



# Annual Report

# 2019

for the year ended 31 December 2019

# Vision

“

To promote a healthy  
South African dairy community.

”

# Mission

“

To promote the image and consumption of South African  
dairy products amongst consumers and the broader  
population, and

To develop the dairy industry through rendering of  
value-added services to industry participants, consumers  
and the broader South African population.

”



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*Dr Bonile Jack-Pama, Chairman  
of the Board of Milk SA*

## CHAIRMAN'S REPORT

### Coronavirus and the economy

The Coronavirus disease 2019 (COVID-19) brought international economies to their knees after the virus went viral in the first quarter of 2020, causing the death of more than 300 000 people and almost five million people infected around the world (at the time of writing this report). Hundreds of millions of people could be left without work due to the impact of COVID-19, according to the United Nations' work agency. As businesses in South Africa continued to close their doors, it was estimated by National Treasury that the country's unemployment rate could reach 40% due to the impact of the pandemic. The long and the short of this scenario for South Africa is that its economy, which was already choking before the virus outbreak, would see a major contraction with devastating effects for every sector of South Africa and internationally.

It is in disasters like this, that one stands to appreciate the inevitable role of well-structured and advanced agricultural, agro-processing and retail networks in food security which are foundational to socio-economic stability and social welfare.

### The economy, agriculture and dairy

The largest economic decline in 10 years was experienced in 2019. The May 2019 elections confirmed a preference for moderate politics instead of radicalism in South Africa. Unfortunately, we have experienced a pattern of deepening fragmentation and alienation in South Africa due to irresponsible leadership, while the country's wealth of resources was being wasted. South Africa has the most sophisticated economy and infrastructure systems in Africa and this economy still ranked among the top 30 per cent of global economies, but has been sliding back at a rapid rate.

# CHAIRMAN'S REPORT

Due to the adverse weather conditions in 2019 on top of prior years' climate challenges, many of South Africa's primary producers were drained financially as well. Maize production in 2013, 2015 and 2016 took severe blows due to the drought conditions. This, as well as the foot-and-mouth disease outbreak in the first and last quarters of 2019, impacted directly on industry margins.

The year on year increase in unprocessed (raw) milk production for 2019 of only 0.65% is testimony of the aforementioned, as well as the slow economic growth rate.

The performance (sales volumes and prices) of dairy products in the South African retail market in general, shows the extent of the downward pressure on the South African dairy industry, resulting from the slow economic growth in South Africa. For 2019, the retail sales volume of fresh and long-life (UHT) milk was 1.6% lower than in 2018. Some 50% of the SA raw milk yield was used for the processing of fresh and UHT milk.

For 2019, South Africa was a net importer of concentrated milk (04.02), whey (04.04), butter (04.05) and cheese (04.06) and a net exporter of milk and cream (04.01) and buttermilk and yoghurt (04.03). Exposure to foreign competition (imports plus exports) in 2019, was higher than in 2018, but lower than in 2017.

Great uncertainty exists about the spread of the Coronavirus in South Africa and the extent of its negative impact on the South African economy. It is therefore reasonable to expect that the downward pressure on the profitability of the South African dairy industry will continue in 2020 and beyond.

## UHT milk protection

It was promulgated and gazetted in October 2019, that if a certain trigger level of UHT milk import volumes were exceeded, a safeguard duty could be applied for,

in terms of Article 35 of the EPA (Economic Partnership Agreement) - subject to implementation of an Ordinary Customs Duty. This followed intense industry collaboration which was facilitated by the Customs Duty and Market Access Project of Milk SA, as a response to increased quantities of UHT milk imports from Poland.

## International involvement by the organized dairy industry

The South African Dairy industry enjoyed prominence in the structures and activities of the International Dairy Federation (IDF) in the last couple of years. Mr Alwyn Kraamwinkel completed his third year on the IDF Board of Directors in 2019 and Dr Koos Coetzee also his third year on the IDF Science Program Coordinating Committee (SPCC), while other colleagues served on various Standing Committees. The Office of Milk SA has compiled a full report of South Africa's participation in the World Dairy Summit held in Istanbul, Turkey during September 2019. Unfortunately, due to COVID-19, the Summit scheduled to be held in Cape Town towards the end of 2020, had to be called off.

The Managing Director of the Dairy Standard Agency, Mr Jompie Burger, was nominated by the Department of Health to participate in the SPS Committee of the World Trade Organization Committee on Sanitary and Phytosanitary Measures in Brussels.

The Project Manager on Industry Information, Mr Bertus van Heerden, continued to represent the SA dairy industry on the International Farm Comparison Network.

Dr Colin Ohlhoff, a member of Milk SA's Dairy Research and Development Committee, attended a conference on "The Role of Ruminants in Sustainable Diets" in Brussels in June 2019.



## An independent industry laboratory for the dairy industry

The establishment of DSA Lab Services deserves special mention here. As an independent industry laboratory, it will produce and supply harmonized standards for the calibration of laboratory instruments to measure fat, protein and lactose. As agreed with industry stakeholders, standards for milk urea nitrogen and somatic cell counts are to be imported from one international supplier. This facility will undoubtedly improve reliability of test results obtained from individual in-house laboratories.

