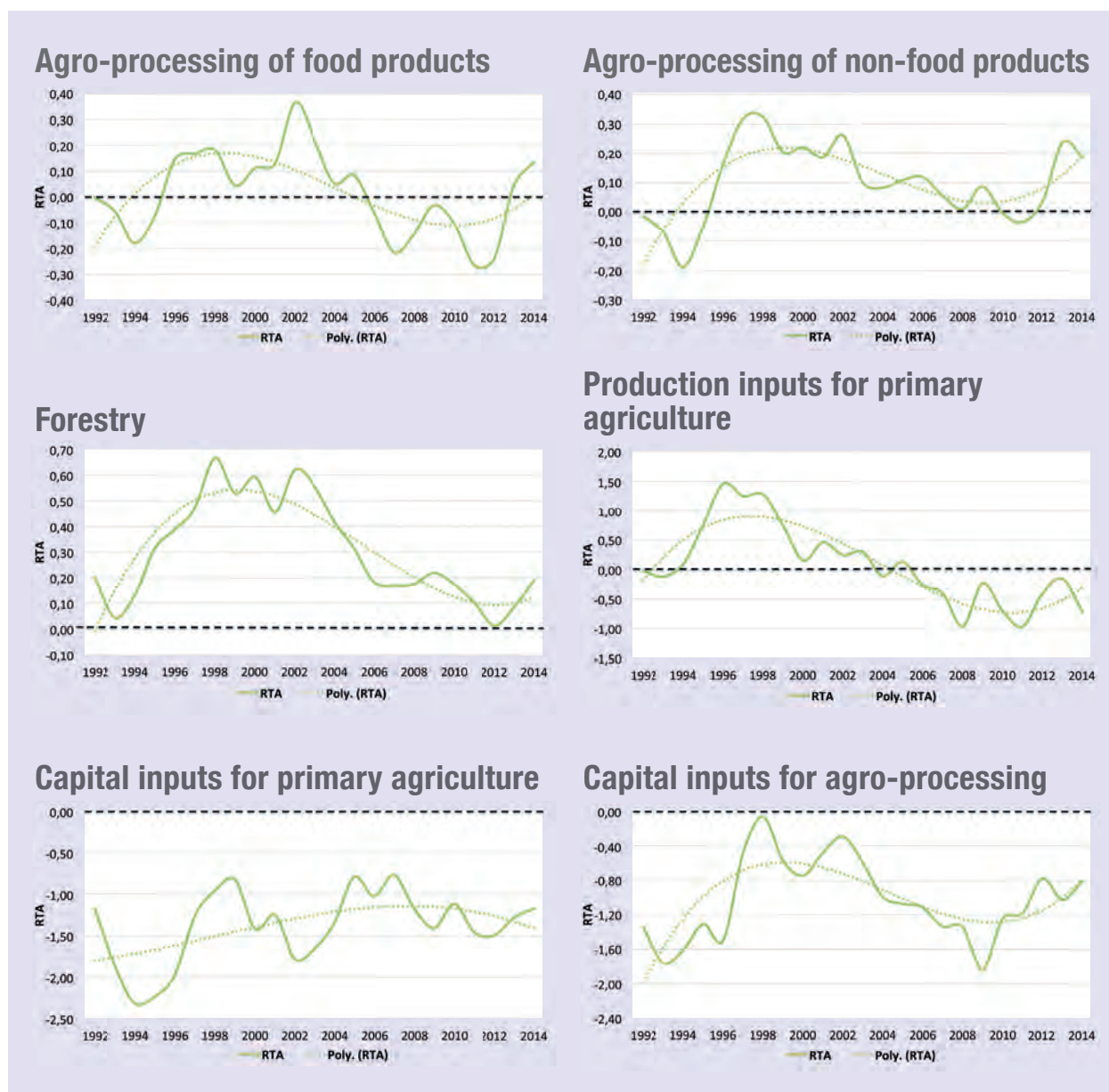
2.1 TRADE COMPETITIVENESS

As part of the evaluation of the competitiveness and performance on the general agribusiness industry over time, Agbiz specifically measures the trade competitiveness. Trade competitiveness performance is measured by investigating the long-term trends in the Revealed Trade Advantage (RTA) index of the agro-complex. To portray the typical activities and involved segments of the sector of the agribusinesses represented by Agbiz, the analysis is done for a different industry classification, which includes agricultural production inputs (e.g. fertilisers, seeds), primary agricultural capital inputs (e.g. tractors, planters), capital inputs for agro-processing (e.g. dairy machinery, mills), primary agricultural production (e.g. grains, fruits), forestry products (e.g. lumber, wood pulp), agro-processing of food products (e.g. meat, wine) and agro-processing of non-food products (e.g. leather, cotton fabric).

The professional input of Dr Ernst Idsardi from the TRADE research area at North-West University was obtained in this analysis, because of his access to the most relevant trade data and his specialist analytic ability in international agricultural trade. The following graphs summarise the trends in the revealed trade competitiveness in the different spheres of the agribusiness sector. An $RTA > 0$ reveals a positive revealed trade competitiveness and an $RTA < 0$ indicates no revealed trade competitiveness.

Primary agriculture





2.2 AGRIBUSINESS COMPETITIVENESS EXECUTIVE OPINION SURVEY

Agbiz greatly values the World Economic Forum’s Global Competitiveness Report. The rankings of countries and the valuation of the competitiveness of the respective countries are based on a global executive opinion survey. Agbiz applied the same methodology to conduct an institutional analysis at firm level, whereby individual agribusinesses participated in completing an executive opinion survey formulated specifically for the South African agribusiness environment. 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 like higher education, technology and efficient financial markets, together with innovation and sophistication factors are measured.

“
The executive survey offers unique measures and captures the informed judgments of business leaders and decision makers in the agribusiness sector.”

Agribusinesses from across the country, serving and operating in the entire agricultural sector, participated in the executive survey. The largest segment of respondents (40%) had a turnover of more than R3 billion in 2015, with the second largest segment (30%) between R700 million and R3 billion. Only 5% of the respondents had a turnover of between R100 million and R700 million, and the rest were

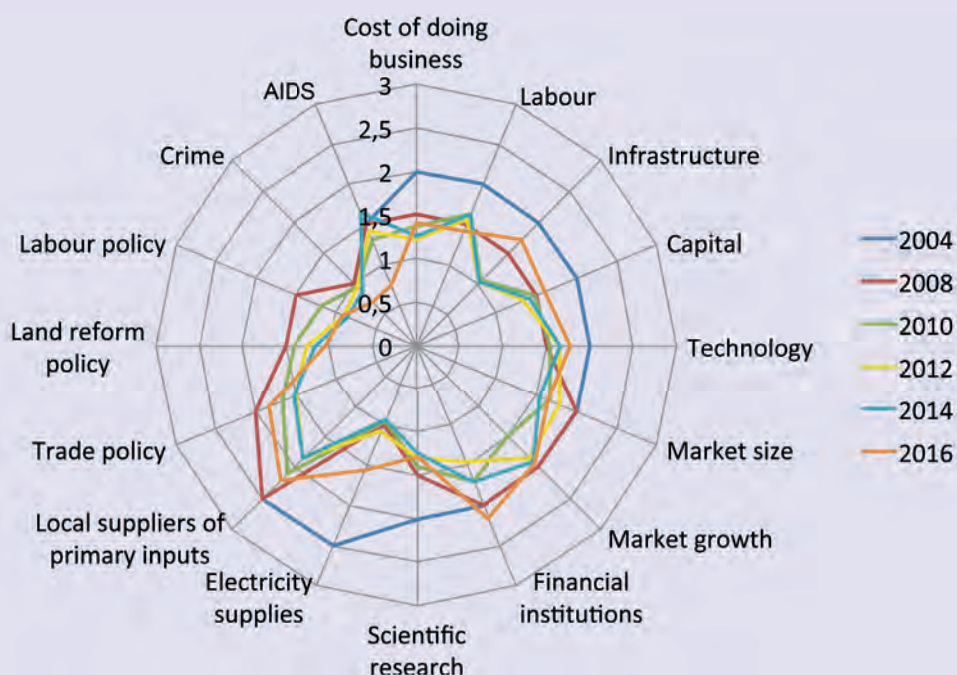
smaller businesses or the relevant associations of a turnover of below R100 million.

A third of the responding agribusinesses operate as private companies and almost 40% as public companies. A mere 11% of respondents operated in cooperative form and another 11% of respondents were relevant associations.

