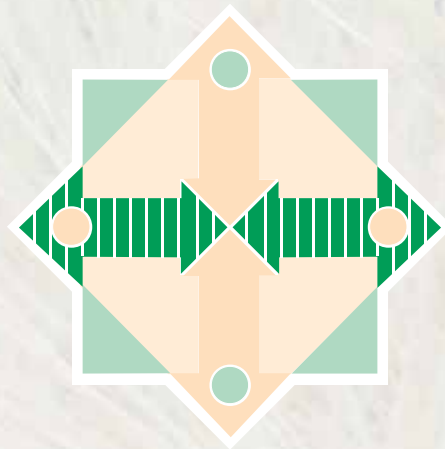


**ANNUAL REPORT**  
**OF THE**  
**NATIONAL AGRICULTURAL**  
**MARKETING COUNCIL**  
**(NAMC)**  
**2006**



**PRETORIA**

**RP 01/2006**  
**ISBN 0-620-37048-3**

**5 AUGUST 2006**

## **VISION**

To be the most efficient and effective marketing advisor in the marketing of agricultural products in South Africa.

## **MISSION STATEMENT**

To advise the Minister of Agriculture and directly affected groups on all agricultural marketing issues in the agriculture and food industry, taking into account the needs of stakeholders.

## **CORE BUSINESS**

Provide accurate, relevant, independent and timely information.

## **CORE VALUES**

To be accountable  
To act with integrity  
To value individual performance  
To value personal respect and equal treatment  
To act in partnership with directly affected groups



# NAMC COUNCIL MEMBERS



**Dr. M. Karaan**  
Chairperson



**Mr. Z. Duze**  
Council Member



**Ms. C. Maku**  
Council Member



**Ms. D. Ndaba**  
Vice-Chairperson



**Mr. A. Jetha**  
Council Member



**Prof. J.F. Kirsten**  
Council Member



**Mr. F. Lawrence**  
Council Member



**Mr. G.P. Dall**  
Council Member



**Ms. L. Keyter**  
Council Member



**Ms. S.E. Moolman**  
Council Member



## NAMC STAFF



**From left to right standing:**

Ms. Rita Fourie (Economist, resigned), Mr. Thomas Molefe (Driver), Ms. O. Mahamba (Cleaner),  
Ms. Maria Armstrong (Council Secretary), Mr. Chris Gladwin (Section Head: Horticulture),  
Mr. Schalk Burger (Section Head: Livestock), Mr. Donald Mokoena (Economist),  
Ms. Ivy Mananyetso (Economist, resigned), Ms. Mathilda van der Walt (Economist),  
Mr. Daniel Zwane (Economist), Ms. Meshack Letlape (Finance Officer)

**From left to right seated:**

Ms. Lizette Mellet (Acting Section Head: Field Crops), Ms Alet Gleeson (Receptionist),  
Ms. Martie Venter (Registry Clerk), Ms. Queen Mokate (Finance Clerk),  
Ms. Gugu Khumalo (Communications Officer), Ms. Joyce Sethu (Administration Manager),  
Mr. Norman P. Siala (Chief Financial Officer)

**Insert:**

Ms. Eunicah Mphato (Economist), Ms. Dora Ndaba (Acting Chief Executive)



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## NAMC OVERVIEW REPORT 2005/6

It is with a sense of achievement and anticipation that we take pleasure in presenting our annual report for 2006. When our council took office in May 2005 we understood that our appointment coincided with the ending of an era dealing with the deregulation of agriculture. The new era for agriculture faced the challenge of enhancing competitiveness in a globalised marketplace. This hence became the strategic focus of our organization.

We understood too that we had to perpetuate some of the achievements of our predecessors. In this regard we continued to tend to statutory measures that operate under the Marketing Act. The levies imposed under these arrangements have become important funding mechanism for information, research, transformation and promotions for various commodity sectors. Most continue to operate well especially where strong levels of consensus and cohesion is evident. Maintaining consensus and an implicit basis of voluntarism have become key success factors for effective statutory measures. Several committees have also operated under section 7 of the Marketing Act to contribute and resolve strategic issues facing industries such as marketing for black farmers, fresh produce markets, export coordination, and food prices. We have also engaged industries through several workshops on strategic topics like competitiveness, marketing schemes, research, input costs, levies, relevant legislation, etc. The NAMC has also played a valued facilitation in contending with contentious matters in industries. A key achievement however has been the restructuring of the organization and the recruitment of several new staff that appears eager to serve agriculture in challenging times.



**Dr. M. Karaan**  
Chairperson

The key areas that NAMC is being positioned for are economic research, market intelligence and regulatory support for black farmers. For this purpose, a research centre is being established that will contribute to and collaborate with the research fraternity in South Africa and abroad. An important part of enhancing competitiveness involves proving requisite information and intelligence for business decisions. While much of this is privatized, the NAMC is being positioned to contribute in area though monitoring traditional markets while developing the intelligence towards changing the composition and direction trade towards new markets. Finally, the marketing support for black farmers remains a key aspect of empowering black farmers. The NAMC have commenced endeavours to design marketing assistance programmes in this regard with much anticipation.

The NAMC will continue to strive to be an effective vehicle for policy dialogue, information generation and exchange, statutory measures, and constructive engagement with industry and government on marketing matters. For what we were able to achieve, I must acknowledge our staff, council and all the colleagues in government and partners in industries who collaborated with us this last year. We trust that our collective efforts will continue to go from strength to strength in making our country proud.







## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

This annual report, which covers the period from 1 April 2005 to 31 March 2006, records the achievements of the NAMC during the last year of the tenure of my distinguished predecessor, Ms. Dora Ndaba. It is an enormous responsibility to be entrusted with the leadership of this extraordinary institution, and I am grateful to Ms Ndaba for having done so much to strengthen the NAMC.

While Dora and the team had many accomplishments in the job, probably none is more important than her relentless focus on transformation as a moral imperative and as the central mission of the organization.

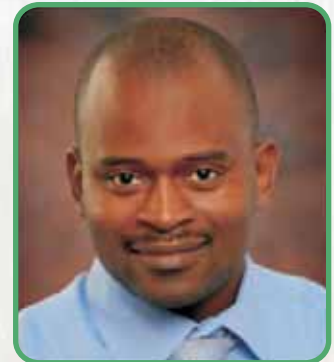
Within this report of the NAMC activities and financial standing, you will find sections on:

- Summary of fiscal year activities
- The fiscal 2005 financial statements
- Council engagements over the year
- Human Resource Management

While much has been accomplished by the NAMC, much remains to be done. The Presidential Working Committee on Commercial Agriculture highlighted the need to increase the competitiveness of the agricultural sector through good economic research, market analysis and improved market access, particularly for the emerging sector.

As we move forward, we need to keep a balance amongst the different priorities. The first priority is to assist the agricultural sector to be more competitive. This could be achieved amongst others through agricultural economic research, trade analysis and creating an conducive policy environment for agribusiness to grow. The second priority must be to pay special attention to the needs of the emerging agricultural sector. This could be done through improved market access and development of better support instruments.

In all of this work, the NAMC is blessed with an exceptionally dedicated and qualified staff, cooperative industry structures and the political leadership, both the Minister for Agriculture and Land Affairs and the Council that is visionary.



**Mr. T. R. Ramabulana**  
Chief Executive Officer





# PART 1 GENERAL INFORMATION



## PART 1: GENERAL INFORMATION

### 1. SUBMISSION OF THE 2005/06 ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

Madam, the Honourable Minister for Agriculture and Land Affairs, the National Agricultural Marketing Council has the pleasure to submit its Annual Report for the period 1 April 2005 to 31 March 2006.

### 2. LEGISLATIVE MANDATE

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

The mandate of the NAMC is spelled out in section 9(1)(a) of the Act, which reads as follows:

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

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

1. agricultural marketing policy and its application;
2. the coordination of agricultural marketing policy in relation to national economic, social and development policies and international trends and developments;
3. the possibilities for promoting the objectives of the Act, mentioned in section 2(2) of the Act; and
4. the effect that marketing of products has on the objectives mentioned in section 2(2) of the Act.

In addition, in terms of section 9(1)(f) of the Act, the NAMC shall monitor the application of statutory measures and report thereon to the Minister and shall review such measures at least every two years.

The accountability arrangements of the NAMC to the Minister for Agriculture and Land Affairs are as follows:



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

In addition, the Council provides strategic leadership to the internal management of the NAMC.





**Ms. Mahlodi Joyce Sethu**  
*Administration Manager*

## **PART 2**

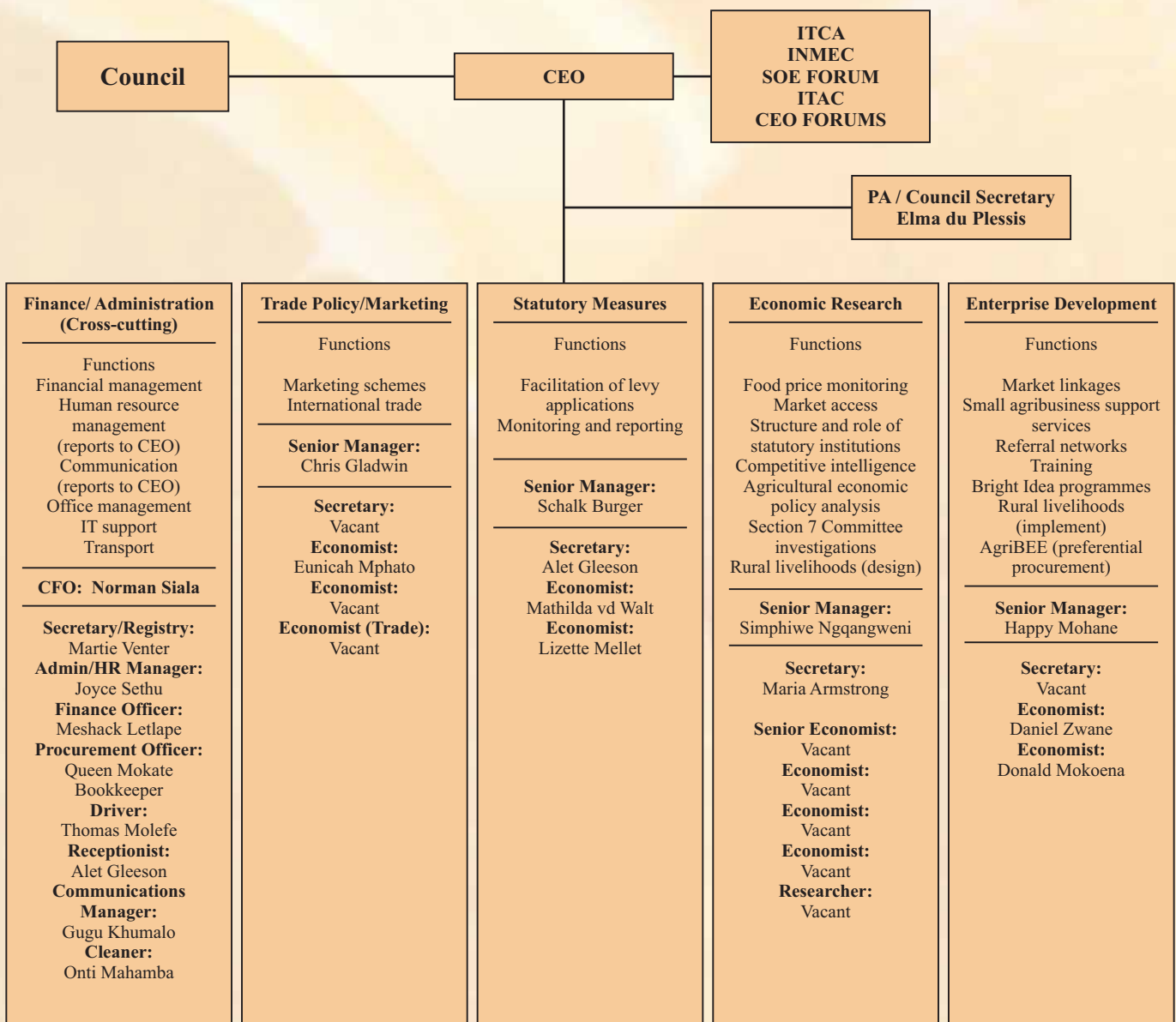
# **HUMAN RESOURCE MANAGEMENT**



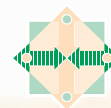
# 1 ORGANISATION

## 1.1 Organisational structure of the NAMC

The organisational structure of the NAMC as at 31 March 2006 was as follows:







### **1.2 *The Council and its functions***

On 31 March 2006, the Council comprised ten part-time members and was constituted as follows:

Mr M Karaan	Chairperson
Ms D Ndaba	Vice-Chairperson
Mr G P Dall	Part-time
Prof J F Kirsten	Part-time
Ms S E Moolman	Part-time
Mr F Lawrence	Part-time
Ms L Keyter	Part-time
Mr Z Duze	Part-time
Ms C Maku	Part-time
Mr A Jeftha	Part-time

These members were appointed for a two-year term.

The Marketing of Agricultural Products (MAP) Act directs the NAMC to provide strategic advice to the Minister of Agriculture on agricultural marketing to ensure improved market access, marketing efficiency, optimisation of export earnings and viability of the agricultural sector. To this end, the NAMC strives to provide the Minister of Agriculture and Land Affairs with accurate, relevant, independent and timely information on agricultural marketing matters through its investigations.

### **1.3 *Secretariat and its functions***

The Secretariat, which is headed by a Chief Executive Officer (CEO), is responsible for providing professional support services to the Council through the gathering of industry information, conducting literature reviews and compiling reports. On 31 March 2006 the staff complement of the NAMC comprised twenty (20) persons.

### **1.4 *Approved establishment and functions of the job categories***

The Vice-Chairperson was appointed Acting Chief Executive Officer by the Minister until 15 October 2005. As from 17 October 2005, a new CEO was appointed by the Council to carry out the executive responsibilities as well as the day-to-day running of the organisation.



The Senior Managers implement the decisions of Council. They are responsible for overseeing and supervising the sections. The administration and finance staff provide overall administrative support.

Table 1 indicates employment numbers and vacancies by component, grade and nature of employment.

**TABLE 1: NAMC STAFF COMPLEMENT 2005/2006**

	COUNCIL			SECRETARIAT											
	Chairperson	Vice-Chairperson	Member	Section Head Administration	Section Heads	CFO	Economists	Bookkeeper	Communication Officer	Finance Officer	Supply Chain Officer	Secretaries	Clerks	Driver	Cleaner
Grade	L	L	L	P	P	P	P	P	P	P	P	P	P	P	P
Level	14	13-14	13	7	7	7	8-10	8	9	9	9	10	10	14	15
Approved	1	1	8	1	3	1	12	1	1	1	1	5	1	1	1
Filled	1	1	8	1	3	1	5	0	1	1	1	3	1	1	1
Vacant	0	0	0	0	0	0	7	1	0	0	0	2	0	0	0
(Over)/Under	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

*Note:* L-grade: Level (Equate grades)

P-grade: Peromnes grading

**1.5 Number of persons employed additional to approved establishment**

In order to rectify staff shortages which had made it difficult for the NAMC to function properly during the previous year, a Supply Chain Officer was appointed in excess of the approved establishment.



## 2. JOB EVALUATION

### 2.1 *Number of posts evaluated, upgraded and downgraded in accordance with Code of Remuneration (CORE)*

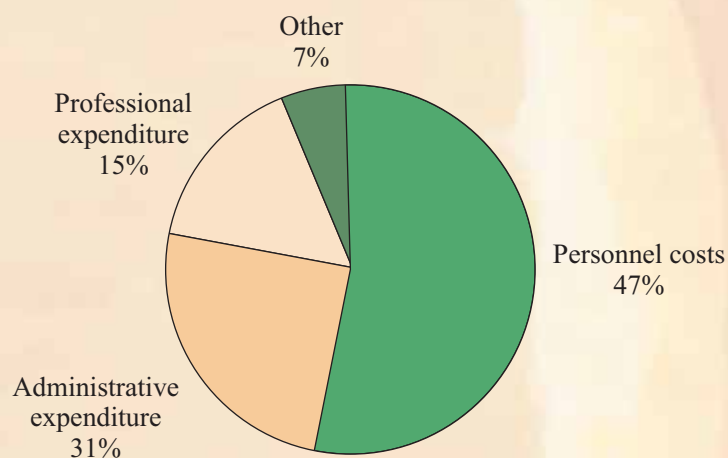
The existing twenty (20) filled posts in the Secretariat were evaluated in accordance with CORE during the 2005/06 financial year. No posts were downgraded or upgraded in the 2005/06 financial year.

## 3. REMUNERATION

3.1 Percentage of budget (excluding transfer payments, expenditure on land and buildings and miscellaneous payments) spent on total personnel costs, administrative expenditure and professional services.

Chart 1 on page 19 shows the breakdown of actual expenditure per personnel, administrative, professional and other costs. Personnel costs (30 individuals including Council members), at 47% of the total expenditure, were the highest, followed by administrative expenditure (31%), professional expenditure (15%) and other costs (7%).

**CHART 1: BREAKDOWN OF EXPENDITURE**





**3.2 Personnel costs in intervals of R20 000, by race, gender, disability and the Code of Remuneration (CORE)**

These data are given in Table 2 hereunder.

