



Chairperson	Mr D P Ford
Cell	082 898 7194
E-mail	dave@safedlot.co.za
Tel	(012) 348 2239/14 (012) 348 2190/72
Fax	(012) 348 2280
Secretariat	Ms M de Lange
Cell	079 162 6465
E-mail	manager@rmif.co.za

347 Church Avenue | Lynnwood | 0081

**THE RED MEAT INDUSTRY FORUM TRANSFORMATION BUSINESS PLAN
AND BUDGET AS AMENDED IN ACCORDANCE WITH THE GENERIC NAMC
TRANSFORMATION GUIDELINES JULY 2014 FOR THE PERIOD 5 NOVEMBER
2016 – 4 NOVEMBER 2017**

1 DESEMBER 2016

1. INTRODUCTION

On 11 November 2014, the Minister of Agriculture, Forestry and Fisheries approved the application for the introduction of statutory measures (statutory levies, registration and submission of records and returns) in the South African Red Meat Industry, for a period of four years to lapse on 4 November 2018.

Levy Year 1: 11 November 2014 – 4 November 2015

Levy Year 2: 5 November 2015 – 4 November 2016

Levy Year 3: 5 November 2016 – 4 November 2017

Levy Year 4: 5 November 2017 – 4 November 2018

The Minister also approved that **at least 20% of levy income be spent on transformation (development of emerging farmers and other role-players) in line with the NAMC's Generic Transformation Guidelines of July 2014.** (*reference Table 1)

The Generic Transformation Guidelines entail *inter alia* that the administrator of the statutory measures submit on an annual basis, three months before the start of the financial year a business plan regarding their transformation activities envisaged for that financial year.

Financial Year 2014: 1 March 2014 – 28 February 2015

Financial Year 2015: 1 March 2015 – 29 February 2016

Financial Year 2016: 1 March 2016 – 28 February 2017

Financial Year 2017: 1 March 2017 – 28 February 2018

The Transformation Business Plan and Budget for the 3rd levy year (5 November 2016 to 4 November 2017) is submitted on 1 Desember 2016, 3 months prior to the financial year commencing on 1 March 2017.

2. TRANSFORMATION ACTIVITIES IN THE RED MEAT INDUSTRY (EXCLUDING THE PORK INDUSTRY)

2.1 Red Meat Industry Forum and Service Providers

The Red Meat Industry Forum (RMIF) of South Africa represents the interests of the most nationally representative sector specific organizations within the Red Meat Value Chain from the primary producer to the consumer. The RMIF's key purpose is to represent the Red Meat Industry, to negotiate for an enabling regulatory environment, to drive outcome based results to ensure long term sustainability of the Red Meat Industry, to define and implement industry strategy and to identify, appoint and monitor service providers to deliver on essential Red Meat Industry functions. The RMIF's success is built on the diversity represented by its member organizations and the pursuit of the collective Red Meat Value Chain interest.

The voluntary member organizations represented on the RMIF are the:

- Red Meat Producers' Organization for Small-stock (RPO);

- Red Meat Producers' Organization for Large stock (RPO);
- National Emergent Red Meat Producers' Organization (NERPO);
- Red Meat Abattoir Association (RMAA);
- South African Meat Processors' Association (SAMPA);
- South African Pork Producers' Organization (SAPPO);
- National Federation of Meat Traders (NFMT);
- Skins Hides and Leather Council (SHALC);
- Association of Meat Importers and Exporters (AMIE);
- South African Feedlot Association (SAFA);
- South African Federation of Livestock Auctioneers (SAFLA);
- South African National Consumer's Union (SANCU); and
- Federation of Meat Traders' Employees Union (FMTEU).

2.2 Embracing transformation in the Red Meat Industry:

- National Emergent Red Meat Producers' Organization (NERPO) Livestock Syndicates Initiative July 2015;
- Red Meat Producers' Organization (RPO) Emerging Producers' Skills Development Programme 2016-2017;
- Red Meat Abattoir Association (RMAA) Technology Transfer in HAS & HACCP Initiative 2014-2018;
- Red Meat Abattoir Association (RMAA) Black owned Abattoir Enterprise and Skills Development Programme 2015-2018;
- Skills Development Project of the National Federation of Meat Traders (NFMT) in terms of their Meat Cutting Technician Training 2016-2017;
- Social Development Initiative of the South African Feedlot Association (SAFA) in association with the South African Chefs Association and Hospitality Trainers and Associates 2016-2017; and
- South African Meat Industry Company (SAMIC) Employment Equity Plan 2016-2017.