## Sustainability and Animal Welfare

As consumers are becoming increasingly aware of the products they buy, more and more dairy producers and processors invest in technology to enhance wastewater treatment, soil maintenance, staff housing, energy conservation and recyclable packaging materials. The SA Society of Dairy Technology (SASDT) held a symposium in Kempton Park on 16 July 2019, with the theme “Cultivating a sustainability culture in the dairy industry” where speakers from different dairy companies presented examples of their initiatives and contributions in this area. It was highlighted that partnerships between processors and producers are essential to enhance business ethics, efficiency and competitiveness.

The IDF in collaboration with OIE (World Organization for Animal Health) and FAO (Food and Agricultural Organization of the United Nations), released the updated IDF Guide to Good Animal Welfare in Dairy Production on 11 April 2019. This followed on the SA National Standard on the Welfare of Dairy Cattle issued in 2018. South African industry experts contributed to both these publications.

An increased onslaught from activists who even campaign in favour of doing away with stock farming for a better planet, led Dr Meissner (Milk SA R&D Programme Manager) to write an article “An earth without livestock” wherein he put responsible livestock farming in relation to nature into perspective.

In another article “Ethical consumerism and sustainable production”, Dr Meissner responded to an increased quest among consumers for animal welfare, labour management, organic and traditional farming systems - and illustrated how improved technologies and higher production was generally more beneficial than conventional systems.

The above topics are currently being registered as sub-projects under the R&D Programme of Milk SA, which means that it would receive the necessary attention by the organized dairy industry in terms of monitoring, communication and guidance.

## Blazing ordeals

2019 saw two dairy factories burn down. The Clover factory in Estcourt was destroyed on 13 March while on 1 April 2019, the Orange Grove Dairy plant was levelled in a blaze. It is heartening though to have witnessed the resilient spirit of these companies in rising from the ashes again.

## In memoriam

Previous Milk SA director and dairy producer, Mr Paul van Wyk, died in March 2019. In April 2020, Mr Bertus de Jongh, also previously a Milk SA director and retired CEO of the Milk Producers' Organisation, passed away. Mr Eddie Botha of the audit firm Fourie & Botha, who was



# CHAIRMAN'S REPORT

the designated auditor for Milk SA for many years, also passed away during April 2020. Our deepest condolences go to their loved ones on their passing.

## Thank you

It was again a pleasure to engage with a team of directors with the energy, insight and devotion required to make a success of a company like Milk SA. The active participation in the close-knit structures of the organized industry again proved to be a recipe for continued success in support of the well-being of the SA dairy industry.

A big thank you also to every Project Manager and every member of a committee and work group who have a great responsibility to keep their respective disciplines up to date with the latest trends and sciences, and thereby contributing to a more competitive dairy industry.



*Dr Bonile S Jack-Pama, PhD*  
CHAIRMAN OF THE BOARD





*Nico Fouché, Chief Executive Officer of Milk SA*

## CHIEF EXECUTIVE OFFICER'S REPORT

### 1. General

2019 was the second year of the four-year regulatory cycle for Milk South Africa and the Office maintained its strict adherence to good corporate governance. Levy debt received special action through more special attention by the CEO as well as appropriate legal action. Debtors days were reduced from an average of 7 in 2018 to 4,5 in 2019, with a reduction of 36% in monetary value from December to December. Industry role-players continued to interact positively with the Office and submitted their statutory returns on time. Due to their professional approach, the two inspectors (designated by the Minister of Agriculture, Land Reform and Rural Development) also played an important role to build relationships and confidence in Milk SA.

The Office experienced an open and productive working relationship with the MPO, SAMPRO, SANCIDF and DSA as well as with all project managers. This has facilitated administration of the projects and general co-operation greatly.

### 2. Statutory Measures

The continuation of the following statutory measures (regulations) was approved by the Minister of Agriculture, Forestry and Fisheries who also reappointed Milk SA as Administrator thereof:

- Notice 1397 Registration of persons involved in the secondary dairy industry.
- Notice 1396 Records and returns in respect of milk and other dairy products.
- Notice 1398 Levies on milk and other dairy products.

Both MPO and SAMPRO (as members of Milk SA) were the applicants for these measures, which are in force from 1 January 2018 until 31 December 2021.

- The persons who must comply with the measures remained unchanged and the requirements for compliance also remained unchanged. The role-players and their obligations can be summarized as follows:



# CHIEF EXECUTIVE OFFICER'S REPORT

- Persons who purchase raw (unprocessed) milk with the purpose of processing it, or to use it for the manufacturing of other products, or to sell it to persons outside the jurisdiction of South Africa, or to move it outside the jurisdiction of South Africa.
- Milk producers who sell raw milk produced by their own dairy animals, to consumers, or for the use thereof for production, or for the manufacturing of other products, or sell it to persons outside the jurisdiction of South Africa, or move it outside the jurisdiction of South Africa.
- Any person who sells raw milk to a retailer.
- Any person importing dairy products which resort under the 04.01 to 04.06 customs tariff classification.