**TABLE 2: TOTAL REMUNERATION PACKAGES AS AT 31 MARCH 2006**

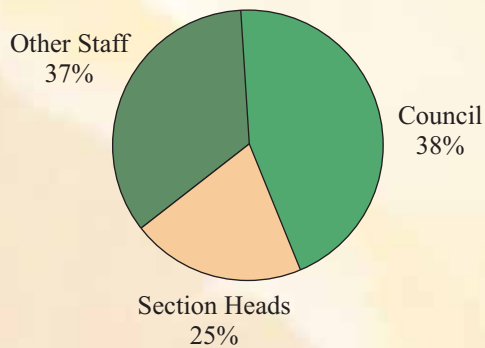
Personnel cost intervals	Race								Gender				Disability	
	White		Black		Coloured		Indian		Current		Core		Current	Core
Rands	Current	Core	Current	Core	Current	Core	Current	Core	M	F	M	F		
20,000 - 60,000			1	1						1		1		
60,001 - 80,000			1	1					1		1			
80,001 - 100,000														
100,001 - 120,000														
120,001 - 140,000	2	2	1	1						3		3		
140,001 - 160,000	2	2								2		2		
160,001 - 180,000	1	1	3	3					2	2	2	2		
180,001 - 200,000	1	1	2	2						3		3		
200,001 - 220,000														
220,001 - 240,000														
240,001 - 260,000														
260,001 - 280,000			2	2					1	1	1	1		
280,001 - 300,000	2	2							2		2			
300,001 - 320,000														
320,001 - 340,000														
340,001 - 360,000														
360,001 - 380,000														
420,001 - 440,000														
560,001 - 580,000			1	1					1		1			



**3.3 Percentage of total personnel costs spent on management services**

Management refers to the Chief Executive Officer and Senior Managers, including the Administration Manager and the Chief Financial Officer.

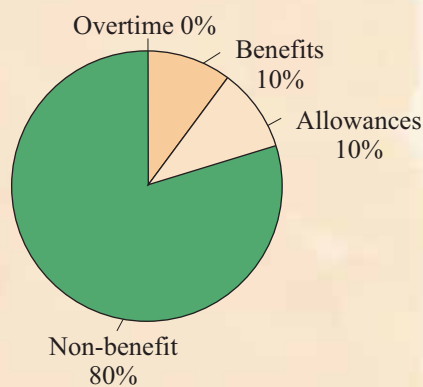
**CHART 2: BREAKDOWN OF PERSONNEL COSTS**



**3.4 Cost of overtime, allowances and benefits expressed as a percentage of total personnel costs**

The percentage of total personnel costs spent on overtime, allowances and benefits is shown in Chart 3 on page 21. An amount of R2 642 was paid as overtime in the 2005/06 financial year.

**CHART 3: OVERTIME, ALLOWANCES AND BENEFITS**



*Explanatory note:* Benefits: Medical and UIF  
 Allowances: Travel allowances  
 Non-benefit: Basic salaries

Council and staff members of the NAMC are remunerated on an “all-inclusive package” basis. Remuneration packages for Council members are based on the Manual for Remuneration of the Senior Management Services, and are approved by both the Minister of Finance and the Minister of Agriculture before implementation. The Council approves staff members' all-inclusive remuneration packages.



#### 4. AFFIRMATIVE ACTION, RECRUITMENT, PROMOTIONS AND TERMINATIONS OF SERVICE

##### 4.1 *Progress with policy statement on NAMC's commitment to affirmative action and implementation of the policy*

Since the Council's inception in 1997, the practice has been to affirm historically disadvantaged persons, as can be seen in Table 3 on page 22. The 1997 staff complement consisted predominantly of people from advantaged backgrounds. This profile has since changed and the staff complement as at 31 March 2006 was more demographically representative.

##### 4.2 *Numerical and time-bound targets for achieving representivity*

The NAMC's staff complement is at present representative, as shown in Table 3 below, and there are no time-based targets. The bursary scheme, through the Economic Research division, targets black female students with a view to building a pool of professionals who will contribute to the competitiveness of the agricultural sector in the Republic of South (RSA). It is also envisaged that these professionals will be available for employment by the NAMC, given the difficulty experienced in sourcing and appointing good black agricultural professionals.

**TABLE 3: STAFF REPRESENTIVITY AS AT 31 MARCH 2006**

Job category	Council			Secretariat		
	Historical background			Historical background		
	Advantaged	Disadvantaged	TOTAL	Advantaged	Disadvantaged	TOTAL
Part-time	5	5	10			10
Section Heads				2	3	5
Economists				2	3	5
Financial staff				-	2	2
Secretaries				3	-	3
Administrative staff				1	1	2
Support				-	2	2
Total	5	5	10	8	11	29



**4.3** *Number of employees recruited by grade and occupation, as well as by race, gender and disability. These details are provided in Table 4 below.*

**TABLE 4: EMPLOYEES RECRUITED BY NAMC DURING 2005/06 FINANCIAL YEAR**

Job category	Employee				
	Race		Gender		Disability
	White	Black	Male	Female	
Section Heads	-	1	1		-
Supply Chain Officer	-	1	-	1	-
Total	-	2	1	1	-

**4.4** *Number of employees' service terminated by grade and occupation, as well as by race, gender and disability*

The NAMC did not terminate the service of any employee during the 2005/06 financial year.

**4.5** *Number, occupations and grades of foreign appointees*

The NAMC did not employ foreign personnel during the 2005/06 financial year.

**5. PERFORMANCE MANAGEMENT AND SKILLS DEVELOPMENT**

**5.1** *Rewards for performance by gender and disability in each grade in each CORE*

The NAMC management evaluates staff performance to encourage improved performance and to reward good performance objectively. During the year under review staff received performance bonuses in accordance with their individual performance. An amount of R207 000 was paid out.



### 5.2 *Training plan targets and progress made towards achieving them.*

These are given in Table 5 below.

**TABLE 5: TRAINING PLAN FOR 2005/06**

Training plan	Council		Secretariat	
	Target (no of employees)	Achieved (no of employees)	Target (no of employees)	Achieved (no of employees)
Financial Management	1	0	4	4
Supply Chain Management	-	-	-	-
Project Management	-	-	1	1
PFMA Courses	-	-	3	1
Risk Management Course	-	-	1	1
Computer Training	-	-	6	6
Registry Training	-	-	1	1
Formal Training	-	-	4	4
Degree	-	-	4	2
Management Programme	-	-	1	1

### 5.3 *Training budget and actual amounts spent on each training category*

The NAMC spent R110 000 on short courses focusing on informal skills training (the budgeted amount was R200 000). An amount of R 27 000 was spent on formal training (degrees and diplomas with a budget of R40 000) for Council and staff members.

## 6. INJURY, ILLNESS AND DEATH

One official was reported to have been hospitalised for more than 15 days. No other cases of injury or death resulting from official duty or the work environment were reported.

## 7. COLLECTIVE AGREEMENTS

A Bargaining Agreement is in place between the Secretariat and Council.





## **8. SICKLEAVE**

### ***8.1 Number of sick leave days taken***

The number of days of sick leave taken by NAMC employees and Council was 112

### ***8.2 Estimated cost of sick leave days taken***

The cost to the NAMC of sick leave taken in the 2005/06 financial year was R 49 317.01 (based on cost-to-company remuneration packages).

### ***8.3 Number of employees who took more than 15 continuous sick leave days***

One staff member took more than 15 continuous sick leave days during the year under review.

## **9. ILL HEALTH**

One case of chronic illness among the employees of the Council was reported.

## **10. DISCIPLINARY STEPS**

No cases which warranted disciplinary action were reported during the year under review.





# **PART 3 PROGRAMME PERFORMANCE MANAGEMENT**



## **PART 3: PROGRAMME PERFORMANCE MANAGEMENT**

### **OVERVIEW OF NAMC PROGRAMMES**

#### **1. AIM OF THE VOTE**

The NAMC is funded by Parliament through Vote 26 under the Programme: Agricultural Trade and Policy Analysis of the National Department of Agriculture (DoA). The aim of the NAMC is to provide strategic agricultural marketing advice to the Minister of Agriculture and agricultural sector role-players. The goal is to promote the achievement of the objectives of the Act, which are to

- increase market access for all market participants;
- promote the efficiency of the marketing of agricultural products;
- optimise export earnings from agricultural products; and
- enhance the viability of the agricultural sector.

#### **2. KEY PROGRAMMES**

The NAMC had five key programmes identified and approved by the Minister of Agriculture when the budget transfer was approved in April 2005. These programmes (sections) are as follows:

- Council
- Administration (staff and office)
- Horticulture
- Field crops
- Livestock

The principal activities which the Council performed during the year under review in fulfilling its mandate were

- release of the competitiveness study;
- food price monitoring;
- outreach programme;
- evaluation of statutory measures in terms of the Act; and
- facilitation of the generic promotion workshop.

#### **3. KEY POLICY DEVELOPMENTS FOR THE PERIOD 1 APRIL 2005 TO 31 MARCH 2006**

The Marketing of Agricultural Products Act, No. 47 of 1996 as amended by Act 59 of 1997 and Act 52 of 2001, remained unchanged. Key areas of work conducted by the NAMC during the year of reporting fall under the five main programmes.



## PROGRAMME 1: COUNCIL

### 1. AIM

Council's aim is to

- provide leadership to the organisation;
- provide strategic advice to the Minister of Agriculture on all matters pertaining to agricultural marketing; and
- act as the Accounting Authority of the NAMC in compliance with the Public Finance Management Act and Treasury Regulations.

### 2. KEY PROGRAMMES

The National Agricultural Marketing Council is composed of ten (10) part-time members, who were appointed on 1 March 2005. Their term of office expires at the end of March 2007.

### 3. ADMINISTRATION

The Administration is headed by the Chief Executive Officer, who is assisted by the Chief Financial Officer and management team in the day-to-day running of the organisation. The following are the structures for governance:

- National Agricultural Marketing Council
- Executive Committee
- Audit Committee (one Council member and two outside members)
- Management Committee
- Human Resources Committee
- Risk Management Committee
- Bargaining Committee
- Research Committee

Portfolios allocated by the Minister to individual Council members are controlled by them either as first responsible or as second responsible for the allocated folio.

### 4. OUTPUTS AND SERVICE DELIVERY TRENDS

The Council met seven times during the 2005/06 financial year. During these meetings members deliberated on and forwarded submissions to the Minister. The NAMC embarked on a restructuring process at administration level and new programmes were developed. As a result, the NAMC recruited additional staff and retrained current staff members.



The submissions to the Minister were on Section 7 Committees' reports, NAMC working group reports, reports on deregulation matters, reports on investigations into the implementation of statutory measures, reports from ministerial representatives on agricultural trusts, budgets and financial results of industry organisations responsible for the administration of levies and NAMC administrative matters.

**TABLE 6: OUTPUTS AND SERVICE DELIVERY TRENDS COUNCIL**

Sub-programmes	Outputs	Indicator	Performance
Council meetings	Agenda items	Expected number	Actual number
	Council sittings	11	7
	Submissions to the Minister	26	31
	Ministerial enquiries	31	4
	Executive Committee meetings	2	2
	Management Committee meetings	46	44

The CEO and Management Committee assist the Council in discharging its responsibilities by managing the NAMC's internal affairs and ensuring implementation of the recommendations and/or instructions of Council.

#### **4.1 Outreach programme**

During the 2005/06 financial year the NAMC continued with its annual outreach programme. The aim of the programme was to inform emerging farmers about the MAP Act and about the agents of various industry bodies in the agricultural production and marketing chain.

The NAMC also provided farmers with information booklets containing important contact details of role-players in the agricultural sector in South Africa.

The NAMC planned to visit all the nine provinces and hold four outreach workshops in each province with a view to reaching more than two thousand and five hundred (2 500) farmers. Towards the end of 2005, the NAMC restructured and the outreach programme was cancelled from the NAMC activities. This had an impact on the target that was set for the outreach programme.



**TABLE 7: WORKSHOPS HELD BY NAMC WITH BLACK FARMERS**

Province	Number of workshops	Farmer attendance	Average attendance
Eastern Cape	4	296	74
Free State	5	338	68
Gauteng	0	-	-
KwaZulu-Natal	5	491	98
Limpopo	1	86	86
Mpumalanga	6	525	88
Northern Cape	0	-	-
North West	0	-	-
Western Cape	0	-	-
<b>TOTAL</b>	<b>21</b>	<b>1736</b>	<b>414</b>

The outreach programme was successful based on the average attendance by the farmers in each province where the outreach programme was conducted as indicated in Table 7. Farmers also participated actively in the discussions, which enabled the NAMC to record their concerns about the agricultural sector in South Africa. Farmers mentioned that they are still disadvantaged with regards to infrastructure, finance, information, markets and marketing support which should be provided by government institutions and agricultural industries. The farmers asked the NAMC to look at ways they can be assisted to have a better access to agricultural resources so that they can be efficient and grow.

**4.2 Issues raised by the farmers**

- Insufficient agriculture infrastructure in their communities
- Insufficient support from government institutions and agriculture industry bodies
- Insufficient production and marketing skills
- Unable to compete with white commercial farmers
- Challenges in accessing formal and export markets



## 5 STATUS REPORT ON THE LIQUIDATION OF THE FORMER CONTROL BOARDS

### 5.1 *Closure of former control boards*

By the end of March 2006, only one marketing scheme was still in existence, namely the Maize Marketing Scheme. Although all the other marketing schemes had lapsed, the auditing of the financial statements of the former control boards could, for various reasons, not be audited by the Auditor-General. For example, in 2005, the financial statements of the former Oilseeds Board had been un-audited since 1998. A management letter written by the Auditor-General some years back had raised a number of outstanding issues. The Auditor-General received much but not all of the information requested. All parties agree that the matter should be closed because if the relevant information could not be provided eight years ago, the chances are very slim that it will be forthcoming now.

During the period under review, the Council met with various role-players in the relevant industries and with the Office of the Auditor-General. Role-players in the industries promised their full support in order to get the outstanding financial statements audited as soon as possible.

It is anticipated that the financial statements of the other former control boards (citrus, deciduous fruit, red meat, winter cereal and wool) will be audited without major problems.

### 5.2 *Status of statutory levies*

The NAMC annually reviews all statutory levies collected in terms of the MAP Act. The Council submitted its first report regarding the status of statutory levies to the Minister on 28 November 2001 (2001 survey). In March 2006 the Council submitted its fifth report (2005 survey) on the status of statutory levies.

For the 2005 survey, ten industries (citrus, cotton, dairy, deciduous fruit, dried fruit, potato, red meat, sorghum, wine and winter cereal) collected statutory levies. Because the red meat levy was only introduced in November 2005, statistics relating to this levy (the Council uses audited figures) could not be included in the report.

The purpose of the report is to provide the Minister with information on the amount of levies collected (R130.1 million) and the areas of application. In addition it indicates, among others, the assistance given to emerging farmers (by the industries that collected levies) and the share of emerging farmers in the production of a particular agricultural product. Approximately 43% of all levies were collected for research, 14% for emerging farmer development projects, 15% for information and 13% for export promotion.





The total amount of levies collected during the 2005 survey, the funds available to assist emerging farmers and the success rates in levy collection are set out below.

**STATUTORY LEVIES COLLECTED**

	Total value of production R '000	Levies collected R '000	Levies available for PDIs R '000	Levies collection success rate
Citrus	2 600	15.0	1.3	94%
Cotton	240	4.8	0.6	100%
Dairy	3 812	6.3	1.9	28%
Deciduous Fruit				
- Pome fruit	2 124	14.5	1.9	96%
- Stone fruit	737	6.1	0.3	98%
- Table grapes	1 796	11.2	0.7	95%
Dried fruit	136	1.5	0.2	97%
Potato	2 529	14.3	1.4	99%
Sorghum	200	1.2	0.1	89%
Wine	2 791			
- Winetech (grapes)		12.7	4.1	100%
- WOSA		16.9	3.4	100%
- SAWIS		6.0	0.9	100%
Winter cereals	2 847	19.6	1.3	90%
<b>Total</b>	<b>19 812</b>	<b>130.1</b>	<b>18.1</b>	



During 2005 the NAMC also changed its guidelines regarding the percentage of levy income that should be used for transformation purposes. Thus from August 2005 onwards, approximately 20% of the levy income collected (compared with the 10% earmarked in the past) should be used for transformation purposes. Although most of the current levies were approved in terms of the 10% guideline, in future all new applications should be subjected to the 20% guideline.

The increase in production by black farmers as a percentage of total production may be regarded as one of the main indicators for monitoring the process of bringing black farmers into the mainstream of commercial agricultural production. This enables the Council to monitor the progress being made to improve production by emerging farmers. The average production of emerging producers, compared to total production, increased from 1.2% (as reported in the 2001 survey) to 4.1% according to the 2005 survey. The cotton industry traditionally has the highest market share of primary production contributed by black farmers, but unfortunately this industry is severely affected by cheap imports from China. This has a negative impact on profitability in the cotton industry.

Section 15 (4) (a) of the MAP Act stipulates that a statutory levy may not exceed 5% of the price realised by a specific agricultural product at the first point of sale. The maximum of 5% must be based on a guideline price, calculated as the average price at the first point of sale over a period not exceeding three years. In 2005, actual levies collected (R130.1 million) represented approximately 0.7% of production value of agricultural products (R19 812 million at first point of sale).



## **PROGRAMME 2: ADMINISTRATION (STAFF AND OFFICE)**

### **1. AIM**

To provide overall, day-to-day administrative support to the Management of the NAMC.

### **2. KEY PROGRAMMES**

The Administration Section comprises all the administrative and support staff of the Secretariat. It provides routine support to Council members and economists. During the year under review, the administrative staff complement was composed as follows:

- Chief Financial Officer
- Financial staff
- Secretarial staff
- Clerical staff
- Messenger/driver
- Cleaner

The Council appointed a Section Head: Administration and a Communication Officer in the course of the year.