The RMIF appointed a Levy Committee to oversee the allocation and audit of levy funds to the service providers and has requested that each service provider submit a certificate from their auditors 60 days after 28 February of each year confirming that the statutory levy funds were utilized in accordance with the approved budgets and business plans as submitted.

2.3 Service provider criteria

The Red Meat statutory levies are collected along the entire, long and complex Red Meat Value Chain within each species and shall be used for the benefit of the entire Red Meat Industry within that species, since the statutory levy is a proportional transactional statutory levy.

- An annual detailed budget of each transformation activity by a service provider has to be approved in principle by the RMIF before final verification and allocation of levy funds by the Levy Committee;
- Levy funding will be allocated to service providers on a quarterly basis pro rata all levies collected versus the budgeted amount per specie and function;
- **No specific group or groupings in an industry may benefit alone to the exclusion of others from the service;**
- All printed, audio or visual material on functions funded from levy funds shall state, on behalf of the RMIF of South Africa;
- **No trading, business venture of any nature or acquisition of assets will be funded;**
- A Service Level Agreement contract between the service provider and the RMIF, stating the exact application according to the agreed transformation activity(s), will be undertaken;
- The onus will be on each service provider to maintain a recognised independent accounting system to record all income and expenditures;
- An annual report for each transformation activity on actual projects funded will be required from each service provider; and
- In the event of non performance against agreed upon contracted projects it may be required of the service provider to repay all or part of the allocated funds to the Levy Administrator.

3. BUSINESS PLAN 2016/17

3.1 NERPO Livestock Syndicates Funding Proposal July 2015

The intervention model is designed to build the capacity of 200 cattle farmers organized into 20 syndicates (small groups) to attain sustainable production (100 breeding cows @ 85% calving rate), to regularly supply high volumes of quality livestock to the market and to enable them to become part owners in the red meat value chain. The intervention will include organizing smallholder farmers with at least 50 breeding cows into formal syndicates, establishing partnerships with feedlots and abattoirs through which the smallholder farmers will sell their livestock and ultimately own shares in these feedlots and/or abattoirs.

A comprehensive smallholder farmer capacity development programme involving formalization of the syndicates into legal entities, training and mentorship in livestock entrepreneurship, financing the acquisition of extra breeding stock and required infrastructure, assisting smallholder farmers to build feed reserves and obtain veterinary requisites, providing market information and collective input and output market participation will be implemented over 5

years. The performance of the smallholder farmer's enterprise will be evaluated from growth in breeding herd size, calving percentage, market off-take rate and enterprise profitability.

The intervention is expected to yield 415 jobs, 200 smallholder farmers earning at least R60 000 per annum, 200 farm workers earning a minimum wage and 15 NERPO staff appointed to facilitate and coordinate smallholder farmer development and market linkage.

The NAMC Transformation Review Committee **APPROVED** the NERPO Livestock Syndicates Funding Proposal as per the NAMC letter dated 26 February 2016.

3.2 RPO Emerging Producers' Skills Development Programme 2016-2017

There is a need for the skills development of emerging/communal and commercial black producers/owners through training and enterprise development. The commercial sector off-take percentage for beef cattle is currently estimated at 32%, it is estimated at 8% in the emerging sector and it is estimated at 6% in the communal sector. It is clear that there is great potential for the Industry to increase its take-off.

NERPO envisages assisting 200 emerging farmers with enterprise development during the remaining part of the NAMC scheme period. These 200 emerging farmers represent only 0.03% of cattle owning households. The remaining 99.7% are emerging and communal farmers, owning on average 10 cattle per household, not to mention the households that own sheep and goats. There are thus a huge number of cattle, sheep and goat owning emerging and communal farmers who do not have access to any form of assistance through extension services to develop their enterprises.

Based on the identified need in the primary producer segment, the RPO envisions providing training, extension services and mentorship developing approximately 220 emerging/communal farmers per year. The extension and mentorship will be proportionately presented to accommodate the emerging/communal farmers in all nine provinces.

The extension services and knowledge transfer will be limited to the most important requirements that have been identified, which includes animal husbandry and animal health practices as well as basic farm business and management practices. These 5 day courses are Agri SETA accredited. The training is balanced between a 70% practical skills development and 30% theoretical knowledge learning.

The NAMC Transformation Review Committee **APPROVED** the RPO Emerging Producers' Skills Development Programme as per the NAMC letter dated 26 February 2016.