Comparable surveys were conducted every second year since 2004. The figure below indicates the results on a zero-to-three scale. The closer the score is to zero, the more inhibiting the factors are, and the closer the score is to three, the more enhancing the factors are to the agribusiness sector’s competitiveness.

In the figure below, significant factors were highlighted and represent the aggregate ranking of a number of questions supporting that particular factor. The more high-tech and sophisticated factors such as infrastructure development, access to technology and the sophistication of and access to the financial institution have improved in 2016, whereas the labour, land reform and water policies, together with the impact of crime and corruption, have significantly decreased.

Figure: Changes in the factors driving competitiveness over the period 2004–2016



In summary of the findings from the 2016 survey, a list of the 20 top-ranked constraints as well as the

20 top-ranked enhancers are presented in the table below.

Table: Top 20 perceived constraints and enhancers to the competitiveness of the agribusiness sector in 2016.

	Top 20 enhancers	Top 20 constraints
1	Availability of unskilled/semi-skilled labour	Your trust in the honesty of politicians and government officials
2	Fierce competition in the local market	The competence of personnel in the public sector at national level
3	Investment in human resources to attract, train and retain staff	Crime in South Africa
4	Relationships and networks in the industry	The effectiveness of personnel in the public sector at local level (provincial/municipal)
5	Localised competition in the local market	Government bureaucracy in South Africa
6	State of the art and automated operational infrastructure	Corruption in South Africa
7	Regulatory standards (e.g. product standards, energy, safety, environment)	South Africa's labour policy
8	Technological advancement of production processes in your business	The existing South African infrastructure development model
9	Sophistication of local buyers of your products and/or services	South Africa's land and water reform policy
10	Competitive advantage in selling affordable high-quality products	Administrative regulations in South Africa
11	The quality of local suppliers of your business' primary inputs	Recourse to the courts for dispute resolution
12	Availability and sufficiency of local suppliers of your business' primary inputs	South Africa's macro-economic policy
13	Financial institutions in South Africa	The cost of transport
14	Changing consumer trends in South Africa	Electricity suppliers in South Africa
15	Unique products and services as the competitive advantage of your business	South Africa's water policy
16	Proprietary product differences as a competitive edge	The cost of quality technology
17	Updated demands of local buyers of your business product and/or services	Changing political environment
18	Strategic intention to produce or sell environmentally friendly products	The cost of supplies/inputs
19	Incentivised compensation of management in your business	South Africa's BEE policy
20	Ethical awareness of local buyers of your business product and/or services	Availability of professional labour

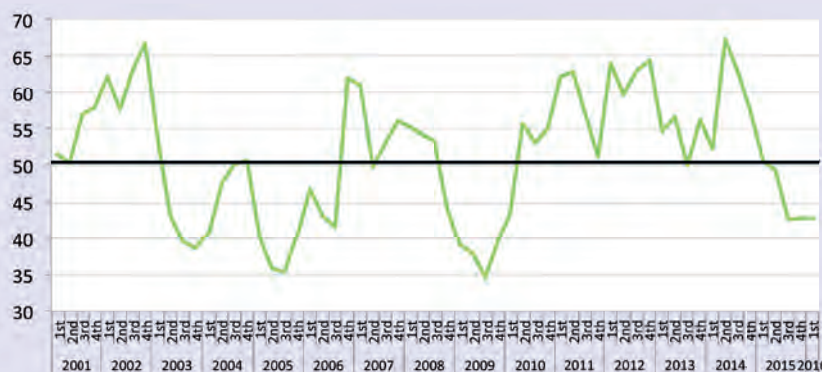
2.3 AGBIZ/IDC AGRIBUSINESS CONFIDENCE INDEX

A very well-known and credible measurement of confidence in the agribusiness sector is through the Agbiz/IDC Agribusiness Confidence Index. On a quarterly basis, Agbiz requests agribusinesses from across the country, serving all the different spheres of the sector, to provide their perceptions on the changes in the sector and their business. As it is based on the executives' perceptions, it is the most accurate means of measuring confidence in the sector. With the support of the Industrial Development Corporation (IDC), the index garnered significant interest from high-level decision makers, such as National Treasury, the South African Reserve Bank, Stats SA and Institute for Race Relations, and is also used by responding agribusinesses as a benchmarking tool in their own strategic decision-making in business.

Below is the most recent graph indicating the trends in the Agbiz/IDC Agribusiness Confidence Index since its inception in 2001, when it was developed and first published in Dr Dirk Esterhuizen's PhD thesis in Agricultural Economics.

The Agbiz/IDC Agribusiness Confidence Index was fundamental in determining the impact of the global financial crisis in 2009 as well as the recovery trend thereafter. As indicated in the graph below, the index reached an all-time low at the peak of the crisis in the third quarter of 2009. Since then the sector's confidence slowly but surely improved. Between 2012 and 2014, the recovery trend flattened out, but then dropped drastically. In the first quarter of 2016, the confidence dropped to nearly as low as during the peak of the financial crisis.

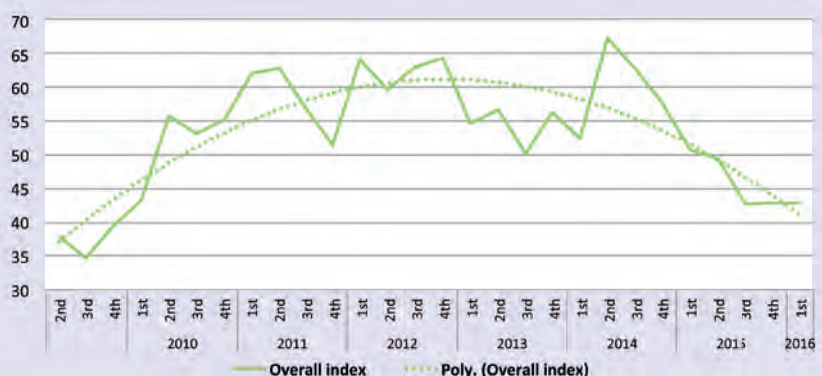
Agbiz/IDC Agribusiness Confidence Index



“The most accurate means of measuring confidence in the sector.”

“With the support of the IDC, the index garnered significant interest from high-level decision makers.”

Agbiz/IDC Agribusiness Confidence Index trendline for 2009–2016



The index is measured in ten sub-indices. The table below shows the quarter-to-quarter as well as year-on-year changes in the respective sub-indices. Due to the seasonality of agriculture, the quarter-on-quarter changes do not provide much insight into the overall trend in confidence, but does sometimes serve as a leading indicator of the changes year-on-year. As indicated below, the year-on-year changes reflecting the confidence in the first quarter of 2016, compared to the confidence in the first quarter of 2015, show a significant decrease. Basically all the sub-indices decreased, with the exception of the index measuring export volumes. The increase in the export volumes indicates the benefit obtained from increased foreign earnings due to the weak exchange rate. The slow economic growth outlook as well as the negative impact of the drought provided for most of the pessimism. Even though farmers' repayment ability reflected in agribusinesses' perception of their debtor provision for bad debt remained unchanged since last year, this might change in future. Agribusiness executives expect a significant increase in finance cost, partially due to the expectation of increased interest rates throughout 2016, but also due to the availability of credit for high-risk ventures such as agriculture. The risk in agriculture was emphasised this year as the effect of the drought is being calculated.

2016 Quarter 1

	Quarter-to-quarter	Year-on-year
Turnover	Small decrease	Decrease
Net operating income	Small decrease	Decrease
Market share of the business	Very small increase	Small decrease
Employment	Decrease	Decrease
Capital investment	Small increase	Decrease
Volume exports	Small increase	Increase
Economic growth in South Africa	Significant increase	Decrease
General agricultural conditions	Increase	Decrease
Debtor provision for bad debt	Small decrease	Unchanged
Financing costs	Small increase	Increase
Overall index	Unchanged	Decrease



2.4 FOREIGN DIRECT INVESTMENT TRENDS

As part of analysing the competitiveness of the sector through trade competitiveness, the executive survey and the quarterly insights by means of the confidence index, a need arose to understand what eventually realised in the sector in terms of investments. Did money still come in, or did money flow out? As the Agbiz agribusiness intelligence function relies only on sound factual evidence, the expertise of Dr Henri Bezuidenhout from North-West University was obtained to provide insights into the actual foreign direct investment (FDI) trend observed in agriculture. The following summarised insights are courtesy of Dr Bezuidenhout.