The major projects of this programme during the past year were as follows:

- Organisation of staff training
- Management of the HR system
- Management of the financial system
- General management of the office



**TABLE 8: OUTPUTS AND SERVICE DELIVERY TRENDS ADMINISTRATION**

Sub-programmes	Outputs	Service delivery indicators	Actual performance
<b>PFMA requirements</b>	Internal auditing	In terms of the PFMA, the NAMC is required to arrange for internal auditing.	Internal auditing was done in the 2004/05 financial year.
	Audit Committee	In terms of the PFMA, the NAMC's Audit Committee has to convene at least twice in a financial year.	The Audit Committee was reconstituted and is chaired by a black female. The Committee met four times in the year under review.
	Obtaining 2005/06 budget approval	The NAMC's business plan and budget had to be submitted for approval by February 2005.	Business plan and budget were submitted as required by the PFMA.
<b>Human resources</b>	Review of service conditions	The NAMC set itself the target of finalising and adopting the reviewed service conditions.	Final draft of the reviewed service conditions was available but not adopted at year end
	Staff evaluations	The target was to evaluate staff three times during the financial year.	Staff members were evaluated in the year under review.



## PROGRAMME 3: HORTICULTURE

### 1. AIM

To further the objectives of the Act by carrying out the functions of the NAMC, focusing in particular on the subtropical fruit, citrus, sugar, flower, fresh produce, deciduous fruit, canning fruit, dried fruit and wine industries.



**Mr. Chris Gladwin**  
*Horticulture*

### 2. KEY PROGRAMMES

One of the primary functions of the NAMC is to investigate the possible introduction or continuation of statutory measures in respect of levies, registration, records and returns. The following statutory measure investigations were undertaken during the period under review:

- **Potatoes.** Request for the appointment of Inspectors.
- **Potatoes.** Request for amendment to certain of the Government Gazette Notices relating to statutory measures in the potato industry.
- **Wine.** Request for introduction of statutory measures in the wine industry. Specifically the reintroduction of three levies (the export generic promotion, information and research, and development levies), and the proposed introduction of two new levies (a levy for combating alcohol abuse and an empowerment and transformation levy). A portion of the generic promotion levy was used to fund the Wine Online project. The purpose of the Wine Online project was to develop and implement a system that would replace all the manual application processes for export certificates with an electronic solution. In the past the manual application process had become a bottleneck that hampered logistic efficiency. Implementation commenced during April 2004, but utilisation of the solution by the entire wine industry only commenced in earnest during September 2004. Significant improvements have been achieved, with average turnaround time for export certificates being reduced from between four and six days to one day.

The Act empowers the NAMC to investigate issues pertaining to agricultural marketing and marketing policy. Four investigations were either initiated or completed during the period under review. These are briefly described below.

#### **2.1 NAMC fresh produce Section 7 Committee investigation**

The NAMC received a number of requests to update the findings of an earlier Section 7 Committee investigation that had looked at fresh produce marketing in South Africa and that completed its activities in 2000. A Section 7 Committee was therefore appointed, comprising industry experts and representatives from the DoA and the NAMC.



Stakeholders were invited to make submissions to the committee in February 2006 based on a set of guidelines. Further research and a series of hearings are planned for the next financial year (2006/07) and the committee hopes to conclude the investigation towards the middle of 2006.

## **2.2 *Citrus marketing scheme***

One of the priority projects identified in the revised NAMC business plan for 2005/06 was the establishment of a marketing scheme in the citrus industry. Marketing schemes are also planned for the red meat industry and the field crops sector.

The purpose of introducing a marketing scheme is to encourage the integration of emerging farmers into the mainstream commercial agricultural sector. The intention is to introduce the scheme for a limited period only (sunset clause) and to phase it out once emerging farmers are able to participate in the commercial sector. A number of possible elements of a marketing scheme have been identified:

- Reduce transaction costs (for emerging producers; and/or as an incentive for the commercial sector to encourage participation)
- Targeted and phased subsidisation (sunset clause)
- Incubation
- Safety nets
- Encouraged and incentivised mentorship
- Accelerated gratification

The NAMC met with the industry a number of times to discuss possible elements of the proposed scheme. Meetings were also arranged with black citrus farmers in the Eastern Cape and Limpopo Provinces early in 2006 to establish their needs with regard to marketing and training. The intention is to come up with a workable business plan in 2006/07.

## **2.3 *Field crops marketing scheme***

Exploratory meetings to discuss possible elements of a field crops marketing scheme were held with various industry role-players, including agricultural cooperatives. Where possible the NAMC will try to build on successful existing initiatives.



#### **2.4 *NAMC Section 7 Committee looking at solutions for sustainable exports in the citrus industry***

In response to a request from the Citrus Growers Association (CGA) and the Citrus Export Forum - (CEF) - a sub-chamber of the Citrus Marketing Forum the NAMC established a Section 7 Committee to look at solutions for sustainable exports in the citrus industry. The request from the industry arises from the 2005 season where, according to the CGA, the citrus industry lost approximately R750 million in revenue from citrus exports (the highest recorded loss since 2000).

The committee is made up of representatives from the NAMC, CGA, CEF, DoA and Perishable Products Export Control Board (PPECB). The committee hopes to propose solutions that can be implemented before the start of the 2007 marketing season.

#### **2.5 *Competitiveness workshop***

On 29 June 2005 the NAMC held a workshop with various stakeholders with the aim of drafting an agenda towards improving the competitiveness of South African agricultural industries. The workshop followed on from the NAMC International Competitiveness Study, which was officially launched in April 2005. Three breakaway sessions were held (livestock, field crops and horticulture) with industries giving short presentations. The outcome of the three breakaway sessions was summarised into a number of key issues underpinning the competitiveness of the South African agricultural sector, namely:

- Leadership
- Unfair trade
- Quality (including issues such as value addition, product liability and traceability)
- Critical mass
- Friendly environment for investment (optimism)
- Human capital and labour productivity
- Communication/ business intelligence/information
- Risk management strategies
- Logistics and infrastructure
- Firms compete (not industries), leadership must come from successful firms/individuals in the industry
- Rivalry/ lack of trust between industries and government



## 2.6 Generic promotion workshop

The NAMC held a workshop on 15 August 2005 to give stakeholders an opportunity to present their views on statutory funding for generic promotion. The views expressed served as inputs to the NAMC draft policy on generic promotion.

It was established that most industries engage in some form of generic promotion. The general view of industries at the workshop was that generic promotion is effective.

**TABLE 9: OUTPUTS AND SERVICE DELIVERY TRENDS HORTICULTURE**

Sub-programmes	Outputs	Service delivery indicators	Actual performance
<b>Application for the appointment of Inspectors in the potato industry</b>	Submission to the Minister with the Council's recommendations	Delivery of submission to the Minister	Submission sent to the Minister
<b>Application for the amendment of the notices for statutory measures in the potato industry</b>	Investigation regarding the proposed amendments and submission to the Minister	Investigation completed and report delivered to the Minister	Investigation completed
<b>Application for the implementation of statutory measures in the wine industry</b>	Investigation regarding the application for implementation of new four-year period of statutory measures in the Wine Industry completed and report compiled	Delivery of report to the Minister	Submission sent to the Minister





## PROGRAMME 4: FIELD CROPS

### 1. AIM

To further the objectives of the Act by carrying out the functions of the NAMC, focusing particularly on the grains, oilseeds and cotton industries, and consumer affairs.



**Ms. Lizette Mellet**  
*Field Crops*

### 2. KEY PROGRAMMES AND ACHIEVEMENTS

The following statutory measure investigations were undertaken during the period under review:

- **Sorghum.** Request for the implementation of a new four-year period statutory levy on sorghum.
- **Grains.** Request for the continuation of statutory measures for maize, winter cereals, sorghum and oilseeds.
- **Cotton.** Request for the amendment of statutory measures (levies) on cotton.
- **Maize.** Request for the amendment to the statutory measures on maize.
- **Winter cereals.** Request for the implementation of a new four-year period of statutory levies on winter cereals.
- **Cotton.** Request for the continuation of statutory measures for cotton.

A number of investigations were either initiated or completed during the period under review. These are summarised below.

#### 2.1 *Sorghum industry study*

The NAMC appointed a Section 7 Committee to investigate the South African sorghum industry, and to identify problems and opportunities for sustainable growth and development in the industry. Specific sorghum industry issues would be addressed with a view to making recommendations that would increase efficiencies, market access and industry competitiveness by unrestricted participation by all stakeholders.

The Committee met three times during the reporting year and will finalise its recommendations in the first quarter of the new financial year.

#### 2.2 *Food price monitoring*

The Field Crops Section was responsible for food price monitoring, which has been addressed in the following ways:



- **Annual Food Cost Review**

The DoA and the National Agricultural Marketing Council jointly released the first publication of the South African Food Cost Review. The report provides, firstly, an overview of trends in food price inflation and food prices at retail level. Secondly, it estimates food marketing costs and price spreads.

The publication's aim is to present information on food costs, trends in farm values, farm-to-retail price spreads, marketing margins and retail prices. A further aim is to inform the public of the current economic situation and the trends in food price inflation. Such a publication may also be used to inform the public about food safety issues, food regulations and minimum specifications for food items.

The following are the main findings of the report:

1. The trend in food inflation, the CPIF, showed a steep decline from January 2003 to January 2004. The index then levelled off during 2004 and the annual change in the index remained below 3%. Lower than expected inflation rates for 2004 resulted in a further reduction in the repo rate, leading to a slower rate of increase in the prices of food commodities.
2. The farm value of maize, white bread, brown bread and dairy products all decreased between 2002 and 2004. The farm value of meat, poultry and eggs increased over the same period, while the producer prices of vegetables and fruits varied from commodity to commodity.
3. The retail prices of super and special maize meal were among the few prices that actually decreased during the period under review. Data on average weighted retail prices revealed that the prices of brown bread, white bread, the different cuts of beef, dairy products, mutton, poultry and eggs, all increased during 2004. The retail prices of vegetables and fruits varied randomly during 2004, often depending on when the product is harvested. In general, however, it can be said that the prices did, in fact, increase at a rate similar to that of inflation.
4. The farm-to-retail price spreads and marketing margins of super and special maize meal fell slightly between January and December of 2004, although they increased towards the end of the year. The spread of brown and white bread exhibited a similar trend as it peaked, then fell and gradually rose again towards the end of the year. The spreads of selected cuts of beef and of milk both remained relatively constant throughout, decreasing and increasing at similar stages during 2004. The spreads of most fruits and vegetables followed their production cycles, decreasing during the harvest season and then increasing



again as the supply decreased. It can, however, be stated that the spreads of most products increased during 2004.

- **Reports on food price trends**

Over the past two years the NAMC has contracted the marketing information company AC Nielsen to collect price data for approximately 80 different food items. The data collected comes from the scanners at the till points of Pick n' Pay, Shoprite and Spar. The prices of the products, with a few exceptions, are supplied to the NAMC in the form of an average price across the chain stores. The exceptions are products such as bread, cooking oil, maize meal, milk and rice. The price the NAMC uses to monitor the price of food is a weighted average price across brands and chain stores with the weights being determined by volumes sold. The NAMC issued three press releases during the reporting year, which focused on food price trends and factors that had contributed to food price increases.

Based on the basket of 75 goods surveyed by the NAMC, year-on-year December food price inflation averaged 2.0%. In essence, this means that if prices in December 2005 are compared to prices in December 2004, consumers are paying on average 2.0% more for the same basket of food products. It should be noted that this figure is different to that published by StatsSA, for two reasons: the first is the choice of products and number of products; the second and more important reason is the calculation method. StatsSA calculates the CPI food weighting the products according to the income and expenditure survey, whereas the NAMC calculates an arithmetic mean.

The prices of a number of food products increased by more than 6% for the period December 2004 to December 2005. These products include the following: margarine (6.4%), frozen sliced beans (7.1%), cauliflower (27%), cabbage (13.1%), potatoes (15.1%), picnic ham (7.9%), lamb chops (13.1%), boerewors (7.2%), brisket beef (15.9%), beef mince (6.9%), frozen chicken (7.2%), fresh chicken (16.2), Granny Smith apples (11%), bananas (21.7%), and oranges (26.3%).

Although many product prices have increased year on year, many have decreased by more than 6%. These products include: super maize meal (-8.8%), tinned tomatoes and onion mix (-0.2%), frozen peas (-32.4%), carrots (-8.2%), pork chops (-14.7%), stewing beef (-6.2%), cheddar cheese (-8.6%), tinned sliced peaches (-8.5%), apricot jam (-6.6%), and peanut butter (-7.0%).



- **Rural food price monitoring**

The Minister of Agriculture and Land Affairs requested the NAMC, working in collaboration with the DoA, to establish a reliable and consistent price monitoring system/network. During the reporting period the Provincial Departments of Agriculture assigned officials (economists and extension officers) to collect price data. The NAMC, in collaboration with the DoA, Provincial Departments and StatsSA, held a Rural Provincial Food Price Monitoring Workshop on 24 November 2005. Approximately 80 officials attended and were trained as provincial food price monitors. All districts in all provinces will be visited each month to collect data on 26 basic food items.

### 2.3 *Crop Estimates Liaison Committee (CELC)*

The responsibility for formal monitoring of the crop estimating process resides with the CELC, which is a formal NAMC committee. Since its inception in October 1998, CELC has achieved three of its four prime functions, namely:

- The establishment of a completely independent and objective Crop Estimates Committee (CEC), free of commercial bias
- Understanding and acceptance on the part of the CEC of what is required from it by the industry and why
- An accurate, timely and credible crop estimate

The fourth function, that of monitoring the performance of the CEC, is an ongoing function and is undertaken by the market using the crop estimates. The Committee met three times during the year under review. Among other discussion points, the final winter crops for 2004/05 were calculated during May 2005, the final oilseeds crops for 2004/05 were calculated in September 2005, and the final summer crops for 2004/05 were calculated in December 2005.



**TABLE 10: OUTPUTS AND SERVICE DELIVERY TRENDS FIELD CROPS**

Sub-programmes Application	Outputs	Service delivery indicators	Actual performance
<b>Cotton SA: Budget comparison and financial statements for the year ended 31 March 2004</b>	Submission on the levy income and compilation of expenditure compared to the business plan	Delivery of submission to the Minister	Submission sent to the Minister
<b>Cotton SA: Budget for 2005/06</b>	Submission on the budgeted levy income and expenditure	Delivery of submission to the Minister	Submission sent to the Minister.
<b>Appointment of ministerial trustees on the Sorghum, Lucerne and Oil and Protein seed Development Trusts</b>	Submission compiled and persons nominated by the NAMC	Delivery of submission to the Minister	Minister approved the submission on 30 August 2005
<b>Extension of the Maize Marketing Scheme</b>	Submission on the extension of the Maize Scheme and compilation of Notices	Delivery of submission to the Minister	Minister approved the submission on 28 July 2005
<b>Winter Cereal Trust financial statements for the 2003/04 financial year and budget for 2004/05</b>	Submission on the levy income and expenditure; compilation of budgeted levy income and expenditure	Delivery of submission to the Minister	Minister approved the submission on 28 July 2005
<b>Request for a new statutory levy on sorghum</b>	Investigation and report regarding the application for implementation of a new four-year period of statutory levy for sorghum	Delivery of report to the Minister	Minister approved the recommendations on 7 February 2006
<b>Amendments to statutory measures relating to registration, records and returns for maize, winter cereals, sorghum and oilseeds</b>	Investigation and report regarding the application for the continuation of a new four-year period of statutory measures for grains, oilseeds and sorghum	Delivery of report to the Minister	Minister approved the recommendations on 22 September 2005
<b>Request for the amendment to the statutory levy on cotton</b>	Investigation and report regarding the application for the amendment to the cotton levy to make it applicable on cotton imports	Delivery of report to the Minister	Minister approved the recommendations on 7 February 2006
<b>Request for the amendment to the statutory measures for maize</b>	Submission and Notices on the amendment to the statutory measures relating to registration, records and returns for maize	Delivery of submission to the Minister	Minister approved the recommendations on 1 December 2005
<b>Request for the continuation of statutory measures relating to registration, records and returns for cotton</b>	Investigation and report regarding the application for the amendment to continue the statutory measures for another four years	Delivery of report to the Minister	Submission, report and Notices sent to the Minister
<b>Request for the implementation of a new four-year period of statutory levies on winter cereals</b>	Investigation and report regarding the application for new statutory levies on winter cereals for another four years	Delivery of report to the Minister	Submission, report and Notices sent to the Minister



## PROGRAMME 5: LIVESTOCK

### 1. AIM

To further the objectives of the Act by carrying out the functions of the NAMC, focusing particularly on the aquaculture, dairy, game, goat, mohair, ostrich, poultry, red meat and wool industries.

### 2. KEY PROGRAMMES

The following statutory measure investigations in the livestock section were undertaken during the period under review:



**Mr. Schalk Burger**  
*Livestock*

- **Dairy.** On 14 April 2005 the NAMC received an application from the dairy industry for the introduction of new statutory measures to replace the statutory measures promulgated on 19 December 2003. Due to loopholes in these statutory measures, which were highlighted during the 2005 Douglasdale Court Case, the rate of collection of statutory dairy levies was decidedly unsatisfactory (less than 50%). One of the loopholes pointed out during the court case was that, apart from milk, dairy products were not declared as agricultural products in terms of the MAP Act. On 5 December 2005 a notice was published in the *Government Gazette* which declared dairy products as agricultural products for the purposes of the Act. During December 2005 the Minister approved the proposed new statutory measures for the dairy industry and these were eventually published in the *Government Gazette* of 23 December 2005.
- **Red meat.** On 16 March 2005 the Red Meat Industry Forum applied to the Minister for the introduction of statutory levies on red meat, the compulsory registration of certain role-players and the compulsory furnishing of records and returns. On 3 August 2005 the Minister approved the proposed statutory measures and the relevant Notices were promulgated on 5 August 2005. The statutory measure regarding registration took effect immediately, while the statutory measures regarding levies and records and returns only became effective 90 days after their publication (5 November 2005) to enable the industry to develop the necessary systems for levy collection. Approximately 40% of the levy income has been earmarked to finance generic promotion campaigns, while approximately 14% will be allocated to each of the functions of research and information. The red meat levy was the first statutory levy that was approved subject to the condition that approximately 20% of the levy income should be used for transformation purposes (compared with the previous guideline that at least 10% of levy income should be used for transformation).