The above persons were compelled to register with Milk

SA, submit information per monthly return form and pay levies to Milk SA, which were determined at the following rates:

The Office and the Board of Directors of Milk SA continued to use all statutory powers and other means at their disposal - within the budgetary, human resources and other constraints - to ensure optimal compliance with regard to levy payments and other statutory obligations. This function featured very prominently in the risk management framework which is monitored by the Audit & Risk Committee, while the Statutory Measures Committee contributed to more effective management of especially debtors. The contributions of Ministerially-designated inspectors continued to contribute significantly to the integrity of industry information and

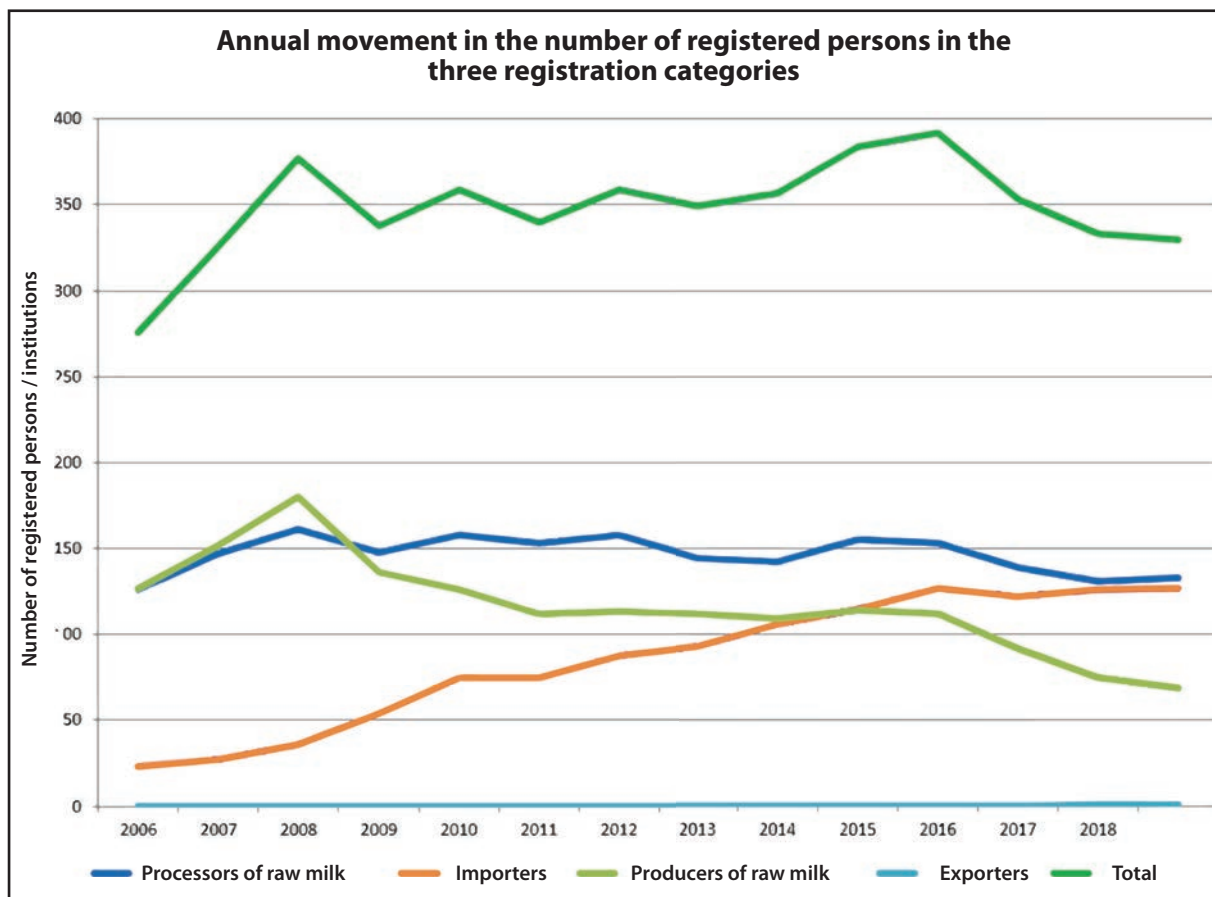
Customs Tariff Classification	Product description	Levy per kilogramme: c/kg (VAT exclusive)			
		2018	2019	2020	2021
04.01	Milk and cream, not concentrated nor containing added sugar or other sweetening matter.	1.37	1.46	1.54	1.64
04.02	Milk and cream, concentrated or containing added sugar or other sweetening matter.	13.25	14.04	14.88	15.78
04.03	Buttermilk, curdled milk and cream, yogurt, kephir other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening or flavouring matter or containing added fruits, nuts or cocoa.	4.98	5.28	5.59	5.39
04.04	Whey, whether or not concentrated or containing added sugar or other sweetening matter; and products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included.	4.02	4.26	4.52	4.79
04.05	Butter or other fats and oils derived from milk; dairy spreads.	14.20	15.05	15.95	16.91
04.06	Cheese and curd.	19.82	21.01	22.27	23.60

the optimal collection of levy funds. Two inspectors were designated by the Minister of Agriculture, Land Reform and Rural Development by the end of 2018 to enforce the above-mentioned statutory measures, and the commenced with their work in the first quarter of 2019.