The FDI study provided some very valuable insights. The table below indicates FDI in agriculture from the top 10 source countries' point of view and shows the dominance of the United Kingdom and the Netherlands as the leading sources of FDI in agriculture to South Africa. In terms of the number of projects, the United States of America and United Kingdom dominate the landscape. South Africa has a clear dependence on the European Union for investment in agriculture, followed by the anglicised world and growing interest from the dominant BRICS countries, China and India.

Table: Agricultural FDI inflows to South Africa by source country

Source: Financial Times, 2016

Countries	Capital investment	Jobs created	Projects
UK	555,7	2 042	12
Netherlands	545,1	856	9
United States	398,1	1 632	16
Switzerland	321,5	3 096	8
Australia	297,1	808	6
Japan	245,5	587	3
Austria	186,7	462	3
Germany	140,5	1 574	3
Canada	105,7	535	2
India	101,5	613	3
China	90,6	367	5
Italy	69,6	328	2
Botswana	51	546	4

The overwhelming trend is towards investment in manufacturing, which received 41 projects. This includes all types of agricultural machines used in crop and livestock production. The number of jobs created in manufacturing is also significantly higher than for the other activities. The table below shows that FDI in agriculture supports manufacturing and job creation, which is very supportive of economic growth.

Table: Agricultural FDI inflows to South Africa by industry activity

Source: Financial Times, 2016

Industry activity	Capital investment	Jobs created	Projects
Manufacturing	2 046,6	10 722	41
Electricity	424,7	94	2
Sales, marketing and support	383,6	236	13
Logistics, distribution and transportation	143,4	775	8
Retail	134	1 431	9
Design, development and testing	52,3	229	5
Headquarters	28,3	133	3
Business services	20,8	53	4
Education and training	19,2	180	3
Maintenance and servicing	10	54	2

In terms of FDI outflows from South Africa in agriculture, there has been a marked increase after the financial crisis of 2008 and uncertainty in terms of land reform policies in South Africa. The current systemic drought has placed a further burden on the agricultural sector and this has led to more farmers and agricultural companies seeking to expand their footprint to the rest of Africa.

Of the top 11 destinations for South African agricultural FDI, only three are non-African, with India and Sri Lanka being the top non-African destinations. Investments in Mozambique, Angola and Nigeria dominate these outflows.



Table: Agricultural FDI outflows to South Africa by source country

Source: Financial Times, 2016

Country	Capital investment	Jobs created	Projects
Mozambique	346	2 395	6
Nigeria	320,5	1 883	9
Angola	210,3	1 606	8
Sri Lanka	110	400	1
Zambia	108,2	861	5
India	98,6	909	4
Congo (DRC)	96,6	577	2
Namibia	80,07	494	3
Ghana	67,3	576	3
Hong Kong	54,1	114	2
Republic of the Congo	48,2	401	1

Of the 67 greenfield projects by South African companies outside of South Africa, 51 were in manufacturing and retail. The sub-sector outflows are dominated by food and beverage stores (led by the Shoprite expansion into Africa). Breweries and wineries, sugar and agricultural equipment are the other dominant sub-sectors. Therefore this picture is of agricultural support rather than direct crop and animal production. It brings two questions to mind: whether it is difficult to secure actual production in Africa, and whether this is value chain growth that is laying agricultural infrastructure for future production of crops and animals.

Table: Agricultural FDI outflows to South Africa by industry activity

Source: Financial Times, 2016

Industry activity	Capital investment	Jobs created	Projects
Manufacturing	1 087,9	6 926	22
Retail	551,1	5 796	29
Logistics, distribution and transportation	102,4	483	5
Sales, marketing and support	60,2	198	8
Business services	8,4	31	1

These insights provide an excellent basis for Agbiz to support its members in understanding the FDI trend and have great potential to be analysed further.



3. LINKING SA AGRIBUSINESS TO THE WORLD

3.1 GLOBAL AGRIBUSINESS

The global landscape has been in a continuous state of flux over the past two years, with the most notable changes coming in the form of a dramatic fall in fuel prices on the one hand, and a sharp depreciation of the rand on the other. In addition, a severe drought has also ravaged most parts of the country, placing the sector in a deficit situation.

As a consequence of South Africa's integration into the world economy, the effects of all these shifts have had a profound effect on the industry's global competitiveness. This placed further importance on Agbiz's role in ensuring a rebalancing of policy responses in order to meet the challenges facing agribusiness. In this regard, Agbiz has continued to engage policy makers to realign policy (i.e. the Industrial Policy Action Plan (IPAP), the Integrated National Export Strategy (INES), the National Development Plan (NDP), the New Growth Path (NPG), etc.) to ensure that the success of the country's export-led growth strategy can still be achieved. This has required even more intensive engagements with, among others:

- Department of Agriculture, Forestry and Fisheries (DAFF)
- Department of Trade and Industry (the dti)
- National Agricultural Marketing Council (NAMC)
- International Trade Administration Commission (ITAC)

More emphasis has been placed on developing new and emerging markets to further expand the growth of South Africa's agribusiness. Africa has remained a leading export destination for the industry's products, further underlining the continued role played by Agbiz in lobbying for improved business environments on the continent. On this front, Agbiz has engaged with international stakeholders (both public and private), such as:

- United Nations Development Programme (UNDP)
- NEPAD Business Foundation (NBF)
- Africa Union Commission (AUC)
- NEPAD's Comprehensive African Agricultural Development Programme (CAADP)

- African Centre for Economic Transformation (ACET)
- Alliance for a Green Revolution in Africa (AGRA)

All of the above serve the objective of promoting the transformation of agriculture and agribusiness within Africa.

As South Africa's trade relationship with Europe and the USA has entered new dispensations, Agbiz has continued to play a role in facilitating discussions aimed at understanding the wider implications on agribusiness. Agbiz has taken the advantage of its good relations with the European Commission to South Africa, various African and Asian embassies, the United States Department of Agriculture (USDA), as well as its network of experts, analysts and consultants to establish platforms of engagement.

The Middle East and Asia have been recognised by the sector as key future priority markets, to which Agbiz has responded through trade briefs and intelligence reports. Engagements with embassies and government departments on developing these markets have become a high priority.

3.2 TRADE AND TRADE FACILITATION

The Trade Facilitation Agreement (TFA) was endorsed at the World Trade Organisation's 10th Ministerial Conference in Nairobi, Kenya, in December 2015. There remain, however, concerns regarding the associated implementation of costs, particularly for less developed countries in Africa that will not be able to meet the new standards set by the TFA. The hope is that some form of arrangement will be made to meet the broader objectives of trade facilitation in Africa, where trade costs are exceptionally high. Suffice to say that the TFA will unlock opportunities that will boost intra-regional trade. The extent to which tripartite and continental free trade agreements succeed will depend, to a large extent, on how much and how well the TFA is implemented within Africa.

While Agbiz acknowledges and supports the work 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), concerns remain regarding the proposed formation of a Border Management Authority (BMA).

Agbiz aligns with the Business Unity South Africa (BUSA) position and opposes the BMA in its entirety on the basis that it will create another layer of bureaucracy that will further complicate South Africa's import-export processes.

Agbiz is of the opinion that the BMA will bring additional costs, and thus work against the spirit of facilitating trade. In order to influence the process, Agbiz is part of the task team that will be reviewing the BMA Bill, with the intent of lobbying against its constitution.



While Agbiz acknowledges and supports the work done by the South African Revenue Services (SARS), concerns remain regarding the proposed formation of a Border Management Authority (BMA)."

3.2.1 African trade relations

SADC, COMESA and EAC Tripartite Free Trade Area (T-FTA) negotiations

The Tripartite Free Trade Agreement (T-FTA) was formally launched in Sharm El Sheikh, Egypt, on 10 June 2015. The launch was originally planned for December 2014 at the Tripartite Summit of Heads of State and Government in Cairo, Egypt. However, due to reasons that are unclear, several delays and postponements were encountered.

The T-FTA comprises the three largest regional economic communities (RECs) in Africa, namely:

- The Common Market for Eastern and Southern Africa (COMESA)
- The East African Community (EAC)
- The Southern African Development Community (SADC)

After the formal launch on 10 June 2015, it was noted that the T-FTA deal will come into force once ratification is attained by two-thirds of the 26 member states.

A post-signature implementation plan was set out, with the expectation of concluding outstanding negotiations by June 2016. Negotiations on outstanding issues include tariff offers, rules of origin, trade remedies and dispute settlement – and the programme of work on the movement of business and the industrial development pillar.