The MAP Act also empowers the NAMC to investigate issues pertaining to agricultural marketing and marketing policy. The following investigations were either initiated or completed during the year under review.

### **2.1 *Game (wildlife ranching) Section 7 Committee***

The Council undertook a Game Section 7 Committee investigation during the 2005/06 financial year. The Council started this project by identifying institutions that would nominate persons to serve on this Committee. During the first Game Section 7 Committee meeting, which was held on 6 September 2005, the Committee finalised the composition of the Committee and the terms of reference of this study. At the second meeting, held on 18 October 2005, the Council appointed a facilitator to do a SWOT analysis of the South African game industry, in collaboration with members of the Committee.

A first draft report was ready for discussion by the end of March 2006. Some of the findings were as follows:

- Overall, the conditions for agricultural production in South Africa are not favourable compared to the rest of the world. Water resources are scarce in most regions, thus only 17% of agricultural land is potentially arable (thus suitable for field crops and horticulture). Natural pastures in desert and semi-desert areas represent 83% of total agricultural land. The winter rainfall area in the Western Cape is the only region that has very favourable production conditions. With this in mind, agricultural land in South Africa must be put to its most suitable use, and in most areas wildlife ranching is the most viable option. Many conservationists regard the conversion of cattle farms into wildlife ranching as a step in the right direction and see it as reversing to natural systems.
- The wildlife ranching industry is the only agricultural industry in South Africa that experiences competition from government institutions (national and provincial parks). National and provincial parks also sell their surplus stock on wildlife auctions in competition with the private sector. However, these animals were located in the parks and bred with taxpayers' money. Wildlife sold on the auctions is later released on private ranches for breeding, eco-tourism or recreational and trophy hunting.
- The South African conservation strategy rests on mixing ecology, economy and social responsibility to achieve a “triple bottom line” result. The hunting industry has made a considerable contribution to conservation because there is currently more wildlife in South Africa than at any time in the past 150 years. It is important to understand that wildlife ranchers/hunters have an interest in protecting wildlife to ensure the long-term viability of the industry.
- Wildlife ranching stimulates development in the rural areas of South Africa and simultaneously creates many more job opportunities, at higher skills levels and higher



remuneration, compared to, for example, cattle farming. This is substantiated by a number of scientific reports completed over the past few years.

## **2.2 Declaration of agricultural products**

In September 1997, the Minister, through Notice No. R.1189 promulgated in the *Government Gazette* of 4 September 1997, declared in terms of section 1 (2) of the MAP Act a list of products as agricultural products for the purpose of the Act. This list was compiled before any of the current statutory measures (for fourteen commodities) were approved and promulgated. The Notice declared milk as an agricultural product for the purpose of the MAP Act. However, milk derivatives (cheese, butter, cream, etc) were not so declared. In December 2003 a statutory levy was promulgated on milk and dairy products.

On 14 April 2005 the South African Milk Processors Organisation (SAMPRO) requested the Minister to amend this Notice (No. R.1189 dated 4 September 1997) to include dairy products. This loophole was pointed out in the court case between Douglasdale Dairy Pty Ltd on the one hand and the Minister, NAMC and the dairy industry on the other hand. The Council used the opportunity to propose similar amendments for other commodities. A submission was sent to the Minister on 6 June 2005.

On 2 December 2005, the Notice was amended to make provision for more comprehensive definitions of milk and dairy products and other relevant commodities (for example, grains, game & livestock, oilseeds, olives and potatoes).

## **2.3 Marketing scheme for emerging cattle producers**

The Council appointed a Section 7 Committee to discuss assistance for emerging cattle producers to increase their market share in the marketing of beef products. Although a large proportion of cattle (approximately 50% of the cattle population in South Africa) is in the hands of black producers, their market share does not correspond with this. Problems contributing to this include a low off-take rate, low calving percentage and animal diseases. The appointment of trained extension officers could greatly alleviate these problems.

The first meeting was held on 12 September 2005, followed by a number of other meetings. The Committee is considering different options to assist emerging cattle farmers. At this stage it seems that organising auctions in rural areas could be one of the better options. Additional possibilities, such as training, dissemination of information and improvement of animal health, could be added to provide a package of services to farmers. Another option is the Custom Feeding Project, whereby commercial feedlots make some of their infrastructure available to emerging



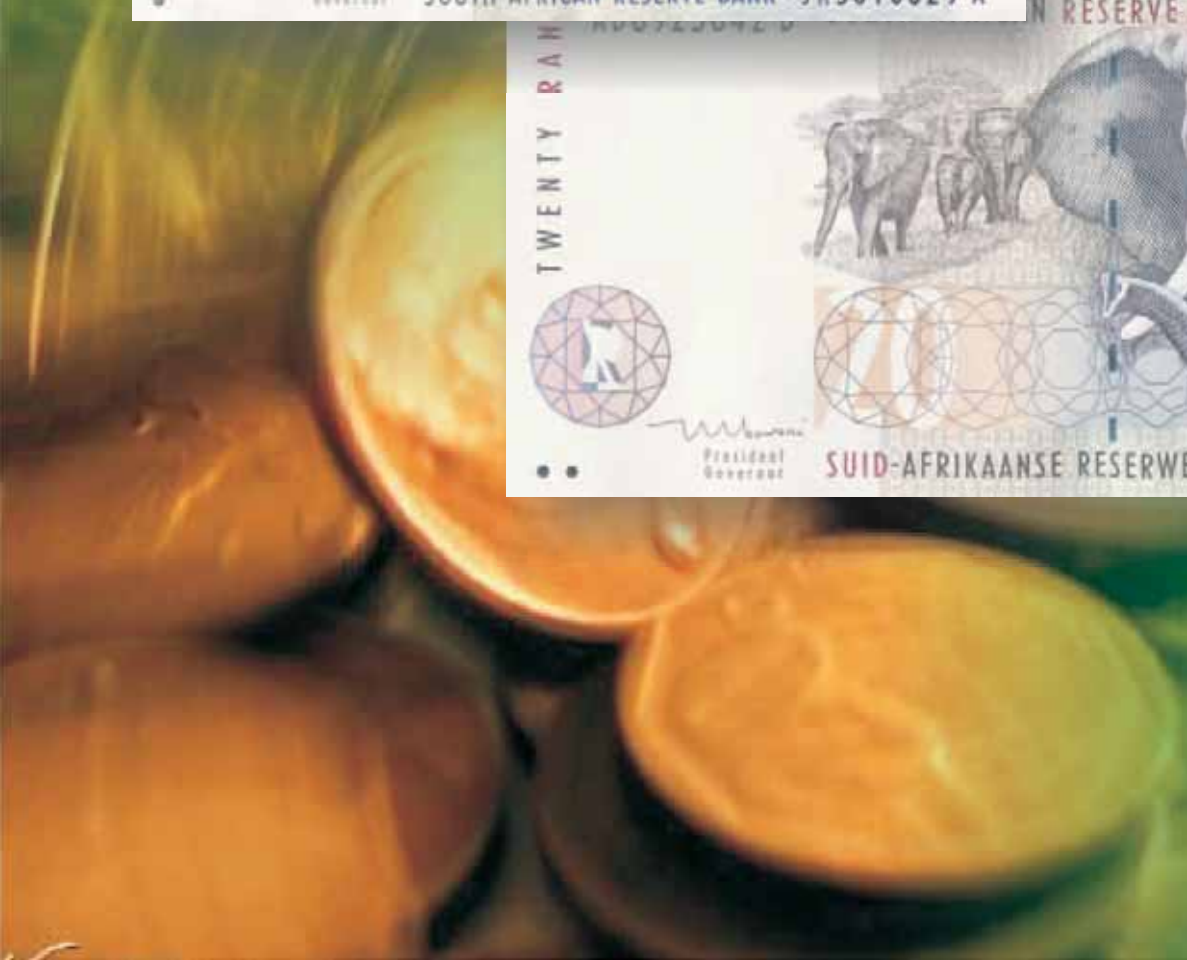


cattle farmers to feed their weaners. Emerging farmers remain the owners of the weaners until they are ready to be marketed. Other possible benefits of the Custom Feeding Project include the following:

- Emerging farmers will realise a better income due to the higher quality of the product, yet they will be exposed to minimal risk.
- Emerging farmers will have a guaranteed market for their product at market prices.
- No additional capital outlay is necessary because emerging farmers already own approximately 50% of the cattle population in South Africa. It is just a matter of convincing farmers to market the offspring of the cattle they already own.
- The benefits will go directly to emerging farmers at grass roots level. The project constitutes broad-based black economic empowerment in the true sense of the word.
- Emerging farmers could be transformed from animal keepers to animal marketers and, later, even beef marketers.

**TABLE 11: OUTPUTS AND SERVICE DELIVERY TRENDS - LIVESTOCK**

Sub-programmes	Outputs	Service delivery indicators	Actual performance
<b>Application for new statutory measures (dairy industry)</b>	Working group appointed to investigate the proposed statutory measures (levies, registration of role-players and submission of records and returns) in the dairy industry	Completion of NAMC investigation regarding the application within 60 days (or longer period as may be approved by the Minister) after referral to the NAMC by the Minister	Investigation completed within the period approved by the Minister
<b>Application for new statutory measures (red meat industry)</b>	Working group appointed to investigate the proposed statutory measures (levies, registration of role-players and submission of records and returns) in the red meat industry	Completion of NAMC investigation regarding the application within 60 days (or longer period as may be approved by the Minister) after referral to the NAMC by the Minister	Investigation completed within the period approved by the Minister





**PART 4**  
**AUDITOR-GENERAL'S REPORT**  
**AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2006**



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## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE NATIONAL AGRICULTURAL MARKETING COUNCIL

### For the year ended 31 March 2006

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#### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 56 to 94 of this report, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 8(4) of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

#### 2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 544 of 2006*, issued in *Government Gazette* no 28723 of 10 April 2006 and *General Notice 808 of 2006*, issued in *Government Gazette* no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

#### 3. BASIS OF ACCOUNTING

The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1 to the financial statements.



#### 4. AUDIT OPINION

In my opinion, the financial statements, present fairly, in all material respects, the financial position of National Agricultural Marketing Council at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in note 1 to the financial statements, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended.

#### 5. EMPHASIS OF MATTER

Without qualifying the audit opinion, attention is drawn to the following.

##### 5.1 *Implementation of Supply Chain Management*

According to sections 76(4)(c) of the PFMA and the Framework for Supply Chain Management, a public entity has to determine a framework for an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective. Although a formal framework of this nature has been developed, formally approved and adopted by the National Agricultural Marketing Council, implementation only commenced subsequent to year-end.

Furthermore the following deviations from prescribed Supply Chain Management principles were identified:

- Purchases were only authorised after invoice date for expenditure amounting to R806,082.16 for the year under review.
- Non-adherence to Practice Note No. SCM 2 of 2005 pertaining to written price quotations for expenditure amounting to R687,521.09 for the year under review.

##### 5.2 *Performance Information*

The following deficiency was noted in respect of the National Agricultural Marketing Council's performance information:

- Material inconsistencies were identified between the measurable objectives stated in the budget, strategic plan, business plan and annual report for 2005/2006.



### 5.3 Value added tax asset

Trade and other receivables amounted to R806,000.00 at 31 March 2006. This balance consists mainly of an amount of R799,000.00 (2004/05: R799,000.00) receivable from SARS in respect of claims not paid out in prior years. This amount is long overdue and although the National Agricultural Marketing Council has made consistent efforts to have the amount paid out at this stage there appears to be a significant uncertainty as to whether or not this amount will indeed be recovered.

### 5.4 Irregular expenditure

The National Agricultural Marketing Council incurred irregular expenditure in respect of finance leases as disclosed in note 26 to the annual financial statements.

## 6. APPRECIATION

The assistance rendered by the staff of the National Agricultural Marketing Council during the audit is sincerely appreciated.

F Gastin for Auditor-General

Pretoria

31/07/2006





Mr. Norman Patrick Siala  
Chief Financial Officer

# NATIONAL AGRICULTURAL MARKETING COUNCIL ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006



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**NATIONAL AGRICULTURAL MARKETING COUNCIL**

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**Annual Financial Statements**

for the year ended 31 March 2006

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## NATIONAL AGRICULTURAL MARKETING COUNCIL

### Statement of Responsibility

for the year ended 31 March 2006

The accounting authority is responsible for the preparation, integrity and fair presentation of the financial statements of the National Agricultural Marketing Council. The financial statements presented on pages 71 to 94 have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board, and include amounts based on judgements and estimates made by management. The accounting authority also prepared the other information included in the annual report and is responsible for both its accuracy and its consistency with the financial statements.

The going concern basis has been adopted in preparing the financial statements. The accounting authority has no reason to believe that the National Agricultural Marketing Council will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the Council.

The financial statements have been audited by the Office of the Auditor-General, who was given unrestricted access to all financial records and related data including minutes of meetings of the Management Committee. The accounting authority believes that all representations made to the auditor during his audit are valid and appropriate.

The audit report of the Auditor-General is presented on page 52 - 54. The financial statements were approved and signed by the accounting authority on 31 May 2006.

Chief Executive Officer  
ACCOUNTING AUTHORITY

31 MAY 2006



## NATIONAL AGRICULTURAL MARKETING COUNCIL

### Management's Report

at 31 March 2006

Ninth Report by the Chief Executive Officer to the Executive Authority and Parliament of the Republic of South Africa

#### 1. GENERAL REVIEW OF THE STATE OF AFFAIRS

The Annual Report forms part of the audited annual financial statements of the National Agricultural Marketing Council (NAMC) for the year ended 31 March 2006.

The NAMC is a statutory public entity established in terms of sections 3 and 4 of the Marketing of Agricultural Products Act of 1996 (MAP Act) as amended by Act 59 of 1997 and Act 52 of 2001. The objectives of the Act are

- the increasing of market access for all market participants;
- the promotion of the efficiency of the marketing of agricultural products;
- the optimisation of export earnings from agricultural products; and
- the enhancement of the viability of the agricultural products.

The Council acts as the accounting authority of the entity in terms of the PFMA and performs its activities in terms of sections 2 and 9 of the MAP Act.

#### 1.1 The management of the Council

##### 1.1.1 Leadership

The National Agricultural Marketing Council is composed of 10 (ten) part-time members. The current members were appointed on 1 March 2005 and their term expires at the end of March 2007. The names of the Council members are:

Mr M Karaan	Chairperson
Ms D Ndaba	Vice-Chairperson
Mr G P Dall	Part-time
Prof J F Kirsten	Part-time



Ms S E Moolman	Part-time
Mr F Lawrence	Part-time
Ms L Keyter	Part-time
Mr Z Duze	Part-time
Ms C Maku	Part-time
Mr A Jeftha	Part-time

1.1.2 Administration

The Secretariat of the NAMC is headed by Mr TR Ramabulana, the Chief Executive Officer. He is assisted by the Chief Financial Officer and the Management Committee, comprised of Section Heads, in the day-to-day running of the organisation.

1.2 Organisational structure

The Council's approved organisational structure is provided under part 2 on page 16.

1.3 Principal activities

The NAMC is an advisory body to the Minister of Agriculture and Land Affairs and the following are the principal activities which the Council performed during the year under review to fulfil its strategic and advisory role:

- Competitiveness study
- Food price monitoring
- Outreach programme
- Statutory levies
- Generic promotion workshop

2. SERVICES RENDERED

2.1 Competitiveness study

The Council contracted a British-based consulting firm to undertake a study of the competitiveness of key South African agricultural industries in relation to major international competitors. The aim of the study was to improve the sector's understanding of key issues affecting international agricultural industry competitiveness. The NAMC hosted a workshop to present the results of the study on



competitiveness. The NAMC hosted a workshop to present the results of the study on 29 June 2005. This was attended by over 80 industry leaders and senior government officials. The NAMC will hold follow-up sub-sector meetings to address various industries on specific issues relating to international competitiveness.

## 2.2 Food price monitoring

The NAMC has continued to implement the Food Price Monitoring Committee's recommendation that "South Africa should have a permanent food pricing monitoring system". This process was formalised by entering into agreements with the University of Pretoria to implement the Food Cost Review and Food Price Trends Projects. The sources of primary data for the two projects have been broadened to include both AC Nielsen and 80 Rural Provincial Departments of Agriculture's Food Price Monitors (Extension Officers). On 24 November 2005, the NAMC, with the assistance of Statistics South Africa, held a workshop to train the Rural Provincial Food Price Monitors on data collection methods and processes.

## 2.3 Outreach programme

During the period under review, the NAMC continued with its outreach programme to inform emerging farmers about the Marketing of Agricultural Products Act (MAP Act), various industry structures (trusts and forums), and how farmers could benefit from these structures. The NAMC, in collaboration with the Provincial Departments of Agriculture, organised over 20 marketing workshops, attended by more than 1 500 emerging farmers in Limpopo, Mpumalanga, Free State, KwaZulu Natal and the Eastern Cape Province.

## 2.4 Statutory levies

In an attempt to influence the spending of statutory levies collected by the industries, the NAMC adopted guidelines that recommended that a maximum of 10% of levies collected should be used for administrative purposes. The guidelines further entail that 20% of the levy income should be used for transformation purposes and the remaining 70% for activities such as research, information dissemination, promotion and quality control.



## 2.5 Generic promotion

The NAMC facilitated a workshop on generic promotion during the year under review. The objective of the workshop was to develop guidelines for the funding of generic promotion. Submissions were made by a panel consisting of academics, organised consumer bodies, farmer organisations and industry leaders. The NAMC has developed a draft position document on funding for generic promotion for comments.

## 2.6 Council meetings attended

Council meetings scheduled, attended and not attended by members are indicated in the table below.