An annual report on the administration of the statutory measures was submitted to the National Agricultural Marketing Council (NAMC).

### 3. Annual movement in the number of registered persons in the three registration categories

In December 2019, the number of processors made up 40,30% / 133 of the total number of persons / institutions registered with Milk SA, followed by importers of dairy products (38,48% / 127), milk producers (20,91% / 69) and an exporter of raw milk (00,30% / 1).



\*A milk producer is defined in the Government Notices (Statutory Measures) as follows: "A person who produces milk by the milking of cows, goats or sheep". These persons must - in terms of the statutory measures - register with, submit returns and pay levies to Milk SA.



# CHIEF EXECUTIVE OFFICER'S REPORT

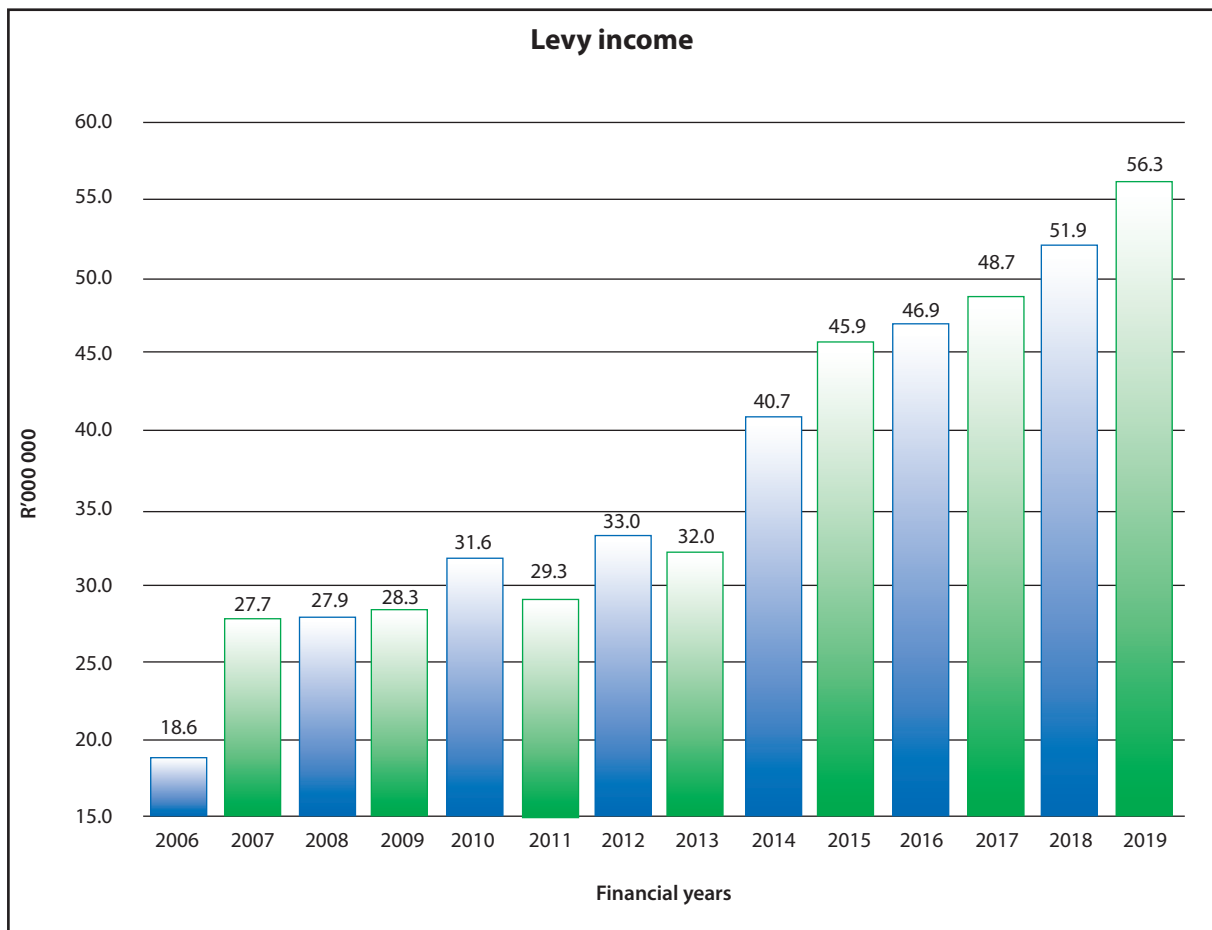
Dec	Processors of raw milk	Importers of dairy products	Producers of raw milk	Exporters of raw milk	Total
2006	126	23	127	n/a	276
2007	147	27	152	n/a	326
2008	161	36	180	n/a	377
2009	148	54	136	n/a	338
2010	158	75	126	n/a	359
2011	153	75	112	n/a	340
2012	158	88	113	n/a	359
2013	144	93	112	n/a	349
2014	142	106	109	0	357
2015	155	115	114	0	384
2016	153	127	112	0	392
2017	139	122	92	0	353
2018	131	126	75	1	333
2019	133	127	69	1	330