Under the Southern African Customs Union (SACU), South Africa has submitted a response to a tariff offer given by the EAC, with outstanding offers to be considered for Egypt, Ethiopia and "the rest of the T-FTA". The modalities for the reduction of tariffs between SADC, COMESA and the EAC were finalised during the course of 2013. The Rules of Origin (RoO) are currently under negotiation, with tariff phase-down negotiations still to be concluded. It is expected that the set timelines will not be made due to slow progress on tariff offer and RoO negotiations.

The SADC-FTA

One of the major developments in SADC was Seychelles' accession to the SADC Protocol on Trade, which was officially confirmed on 29 July 2015. Seychelles' approval had been passed by the Committee on Ministers of Trade in SADC in July 2014, which ultimately led to 91% of tariff lines falling to zero-rated duty, with only 2,5% of tariff lines excluded from any tariff concessions. South Africa added Seychelles, through a Government Gazette notice dated 18 September 2015, to the list of SADC FTA countries in the SA tariff book, with effect from 1 April 2015.

Meanwhile, Angola and the Democratic Republic of Congo (DRC) indicated during the July 2014 SADC meeting that steps were being taken to ensure accession to the Protocol on Trade, although both countries pointed out that this process required much

more time to complete. Angola reported to the Council for Ministers of Trade (CMT) that the roadmap on accession to the Protocol on Trade has been approved by its cabinet and was to be submitted to the secretariat by 30 November 2015. A national committee was established through a presidential decree and Angola envisages that it would commence implementation of the FTA within a year.

In April 2015, the DRC indicated that it will first accede to the Common Market for Eastern and Southern Africa Free Trade Area (COMESA FTA), before it can accede to the SADC FTA. The DRC reported to the Tripartite Negotiation Forum (TNF) in October 2015 that the matter would be considered by a national working group and submissions had already been made to parliament for consideration. DRC reported to the CMT in November 2015 that internal processes towards accession have commenced.

The problems regarding non-compliance to the derogation protocol continued over the period 2014 to 2016. Zimbabwe is yet to implement its tariff phase down since its derogation expired in 2012. It has been reported that upon internal consultations, Zimbabwe would seek derogation on 1 000 product lines. South Africa is affected by the surtax charges imposed by the Zimbabwean government.

Malawi partly implemented its outstanding tariff phase-down commitments to South Africa. Malawi had 1 292 tariff lines with duties reduced to zero. However, there are still 513 product lines in which Malawi levies duty outside its commitments under the SADC FTA. Of these outstanding tariff lines, 31 lines attract duties of 20% and above. The CMT noted that outstanding tariffs will be removed during finalisation of Malawi's budget for the 2016/2017 fiscal year in June 2016.

Tanzania presented a case to the CMT for derogation of paper and pulp products, as well as raw sugar, in July 2015. The CMT suspended consideration of Tanzania's application for derogation and allowed Tanzania a dispensation to apply tariff rates of 25% and 10% respectively on imports from SADC of raw and refined (and other) sugar for a period of six months, while addressing the problems faced in its sugar

sector. Tanzania is still to finalise its submission on its outstanding application for tariff derogation on paper and pulp products.

Trade and investment promotion in Africa

Trade and investment promotion efforts in Africa continued, with Agbiz participating in the African Union's (AU) African Agribusiness Forum, in Kigali, Rwanda, in June 2015. Agbiz continued to play a part in CAADP through consistent contributions to policy engagements at the annual CAADP meetings in March 2015. Agbiz played a key role in the Africa Green Revolution Forum (AGRF) in Kenya and Zambia, through involvement in the Technical Working Group on Markets and Trade, and as a speaker on regional grain value chains, respectively.

On another note, the Joint Agribusiness Department of Agriculture, Forestry and Fisheries Forum for Africa (JADAFa) partnership between Agbiz and DAFF was set back by slower than expected internal processes within Government, which meant an indefinite delay in funding. After a joint planning meeting in September 2015 and proposal submissions by Agbiz to DAFF regarding a new reformed JADAFa concept in January 2015, there has not been feedback from Government. As Agbiz lets the process of internal consultations play out, effort has been made to engage other partners to establish alternative platforms for engagement. This includes a meeting with the United States Trade Representative (USTR) for Agriculture, Miss Sharon Bomer-Lauretsen – in collaboration with the USDA, as well as a meeting with the former EU Ambassador to Croatia, Dr Paul Vandoren, in collaboration with Tutwa Consulting on 3 and 8 February 2016, respectively.

3.2.2 European trade relations

SADC-EC EPA negotiations

The Southern African Development Community (SADC), Mozambique and Angola Economic Partnership Agreement (EPA) with the EU were concluded on 15 July 2014, after more than a decade of trade negotiations. The expectation at that time was that the agreement would enter into force for all parties during mid-2015. However, by end of July 2015, the text of the EPA Agreement was still undergoing legal scrubbing. Part of the reason for the missed end-of-July 2015 deadline was that new issues emerged during discussions, which included, for example, the exclusion of

Chapter 99 products of the SACU-BLNS from market access into the EU. The EU proposed tariff rate quotas (TRQs) and suggested how these should be divided among SACU countries. As this remains an issue of contention, the SACU ministers met on the margins of the SADC Ministers Summit in September 2015, to discuss the EU's proposal.

In October 2015, it was agreed that SACU will expedite the establishment of a permanent SACU TRQ management system. The EU agreed to assist in the establishment of such a system.

As a first step, the EU and SACU agreed to explore whether existing financial assistance programmes, including the Trade-Related Facility under the EDF-10, could be used to assist SACU in this endeavour.

As a second step, the EU and SACU agreed to set up a meeting in Windhoek, Namibia, to further engage on the matter. In the interim period, after the entry into force of the EPA Agreement, the meeting agreed that SACU will ensure that arrangements operated by the SACU members do not constitute an impediment to the applications and filling of TRQs.

Initially, there were several outstanding market access issues under the SACU-EPA negotiations, most of which SACU reached an agreement on with the EU. These include the reduction of duties on fish products over the next 10 years, which will now take place on the basis of GSP rates. Furthermore, an additional 17 qualifying products will be incorporated into the EPA Agreement. In addition, a new market access agreement under EPA was struck for sugar and wines.

One of the most important issues agreed upon in the July 2015 meetings, is the EU agreeing to the SACU proposal that market access under EPA should start immediately upon the agreement coming into force, rather than waiting for market access to start on 1 January of the year following the agreement's coming into force. As the EU had initially agreed on this only for sugar, they later agreed to apply this to all products, because the legal scrubbing had taken much longer than anticipated.

The SADC EPA states and the EU met in Brussels on 22 October 2015 at senior official's level and on

23 October 2015 at the level of the technical working group on legal scrubbing. The parties successfully concluded EPA negotiations after reaching common understanding on all outstanding matters. The expectation has been that the EPA will be signed by all parties by June 2016.

SACU–EFTA (Iceland, Lichtenstein, Norway and Switzerland) FTA implementation and review

South Africa's pre-occupation with the EPA negotiations meant that the conclusion and implementation of the EFTA Trade Agreement was only likely to happen after the conclusion of the EPA Agreement. In early 2015, the EFTA submitted a revised request for improved market access for certain processed agricultural products exported to SACU.

The EFTA countries expressed their ambition for market access of non-primary agriculture products, while SACU indicated interest in gaining market access for primary agriculture.

Industry proposed that the department do further analysis with regard to Switzerland and Norway's poultry offer to South Africa, which is the same as their present GSP preferences. By the end of 2015, Government had concluded consultations with the industry on offensive and defensive interests for basic agricultural products (BAPs), processed agricultural products, as well as on fisheries products.

South Africa's position on primary agriculture was compiled by DAFF and forwarded to the SACU Secretariat through the dti in October 2015. The SACU Secretariat is in the process of consolidating inputs from all SACU member states into a common SACU position to guide negotiations during the review.

3.2.3 Asian trade relations

SACU–India Preferential Trade Agreement (PTA)

There has been no progress on the negotiations with India. With pressure to reduce the level of ambition to below 6% of the product lines, there remains a fair amount of scepticism regarding South Africa's benefit from the agreement, particularly from the labour constituency within the National Economic Development and Labour Council (NEDLAC). After having drafted an offer to India,

South Africa has finalised its response to the Indian request list for improved market access, which was submitted to the SACU Secretariat. This response, together with the BLNS request list to India, was consolidated by the SACU Secretariat, with further engagements to get member country's inputs. In July 2015, NEDLAC informed the Agricultural Trade Forum (ATF) to develop a revised final offer to India, after reviewing inputs from the SACU Secretariat. With the exception of Namibia, the SACU member states are yet to submit their inputs on India's request list to the SACU Secretariat.