Member	No of meetings scheduled	Meetings attended	Meetings not attended	Remarks
Mr M Karaan	7	6	1	Overseas on sabbatical leave
Mr GP Dall	7	7		
Mr F Lawrence	7	6	1	
Mr A Jeftha	7	7		
Prof J Kirsten	7	2	5	
Ms C Maku	7	7		
Ms SE Moolman	7	6	1	
Ms L Keyter	7	6	1	
Mr Z Duze	7	5	2	
Ms D Ndaba	7	7		

## 3. BUSINESS ADDRESS

NAMC, Private bag X935  
Pretoria, 0001

539 Schoeman Street  
Meintjiesplein Building  
BlockA, 4th Floor

Tel: 012 341 1115

Fax: 012 341 1811/1911

e-mail: [normans@namc.co.za](mailto:normans@namc.co.za)

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



#### 4. CAPACITY CONSTRAINTS

The NAMC has embarked on a restructuring process at administration level and new programmes are being put in place. The additional programme has highlighted the need for the NAMC to acquire a different quality of skills. As a result, the NAMC is currently recruiting additional staff and retraining current staff.

#### 5. NEW/PROPOSED ACTIVITIES

The NAMC will undertake functions through four technical programmes and cross-cutting support programmes. These are outlined below.

##### 5.1 Marketing and Trade

The primary functional areas of the unit are marketing schemes, AgriBEE, trade and competitiveness. Marketing development programmes are a priority initiative identified by the NAMC, which aims to encourage and facilitate the integration of emerging farmers into the mainstream commercial agricultural sector by incentivising the uptake of products from black farmers into the marketing chain. The red meat and citrus industries have been identified as priority industries for this initiative in the short term. The unit will play a role in coordinating research and discussions around competitiveness in the agricultural sector, especially in the area of agricultural marketing. These include the following:

- Marketing development programmes
- Advice on market and trade
- Production of a series of industry growth perspectives
- Industry related issues from the Chief Executive Officer's forum and the Presidential Working Group on commercial agriculture

##### 5.2 Enterprise Development Division

This unit will develop and document, through case studies, best practices for farmer support. It will develop and pilot models that will foster commercial linkages to integrate black agribusiness in the second economy into the commercial agricultural sector (first economy), bringing together business partners and suppliers for the following:



- Procurement contracts and tenders
- Trade and marketing partnerships
- Equity investment
- Joint ventures

The unit will develop some key models, implement them and write case studies, on

- Business linkages as an empowerment model;
- Cooperatives/agribusiness as key point leverages;
- Preferential AgriBee procurement through commodities currently receiving levies; and
- Increased participation of blacks in the entire fresh produce marketing operation.

Examples of business linkage models are

- Development of a supplier database;
- Agribusiness Technical Assistance Fund;
- Linkages with major buyers in South Africa; and
- Export promotion.

### 5.3 Statutory Measures

This unit will handle all issues relating to statutory levies as required by the MAP Act, carry out statutory measures investigations, oversee the working of the Crop Estimate Liaison Committee (CELC) and register directly affected groups in the NAMC database.

### 5.4 Economic Research

This unit will create a dossier of agricultural market research organisations and will focus on the following research themes:

- Price analysis
- Markets
- Policy
- Competitiveness
- Supply chains

This unit will use the provision in section 7 of the MAP Act to undertake S7 Committee investigations. It will also establish an Economic Research Fund, which will involve all universities and other research institutions, oversee food price monitoring and establish a research library.



## 6. CORPORATE GOVERNANCE

### 6.1 Governance structures

The following are governance structures which the Council had in place during the period under review.

#### 6.1.1 Audit Committee

The Audit Committee's Chairperson, Ms Malindi Nembambula, resigned during the period under review. A new Chairperson, Mr Victor Nondabula, was appointed. Its other member, Mr Werner Nieuwoudt, also resigned due to pressure of duties at his practice. The recruitment of the additional member is, at the time of reporting, being carried out. The Committee met four times during the course of the year.

The Committee comprised the following as at 31 March 2006:

1. Mr V Nondabula (Chairperson)
2. Mr GP Dall (Member – also Council member)
3. Mr W Nieuwoudt (Member – Partner Deloitte & Touche)

#### 6.1.2 Human Resource Committee

During the year under review, the Committee held nine meetings.

The Committee comprised the following as at 31 March 2006:

Mr GP Dall	Chairperson	Council member
Ms D Ndaba	Member	Council member
Ms SE Moolman	Member	Council member
Ms C Maku	Member	Council member
Ms L Keyter	Member	Council member
Mr Z Duze	Member	Council member
Mr TR Ramabulana	Member	Secretariat: CEO





### 6.1.3 Risk Management Committee

The term of employment of the Risk Management Committee's Chairperson, Mr V W Mvabaza, as a full-time Council member, expired on 28 February 2005. The Committee met twice during the year under review in order to oversee and monitor efficient, effective and economic systems of controls. Its composition was as follows:

Ms J Sethu	Administration Manager
Mr C Gladwin	Section Head
Mr TPN Siala	Chief Financial Officer (Acting Chairperson)

### 6.2 Governance Charters

The following governance charter was developed and submitted to the Executive Authority as required by the King II Report.

- Corporate Governance Charter

## 7. MATERIALITY AND SIGNIFICANCE FRAMEWORK (TREASURY REGULATIONS 28.2.1)

A materiality and significance framework was developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as for significant transactions envisaged per section 54(2) of the PFMA that require ministerial approval. The framework was reviewed and finalised and has been formally approved by the Executive Authority.

## 8. COUNCIL EMOLUMENTS: TREASURY REGULATIONS 28(1) AND 28(2)

Both the Minister of Finance and the Minister of Agriculture and Land Affairs approve Council members' emoluments on an annual basis. The position for the 2005/06 financial year is shown in the table below in compliance with section 55 of the PFMA read with Treasury Regulation 28(1) and 28(2).



**Table 28(1) and 28(2): Council members' emoluments for the 2005/06 financial year in aggregate:**

Members name	Basic	Allowances	Leave pay	Performance bonus	Other	UIF	Total
Ms D Ndaba	R 395,031.52	R 109,893.88	R 16,395.60	R 22,427.86	R 84,550.50	R 728.18	R 629,027.54
<b>Sub-total Full-time members</b>	<b>R 395,031.52</b>	<b>R 109,893.88</b>	<b>R 16,395.60</b>	<b>R 22,427.86</b>	<b>R 84,550.50</b>	<b>R 728.18</b>	<b>R 629,027.54</b>
GP Dall	R 54,626.00	R 11,000.00					R 65,626.00
MZ Duze	R 92,945.00	R 11,000.00					R 103,945.00
AP Jeftha	R 70,096.00	R 11,000.00					R 81,096.00
M Karaan	R 179,728.00	R 16,500.00					R 196,228.00
L Keyter	R 58,191.50	R 11,000.00					R 69,191.50
F Lawrence	R 36,542.00	R 11,000.00					R 47,542.00
C Maku	R 45,592.00	R 11,000.00					R 56,592.00
SE Moolman	R 109,438.00	R 11,000.00					R 120,438.00
JF Kirsten	R 25,692.00	R 11,000.00					R 36,692.00
<b>Sub-total</b>	<b>R 672,850.50</b>	<b>R 104,500.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>R 777,350.00</b>
<b>Part-time members</b>	<b>R1,067,882.02</b>	<b>R 214,393.88</b>	<b>R 16,395.60</b>	<b>R 22,427.86</b>	<b>R 84,550.50</b>	<b>R 728.18</b>	<b>R1,406,378.04</b>

**Note:** Ms Ndaba was retained as Acting Chief Executive Officer for the period under review.

**Table 28(1) and 28(2): Senior Managers' emoluments for the 2005/06 financial year in aggregate**

Members name	Basic	Allowances	Leave pay	Performance bonus	Other	Medical	Pension	UIF	Total
Mr TR Ramabulana CEO	R150,794.73	R98,281.09	0.00	R19,166.67	0.00	R 4,519.31	R 21,731.15	R 636.66	R 295,129.61
Mr TPN Siala CFO	R184,108.45	R42,420.58	R9,869.74	0.00	R 28,706.00	R15,308.50	R 33,405.00	R1,166.82	R 314,985.09
Mr IS Burger Stat Measures	R210,495.66	R40,590.17	0.00	R16,218.59	R 219,057.00	R22,026.69	R 36,897.90	R1,166.82	R 546,452.83
Mr C Gladwin Trade Policy	R235,373.72	R500.00	0.00	R17,994.56	R 100,352.00	R 4,316.00	R 33,645.57	R1,166.82	R 393,348.67
Ms J Sethu Admin Manager	R174,913.84	R44,963.11	0.00	R16,479.13	R 71,878.00	R17,255.37	R 32,843.67	R1,166.82	R 359,499.94
<b>Sub-total</b>	<b>R955,686.40</b>	<b>R226,754.95</b>	<b>R9,869.74</b>	<b>R69,858.95</b>	<b>R 419,993.00</b>	<b>R63,425.87</b>	<b>R158,523.29</b>	<b>R5,303.94</b>	<b>R1,909,416.14</b>

**Note:** The Chief Executive Officer was appointed in October 2005.



9. PERFORMANCE INFORMATION

The NAMC plans to focus on the following during the 2006/07 financial year:

ACTIVITY	KEY FOCUS AREA	STRATEGIC GOAL	STRATEGIC OUTCOME/ RESULT	CRITICAL SUCCESS FACTORS	CRUCIAL ACTIVITIES	KEY PERFORMANCE AREAS
<b>Marketing &amp; Trade</b>	Marketing schemes	Increased market access by black farmers	Design and implement three marketing schemes	Support by key buyers	Holding working group meetings Raising enough funds to finance the working of the schemes	Number of marketing development programmes designed and operational Number of black farmers using the schemes Number of marketing incentives proposed
	Trade	Address issues that negatively affect the export of agricultural products	Facilitate workshop on competitiveness and trade strategy Facilitate information session on the Competition Act	Closer working relations with DTI, ITCA, Competition Commission	Support from Industry	Number of workshops organised Number of farmer organisations using provisions of the Competition Act
	Annual IGP	Provide information on products that are internationally competitive, export orientated and attract investment	Produce and publish a series of reports annually	Initiate constructive engagement with stakeholders	Launch reports	Quality and quantity of reports published
<b>Statutory Measures</b>	Statutory measures application	Provide the Minister with accurate advice on the approval and disapproval of a statutory measure	Undertake investigations within prescribed timeframes	Support amongst directly affected groups	Conduct investigation by consulting with DAGs	Number of applications finalised Number of measures implemented successfully



ACTIVITY	KEY FOCUS AREA	STRATEGIC GOAL	STRATEGIC OUTCOME/ RESULT	CRITICAL SUCCESS FACTORS	CRUCIAL ACTIVITIES	KEY PERFORMANCE AREAS
<b>Research</b>	Management of CELC	Provide leadership required to improve acceptance of the CELC within industry in general	Hold at least two CELC meetings	Industry support	Continuous monitoring of the crop estimate data	Publish crop estimate figures that are generally accepted by the industry and general public
	Registration of directly affected groups	Register directly affected groups with the NAMC	Keep updated database of directly affected groups	Support from all role-players	Invite directly affected groups to register	Number of directly affected groups registered
	Section 7 Investigations	Conduct investigations and make recommendations on topical issues identified by the Minister, industry and the NAMC	Produce well-researched reports and recommendations	Support from directly affected groups	Invite directly affected groups to participate in the process	Number of investigations undertaken
	Research Fund	Fund research projects on themes identified by the NAMC	Create a research fund of R3.4 million	Support from the economic research institutions, international research organisations and donor agencies	Identify research themes and projects and allocate funding	Number of research proposals received and funded Number of reports published
	Support AEASA	Forge closer working relations between NAMC and AEASA	Sponsor a workshop at the AEASA conference for R80,000	Support from the Agricultural Economics community and the NAMC Council	Sponsor workshops at AEASA Use AEASA platform to generate debate on key reports published by the NAMC	Presentation of reports at AEASA Relevance of research topics to current topical issues facing the sector Successful discussion during the conference



ACTIVITY	KEY FOCUS AREA	STRATEGIC GOAL	STRATEGIC OUTCOME/ RESULT	CRITICAL SUCCESS FACTORS	CRUCIAL ACTIVITIES	KEY PERFORMANCE AREAS
	Food price monitoring	Produce reports that aim to measure the movement of food prices	Produce one annual food cost review Produce four food price trends reports Employ or deploy one economist from NAMC to work on the two projects full time	Support of stores, provincial monitors and StatsSA	Provide training to provincial food price monitors in order to ensure the collection of good quality data Ensure proper management of the two projects Build internal capacity	Number of food cost reviews and food price trends published Number of provincial food price monitors trained and still participating in the project Quality of training received by an internal NAMC staff member
	Research Library	Improve access by the agricultural community to all reports produced by NAMC Create an agricultural economic library to support the NAMC's research work	Produce 500 CD-ROMS and distribute them at the AEASA and other workshops and business breakfasts Buy and stock the library with reading material relevant to NAMC's work	Support from Council, management and staff	Produce and distribute reports	Number of reports on the CD-ROM
<b>Enterprise Development</b>	Supplier database	Reduce the perceived cost of doing business with black producers by providing a complete producer's profile to buyers	Develop a database of black producers	Profile of black producers that could be presented to targeted buyers	Visiting producers to develop profiles	Number of producers in the supplier database Quality of information in the supplier database
	Technical support programme	Provide producers in the database with training and other support required for	Develop and publish a training and other technical support	Relevant support and training supported	Identification of support institutions	Number of producers who have received support



ACTIVITY	KEY FOCUS AREA	STRATEGIC GOAL	STRATEGIC OUTCOME/ RESULT	CRITICAL SUCCESS FACTORS	CRUCIAL ACTIVITIES	KEY PERFORMANCE AREAS
		them to fulfil the terms of the contracts	programme annually Create an ATAF with start up capital of R800,000 to finance the assistance	Additional funds raised in order to support all applicants		
	Linkages to buyers	Increase market access	Identify and get buy-in from major buyers of agricultural produce in South Africa	Support from buyers of agricultural produce	Buy-in from buyers	Number of producers in the database with access to good, reliable markets Value of contracts signed between producers and buyers.
	Export promotion	Access to international market	Create linkages for export opportunities	Support from producers and international agencies	Participation in trade shows Create closer working relations with DTI	Number of farmers exporting through the programme
<b>Administration</b>	Communication	Promote the NAMC's image	Visibility of the NAMC	Support by Council, management and staff	Ensure media coverage, develop and distribute marketing material	Number of exhibitions attended Number of workshops organised
	Finance	Ensure the NAMC complies with the PFMA and Treasury regulations	Utilise resources productively	Support by Council, management and staff	Sound financial policies	Unqualified audited financial statements
	Human Resources	Attract and retain suitably qualified employees	Professional and competent staff component	Support by Council, management and staff	Sound human resource management	Increased productivity



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Statement of Financial Performance**

for the year ended 31 March 2006

		2005/06	2004/05
	Notes	R'000	R'000
<b>Continuing operations</b>			
Grants and transfers	1	12,163	10,601
Other income	2	1,879	31
Administrative expenses	3	(3,203)	(2,328)
Staff costs	4	(7,393)	(5,586)
Other operating expenses	5	(1,542)	(1,247)
Depreciation and amortisation	6	(388)	(227)
Finance costs	7	(66)	(49)
Surplus from operating activities		1,450	1,195
Income from investments	8	521	530
<b>Net surplus for the year</b>		<b>1,971</b>	<b>1,725</b>



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Statement of Financial Position**

at 31 March 2006

	Notes	2005/06 R'000	2004/05 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	677	600
Intangible assets	10	47	62
		<u>724</u>	<u>662</u>
<b>Current assets</b>			
Trade and other receivables	11	806	1,742
Cash and cash equivalents	12	4,590	2,894
		<u>5,396</u>	<u>4,636</u>
<b>Total assets</b>		<b><u>6,120</u></b>	<b><u>5,298</u></b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Accumulated funds</b>			
		5,084	3,113
		<u>5,084</u>	<u>3,113</u>
<b>Non-current liabilities</b>			
Finance lease liability	13	301	193
Post-retirement medical benefits	14	-	935
		<u>301</u>	<u>1,128</u>
<b>Current liabilities</b>			
Trade and other payables	15	594	989
Current portion of finance lease liability	13	141	68
		<u>735</u>	<u>1,057</u>
<b>Total net assets and liabilities</b>		<b><u>6,120</u></b>	<b><u>5,298</u></b>





**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Statement of Changes in Net assets**

for the year ended 31 March 2006

	Notes	Accumulated Funds R'000
<b>Balance at 1 April 2004</b>		
- Originally stated		1,458
- Correction of prior period error	19	(70)
As restated		1,388
Surplus for the year		1,725
<b>Balance at 1 April 2005</b>		3,113
Surplus for the year		1,971
<b>Balance at 31 March 2006</b>		<b>5,084</b>



Rob zelfs.med.bio	12,12
Rob zelfs.property	65,25
Rob zelfs.soft&ser	9,25
Rob zelfs.telecom	26,11



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Cash Flow Statement**

for the year ended 31 March 2006

	Notes	2005/06 R'000	2004/05 R'000
<b>Receipts</b>			
Grants		12,163	10,601
Interest received		521	530
Other receipts		1,880	31
<b>Payments</b>			
Employee costs		(7,357)	(5,776)
Suppliers		(5,177)	(3,912)
Finance costs		(66)	(49)
Other payments		-	(463)
<b>Net cash from operating activities</b>	16	<b>1,964</b>	<b>962</b>
<b>Net cash used in investing activities</b>	17	<b>(158)</b>	<b>(257)</b>
<b>Net cash used in financing activities</b>	18	<b>(110)</b>	<b>(23)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,696</b>	<b>682</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,894</b>	<b>2,212</b>
<b>Cash and cash equivalents at the end of the year</b>	12	<b>4,590</b>	<b>2,894</b>



## NATIONAL AGRICULTURAL MARKETING COUNCIL

### Accounting Policies

for the year ended 31 March 2006

The annual financial statements have been prepared on the historical cost basis and include the following principal accounting policies, which in all material respects are consistent with those applied in the previous year, except as otherwise indicated.