Contributions to the levies by category were as follows in 2019: Milk processors 87.12%, importers of dairy products 10.64%, milk producers 1,00% and exporters 1,24%. Milk processors contributed 97.47% to the total

unprocessed (raw) milk declared to Milk SA, followed by raw milk producers - 1,15% and raw milk exporters - 1,38%.

#### 4. Levy income, 2006 to 2019

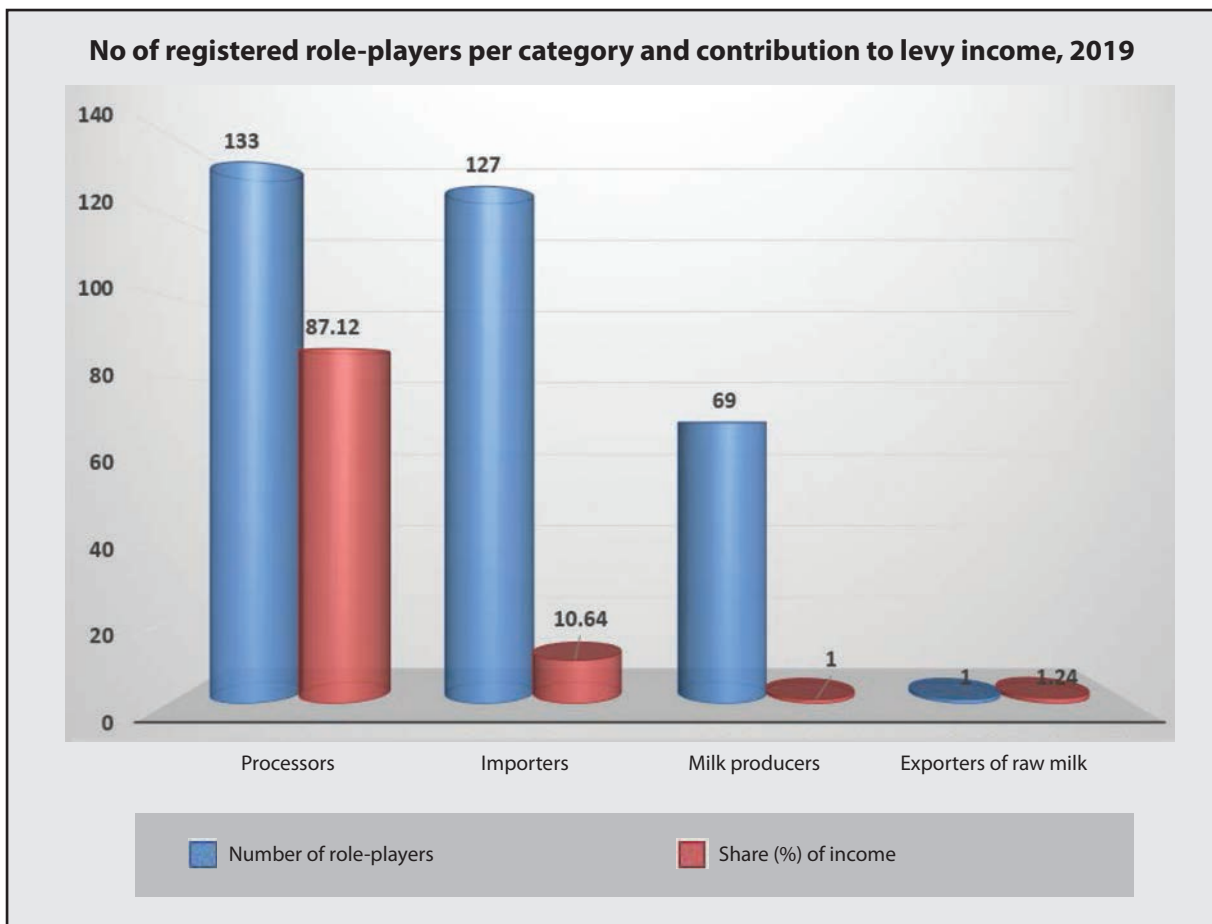


2006 to 2013: Levy rate = 1,00 cent / kg of unprocessed milk  
 2014 to 2017: Levy rate = 1,30 cent / kg of unprocessed milk  
 2018: Levy rate = 1,37 cent / kg of unprocessed milk  
 2019: Levy rate = 1,46 cent / kg of unprocessed milk

# CHIEF EXECUTIVE OFFICER'S REPORT

## 5. Percentage contribution of the number of levy payers to the income in 2008, 2010, 2012, 2014, 2016, 2018 and 2019 per category (rounded)

	2008	2010	2012	2014	2016	2018	2019
Processors of raw milk	92	91	87	91	88	87	87
Importers of dairy products	6	7	12	8	10	11	11
Producers of raw milk	2	2	1	1	2	1	1
Exporters of raw milk	n/a	n/a	n/a	0	0	1	1







the statutory measures, namely Messrs Johannes Petrus Ferreira and Malose Samuel Mothapo.