With the exception of Namibia, the SACU member states are yet to submit their inputs on India's request list to the SACU Secretariat.”

3.2.4 American trade relations

The African Growth Opportunity Act (AGOA)

South Africa's relationship with the USA under AGOA over the period between 2014 and 2016 was typified by extreme uncertainty. In the run-up to the renewal of AGOA in July 2015, there was a debate in congress regarding a review of South Africa's position on two key issues. Firstly, whether South Africa should be excluded among AGOA beneficiary countries on the grounds that it is more developed compared to other states in sub-Saharan Africa. Secondly, the possibility of a reciprocal trade arrangement between South Africa and the USA. South Africa successfully lobbied Congress to be included in the 10 year extension of AGOA. However, the inclusion of South Africa was conditional on satisfactorily meeting the demands placed by the USA on market access for poultry, beef and pork.

Bilateral negotiations led to a poultry agreement that provided USA poultry exporters with a 65 000 tonnes quota for bone-in cuts in the South African market. Due to the outbreak of highly pathogenic avian influenza (HPAI), further negotiations took place to discuss terms and conditions of

a protocol to address health aspects on exports of poultry meat, and the USDA FSIS (food safety and inspection service) poultry certificate for USA exports. As the complex negotiations took longer than planned, leading to missed deadlines, President Barack Obama notified South Africa of the USA's intent to suspend South Africa's benefits for agricultural exports under AGOA on 5 November 2015.

The suspension would have come into effect at the beginning of January 2016, but the Obama administration, acknowledging the progress already made in the negotiations, extended the notice for suspension to mid-March 2016. Emphasis was put on the need for evidence of USA poultry exports in the South African market as a test of the commitment and effectiveness of new trade conditions that had been agreed upon during the negotiations. With the rest of the outstanding animal health and food safety issues relating to pork and beef eventually resolved, and the first shipment of USA poultry exports received in mid-March 2016, South Africa successfully ensured its place under AGOA.

Despite South Africa's successful review in this round of negotiations, concerns regarding the certainty of AGOA in the future remain. It is feared that the USA's stated concern regarding policy issues in South Africa, among them the Protection of Investment Act, will likely attract further reviews. The inherent risk of out-of-cycle reviews and the uncertainty it brings to the private sector has triggered some discussions around the possibility of a more secure reciprocal agreement.

In a meeting hosted by Agbiz and the USDA, it was reported that the USA Congress has tasked the United States Trade Representatives (USTR) to gather views regarding what a future reciprocal trade agreement between the USA and South Africa would look like. The USTR is expected to provide guidance and recommendations to Congress in June 2016 regarding possible options.

In South Africa, the Trade and Industry Chamber of NEDLAC has commissioned a study to similarly explore a reciprocal trade agreement to replace South Africa's tenuous duty free access into the markets of the USA. A reciprocal long-term trade agreement will ensure far more certainty and predictability in terms of trade and should benefit both countries, if correctly negotiated.

4. LIAISING WITH BUSINESS AND GOVERNMENT

4.1 LOCAL LINKAGES, FORUMS AND ENTITIES

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

International business affiliation:

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

Reserve Bank Economic Roundtable:

Ms Lindie Stroebel served on the Reserve Bank’s Economic Roundtable before her resignation. Agbiz will continue to serve on this consultative entity.

International business linkage:

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

Maize Trust:

Dr Purchase currently serves as deputy chairperson of the Maize Trust.

Local business affiliation:

Business Unity South Africa (BUSA). Agbiz personnel serve on the Economic Policy and Social Policy Committees of BUSA, as well as on various sub-committees of these policy committees.

South African Grain Information Service (SAGIS):

Dr Purchase currently serves as chairperson of SAGIS.

Presidential Business Working Group:

Through BUSA, Dr Purchase also serves on the Presidential Business Working Group.

National Agricultural Marketing Council (NAMC):

Dr Purchase has been serving on the council of the NAMC from 2012 to the present. In his capacity as council member, he also chaired the Crop Estimates Liaison Committee and the Grain and Oil Seeds Supply and Demand Estimates Committee in the NAMC’s capacity as oversight and co-ordinating authority.

National Economic and Development Labour Council (NEDLAC):

Through BUSA representation, Agbiz serves on the Trade and Industry Chamber NEDLAC, where Dr Purchase is also overall business convenor in the TIC Chamber. Agbiz also serves on the Public Finance and Monetary Policy Chamber in NEDLAC.

Land Bank Board:

Dr Purchase served a term as a board member of the Land and Agricultural Development Bank of South Africa from July 2012 to June 2015.

Agbiz further serves on various government forums and entities with regard to trade and investment, NEDLAC task teams on policy and legislation matters, land reform (IDTTO7), B-BBEE (AgriBEE Charter Council), etc.

AGBIZ GRAIN REPRESENTATION – LOCAL

Agbiz Grain committees

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

Industry boards

- SA Grain Laboratory Board
- Winter Cereal Trust Board
- SA Grain Information Services Board
- Grain Farmer Development Association Board
- End Point Royalty System Board (to be established)

Industry committees

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

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

Ad hoc committees

- Agricultural Policy Action Plan - Wheat Value Chain Round Table
- Branchline Strategy Development Committee (Business Unity SA rep)
- CELC Seminar Organising Committee
- Grain Logistics Planning Committee
- Industry Parliamentary Exhibition Committee
- Jobs Fund Committee
- Winter Cereal Trust Oversight Committee

AGBIZ GRAIN REPRESENTATION – REGIONAL

The Southern African Grain Network (SAGNET), comprising 15 countries, was established in September 2015. The business plan will be implemented by the Steering Committee to guide the operations of the platform and act as a tool for resource mobilisation going forward. The Steering Committee represents all grain value chain nodes of the platform: producers, traders, processors and service providers. Ms Mariana Purnell, general manager of Agbiz Grain, represents the service providers.

“Agbiz serves on various government forums and entities with regard to trade and investment, NEDLAC task teams on policy and legislation matters, land reform (IDTT07), B-BBEE (AgriBEE Charter Council), etc.”

5. STAKEHOLDER ENGAGEMENT

Agbiz utilises a wide variety of dynamic communication methods to ensure that stakeholder communication is always clear, constructive and interactive.

Our stakeholders

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

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

We interact with our stakeholders through a variety of communication channels, such as through the Agbiz eNewsletter, corporate website, annual reports and other publications. In addition, we participate in more formal and structured engagement, such as meetings, workshops, exhibitions and other events, and carry out consultations and surveys.

5.1 eNEWSLETTER

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

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.

The Agbiz online brand identity was applied within the Agbiz Grain website (www.agbizgrain.co.za). These two websites are interlinked, which makes it easy for stakeholders and members to find what they are looking for.

5.3 WORKSHOPS

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

A number of workshops were organised and facilitated by Agbiz over the review period. These workshops dealt with issues such as agro-logistics, insurance in agriculture, drought, AgriBEE, land reform as well as trade developments and relations.

Agbiz Grain hosted its annual mini symposiums, which addressed issues that affect its members and created a forum for discussion and interaction.

5.4 PRESENTATIONS

Over the two-year period, Agbiz made more than 100 presentations to a range of external and internal stakeholders, including high-level invited participation at local and international events such as: SIMA 2015 International Agribusiness Show in Paris, Global Forum for Innovations in Africa, Agro-processing Summit, AGOA Beneficiaries Conference, AMT Agri Outlook Conference and Farmlink Agribusiness Africa Conference. Numerous presentations were also made to members and stakeholders on critical issues that affect their strategic planning.

5.5 COUNCIL MEETINGS

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

5.6 EXHIBITIONS

Agbiz participates in exhibitions at relevant conferences to attract and engage with attendees who are unfamiliar with our organisation as well as to enforce existing relations. Agbiz exhibited at:

2014

IFAMA Agribusiness and Food World Forum 2014
PMA Fresh Connections Conference
AMT Agri Outlook Conference

2015

PMA Fresh Connections SA Conference
AMT Agri Outlook Conference
Consumer Goods Council of South Africa
Global Forum for Innovations in Africa

In 2015, Agbiz Grain spearheaded an industry initiative to hold a grain industry exhibit at parliament. A series of banners was displayed and an information booklet was distributed to illustrate the complexity of the grain industry and the interactions of various role players.

5.7 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 timely B-BBEE surveys.

5.8 CORPORATE DVD

Agbiz has recently invested in the production of a corporate DVD to give stakeholders an insight into what Agbiz does and who Agbiz represents. A shorter version of the DVD will be used to introduce Agbiz at all events where Agbiz representatives are presenting. The corporate DVD is available to view on the Agbiz website.