#### 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

##### Standard of GRAP

AC101: Presentation of financial statements  
 AC118: Cash flow statements  
 AC103: Accounting policies, changes in accounting estimates and errors

##### Replaced Statement of GAAP

GRAP 1: Presentation of financial statements  
 GRAP 2: Cash flow statements  
 GRAP 3: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following significant changes in the presentation of the financial statements:

#### 1.1 Terminology differences:

##### Standard of GRAP

Statement of financial performance  
 Statement of financial position  
 Statement of changes in net assets  
 Net assets  
 Surplus/deficit for the period  
 Accumulated surplus/deficit  
 Contributions from owners  
 Distributions to owners  
 Reporting date

##### Replaced Statement of GAAP

Income statement  
 Balance sheet  
 Statement of changes in equity  
 Equity  
 Profit/loss for the period  
 Retained earnings  
 Share capital  
 Dividends  
 Balance sheet date



- 1.2 The cash flow statement can only be prepared in accordance with the direct method.
- 1.3 Specific information such as
- receivables from non-exchange transactions, including taxes and transfers;
  - taxes and transfers payable; and
  - trade and other payables from non-exchange transactions must be presented separately on the statement of financial position.
- 1.4 The amount and nature of any restrictions on cash balances is required to be disclosed.

Paragraphs 1115 of GRAP 1 have not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

## 2. CURRENCY

These financial statements are presented in South African Rand since that is the currency in which the majority of the entity's transactions are denominated.

## 3. REVENUE RECOGNITION

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

Interest income is accrued when received or receivable.

## 4. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

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

- The Public Finance Management Act, Act 1 of 1999; and
- Any provincial legislation providing for procurement procedures in that provincial government.

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

All irregular and fruitless and wasteful expenditure is charged against income in the period in which it is incurred.

## 5. RETIREMENT BENEFIT COSTS

The entity operates a defined contribution pension plan. Payments to the defined contribution retirement benefit plan are charged to the statement of financial performance in the year to which they relate.



**6. POST-RETIREMENT MEDICAL BENEFIT**

The entity has a post-retirement medical aid liability in respect of certain categories of employees. The post-retirement medical benefit obligation, the related current service cost, and where applicable, the past service cost are determined by using the projected unit credit method calculated by independent qualified actuaries. Actuarial gains and losses are recognised in income or expenses in the year they are incurred.

**7. PROPERTY, PLANT AND EQUIPMENT**

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets less their residual value over their estimated useful lives, using the straight-line method, on the following bases:

Plant and equipment	20%
Vehicles	20%
Computer equipment	33%
Furniture and fittings	15%
Leased equipment	lease period

**8. INTANGIBLE ASSETS**

An intangible asset is recognised when

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

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values on the following basis:

Computer software, other	33%
--------------------------	-----

**9. IMPAIRMENT**

At each reporting date, the entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable



amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

## 10. LEASING

Finance leases refer to contracts that transfer the risks, rewards, rights and obligations incident to ownership to the lessee and are recorded as a purchase of equipment by means of long-term borrowing. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

## 11. FINANCIAL INSTRUMENTS

### **Recognition**

Financial assets and financial liabilities are recognised on the entity's statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

### **Measurement**

Financial instruments are initially measured at fair value, which includes transaction costs. Subsequent to initial recognition these instruments are measured as follows.

#### *Financial assets*

The entity's principle financial assets are accounts receivable and cash and cash equivalents.

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents are stated at their nominal value.



*Financial liabilities*

The entity's principle financial liabilities are accounts payable.

Trade and other payables are stated at their nominal value.

**12. PROVISIONS**

Provisions are recognised when the entity has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably.

**13. GOVERNMENT GRANTS**

Government grants are recognised when there is reasonable assurance that

- The entity will comply with the conditions attaching to them; and
- The grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income in the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants relating to income are presented as a credit in the income statement.

**14. COMPARATIVE FIGURES**

Where necessary, comparative figures have been adjusted to conform to changes in the presentation of the financial statements in the current year.



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Notes to the Annual Financial Statements**

for the year ended 31 March 2006

	2005/06	2004/05
	R'000	R'000
<b>1 GRANTS AND TRANSFERS</b>		
National Departments	12,163	10,601
Total	<b>12,163</b>	<b>10,601</b>
<b>2 OTHER INCOME</b>		
Honorarium	-	2
Recoupment of expenses	58	24
Sundry income	24	5
Post-retirement medical benefit	1,797	
Total	<b>1,879</b>	<b>31</b>
<b>3 ADMINISTRATIVE EXPENSES</b>		
General and administrative expenses	1,404	1,103
Auditor's remuneration	306	130
- Audit fees	306	130
Travel and subsistence	987	589
Rentals in respect of operating leases	506	506
- Buildings	506	467
- Plant, machinery and equipment	0	39
Total	<b>3,203</b>	<b>2,328</b>

The operating lease rentals in respect of buildings include the entity's proportionate share of electricity, water, gas, assessment rates and other municipal taxes. These amounts have not been straight-lined due to the uncertainty of future amounts payable.





**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

	2005/06	2004/05
	R'000	R'000
<b>4 STAFF COSTS</b>		
Salaries	3,502	2,523
Basic salaries	2,579	2,071
Performance awards	187	154
Other non-pensionable allowances	514	269
Temporary staff	191	9
Leave payments	28	17
Overtime pay	3	3
Social contributions (employer's contributions)	574	483
Medical	149	139
UIF	21	17
Pension	404	323
Insurance	-	4
Other salary related costs	1,911	168
Director's remuneration	1,406	2,412
<b>Total</b>	<b>7,393</b>	<b>5,586</b>

The other salary related costs of R1,911,000 in the current year consist of post-retirement medical benefits paid out to the employees in the current year. Directors' remuneration, in the current year, contains a post-retirement medical benefit payment of R24,000.

Directors' remuneration consists of full-time and part-time council members' remuneration.

**NATIONAL AGRICULTURAL MARKETING COUNCIL****Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

	2005/06	2004/05
	R'000	R'000
<b>5 OTHER OPERATING EXPENSES</b>		
Staff training and development	110	48
Consultants, contractors and special services	545	671
Equipment itmes expenses as per entity policy	3	10
Maintenance, repair and running costs	2	30
- Other maintenance, repairs and running costs	2	30
Entertainment expenses	30	23
Fruitless and wasteful expenditure	8	-
Section 7 and work group investigations	844	465
<b>Total</b>	<b>1,542</b>	<b>1,247</b>

The fruitless expenditure occurred due to PAYE not being paid on time. The matter was investigated and it was concluded that no person was liable; accordingly no further action was taken. This matter was reported to Treasury as required by section 51(2) of the Public Finance Management Act, 1999.



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

	2005/06	2004/05
	R'000	R'000
<b>6 DEPRECIATION AND AMORTISATION</b>		
Depreciation	361	215
- Plant, machinery and equipment	8	12
- Vehicles	54	64
- Computer equipment and peripherals	126	19
- Office furniture and fittings	48	49
- Leased office equipment	125	71
Amortisation	27	12
- Computer software	27	12
<b>Total</b>	<b>388</b>	<b>227</b>

**7 FINANCE COSTS**

Finance costs		
- Finance leases	66	49
<b>Total</b>	<b>66</b>	<b>49</b>

**8 INCOME FROM INVESTMENTS**

Interest income		
- Bank deposits	521	530
<b>Total</b>	<b>521</b>	<b>530</b>



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

**9 PROPERTY, PLANT AND EQUIPMENT**

	Plant and equip- ment R'000	Veh- icles R'000	Compu- ter equip- ment R'000	Office furniture and fittings R'000	Leased office equip- ment R'000	Total R'000
<b>Year ended 31/3/2005</b>						
Opening net carrying amount	21	118	42	132	284	597
Gross carrying amount	128	321	361	324	356	1,490
Accumulated depreciation	(107)	(203)	(319)	(192)	(72)	(893)
Exchange rate adjustments						
Revaluation adjustments						
Additions	7		210	1		218
Borrowing costs capitalised						
Disposals						
Depreciation charge	(12)	(64)	(19)	(49)	(71)	(215)
Impairment losses recognised/ reversed						
Net carrying amount 31 March 2005	<b>16</b>	<b>54</b>	<b>233</b>	<b>84</b>	<b>213</b>	<b>600</b>
<b>Year ended 31/3/2006</b>						
Opening net carrying amount	16	54	233	84	213	600
Gross carrying amount	135	321	571	325	356	1,708
Accumulated depreciation	(119)	(267)	(338)	(241)	(143)	(1,108)
Exchange rate adjustments						
Revaluation adjustments						
Additions	18	-	128	-	292	438
Borrowing costs capitalised						
Disposals						
Depreciation charge	(8)	(54)	(126)	(48)	(125)	(361)
Impairment losses recognised/ reversed						
Net carrying amount 31 March 2006	<b>26</b>	<b>-</b>	<b>235</b>	<b>36</b>	<b>380</b>	<b>677</b>
Gross carrying amount	153	321	699	325	648	2,146
Accumulated depreciation	(127)	(321)	(464)	(289)	(268)	(1,469)
Net carrying amount 31 March 2006	<b>26</b>	<b>-</b>	<b>235</b>	<b>36</b>	<b>380</b>	<b>677</b>



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

<b>10 INTANGIBLE ASSETS</b>	<b>Computer Software R'000</b>	<b>Total R'000</b>
<b>Year ended 31/3/2005</b>		
Opening net carrying amount	35	35
Gross carrying amount	127	127
Accumulated depreciation	(92)	(92)
Exchange rate adjustments		
Revaluation adjustments	39	39
Additions		
Borrowing costs capitalised		
Disposals		
Amortisation charge	(12)	(12)
Impairment losses recognised/reversed		
Net carrying amount 31 March 2005	<b>62</b>	<b>62</b>
<b>Year ended 31/3/2006</b>		
Opening net carrying amount	62	62
Gross carrying amount	166	166
Accumulated depreciation	(104)	(104)
Exchange rate adjustments		
Revaluation adjustments		
Additions	12	12
Borrowing costs capitalised		
Disposals		
Amortisation charge		
Impairment losses recognised/reversed	(27)	(27)
Net carrying amount 31 March 2006	47	47
Gross carrying amount	178	178
Accumulated depreciation	(131)	(131)
Net carrying amount 31 March 2006	<b>47</b>	<b>47</b>

IAS39 Intangible Assets has been adopted during the 2006 year and as a result computer software has been reclassified as an intangible asset as it meets the definition and recognition criteria set out per IAS39. The 2005 comparatives have been restated to reflect the change. The computer equipment was previously classified as property, plant and equipment and depreciated as such. Depreciation on the computer software has been reclassified as amortisation in terms of IAS39.

**NATIONAL AGRICULTURAL MARKETING COUNCIL****Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

<b>11 TRADE AND OTHER RECEIVABLES</b>	<b>Computer Software R'000</b>	<b>Total R'000</b>
Trade receivables	2	4
VAT	799	799
Loans	5	7
Post-retirement medical benefit	-	935
<b>Total</b>	<b>806</b>	<b>1,742</b>

The amount due in respect of VAT consists of an amount of R798,714 in respect of prior years. SARS conducted a VAT inspection in the 2003 financial year and adjusted certain claims. Subsequently SARS made an error in the adjustments on their system and as a result the claims have not been finalised. This is being followed up; however the response from SARS is slow. The amount due for the current year is as a result of non-payment of any claims for the previous year by SARS; this is in the process of being followed up.

**12 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash and short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest rate risk. The carrying amount of these assets approximates their fair value.

Cash at bank	140	77
Cash on hand	1	-
Short-term investments	4,449	2,817
<b>Total</b>	<b>4,590</b>	<b>2,894</b>

**13 FINANCE LEASE LIABILITY**

Amount payable under finance leases:

- Minimum lease payments	535	336
- Future finance charges	(93)	(75)
Outstanding balance	442	261
Less: Current portion within 12 months	(141)	(68)
<b>Total</b>	<b>301</b>	<b>193</b>

Obligations under finance leases are secured by the lessor's title to the leased asset.



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

**14 POST-RETIREMENT MEDICAL BENEFITS**

The NAMC committed itself to pay two-thirds of the monthly subscriptions to the medical scheme of current employees who retire from its service. During the current year this post-retirement medical benefit was valued at R1,935,000 (2005: R935,000) by actuaries and the full R1,935,000 was paid out to the employees. As a result, the post-retirement medical benefit obligation no longer exists.

**15 TRADE AND OTHER PAYABLES**

	<b>2005/06</b>	<b>2004/05</b>
	<b>R'000</b>	<b>R'000</b>
Trade creditors	338	711
Sundry creditors	174	119
Operating lease liability	-	59
Leavy pay due	82	100
<b>Total</b>	<b>594</b>	<b>989</b>

**16 RECONCILIATION OF PROFIT BEFORE TAXATION TP NET CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation	1,971	1,725
Adjusted for:		
- Amortisation on intangible assets	27	12
- Depreciation on property, plant and equipment	361	215
Operating cash flows before working capital changes	2,359	1,952
Working capital changes	(395)	(990)
- Decrease/(increase) in receivables	1	(463)
- Increase/(decrease) in payables	(396)	(527)
<b>Net cash flows from operating activities</b>	<b>1,964</b>	<b>962</b>



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

	2005/06 R'000	2005/06 R'000
<b>17 NET CASH USED IN INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(146)	(218)
Acquisition of intangible assets	(12)	(39)
<b>Cash used in investing activities</b>	<b>(158)</b>	<b>(257)</b>
<b>18 NET CASH USED IN FINANCING ACTIVITIES</b>		
Repayment of finance leases	(110)	23
<b>Cash used in financing activities</b>	<b>(110)</b>	<b>(23)</b>

**19 PRIOR PERIOD ERROR**

**19.1 Operating leases**

Lease payments under the operating leases were not recognised as an expense on a straight-line basis over the lease term as required in IAS 17 Leases and the entity's accounting policy but were rather expensed as incurred.

The correction of the error results in adjustments in the 2005 comparative figures as follows:

Adjustment against opening accumulated surplus 31 March 2004	<b>(42)</b>
Increase in operating lease liability	<b>59</b>
Increase in operating lease payments on premises	(17)
Decrease in surplus 31 March 2005	<b>(17)</b>





**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

**19.2 Finance leases**

The prior year's figures have been adjusted with the correction of an error relating to previously reported operating leases, now classified as finance leases in terms of IAS17.

The 2005 comparative figures have been restated to correct this error.

The effect of the error is as follows:

Adjustment against opening accumulated surplus 31 March 2004	<b>(28)</b>
Decrease in operating lease payments on equipment	100
Increase in finance cost on finance leases	(49)
Increase in depreciation on finance lease equipment	(71)
Decrease in surplus 31 March 2005	<b>(20)</b>
Increase in finance lease liability	261
Increase in finance lease equipment cost	(356)
Increase in finance lease equipment accumulated depreciation	143
	<b>48</b>

**19.3 Total**

The effect of the total error is as follows:

Adjustment against opening accumulated surplus 31 March 2004	<b>(70)</b>
Increase in finance lease liability	261
Increase in finance lease equipment cost	(356)
Increase in finance lease equipment accumulated depreciation	143
Increase in operating lease liability	59
	<b>107</b>
Decrease in operating lease payments on equipment	100
Increase in operating lease payments on premises	(17)
Increase in finance cost on finance leases	(49)
Increase in depreciation on finance lease equipment	(71)
Decrease in surplus 31 March 2005	<b>(37)</b>



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

	2005/06	2004/05
	R'000	R'000

**20 OPERATING LEASE ARRANGEMENTS**

The entity as lessee

At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Up to 1 year	-	312
<b>Total</b>	<b>-</b>	<b>312</b>

**21 FINANCE LEASE COMMITMENTS**

**The Entity as lessee**

Up to 1 year

- Future minimum lease payments	191	107
- Less: Finance charges	(50)	(39)
- Present value of the future minimum lease payments	<b>141</b>	<b>68</b>

1 to 5 years

- Future minimum lease payments	345	228
- Less: Finance charges	(44)	(35)
- Present value of the future minimum lease payments	<b>301</b>	<b>193</b>



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

**22 FINANCIAL INSTRUMENTS**

In the course of the entity's business operations it is exposed to interest rate, credit and liquidity risk. The entity has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

**Interest rate risk**

The entity manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate investments.

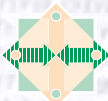
**Credit risk**

Financial assets, which potentially subject the entity to the risk of non-performance by counter-parties and thereby subject the entity to concentrations of credit risk, consist mainly of cash and cash equivalents and trade receivables. Credit risk is controlled through the application of credit approvals, limits and monitoring procedures. Where necessary, the entity obtains appropriate collateral to mitigate risk.

The entity limits its counter-party exposure by only dealing with well-established financial institutions with high credit ratings assigned by international credit rating agencies. The entity's exposure and the credit ratings of its counter-parties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter-parties. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the entity's customer base and their dispersion across different industries and geographical areas. The entity does not have any significant exposure to any individual customer or counter-party. Accordingly, the entity does not consider there to be any significant concentration of credit risk which has not been adequately provided for. Trade receivables are presented net of the allowance for doubtful debt.

**Liquidity risk**

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual vs. forecasted cash flows. Adequate reserves and liquid resources are also maintained.



## NATIONAL AGRICULTURAL MARKETING COUNCIL

### Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2006

#### Fair values

The entity's financial instruments consist mainly of cash and cash equivalents, trade receivables and trade payables. No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets. The following methods and assumptions are used to determine the fair value of each class of financial instruments.