3.3 RMAA Technology Transfer in HAS and HACCP 2014-2018

The Meat Safety Act, 2000 (Act No. 40 of 2000) requires and abattoir to be managed in accordance with a prescribed hygiene management and evaluation system as part of the essential national standards. The abattoir owner is required, in terms of the Red Meat Regulations to assess the hygiene status of the abattoir by means of the Hygiene Assessment

System (HAS) and to provide this information to the provincial executive officer. Provinces are required to do an honest evaluation of existing resource i.e. manpower, equipment, finances etc. to determine whether the goals of legislation can be achieved and to build capacity of abattoir personnel in standardised evaluation procedures.

Since standards at all abattoirs are not the same due to provincial variations of standards, all abattoirs should be audited to ensure the quality of their products. The purpose of an abattoir audit in terms of the Hygiene Assessment System (HAS) is to evaluate and rate the statutory compliance of the abattoir to the Meat Safety Act, 2000 (Act No. 40 of 2000) and the applicable Red Meat Regulations, on a national basis.

Technology transfer in HAS & HACCP focus on knowledge transfer and skill development to implement a Hygiene Management System in an abattoir, whilst Lead Auditors Training focus on providing accreditation and certification to conduct audits for compliance to legislation and regulatory requirements.

The NAMC Transformation Review Committee **APPROVED** the RMAA Technology Transfer in HAS, HACCP and Auditing as per the meeting of 4 August 2016.

3.4 RMAA Black owned Abattoir Enterprise and Skills Development 2015-2018

The aim of this initiative is to provide hygiene and slaughter related training as well as technical skills support to black owned abattoirs in South Africa and at the same time contributing to the maintenance of standards in abattoirs. This will enable the RMAA to train approximately 100 workers and abattoir owners.

Hygiene and the maintenance of standards are critical issues in abattoir slaughtering processes which ultimately determine the safety and quality of the end product, in this case meat intended for further processing or human consumption. There are a number of processes in an abattoir, of which the slaughter process is but one. Concurrent to the slaughter process is receiving of livestock, cleaning and sanitation and a number of technical aspects that impact on the quality of the product.

Smaller abattoirs find it difficult to release staff for training during working hours. Therefore a Technical Abattoir Skills Course has been developed and combined with slaughter technique training and will be ideal to address the training needs of these abattoirs. Technical skills need to be transferred and these include but are not limited to Carcass yield, hide and skin damage, equipment evaluation and management tools.

The training will be conducted formally and the process is undertaken in accordance with the RMAA Quality Management System. The procedure to be followed:

- Learners are provided with the theoretical information;
- Facilitators will demonstrate the practical aspects of the training;
- Learners will be given an opportunity to practice the new skills;
- A practical checklist will be completed to verify the correct implementation of skills and to indicate competency; and

- Attendance registers will be completed.

The NAMC Transformation Review Committee **APPROVED** the RMAA Training of Black Owned Abattoirs as per the meeting of 4 August 2016.

3.5 SAMIC Levy Inspection Employment Equity and Commercialization of Communal Farmers 2016-2017

In 2006 the Minister of Agriculture, Forestry and Fisheries assigned SAMIC as an Inspection Body and SAMIC officials do independent inspections at all the levy collection points, according to the legislation on behalf of the Red Meat Levy Administrator. The Minister requested the Red Meat Industry to appoint at least 3 new inspectors from the designated groups to embrace empowerment and employment equity within the SAMIC structure. SAMIC has adhered to the Minister's request and 3 black inspection officials were appointed. It should be noted that the Levy funds allocated to SAMIC only contribute 68.9% towards the salaries of these previously disadvantaged individuals.

In the appointment of the previously disadvantaged individuals as SAMIC inspectors, SAMIC has strived not only to apply their skills in terms of inspection of abattoirs for levy purposes, but also to improve their skills through continuous training to enable them to deliver all other services under SAMIC's mandate, as outlined by the Red Meat Industry of South Africa. One of the three inspectors has been promoted to Regional Manager.

The NAMC Transformation Review Committee **APPROVED** the SAMIC Levy Inspection as per the meeting of 29 August 2016.

3.6 NFMT Meat Cutting Technician Training 2016-2017

Prior to the promulgation of the Skills Development Act, the Red Meat Industry had a training scheme which facilitated training in the handling and preparation of retail meat cuts. The Meat Trade has been unable to consolidate and introduce any form of training since the introduction of the Skills Development Act for reasons that are not germane to this business plan and as such, a critical shortage of skills exists in the trade. It is the intention of the NFMT to continue training outside the preview of the Skills Development Act and certain of the levy funding would be used to facilitate this section for the benefit of all role-players and with particular reference to the advancement of skills of meat cutting technicians from the previously disadvantaged sector.