5.9 PUBLICATIONS

Agbiz members are in various ways involved in the economic upliftment of the communities in which

they operate. In recognition of their contribution to empower new black farmers to develop business enterprises, Agbiz published *Agribusiness Contribution to the National Development Plan through Enterprise Development*. This publication provides insight into the highly commendable enterprise development initiatives and approaches of a number of our members. The SA Publication Forum awarded the publication for excellence in writing and communications as well as for excellence in layout. This publication complements the previous publication, which focused on the contribution of agribusinesses to socio-economic development.

Agbiz Grain distributes a monthly report to keep its members informed regarding issues in the local and international grain industry affecting their business as well as potential risks and opportunities.



The SA Publication Forum awarded the publication for excellence in writing and communications as well as for excellence in layout.”

5.10 MARKETING BROCHURE

This document defines the vision and mission of Agbiz, and explains the key focus areas, benefits of membership as well as Agbiz membership categories. It is available in printed format as well as electronic format on the Agbiz website.

5.11 SOCIAL MEDIA

Communicating corporate messages and issues through social media is important and necessary in order to improve and promote conversations with stakeholders. Facebook, Twitter and LinkedIn are used to engage with stakeholders on economic, policy, trade and social matters.

5.12 THE GREENKEEPER DISCUSSION FORUM

The Greenkeeper online agribusiness discussion forum addresses issues facing the agribusiness sector and serves as platform to foster public debate and opinion on these issues. Agbiz media releases are published here as well as articles written by independent, neutral journalists on a diverse range of agribusiness topics. The Greenkeeper is available at: www.thegreenkeeper.co.za

5.13 MEDIA ENGAGEMENT

Agbiz has established good relationships with members of the media. Regular interaction with journalists,

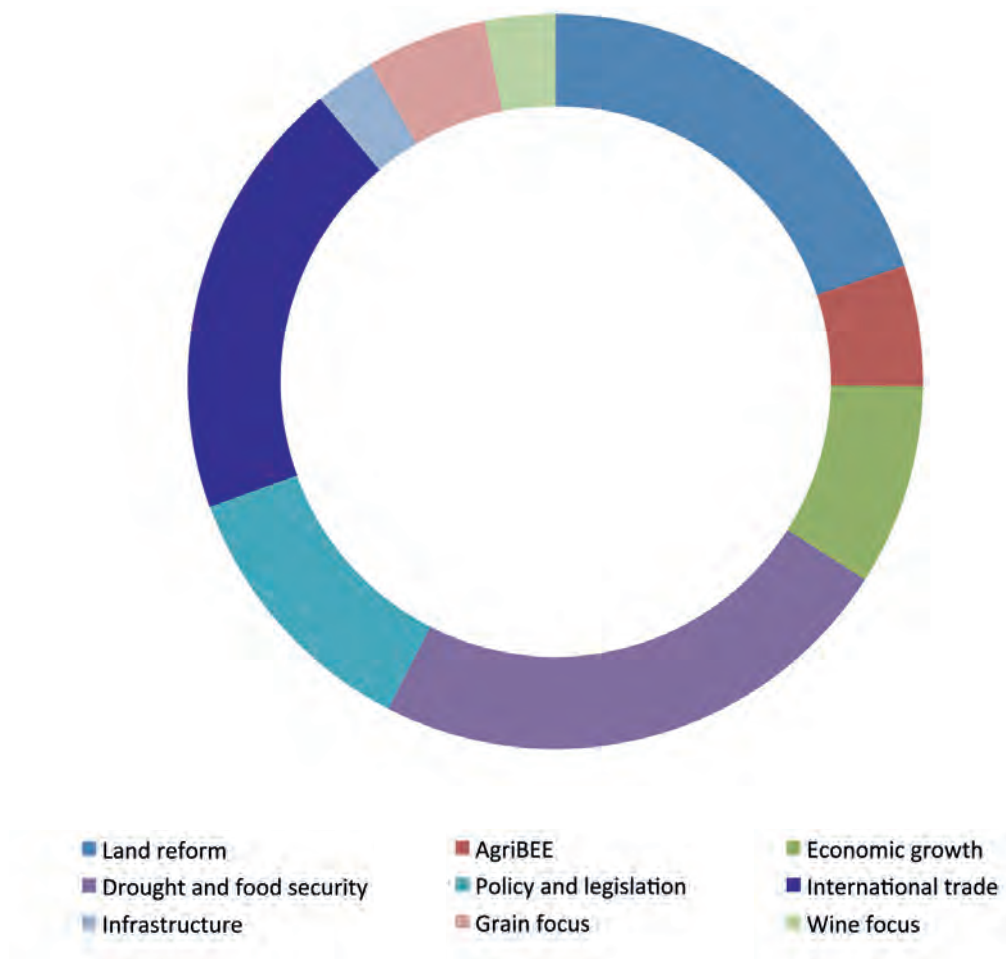
reporters and editors keeps our stakeholders informed and promote a fair representation of Agbiz in the media.

Print, broadcast and on-line media monitoring is outsourced and reports of coverage are received daily and are published in our newsletter and on the website, as appropriate.

During the period under review, coverage was mainly focused around the issues of land reform, the drought and food security, investment in agriculture, international trade, AgriBEE and agrologistics.

Main issues of news covered in the media (March 2015–February 2016)

Source: Ornico Group



6. HUMAN CAPITAL DEVELOPMENT

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

6.1 AGRIBUSINESS CENTENARY BURSARY

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

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

Due to the high standard of bursary applications received in 2015 the decision was made to award two bursaries.



2015
ANEL JANSEN VAN VUUREN
MSc student in
Agricultural Economics
University of Pretoria



2015
DIANA MAWOKO
MSc student in
Agricultural Economics
University of Pretoria



2016
CARMEN VAN NIEKERK
PhD Nutrition
University of Pretoria

6.2 AGBIZ CONGRESS STUDENT PROMOTION PROJECT

For the 2014 Agbiz Congress, 16 students from five different universities were selected to attend the congress, network with agribusiness leaders and obtain the opportunity to showcase their skills during the Agbiz 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 since 2008, the decision was made to repeat the initiative at the Agbiz Congress in 2016. Sixteen students will attend the congress and participate in the student case competition. 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

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

Evidence-based research for AGOA inputs

Agbiz has worked closely with the Bureau for Food and Agricultural Policy (BFAP) and the University of Pretoria on generating intelligence to inform policy. An example is the Agbiz-commissioned research project in which BFAP reviewed the possible impacts of the USA poultry quota

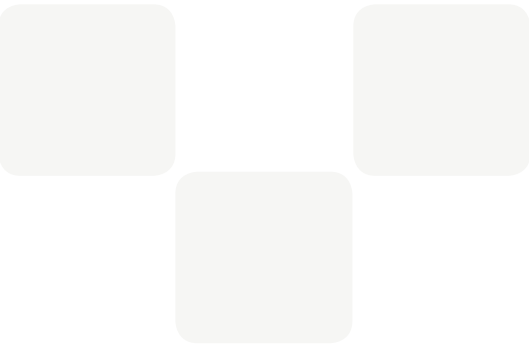
allocation scenarios on South Africa’s poultry sector. The research was done in order to inform and guide the South African Poultry Association (SAPA) in their negotiations with the USA Poultry and Egg Export Council (PEEC) in order to determine the levels of chicken imports that could be allowed in the domestic market without causing significant material injury to the private sector. The research involved intensive engagement between Agbiz, SAPA and BFAP in order to arrive at some sensible conclusions. In the considered opinion of Agbiz, this research played a big role in assisting SAPA in its strategic positioning, as well as their decisions in the negotiations.

The role of Agbiz at the Agricultural Economics Association of South Africa (AEASA)

Agbiz has effectively participated in the AEASA annual conferences either through the chairing of workshops on infrastructure development, or by research presentations. Agbiz is also part of the Conference Coordination Committee that is organising the 2016 conference, which will be hosted in Gauteng. The research generated by Agbiz has led to award-winning paper contributions that were ranked among the best submissions, winning the second best contributed research paper in 2014, and winning the first prize in 2015. Some of the research presented at the AEASA conferences has led to successful publications in peer-reviewed scientific journal article contributions.

6.4 GRAIN INDUSTRY TRAINING MATERIAL

Agbiz Grain and the service provider, PMI, are in the process of finalising the learning material for Grain Grader, Grain Process Controller and Grain Handling Operator. The material will be accredited with the AgriSETA.