#### Cash and cash equivalents

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

#### Trade receivables

The carrying amount of trade receivables, net of provision for bad debt, approximates fair value due to the relatively short-term maturity of this financial asset.

#### Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

### 23 TAX EXEMPTION

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

### 24 RELATED PARTIES

A grant of R12,163,000 (2004: R10,601,000) was received from the Department of Agriculture. The Department of Agriculture and the National Agricultural Marketing Council are related parties within the national sphere of government.



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

**25 BUDGETED FIGURES**

The National Agricultural Marketing Council's budget and actual income and expenditure is reflected below:

	<b>Budget</b>	<b>Actual</b>
	<b>R'000</b>	<b>R'000</b>
<b>Income</b>		
Grant from Department	12,163	12,163
Other income	15	1,879
Interest received	500	521
<b>Total Income</b>	<b>12,678</b>	<b>14,563</b>
<b>Expenditure</b>		
Administrative expenses	3,266	3,203
Personnel	7,112	7,393
Other operating expenses	2,547	1,542
Depreciation	350	388
Finance costs	-	66
<b>Total expenditure</b>	<b>13,275</b>	<b>12,592</b>



**NATIONAL AGRICULTURAL MARKETING COUNCIL**

**Notes to the Annual Financial Statements** (continued)

for the year ended 31 March 2006

**26 IRREGULAR EXPENDITURE**

Irregular expenditure arose as a result of leases being entered into where substantially all the risks and rewards incidental to ownership were transferred. This is synonymous with the definition of a finance lease as defined in South African Statements of Generally Accepted Accounting Practice IAS17 Leases and Treasury Regulation 32.2.2. In accordance with Treasury Regulation 32.2.5(b) finance leases need to be entered into with the prior approval of the Minister of Finance.

Incident	Disciplinary action or steps taken	Amount
Finance leases entered into with a service provider for the photocopier machines	The intention at the time of signing the agreements was not to enter into a finance lease but an operating lease. The finance lease only came into being as a result of the accounting treatment for the purposes of the annual financial statements. As a result no individual can be held liable for the incurrence of the irregular expenditure.	<b>2006:</b> R442,000  <b>2005:</b> R261,000
Finance costs on above finance lease	The intention at the time of signing the agreements was not to enter into a finance lease but an operating lease. The finance lease only came into being as a result of the accounting treatment for the purposes of the annual financial statements. As a result no individual can be held liable for the incurrence of the irregular expenditure.	<b>2006:</b> R66,000  <b>2005:</b> R49,000



# **PART 5**

## **AUDIT COMMITTEE REPORT**



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## NATIONAL AGRICULTURAL MARKETING COUNCIL

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### REPORT OF THE AUDIT COMMITTEE

For the year ended 31 March 2006

We are pleased to present our report for the financial year ended 31 March 2006.

#### Audit Committee Members and Attendance:

The Audit Committee consists of the members listed hereunder and met four (4) times last year as per approved terms of reference.

Name of Member	Number of meetings Attended
V.Nondabula (Chairperson)	2 (*)
P. Dall	4
W. Niewoudt	2 (**)

(\*) = Mr V.Nondabula was appointed as the Audit Committee Chairperson from 01 December 2005.

(\*\*) = Mr W.Niewoudt resigned as the Audit Committee member, effective 01 March 2006. He was replaced by Ms T.Moja.

#### Audit Committee Responsibility

The committee reports that it has complied with its responsibilities arising from **Section 38 (1)(a) of the PFMA and Treasury Regulation 3.1.13**. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

#### The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the A-G's audit report on the Annual





Financial Statements and the various internal audit reports, there were no significant or material issues reported regarding non compliance with the prescribed policies and procedures. However, it was also noted that the A-G's audit report, under matters of emphasis, highlighted the need for NAMC to effectively implement the Supply Chain Management and to avoid irregular expenditure in respect of the finance leases.

Accordingly, we can report that the systems of internal control for the period under review were effective and efficient.

**The quality of in year management and monthly / quarterly reports submitted in terms of the PFMA and the Division of Revenue Act**

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports issued by the Council during the year under review. It was, however, noted that there were trade and receivable balances, mainly from SARS (i.e. VAT claims), which had not been cleared.

**Evaluation of Financial Statements**

The Audit Committee has

- 1 Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and the Accounting Officer;
- 2 Reviewed the Auditor-General's management letter and management response thereto;
- 3 Reviewed significant adjustments resulting from the audit;

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Chairperson of the Audit Committee

Date



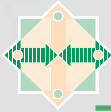


# PART 6 ANNEXURES





# **ANNEXURE A: CONTACT DETAILS OF INDUSTRY STRUCTURES**



**ANNEXURE A: CONTACT DETAILS OF INDUSTRY STRUCTURES**

Name	Commodities	Contact details	Tel	Fax	E-mail and website
Citrus Industry Trust	Citrus	Ms Elsa Taylor PO Box 359 GROENKLOOF 0027	012 667 3113	012 667 3128	emttaylor@iafrica.com
Cotton Trust	Cotton	Mr Hennie Bruwer PO Box 912232 SILVERTON 0127	012 804 1462	012 804 8616	henniebruwer@cottonsa.org.za
Deciduous Fruit Industry Trust	Deciduous fruit	Mr Anton Rabe PO Box 163 PAARL 7620	021 871 1132	021 871 1305	johlida@deciduous.co.za
Deciduous Fruit Producers' Trust	Deciduous fruit	Mr Anton Rabe PO Box 163 PAARL 7620	021 870 2900	021 870 2915	johlida@deciduous.co.za
Dry Bean Trust	Dry beans	Mr Jerry van Vuuren Private Bag x 135 PRETORIA 0001	012 323 1696	012 325 6102	dpo@agric.co.za <a href="http://www.beans.co.za">http://www.beans.co.za</a>
Lucerne Seed Industry Research and Development Trust	Lucerne seed	Mr Derrick Engelbrecht PO Box 185 OUDTSHOORN 6620	044 272 8991	044 329 2838	lusern@mwe.co.za
Maize Trust	Maize	Mr Leon du Plessis PO Box 12203 QUEENSWOOD 0121	012 333 3429	012 333 3429	l-lagric@mweb.co.za
Meat Industry Trust	Meat	Ms Moira Mokuena PO Box X3060 RANDBURG 2125	011 784 6611	011 784 6611	mwmtrust@mweb.co.za
Mohair Trust	Mohair	Mr David Hobson PO Box 2243 SYDENHAM PE 6056	041 487 1386	041 487 1336	info@mohair.co.za
Oil and Protein Seed Development Trust	Oilseeds	Mr Gerhard Keun PO Box 5562 RIVONIA 2128	011 234 3400	011 234 3402	oliesade@worldonline.co.za lawrencefrank@gmail.com
Potato Industry Development Trust	Potatoes	Mr Frank Lawrence Private Bag x 135 PRETORIA 0001	012 323 1696	012 325 6102	www.potatoes.co.za
Sorghum Trust	Sorghum	Mr Nico Fouché PO Box 14826 SINOVILLE 0129	012 804 8504	012 845 1264	nico@milksa.co.za
Winter Cereal Trust	Winter cereals	Mr Awie Coetzee PO Box 7088 CENTURION 0046	012 663 1660	012 663 3109	wct@grainmilling.co.za
SA Wine Industry Trust	Wine	Mr Charles Erasmus Private Bag x 5034 STELLENBOSCH 7599	021 809 3164	021 889 5900	www.sawit.co.za
Wool Trust	Wool	Mr André v de Venter PO Box 2500 NOORDEINDE PE 6056	041 484 4307	041 484 4309	wooltrust@eastcape.net



**CONTACT DETAILS OF INDUSTRY SERVICE SECTION 21 COMPANIES**

Name	Commodities	Contact details	Tel	Fax	E-mail and website
Aquaculture Association of South Africa	Aquaculture	Mr Danie Brink University of Stellenbosch Private Bag X 1 Matieland 7602	021-808 5838	021-808 5833	www.sun.ac.za & db@sun.ac.za
Cape Wool SA	Wool	Mr Paul Buys PO Box 2191 NOORDEINDE Port Elizabeth 6056	041 484 4301	041 484 6792	stats@capewools.co.za www.capewools.co.za
Citrus Growers' Association of Southern Africa	Citrus	Mr Justin Chadwick PO Box 461 HILLCREST 3650	031 765 2514	031 765 8029	justchad@iafrica.com www.cga.co.za
Cotton SA	Cotton	Mr Hennie Bruwer PO Box 91232 SILVERTON 0127	012 804 1462	012 804 8616	http://www.cottonsa.org.za
Dried Fruit Technical Services	Dried Fruit	Mr Dappies Smit PO Box 426 PAARL 7620	021 872 1502	021 872 2675	dappies@dtd.co.za
Lucerne Seed Organisation	Lucerne seed	Mr Derrick Engelbrecht PO Box 185 OUDTSHOORN 6620	044 272 8991	044 329 2838	lusern@mweb.co.za
Milk South Africa	Milk	Mr Willie Prinsloo PO Box 1284 PRETORIA 0001	012 804 4801	012 804 4811	info@melksa.co.za
Mohair South Africa	Mohair	Mr Frans Loots P O Box 2243 SYDENHAM PE 6056	041 487 1386	041 487 1336	www.mohair.co.za
SAGIS (South African Grain Information Service)	Barley, canola, groundnuts, maize, oats, sorghum, soybeans, sunflower seed and wheat	Ms Anna Enslin PO Box 669 PRETORIA 0001	012 523 1400	012 523 1401	info@sagis.org.za www.sagis.org.za
South African Grain Laboratory	Wheat, oats, maize, malt, sorghum and other grains	Ms Corlia Buitendag PO Box 1059 SILVERTON 0127	012 349 2683	012 324 3018	sagl@mweb.co.za www.sagl.co.za
South African Game Ranchers' Association	Game	Dr André Moolman PO Box 4722 PRETORIA 0001	012 346 3925	012 349 2686	www.sagro.co.za
South African Ostrich Business Chamber	Ostriches	Mr Anton Kruger PO Box 952 OUDTSHOORN 6620	044 272 3336	012 320 5561	akruger@saobc.co.za
South Africa Poultry Association	Poultry	Mr Zach Coetzee PO Box 1202 HONEYDEW 2040	011 795 2051	044 272 3337	sapa@sapoultry.co.za



**CONTACT DETAILS OF INDUSTRY SERVICE SECTION 21 COMPANIES**

Name	Commodities	Contact details	Tel	Fax	E-mail and website
Fresh Produce Exporters' Forum	Citrus, deciduous fruits and subtropical fruit	Mr Stuart Symington PO Box 190 NEWLANDS 7725	021 674 3202	021 683 6280	info@fpfef.co.za www.fpfef.co.za
Deciduous Canning Fruit Forum	Deciduous Canning Fruit	Mr SJ Victor PO Box 414 PAARL 7620	021 872 1401	021 872 2675	inmaak@mweb.co.za
Meat Industry Forum	Meat	Dr Daan Opperman PO Box 244 LA MONTAGNE 0184	012 348 5111	012 348 1379	dpjo@mweb.co.za
SA Groundnut Forum SA Sunflower Forum SA Soya Bean Forum	Groundnuts Sunflowers Soya beans	Mr Gerhard Keun PO Box 5562 RIVONIA 2128	011 234 3400	011 234 3402	oliesade@worldonline.co.za
Sorghum Forum	Sorghum	Mr Nico Fouché PO Box 14826 SINOVILLE 0129	012 804 8504	012 845 1264	nico@mposa.co.za
Wheat Forum	Wheat	Mr Leon du Plessis PO Box 12203 QUEENSWOOD 0121	012 333 3429	012 333 3429	l-lagric@mweb.co.za
Wool Forum	Wool	Mr Paul Buys PO Box 2191 NOORDEINDE PE 6056	041 484 4301	041 484 6792	capewool@capewools.co.za
Lucerne Industry Forum	Lucerne seed	Mr Derrick Engelbrecht PO Box 185 OUDTSHOORN 6620	044 272 8991	044 329 2838	lusern@mweb.co.za
SAWB (South African Wine and Brandy Company)	Wine	Dr Johan van Rooyen PO Box 7055 STELLENBOSCH 7599	021 886 8992	021 882 9510	lcoetzee@sawb.co.za
Maize Forum	Maize	Mr Leon du Plessis PO Box 12203 QUEENSWOOD 0121	012 333 3429	012 333 3429	www.sawb.co.za l-lagric@mweb.co.za





**CONTACT DETAILS OF INDUSTRY SERVICE SECTION 21 COMPANIES**

Name	Commodities	Contact details	Tel	Fax	E-mail and website
SAWIS (South African Wine Industry Information & Systems)	Wine	Ms Yvette van der Merwe PO Box 238 PAARL 7620	022 423 8692	021 871-1360	matthee@sawis.co.za www.sawis.co.za
WINETECH (Wine industry Network of Expertise and Technology)	Wine	Mr Jan Booysen PO Box 528 SUIDER-PAARL 7624	021 807 3324	021 807 3385	booyensj@kwv.co.za http://www.winetech.co.za
WOSA (Wines of South Africa)	Wine	Ms Su Birch PO Box 987 STELLENBOSCH 7599	021 883 3860	021 883 3861	info@wosa.co.za http://www.wosa.co.za
Potatoes SA	Potatoes	Mnr G. Geyer Private Bag X135 PRETORIA 0001	012-323-1696	012-325-6102	ggeyer@agric.co.za
South African Flower Growers' Association	Flowers	Mr Dirk de Bruin PO Box 1927 KRUGERSDORP 1740	011-692-4237	011-693-7051	safflower@global.co.za www.saflower.co.za
South African Protea Producers and Exporters Association	Flowers	Me Maryke Middlemann Private Bag X12 BOT RIVER 7185	028-284-9745	028-284-9777	sappex@honingklip.co.za
SAMIC (South African Meat Industry Compan	Red meat	Mr Manie Booysen PO Box 26151 ARCADIA 0007	012 361 4545	012 361 6004	ceo@samic.co.za www.samic.co.za





## **ANNEXURE B: STATUTORY MEASURES: LEVIES, REGISTRATION, RECORDS AND RETURNS**



# STATUTORY MEASURE (LEVIES): STATUS REPORT AS AT 31 MARCH 2006

## PURPOSE OF STATUTORY MEASURE

The dairy statutory levies are collected to finance five generic functions, namely the monitoring of dairy quality standards, consumer education, industry information, research and development and empowerment of previously disadvantaged individuals.

## ADMINISTERING BODY

The dairy statutory levies are administered by Milk South Africa, a Section 21 Company.

## DETAILS OF STATUTORY MEASURE

### DAIRY LEVIES

Product description	Levy (VAT exclusive)
Milk and Cream, not concentrated not containing added sugar or other sweetening matter	1c per kg
Milk and Cream, concentrated or containing added sugar or other sweetening matter	9.6c per kg
Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruits, nuts or cocoa	3.6c per kg
Whey, whether or not concentrated or containing added sugar or other sweetening matter; Products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included	2.9c per kg
Butter and other fats and oils derived from milk, dairy spreads	10.3c per kg
Cheese and Curd	14.4c per kg

Implemented on 23 December 2005 and will lapse four years later.

### WINTER CEREAL LEVIES

- A. R4.00 per metric ton (exclusive of VAT) on wheat processed to finance the research function; and R0.50 per metric ton (exclusive of VAT) on wheat, durum wheat, barley or oats processed to finance the information function. Published on 16 March 1998 and expired on 30 October 1998. Payable by processors.
  - B. R4.00 per ton wheat processed for research and R0.50 per ton wheat, durum wheat, barley and oats for information, published on 18 September 1998, and expired in September 2002. To be recovered at first point of sale.
  - C. R7.50 per metric ton for wheat  
R7.00 per metric ton for barley  
R4.50 per metric ton for oats, and  
R4.50 per metric ton for durum wheat, (VAT excluded)
- Imposed on all winter cereals sold, imported, processed or converted, exported, and in respect of which a SAFEX silo receipt has been issued if the levy in respect of such a winter cereal has not been paid before. Implemented on 1 October 2002, and will lapse on 30 September 2006.

The administration of the Winter Cereal Trust is responsible for the collection and administration functions associated with the information and research levies.

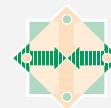
The primary objective of the Winter Cereal Trust is to develop the winter cereal industry in the RSA by supporting market and production research with regard to winter cereals, by broadening the market for South African produced winter cereals, by collecting, processing and distributing market information on winter cereals and the winter cereal industry in the RSA and by administering the Wheat Forum. Trustees represent commercial producers, emerging farmers, grain handlers, processors, consumers, labour and the Minister of Agriculture.

A secondary objective of the Winter Cereal Trust is to undertake and/or support research with regard to winter cereals in the RSA in the interests of the winter cereal industry in the RSA.

The Trustees represent commercial producers, emerging farmers, processors, consumers and the Minister of Agriculture.

Traditionally, the amounts appropriated to researchers for a specific calendar year have been based on the amount collected by means of levies in the preceding year to strengthen the relevant fund. Sufficient money was kept in reserve to cover contingencies such as crop failure where the income from levies might not be sufficient to maintain ongoing projects and/or initiate possible new ones. In view of continued research in all sectors of the industry, it was envisaged that levies would provide the most appropriate mechanism for continued funding.

A part of the levy is used to fund the winter cereal industry's share of the SAGIS budget. All levies collected would be deposited into the bank account of the Winter Cereal Trust.



## STATUTORY MEASURE (LEVIES): STATUS REPORT AS AT 31 MARCH 2006

### DETAILS OF STATUTORY MEASURE

#### COTTON LEVY

- A. 12c/kg cotton lint produced, excluding VAT, payable by ginner, and payable to Cotton South Africa. Published on 8 May 1998 and lapsed on 31 March 2000.
- B. 14c/kg cotton lint produced, excluding VAT, payable by ginner, and payable to Cotton South Africa. Published on 31 March 2000 and will lapse on 31 March 2004.
- C. 17c/kg cotton lint produced, excluding VAT, payable by ginner to Cotton SA. Published on 12 March 2004 and will lapse on 31 March 2008.