#### **Purpose**

The on-site inspections at registered role-players aim to verify the completeness of information submitted by the registered role-players to Milk SA.

## **6. The web-based information system**

The web-based system continued to facilitate successful administration in terms of:

- Capturing and processing of data relating to registrations, returns and levy payments.
- Management reports in respect of the above for the office, attorneys and accountants.
- Submission of project proposals and reports by applicants / project leaders.
- Hosting of project reports, financial and other information relating to Milk SA and its activities for access by different role-players and the public.
- Access of the levy payers, to statutory returns submitted to Milk SA and their invoices.
- Contact details of all relevant role-players.

## **7. Inspections in terms of Section 21 of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996)**

### **Inspectors**

At the request of Milk SA, the Minister of Agriculture designated two inspectors for the 2018 to 2021 period of

### **Procedures**

Inspections are based on normal audit principles in terms of testing on a sample basis and obtaining appropriate supporting documentation where applicable.

### **Scope of physical inspections during 2019**

Due to their ministerial designation at the end of 2018, the inspectors only started to work meaningfully as from 2019. Unfortunately, the Coronavirus and national lockdown had hampered this function seriously since March 2020.

## **8. Information supplied by the registered role-players**

In terms of the 2018 to 2021 statutory measures, role-players must on a monthly basis, provide Milk SA with information regarding raw (unprocessed) milk that was used in the manufacturing of:

- i. Processed, unsweetened, unflavoured milk: Including pasteurized milk, ultra pasteurized milk, ultra high temperature milk (i.e. longlife milk or UHT milk) and sterilized milk;
- ii. Sweetened and/or flavoured and/or coloured milk;



# CHIEF EXECUTIVE OFFICER'S REPORT

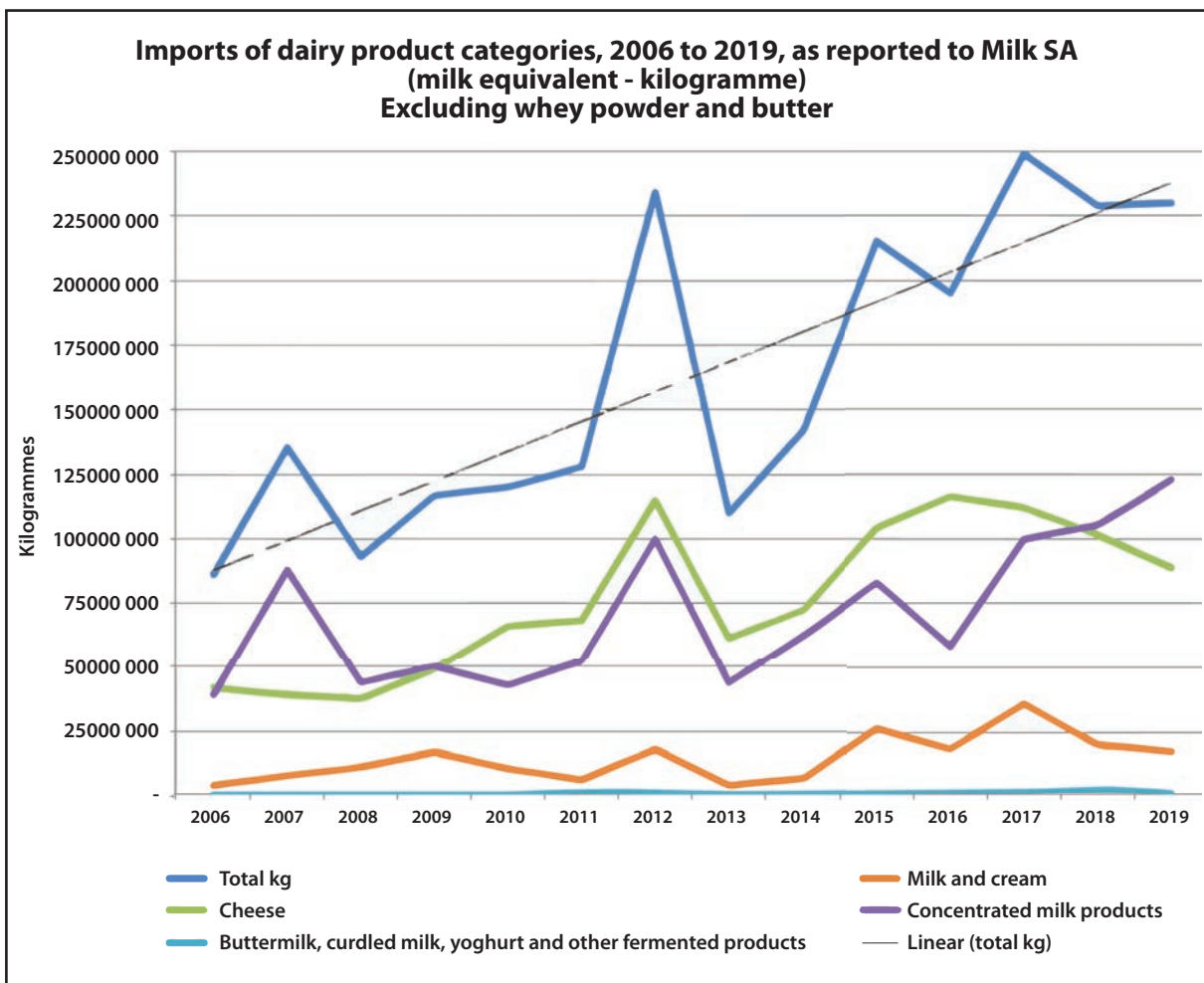
- iii. Fermented products namely maas, yoghurt, kefir and butter milk;
- iv. Milk powder; and
- v. Cheese, *excluding* cottage cheese and cream cheese.

