



# Agri-Trust digest

Issue No.: 06

*In this issue we cover the following topics:*

1. **What really happened during the deregulation process: A case of SA agricultural industry trusts**
2. **Minister's concerns on the agricultural industry trusts and the 2018 survey on trusts**



National Agricultural  
Marketing Council  
Promoting market access for South African agriculture

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## AGRI-TRUST DIGEST

*Agri-Trust Digest* is a monthly report that is produced by the National Agricultural Marketing Council through the Agricultural Industry Trusts Division. The publication aims to communicate developments as they happen around the different agricultural trusts. The focus of this issue is on three topics: (i) What happened during the deregulation process: A case of SA agricultural industry Trusts and (ii) The 2018 survey on the agricultural industry trusts. The division has three digests which cover the Food Agriculture Natural Resource Policy Analysis Network (FANRPAN), agricultural transformation, and agricultural industry trusts. *Agri-Trust Digest* reports on the monthly key developments coming from the operation of different industry trusts.

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# **1. WHAT REALLY HAPPENED DURING THE DEREGULATION PROCESS: A CASE OF SA AGRICULTURAL INDUSTRY TRUSTS**

**By**

Matsobane (BM) Mpyana, Bonani Nyhodo, Elekanyani Nekhavhambe and Precious Yeki

## **1.1. Introduction**

In the 1930s, there were approximately twenty-one (21) agricultural schemes in South Africa involved in the production and marketing of different agricultural commodities by local producers. These schemes were established to protect the primary producers from excessive price fluctuations with the aim of ensuring long-term economic survival.

After 1994, these schemes were called control boards, where each commodity was represented by a board, for example, the Maize Board, Meat Board, Wool Board and so forth. The boards administered statutory levies which were mainly used to fund industry functions and board activities relating to information, grading, quality standards, training and inspection services for local producers.

## **1.2. The deregulation process: From schemes to trusts**

It is important to note that the schemes/control boards were operated under the Marketing Act of 1968. In 1996, the Marketing of Agricultural Products (MAP) Act (No. 47) was compiled after widespread negotiation with all the directly affected groups involved in agricultural marketing. The MAP Act then became functional in 1997, and section 27(2) of the Act stipulated that the schemes established under the 1968 Act be disbanded and shall be valid for one year or until being revoked by the Minister.

During the discontinuation of the control boards, the assets (both monetary and fixed) of the control boards were transferred to the agricultural industry trusts, to ensure that the assets could still be utilised to serve the interests of the entire industry. Approximately R677 million was transferred into trusts and currently

the assets are valued at R2.3 billion. The utilisation of the trusts' funds comes with the condition that only the interest generated through investments can be used to fund the operations of the trusts and the farmers (commodity specific) in the industry, which means, for example, that wool farmers would be funded by the Wool Trust and the farmers within the meat industry would be funded by the Meat Trust, and so on.

## **1.3. Has the deregulation brought about an equal and united agricultural industry?**

It could be argued that in the post-deregulation process, the results in terms of building a united, inclusive and developed agricultural sector are satisfactory. South Africa's agricultural sector is still referred to as a "dual" industry which means it is characterised by smallholder emerging farming and commercial farming. However, the current figures show that the trusts are doing tremendous work to change the status quo in the agricultural sector, as evidenced by their annual spending of over R48 million on black-owned farming enterprises in support of enterprise and skills development.

With the above in mind, if the government could look into the modalities of matching the trusts rand-for-rand in support of black-owned farming enterprises, much more can be achieved in terms of closing the gap between the smallholder and commercial farming sectors, specifically in terms of graduating the smallholder farmers to a commercial level. Entities such as the Grain Farmers' Development Association, Deciduous Fruit Development Chamber and Mohair Empowerment Trust, to mention a few, are well established to ensure that the transformation funds are directed to those farms with the greatest potential to participate meaningfully in the mainstream economy.

## **1.4. Concluding remarks**

It can be concluded that the efforts of the agricultural trusts are acknowledged and that much more can be achieved should the trusts and government collaborate on the work of transformation. Although the trust deeds still serve as the guiding documents on the operations of the trusts, more can be done should the

deeds be amended. Much more can be achieved only if the public and private sectors would speak the same language.

## 2. THE 2018 SURVEY ON AGRICULTURAL INDUSTRY TRUSTS

By  
Matsobane (BM) Mpyana

The National Agricultural Marketing Council (NAMC), through its Agricultural Industry Trusts Division, has a mandate to coordinate the communication process between the Minister of DAFF, Mr S. Zokwana, and the industry trusts on the operations and functioning of the trusts, which is achieved through the annual release of the status report on the agricultural industry trusts, which communicates with and updates the Minister and the general public on the work of the trusts.

Although the agricultural industry trusts play a crucial role in the growth and development of smallholder farmers in the agricultural sector, more work needs to be done in some trusts in order to make a meaningful, efficient and effective contribution to the entire

agricultural value chain. The contribution of some trusts is commendable, as evidenced by the success stories shared by the trusts on the work, they do in smallholder farmer enterprises. In the status report of 2017, the Minister provided feedback regarding the transformation work of the trusts and stated that the “granting of bursaries and skills development or training are equated to transformation for most of the trusts, and there is less emphasis on the support to entrepreneurial development for black people”. The Minister further stated that most, if not all, of the trusts have not been creative over the years to leverage the trust funding with other resources which could potentially allow the trusts to achieve more – mainly in the area of enterprise development.

The survey for the 2018 status report has been developed in such a way as to cover the Minister’s concerns and has been shared with all the industry trusts. The NAMC has started receiving positive responses from the trust administrators. The due date for the submission of the completed questionnaires is 4 February 2019.

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