#### SORGHUM LEVY

- A. R3.10 per ton sorghum, excluding VAT, payable by a producer who sells sorghum directly for use or processes sorghum, by a sorghum dealer, feed manufacturer, malt manufacturer, processor, by a sorghum agent or broker, by an importer of sorghum, by an exporter from SA, and by a person who receives sorghum as remuneration for any services rendered or for any goods delivered by him or her or on his or her behalf. Published on 8 May 1998 and would have lapsed on 31 July 2000, but was extended twice to lapse on 28 February 2002. A R5.00 per ton sorghum levy implemented on 5 March 2002, expired on 28 February 2003.

- B. The above was replaced by a levy of R6.00 per ton, VAT excluded, implemented on 01 March 2003 and which lapsed on 28 February 2006.

- C. A new levy of R7.70 per ton, VAT excluded, was implemented on 1 March 2006 and will lapse on 28 February 2010.

#### WINE INDUSTRY LEVIES

The following levies were implemented 1 November 2005 expiring 31 October 2009):

- Information
- Research and Development
- Wine export and Generic promotion, and
- Empowerment and transformation

### ADMINISTERING BODY

Cotton SA is a non-profit-seeking company incorporated under section 21 of the Companies Act, 1973. The company is industry-driven but independent and in a good position to adhere to the specific needs of participants.

The Board of Directors includes representatives of producers and small-scale farmers, the cotton ginning industry, the cotton spinning industry, the clothing and household textile sector, the national consumers' organisation and the labour sector.

The Sorghum Trust administers this statutory levy. The main objectives of the Trust are to maximise its income to provide funding for the benefit of the sorghum industry, sorghum research and development projects, and to maintain information required by the sorghum industry.

### PURPOSE OF STATUTORY MEASURE

The statutory levy was implemented to provide financial support for the following functions that the cotton industry has identified as essential and in the interest of the industry as a whole:

- rendering of information services to provide support to all role-players
- stimulation of production and use of cotton
- enhancement of the marketability of cotton through research, quality standards and norms and training.

The purpose of this statutory levy is to provide financial support for the sorghum research and information functions that the sorghum industry identified as essential and in the interests of the industry as a whole.

The **information** levy is needed by SAWIS to fund the registration of industry role-players, and to ensure the collection and dissemination of information relating to various products in the wine industry. The objectives of a **research** and development levy are to support the wine industry with expertise that will enable it to be cost-effective while producing quality wines and other grape-based products through the application of environmentally-friendly technologies. Training and education, a culture of technological innovation and the dissemination thereof to all the sectors of the industry, development of resource-poor and previously disadvantaged farmers and the establishment of world leadership in selected niche markets will be financed. The levy on **export** wine aims at increasing the profit margin for the industry in each focus market, 20% of the key income is aimed towards transformation.



## STATUTORY MEASURE (LEVIES): STATUS REPORT AS AT 31 MARCH 2006

DETAILS OF STATUTORY MEASURE	ADMINISTERING BODY	PURPOSE OF STATUTORY MEASURE
<p><b>DECIDUOUS FRUIT LEVIES</b></p> <p><u>Stone fruit</u> Apricots on export and domestic volumes (all classes) at 8.5c/kg. Peaches/Nectarines (including cling peaches) on export and domestic volumes (all classes) at 6.5c/kg. Plums on export volumes (all classes) at 6.5c/kg and domestic volumes at 3c/kg. Amended and implemented on 4 November 2003 and will lapse four years later (3 November 2007).</p> <p><u>Pome fruit</u> Apples (fresh) on export and domestic volumes (all classes) at 3c/kg. Apple concentrate at R6/ton. Pears on export and domestic volumes at 3c/kg. Amended and implemented on 4 November 2003 and will lapse on 3 November 2007.</p> <p><u>Table grapes</u> 5c/kg on all exported volumes (all classes) table grapes, payable by a table grape exporter on behalf of the producer from whom such table grapes have been procured in respect of all table grapes exported. Implemented on 12 November 2004 and will lapse on 30 September 2008.</p> <p><b>CITRUS LEVY</b> 1.4c/kg export citrus fruit, payable by the PPECB and exporters of the citrus fruit concerned and recovered from producers of export citrus fruit, administered by CGA. Amended and implemented on 23 August 2004 and will lapse on 29 August 2008.</p> <p><b>DRIED FRUIT LEVY</b> 4c/kg on dried vine fruit and 6c/kg for dried apricots, apples, nectarines, pears, peaches and prunes, payable by packers of dried fruit to the Dried Fruit Technical Services. Amended and implemented on 18 April 2005 and will lapse on 31 March 2009.</p> <p><b>POTATOES:</b> 1.0 c/kg for table potatoes; .5 c/kg for potatoes for processing; .34 c/kg for certified seed potatoes; and 1.0 c/kg for potatoes destined for exports. Implemented on 10 September 2004 and will lapse on 30 June 2007.</p>	<p>Levies payable to Deciduous Fruit Producers Trust (DFPT) Finance (Section 21 Company), and administered by DFPT.</p> <p>Levies payable to DFPT Finance (Section 21 Company), and administered by DFPT.</p> <p>The levy is collected and administered by the Citrus Growers' Association (CGA), a Section 21 company.</p> <p>DFTS, a Section 21 company, collects and administers the levies.</p> <p>The levy is collected and administered by Potatoes South Africa (PSA), Section 21 Company.</p>	<p>Levy objectives are to fund research projects, information and technology transfer, plant improvement functions, information and market statistics, market development and access to new markets for plums.</p> <p>Levy objectives are to fund research projects, information and technology transfer, plant improvement functions, information and market statistics, market development and access to new markets for table grapes.</p> <p>Levy is needed to gain and maintain market access, to fund and control research and development, to set fruit quality standards and to ensure effective communication.</p> <p>Levies are collected to render information services to all role-players, to coordinate and fund research and development of the dried fruit industry, to fund plant improvement for the dried fruit industry, and to maintain international liaison.</p> <p>Levies are collected to fund research and for dissemination of all relevant technical information, gathering, processing, analysing and compiling of industry-related information, creating market access for emerging farmers, including development projects relating to the potato industry.</p>



PURPOSE OF STATUTORY MEASURE

The functions that have been identified as crucial to the future development and sustainability of the sector, are as follows:

- (a) Consumer Assurance
- (b) Consumer Communication and Education
- (c) Development of Developing Sector
- (d) Research and Development
- (e) Industry Liaison
- (f) Industry Projects
- (g) Production Development

ADMINISTERING BODY

DETAILS OF STATUTORY MEASURE

RED MEAT LEVIES

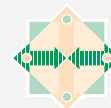
	Levy
<b>Beef</b>	
Deducted and retained from the selling price of each animal by any buyer of such animal	R3.00 per head
Deducted by the abattoir at slaughter from the person presenting such animal for slaughter and paid over to the levy administrator	R5.00 per head
Payable by each meat retail outlet and paid over to the levy administrator	R300 per head
Payable by the importer of beef products at point of entry and paid over to the levy administrator	R0.03 per kg
Payable by the exporter of live animals at the point of exit and paid over to the levy administrator	R5.00 per head
Payable by the livestock agent per head sold and paid over to the levy administrator	0.07% of the commission
Payable by the processor of locally produced hides and paid over to the levy administrator. The same amount will also be collected for every unprocessed hide export, paid by the exporter to the levy administrator.	R0.01 per kg
<b>Sheep and goats</b>	
Deducted and retained from the selling price of each animal by any buyer of such animal	R0.50 per head
Deducted by the abattoir at slaughter from the person presenting such animal for slaughter and paid over to the levy administrator	R0.75 per head
Payable by each meat retail outlet and paid over to the levy administrator	R300 per head
Payable by the importer of sheep and goat meat products at point of entry and paid over to the levy administrator	R0.03 per kg
Payable by the exporter of live animals at the point of exit and paid over to the levy administrator	R0.75 per head
Payable by the livestock agent per head sold and paid over to the levy administrator	0.07% of the commission
Payable by the processor of locally produced skin and paid over to the levy administrator. The same amount will also be collected for every unprocessed skin exported, paid by the exporter to the levy administrator	R0.01 per kg
<b>Pigs</b>	
Deducted by the abattoir at slaughter from the person presenting such animal for slaughter and paid over to the levy administrator	R5.20 per head
Payable by each meat retail outlet and paid over to the levy administrator	R300 per year
Payable by the importer of pork meat products at point of entry and paid over to the levy administrator	R0.03 per kg
Payable by the exporter of live animals at the point of exit and paid over to the levy administrator	R5.20 per head
Payable by the livestock agent per head sold and paid over to the levy administrator	0.07% of the commission
Payable by registered processors for pig carcasses purchased for processing, and paid over to the levy administrator	R0.01 per kg



**STATUTORY MEASURE (REGISTRATION, RECORDS & RETURNS):  
STATUS REPORT AS AT 31 MARCH 2006**

DETAILS OF STATUTORY MEASURE	ADMINISTERING BODY	PURPOSE OF STATUTORY MEASURE
<p><b>Grains:</b> Processors and purchasers of grains should register with SAGIS, and exporters, importers, processors, purchasers and stores of these grains must keep records and furnish returns to SAGIS.  <b>Maize:</b> Implemented on 28 November 1997 and amended on 27 October 2000.  <b>Wheat:</b> Implemented on 30 January 1998.  <b>Oilseeds:</b> Implemented on 9 April 1998 and amended on 15 June 2001.  <b>Sorghum:</b> Implemented on 9 April 1998.</p> <p>Amendments to the above measures published on 27 October 2000 and 5 September 2003. Extension/continuation of these measures was published on 20 February 2004, to lapse on 30 April 2008.</p> <p><b>Whole maize and wheat:</b> All importers and exporters of whole maize and wheat must keep records and furnish returns to SAGIS on a weekly basis. Published in the Government Gazette on 2 April 2004 and will lapse on 30 April 2008.</p> <p><b>Cotton:</b> Registration implemented on 8 May 1998, and records and returns implemented on 9 April 1998, and lapsed on 31 March 2002. These statutory measures were continued by the Minister for a further four years, and will lapse on 31 March 2006.</p> <p><b>Milk:</b> Milk producers must register with the MPO, keep records and furnish returns to the MPO.</p> <p><b>Dairy:</b> Secondary-sector role-players in the dairy industry must register with Milk SA, keep records and furnish returns to Milk SA.</p> <p><b>Wool:</b> Each broker, trader, processor, importer and exporter of wool to register and furnish records and returns to Cape Wools SA. Implemented on 3 September 2004 and will lapse on 30 June 2008.</p> <p><b>Wine:</b> All bottlers, grape producers, wine exporters, wine producers and wine traders with SAWIS and keep records and render returns on vines, grapes, grape juice, and wine produced, received, stored, sold, exported or otherwise utilised. Implemented on 1 July 1999.</p> <p><b>Fruit:</b> All producers, exporters and traders of table grapes, stone fruit and pome fruit for fresh domestic consumption and/or exports, to register with DFPT.</p> <p>All producers, exporters and traders of table grapes, stone fruit and pome fruit to keep records and render returns relating to vines and trees and grapes, plums, peaches, nectarines, apricots, apples and pears destined for domestic fresh consumption and exports.</p>	<p><b>The South African Grain Information Service (SAGIS)</b> is a non-profit -seeking company under section 21 of the Companies Act, formed jointly by the wheat, maize, sorghum and oilseeds industries. SAGIS was formed for the purpose of information gathering, collation and distribution in respect of the various grains and oilseeds industries in South Africa, and to publish macro generic market information to the relevant industries on a monthly basis.</p>	<p>The purpose and aims of these statutory measures are to compel parties to keep records and render returns, to ensure that continuous, timely and accurate information relating to the products is available to all role-players. Market information is deemed essential to make informed decisions.</p> <p>Information is dealt with in a confidential manner and no sensitive or potentially sensitive client-specific information is made available to any party without the prior approval of the party or parties whose rights may be affected.</p> <p>These measures are essential for the market to operate effectively and efficiently and to ensure that generic market information is supplied to all role-players on a continuous basis.</p>
	<p><b>Cotton SA</b> is a non-profit-seeking company incorporated under section 21 of the Companies Act, 1973.</p>	<p>As above.</p>
	<p><b>Milk Producers' Organisation</b> These statutory measures are administered by Milk South Africa, a Section 21 company.</p>	<p>As above.</p>
	<p><b>Cape Wools SA</b> is a Section 21 company performing the essential functions identified by the Wool Forum. Its board of directors represents the directly affected groups in the wool industry. The main objective of the company is to promote the group interests involved in the production and consumption of wool.</p>	<p>As above.</p>
	<p><b>SAWIS</b> (South African Wine Industry Information and Systems) registered as a non-profit-seeking company incorporated under section 21 of the Companies Act on 1 July 1999. SAWIS has the proven expertise, infrastructure and systems, is industry driven, independent and in a good position to adhere to the specific needs of the participants involved.</p>	<p>As above.</p>
	<p><b>Deciduous Fruit Producers Trust (DFPT)</b></p>	<p>As above.</p>





## STATUTORY MEASURE (REGISTRATION, RECORDS & RETURNS): STATUS REPORT AS AT 31 MARCH 2006

DETAILS OF STATUTORY MEASURE	ADMINISTERING BODY	PURPOSE OF STATUTORY MEASURE
<p>Statutory measures for Pome Fruit (apples and pears) and stone fruit (plums, apricots, peaches and nectarines) were amended and implemented on 4 November 2003 and will lapse on 3 November 2007.</p> <p>Statutory measures for table grapes were amended and implemented on 12 November 2004 and will lapse on 30 September 2008.</p> <p><b>Citrus:</b> All exporters and all producers of export citrus fruit will register with the CGA.</p> <p>All exporters and all producers to keep records and render the returns as may be required by the CGA relating to export citrus fruit produced, received or sold, exported or otherwise utilised. Amended and implemented on 5 August 2004 and will lapse on 24 August 2008.</p> <p><b>Dried fruit:</b> All importers, packers, exporters and processors of dried fruit to register with DFTS.</p> <p>Each importer, packer, exporter and processor of dried fruit to keep complete records for each calendar month in respect of dried fruit handled, imported and exported by him or her, and to furnish accurate returns to DFTS in respect of dried fruit handled, imported or exported. Amended and implemented on 18 April 2005 and will lapse on 31 March 2009.</p> <p><b>Lucerne:</b> All Lucerne seed and hay dealers to register with the National Lucerne Organisation (NLO) keep complete records on seed and hay locally received, imported, exported, sold and balances on hand at end of each month, and furnishes returns to the NLO. Implemented on 6 February 2004 and will lapse on 30 April 2007.</p> <p><b>Potatoes:</b> Potato producers, traders, processors, exporters, importers, certification bodies, export inspection bodies, Kraft paper importers, Kraft paper manufacturers, potato sack manufacturers, potato sack importers and fresh market owners must register with Potatoes South Africa, keep records and furnish monthly returns to Potatoes South Africa. Implemented on 10 September 2004 and will lapse on 30 June 2007.</p>	<p><b>Citrus Growers Association (CGA), a Section 21 company.</b></p> <p><b>Dried Fruit Technical Services (DFTS)</b> is a Section 21 company. It is industry driven but independent and in a good position to see to the specific needs of the participants involved.</p> <p><b>National Lucerne organisation (NLO)</b> is a Section 21 company, established for the purpose of assuring the sustainable production of Lucerne by means of innovative and cost-effective marketing.</p> <p><b>Potatoes South Africa (PSA) is a Section 21 Company.</b></p>	<p>As above.</p> <p>As above.</p> <p>As above.</p> <p>As above.</p>





# **ANNEXURE C CONTACT DETAILS FOR NAMC COUNCIL MEMBERS AND THEIR PORTFOLIOS**



**CONTACT DETAILS FOR NAMC COUNCIL MEMBERS AND THEIR PORTFOLIOS**

<b>Council member</b>	<b>Telephone no.</b>	<b>Fax. No.</b>	<b>Portfolio allocation</b>
Mr Mohammad Karaan (Chairperson)	021-8084759	021-8084670	Red Meat, Flowers, Dairy, Herbs and Spices, Aquaculture Research, Consumer Affairs, Food Price Monitoring, Tariffs and Policy
Ms Dora Ndaba	012 341 1115 0829048135	012 341 1811	Deciduous Fruit, Mohair, Fresh Produce, Wool Subtropical Fruit, Ostriches
Mr Abraham Jeftha	023-3548959	023-3548965	Wine, Game, Dried Fruit, Canning Fruit, Winter Cereals
Ms Lilibeth Moolman	012 460 3002 0829637676	012 460 3002	Maize, winter cereals, oilseeds and Cotton consumer affairs
Mr Frank Lawrence	053- 2981130 0825684615	053-2982653	Fresh Produce, Subtropical Fruit, Lucerne, Ostriches, Dairy, Sugar
Prof Johann Kirsten	012 420 3248 0823723131	012 420 3247	Research, Food Price, Tariffs and Policy, Cotton
Mr Peter Dall	028-8401735/3 0827844326	028 840 2373	Tobacco, dried fruit, canning fruit, Tea and Coffee, Flowers Citrus, Deciduous Fruit
Ms Lena Keyter	021-8085422 0845015097	021-8085412	Tea and Coffee, Citrus, Wine, Tobacco, Aquaculture
Ms Celiwe Maku	040-6022074 0822004641	040-6022241	Tea and Coffee, Citrus, Wine, Tobacco, Aquaculture, Wool and Mohair
Mr Zolile Duze	011-8020015 0833002203	011-8020798	Sorghum, Poultry, Oilseeds, Game, Maize and Red