The role-players must also inform Milk SA about the quantity of:

- vi. Whey powder manufactured; and
- vii. Butter manufactured.

The Office of Milk SA and Inspectors put in special efforts to collate outstanding information regarding the variables mentioned above from the role-players.

## 8.1 Imports of product categories, 2006 to 2019 as reported to Milk SA (Milk equivalent: kilogrammes)



## 9. Administration of the projects of Milk South Africa

The Policy for Funding of Statutory Projects and the standard contractual terms were reviewed.

The content of the projects of Milk South Africa are subject to the requirements of the objectives of the statutory measures and the strategic direction as decided by the Members of Milk SA and reviewed by the Board of Directors, while they are also aligned with the relevant government legislation and initiatives of government institutions and other external institutions.

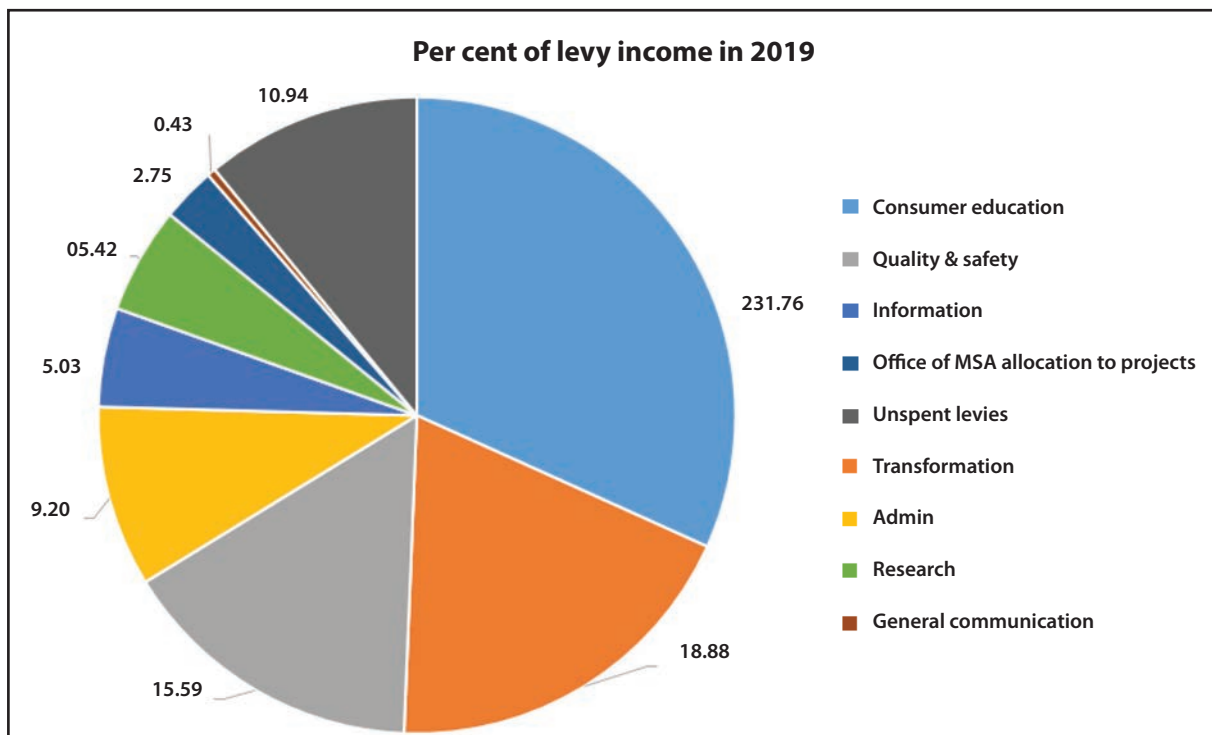
The strategic direction of Milk SA was defined to promote the broadening of the market for milk and other dairy products, to improve the competitiveness of the South

African dairy industry and to promote transformation in the South African dairy industry.