FINANCIAL STATEMENTS

FOR THE YEAR ENDED **29 FEBRUARY 2016**

INDEX

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

Index	Page
General information	3
Executive Committee's responsibilities and approval	4
Independent Auditor's report	5
Executive Committee's report	6-7
Statement of financial position	8
Statement of income	9
Statement of changes in equity	10
Statement of cash flow	11
Accounting policies	12-13
Notes to the financial statements	14-18
The following supplementary information does not form part of the financial statements and is unaudited:	
Detailed income statement	19
Income statement for Grain desk	20

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business	The Agricultural Business Chamber (Agbiz) is an association, registered as an association with a "not for gain" objective.
Executive committee	Mr Schalk Willem Pienaar (Chairperson) Mr Daniel Frederick Marais (Deputy Chairperson) Dr Langelihle Simela (Deputy Chairperson) Dr John Luscombe Purchase (CEO) Mr Francois Strydom Mr Kamlesh Riga Mr Sean Walsh
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 (SA) Registered Auditors
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Constitution of Agbiz
Preparer	The financial statements were internally prepared by: Erika Ruppig (BCom Management Accountancy)
Date issued	13 April 2016

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.

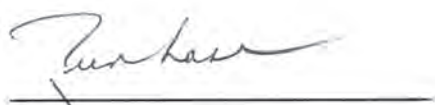
The Executive Committee acknowledge that they are ultimately responsible for the system of internal financial control established by the organisation and place considerable importance on maintaining a strictly controlled environment. To enable the committee to meet these responsibilities, the committee 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.

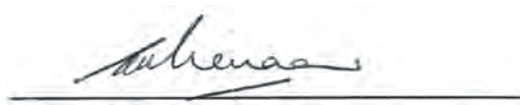
The Executive Committee has reviewed the organisation's cash flow forecast for the year to 28 February 2017 and, in the light of this review and the current financial position, they are satisfied that the organisation has adequate resources or access thereto, to continue in operational existence for the foreseeable future.

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

The financial statements set out on pages 6 to 20, which have been prepared on the going concern basis, were approved by the Executive Committee on 13 April 2016 and were signed on its behalf by:



Dr John Luscombe Purchase (CEO)



Mr Schalk Willem Pienaar (Chairperson)

INDEPENDENT AUDITOR'S REPORT

To the members of Agbiz

Report on the financial statements

We have audited the financial statements of Agbiz, as set out on pages 8 to 18, which comprise the statement of financial position as at 29 February 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then 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 determines necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organisation'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 29 February 2016, and its financial performance and 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 Agbiz.

Other matters

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on pages 19 to 20 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Enslins Bethlehem Incorporated has been the auditor of Agbiz for three years.



Enslins Bethlehem Incorporated
Registered Auditors

EE Bakker CA(SA)
Registered Auditor

13 April 2016

3 Pres Boshoff Street
Bethlehem
9700

EXECUTIVE COMMITTEE'S REPORT

The Executive Committee has pleasure in submitting their report on the financial statements of Agbiz and its associates for the year ended 29 February 2016.

1. Nature of the organisation

Agbiz is an association, registered as an association with a "not for gain" objective. The visionary framework, strategic intent, mission and objectives have been updated for 2011.

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

The mission of Agbiz 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 Agbiz are:

- Core Objective 1:** To promote agribusiness 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 ongoing and professional interaction with all relevant government institutions.
- Core Objective 3:** To improve the commercial and sustainable agribusiness environment through liaison and co-operation with influential groupings within the business environment, both locally and internationally.
- Core Objective 4:** To support B-BBEE, transformation and development of emerging agribusiness and other role players in the agro-food value chain.
- Core Objective 5:** To create unique, relevant and accessible agribusiness intelligence to support Agbiz programmes.

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.

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

	Changes
Mr Schalk Willem Pienaar (Chairperson)	
Mr Daniel Frederick Marais (Deputy Chairperson)	
Dr Langelihle Simela (Deputy Chairperson)	Appointed 24 July 2015
Dr John Luscombe Purchase (CEO)	
Mr Francois Strydom	
Mr Kamlesh Motilal Riga	
Mr Sean Walsh	

4. Audit Committee

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

Mr Frans van Wyk CA(SA) (Chairperson)
 Mr Koos van Rensburg (MBL)
 Mr Erenst Pelsers BCom (Economics)

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 continued in office as auditors for the organisation for 2016. They will continue in office for the 2017 financial year.

8. Grain desk

Agbiz became responsible for the activities of the company known as GSI (Grain Silo Industry).

All the staff, assets and liabilities were transferred to Agbiz with effect from September 2014. These activities will henceforth be conducted by the Agbiz Grain desk.

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

For the year under review the activities resulted in a surplus of R783 419.

STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2016

Figures in rand	Note(s)	2016	2015
Assets			
Non-current assets			
Property, plant and equipment	2	264 997	88 031
Current assets			
Trade and other receivables	3	485 947	472 714
Cash and cash equivalents	4	6 354 511	6 042 860
		6 840 458	6 515 574
Total assets		7 105 455	6 603 605
Equity and liabilities			
Equity			
Reserves		5 301 432	3 683 257
Accumulated surplus		559 108	1 336 460
		5 860 540	5 019 717
Liabilities			
Current liabilities			
Trade and other payables	8	1 244 915	1 583 888
Total equity and liabilities		7 105 455	6 603 605

STATEMENT OF INCOME AND RETAINED EARNINGS

Figures in rand	Note(s)	2016	2015
Operating income	9	9 203 660	7 212 224
Other income	10	1 294 245	2 046 183
Operating expenses		(9 491 838)	(8 088 567)
Operating surplus	11	1 006 067	1 169 840
Surplus for the year		1 006 067	1 169 840
Other comprehensive income		-	-

STATEMENT OF CHANGES IN EQUITY

Figures in rand	Special reserve	Winding-up reserve	Grain desk reserve	Total reserves	Accumulated surplus	Total equity
Balance at 01 March 2014	472 615	3 000 000	-	3 472 615	377 262	3 849 877
Surplus for the year	-	-	-	-	1 169 840	1 169 840
Total comprehensive income for the year	-	-	-	-	1 169 840	1 169 840
Transfer of income surplus to reserve	-	-	210 642	210 642	(210 642)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	210 642	210 642	(210 642)	-
Balance at 01 March 2015	472 615	3 000 000	210 642	3 683 257	1 336 460	5 019 717
Surplus for the year	-	-	-	-	1 006 067	1 006 067
Other comprehensive income	(165 244)	-	-	(165 244)	-	(165 244)
Total comprehensive income for the year	(165 244)	-	-	(165 244)	1 006 067	840 823
Transfer of income surplus to reserve	-	1 000 000	783 419	1 783 419	(1 783 419)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	1 000 000	783 419	1 783 419	(1 783 419)	-
Balance at 29 February 2016	307 371	4 000 000	994 061	5 301 432	559 108	5 860 540
Note(s)	5	6	7			

STATEMENT OF CASH FLOW

Figures in rand	Note(s)	2016	2015
Cash flows from operating activities			
Cash generated from operations	13	749 554	1 928 478
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(276 907)	(88 201)
Sale of property, plant and equipment	2	4 246	1 053
Special reserve		(165 243)	-
Net cash from investing activities		(437 904)	(87 148)
Total cash movement for the year		311 650	1 841 330
Cash at the beginning of the year		6 042 860	4 201 531
Total cash at end of the year	4	6 354 510	6 042 861

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, except for biological assets at fair value less point of sale costs, 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 conditions necessary for it to be capable of operating in the manner intended by management.