It is quite obvious that the funds required for the effective training of technicians at the distributive level of the Meat Trade would be considerable and Meat Traders who wish to have technicians trained, would have to contribute financially to this cost. Levy funding would be used to facilitate the set-up and monitoring of the training facility which would be funded on a user pay basis and it is hoped that one day, the Trade would be able to benefit from funds that it has contributed to the Skills Development Act to fund this function.

The NFMT has implemented effective basic training of meat cutting technicians at the distributive level of the Meat Trade and can report that a training facility has been established and has trained students to a level of a Grade II, Meat Cutting Technician.

The NAMC Transformation Review Committee has received a detailed report on the Federation's training facility and has indicated the satisfaction that the levy funds have been effectively expended. This was confirmed after a visit to the training facility during August 2016 by Mr Zama Xalisa who expressed his appreciation and satisfaction to the training given to future entrepreneurs and hence transformation is included in the training facilitator's budget.

Every effort will be made to equip personnel with the basic knowledge, to one day, with the necessary experience, be able to open their own stores/abattoirs and to operate on a profitable basis. Contact has been made with the Harambee Youth Employment Accelerator Group to support the NFMT Meat Cutting Technician Training by sending personnel in the Meat Trade for training and with NFMT assistance, place these personnel in businesses where they can then obtain the necessary experience to enable them to open their own businesses.

3.7 SAFA Social Development Initiative in Association with The South African Chefs Association and Hospitality Trainers and Associates 2016-2017

"A si phekeleni impilo" – Let's Cook for Life is a social development initiative in association with the South African Chefs Association and Hospitality Trainers and Associates focussed on up-skilling local, community caterers.

This incubator programme was conceptualized to further skill, build capacity and certify a new breed of Professionally Trained Catering Companies. The programme incorporates enterprise development responsibilities, social investment responsibilities and ensures long-term sustainability for RMIF of each successful graduate and their Catering Company.

The NAMC Transformation Review Committee **APPROVED** the South African Feedlot Association' Red Meat Caterers Academy Concept as per the meeting of 20 September 2016.

4. PROPOSED BUDGETS

Table 1: RMIF Levy Application 5 Nov 2016 - 4 Nov 2017 Forecast Transformation Income

		Rate of levy	Per annum	Transformation 20%
Cattle	Abattoirs	R9.45 per head	R 22 247 907	R 4 449 581
	Imports	R1054 per container	R 2 624 685	R 524 937
	Livestock agents	0.093% of income	R 299 166	R 59 833
	Tannery	R0.0182/kg	R 970 737	R 194 147
	Hides exports	R0.0182/kg	R 287 464	R 57 493
	Subtotal Beef			R 26 429 959
Sheep	Abattoirs	R1.84 per head	R 8 378 739	R 1 675 747
	Imports	R1054 per container	R 1 088 607	R 217 721
	Livestock agents	0.093% of income	R 110 370	R 22 075
	Tannery	R0.0182/kg	R 42 426	R 8 485
	Skins export	R0.0182/kg	R 132 990	R 26 598
	Subtotal Small Stock			R 9 753 132
Manufacturers	/Meat Processors	R0.0182/kg	R 1 170 548	R 234 109
Retailers	/Butcheries	R599 per outlet	R 1 467 427	R 293 486
TOTAL			R 38 821 066	R 7 764 213

Table 2: Transformation Expenditure Budget by Service Provider by Activity 5 Nov 2016 - 4 Nov 2017

Transformation Activities	TOTAL
Enterprise Development (73.7%)	R 5 723 042
NERPO Syndicate Funding Proposal	R 4 420 556
RPO Emerging Producers' Skills Development	R 985 940
RMAA Training of Black-owned abattoirs	R 316 546
Employment Equity (8.4%)	R 652 850
SAMIC Levy Inspection Function	R 652 850
Skills development (17.8%)	R 1 388 321
NFMT Meat Cutting Technician Training	R 281 520
RMAA Technology transfer in HAS, HACCP and auditing	R 207 911
SAFA The Red Meat Caterers Academy	R 898 890
Total Budgeted	R 7 764 213

5. IN CONCLUSION

The drought continues to affect red meat producers countrywide and the sector faces difficult times. In the abattoir segment decreasing numbers of slaughters are expected because of declining local livestock numbers. Conditions are expected to remain tough in the year ahead, given low economic growth and pressure on consumer spending. Focus is likely to be on maintaining market share and driving cost-savings and efficiencies. However, the Red Meat Industry remains committed towards building the necessary synergies to scale up on the transformation successes of the past year and to continue building effective transformation partnerships for the Red Meat Industry towards the shared goal of food security, job creation, and economic growth.