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

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

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Office furniture	Straight line	Six years
Office equipment	Straight line	Five years
Computer equipment	Straight line	Three 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 (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through surplus or deficit) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

Financial instruments at amortised cost

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

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

Financial instruments at cost

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

Financial instruments at fair value

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

1.3 Tax exemption

Agbiz is an association with a "not for gain" objective 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

Revenue is recognised to the extent that the association has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the association. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

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

1.5 Translation of foreign currencies

Foreign currency transactions

Exchange differences arising on monetary items are recognised in surplus or deficit in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

Figures in rand

2. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office furniture	169 868	(114 268)	55 600	116 287	(96 394)	19 893
Office equipment	16 617	(16 617)	-	63 452	(63 451)	1
Computer equipment	438 802	(229 405)	209 397	216 069	(147 932)	68 137
Total	625 287	(360 290)	264 997	395 808	(307 777)	88 031

Reconciliation of property, plant and equipment – 2016

	Opening balance	Additions	Depreciation	Total
Office furniture	19 893	53 581	(17 874)	55 600
Office equipment	68 137	223 326	(82 066)	209 397
	88 030	276 907	(99 940)	264 997

Reconciliation of property, plant and equipment – 2015

	Opening balance	Additions	Depreciation	Total
Office furniture	35 428	-	(15 535)	19 893
Office equipment	3 323	-	(3 323)	-
Computer equipment	4 630	88 201	(24 694)	68 137
	43 381	88 201	(43 552)	88 030

3. Trade and other receivables

	2016	2015
Trade receivables	-	472 714
VAT	(1)	-
IFAMA – African Chapter	456 051	-
Prepaid expenses	29 897	-
	485 947	472 714

Fair value of trade and other receivables

The fair value of trade and other receivables (at initial recognition) is equal to the invoiced amounts unpaid. The amount of R456 051 was included in trade receivables in the prior financial year. A decision was taken to indicate this amount separately in the current financial year. This is the agreed apportionment surplus that is due to Agbiz by IFAMA and the settlement of this account will only occur upon approval of the IFAMA African Chapter business plan, by the IFAMA board. No expenses will be incurred in terms of the IFAMA African Chapter unless Agbiz has received the required income, therefore an IFAMA Creditor has been created (refer to note 8).

Prepaid expenses relate to the 2016 Congress expenses, which have already been paid.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

Figures in rand

2016

2015

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cheque account	63 483	113 725
Investment Agbiz	5 255 149	5 131 107
Investment Grain	1 035 959	798 949
Credit card	(80)	(921)
	6 354 511	6 042 860

5. Special reserve

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

In the financial year under review, the reserves were utilised for the corporate video and repairs.

Special reserve	472 615	472 615
Reserves utilised	(165 244)	-
	307 371	472 615

6. Reserve for winding up operations

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

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

7. Grain desk reserve

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

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

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

Grain desk reserve	210 642	210 642
Transfer of income surplus to reserve	783 419	-
	994 061	210 642

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

Figures in rand

2016

2015

8. Trade and other payables

Funds due to GSI members	-	565 717
Honorarium payable	46 928	37 423
IFAMA African Chapter start-up capital	482 398	482 398
Income received in advance	446 471	-
Provision for leave	150 849	174 389
Trade payables	4 642	1 379
VAT	113 627	322 582
	1 244 915	1 583 888

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

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

IFAMA entrusted Agbiz to manage the allocated funds for the African Chapter initiative. These funds will be managed completely independent from Agbiz finances and the balance will be transferred to a separate bank account, once it is received. No expenses will be incurred in terms of the IFAMA African Chapter unless Agbiz has received the required income, therefor an IFAMA creditor has been created (refer to note 3).

Income received in advance relates to the 2016 Congress income.

9. Operating income

Grain desk membership fees	2 291 886	709 633
Agbiz membership fees	6 911 774	6 502 591
	9 203 660	7 212 224

10. Other income

Congress income	-	1 117 701
Grain – Interest received	97 210	4 373
Grain – Training material	192 881	82 252
Interest received	387 593	346 156
Management fees	196 370	367 648
Symposium income	62 672	-
Profit and loss on sale of assets and liabilities	4 246	1 053
Bad debt recovered	399	-
Wine desk income	10 907	-
Special projects	105 000	90 000
Workshop income	236 967	37 001
	1 294 245	2 046 184

Special project income arose from Agbiz's involvement in projects, which remunerates it for time allocated.

Management fees income arose from the CEO's involvement at various corporate boards.

Included in the Workshop income for the current year is an amount of R236 967 relating to VAT, which was incorrectly accounted for in the prior year.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

Figures in rand

2016

2015

11. Operating surplus

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

Operating lease charges

Premises:

- Contractual amounts

276 406	237 475
---------	---------

Property, plant and equipment

4 246	1 053
-------	-------

Depreciation on property, plant and equipment

99 940	43 552
--------	--------

Employee costs

4 823 119	4 472 151
-----------	-----------

12. Auditor's remuneration

Fees

33 605	31 314
--------	--------

13. Cash generated from operation

Cash generated from operating activities

Pg 19

1 006 067	1 169 840
-----------	-----------

Adjustments for:

Depreciation and amortisation

99 940	43 552
--------	--------

Surplus on sale of assets

(4 246)	(1 053)
---------	---------

Changes in working capital:

Increase in trade and other receivables

(13 234)	152 448
----------	---------

Increase in trade and other payables

(338 973)	563 691
-----------	---------

749 554	1 928 478
----------------	------------------

14. Related parties

Relationships

Members of key management

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

Compensation paid to key management

Related party balances

Amounts included in Trade receivable/(Trade payable) regarding related parties

Honorarium payable

(46 928)	(37 423)
----------	----------

Related party transactions

Compensation paid to key management

Compensation paid to key management

2 456 097	2 350 339
-----------	-----------

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

Figures in rand

2016

2015

15. Congress

Income

- 1 117 701

Exhibitions

- 56 000

Registrations

- 340 421

Sponsorship

- 593 280

Students

- 128 000

Expenses

- 871 979

Functions

- 186 411

Marketing

- 176 742

Other expenses

- 156 380

Speaker fees

- 42 726

Student fees

- 109 754

Travel and accommodation

- 57 349

Venue hire

- 142 617

Surplus

- 245 722

No congress was held in the 2015/16 financial year.

DETAILED INCOME STATEMENT

Figures in rand	Note(s)	2016	2015
Operating income			
Membership fees		6 911 774	6 502 591
Other income			
Agbiz Grain – net income (Refer to page 20.)		783 419	210 642
Bad debt recovered		399	-
Congress income	15	-	1 117 701
Gains on disposal of assets		4 246	1 053
Interest received		387 593	346 156
Management fees		196 370	367 648
Special projects income		105 000	90 000
Wine desk income		10 907	-
Workshop income		236 967	37 001
		1 724 902	2 170 201
Operating expenses			
Accounting fees		3 300	2 750
Affiliation and membership fees		281 000	316 510
Agricultural Unity Forum		-	8 310
Audit fees	12	33 605	31 314
Bank charges		9 663	9 722
Bursary grants		30 000	56 000
Computer expenses		92 655	58 942
Conference and events		43 994	36 476
Congress expenses	15	-	871 978
Consulting and professional fees		47 600	40 184
Depreciation, amortisation and impairments		99 940	43 552
Development projects		65 589	-
Economic and trade intelligence		430 374	175 010
Employee costs		4 823 119	4 472 151
Honorariums		157 347	215 991
Human resource expenses		43 804	-
Insurance		40 745	35 008
International liaison		89 072	26 043
Jadafa		1 690	55 662
Lease rentals on operating lease		276 406	237 475
Marketing		147 870	145 753
NDP Project		-	26 780
Networking and meetings		63 094	52 220
Office necessities		7 834	10 796
Parliamentary correspondent		32 400	30 000
Printing and stationery		36 224	52 634
Provision for bad debts		226 313	18 240
Repairs and maintenance		3 991	-
Staff training		22 099	21 562
Student projects		8 900	-
Trade services		158 869	127 565
Travel and accommodation local		342 522	287 324
Wine desk expenses		10 589	-
Workshop fees		-	37 002
		7 630 608	7 502 954
Surplus for the year		1 006 067	1 169 838

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

INCOME STATEMENT FOR THE AGBIZ GRAIN DESK

Figures in rand	Note(s)	2016	2015
Operating income			
Membership fees		2 291 886	709 633
Other income			
Interest received		97 210	4 373
Symposium income		62 672	-
Training material		192 881	82 252
		352 763	86 625
Operating expenses			
Accounting fees		3 631	9 918
Affiliation and membership fees		5 492	3 648
Bank charges		-	386
Cleaning service		8 400	2 805
Computer expenses		30 804	4 956
Conference and events		9 096	-
Consulting and professional fees		100 205	-
Employee costs		1 354 382	456 068
Insurance		13 115	2 266
International liaison		2 495	33 767
Legal fees		26 929	6 815
Marketing		1 650	27 140
Material development		62 500	-
Networking and meetings		14 998	8 596
Lease rentals on operating lease		107 911	21 854
Office necessities		8 067	559
Postage fees		643	339
Printing and stationery		16 563	4 224
Symposium expenses		34 982	-
Travel and accommodation local		59 367	9 571
		1 861 230	585 616
Surplus from grain desk activities		783 419	210 642

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

AGBIZ MEMBERS: 1 MARCH 2014–29 FEBRUARY 2016





str
VIS
M
idea
resolution
innovation