Milk SA signed contracts with the project managers in accordance with Milk SA's policy on the funding of statutory projects. Quarterly and annual reports for each project were submitted by the project managers and published on the Milk SA website, except for R&D projects of which results were being awaited. The MPO was responsible for the administration of the Research & Development Programme of Milk SA.

The relevant structures including the Work Groups, Advisory Committees, Audit & Risk Committee, Executive Committee and Board of Directors fulfilled their roles to ensure that the projects were well structured and monitored and that their goals were optimally achieved.

### Division of the statutory levies in 2019:



# CHIEF EXECUTIVE OFFICER'S REPORT

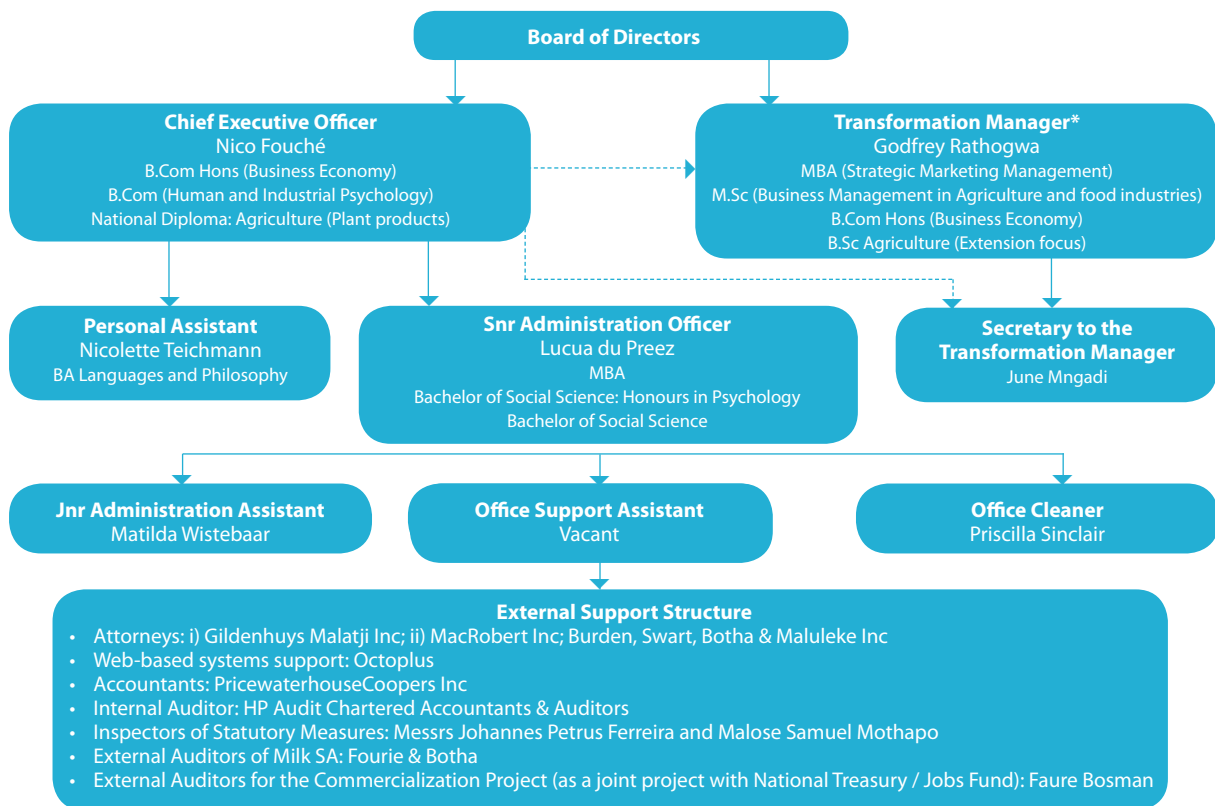
The Board continued to employ an internal auditor to provide independent and objective advice in order to improve Milk South Africa's performance in respect of its administrative and project outputs.

The following internal audits had been done and approved by the Board of Directors:

- i. Mastitis project, by the University of KwaZulu-Natal (i.r.o. 2015-2018)
- ii. Liver fluke project, by the University of KwaZulu-Natal (i.r.o. 2016-2018)

- iii. Mastitis project, by the University of Pretoria (i.r.o. 2017)
- iv. Liver fluke project, by the University of Pretoria (i.r.o. 2017)
- v. Financial administration of Milk SA
- vi. Customs duties and Market Access project (i.r.o. 2018)
- vii. Effect of Proteolytic enzymes in raw milk on flocculation and gelation project, by the University of the Free State (i.r.o. 2018)
- viii. Skills & Knowledge Development: Primary Industry Sector project (i.r.o. 2018)
- ix. Consumer Education project (i.r.o. 2018)

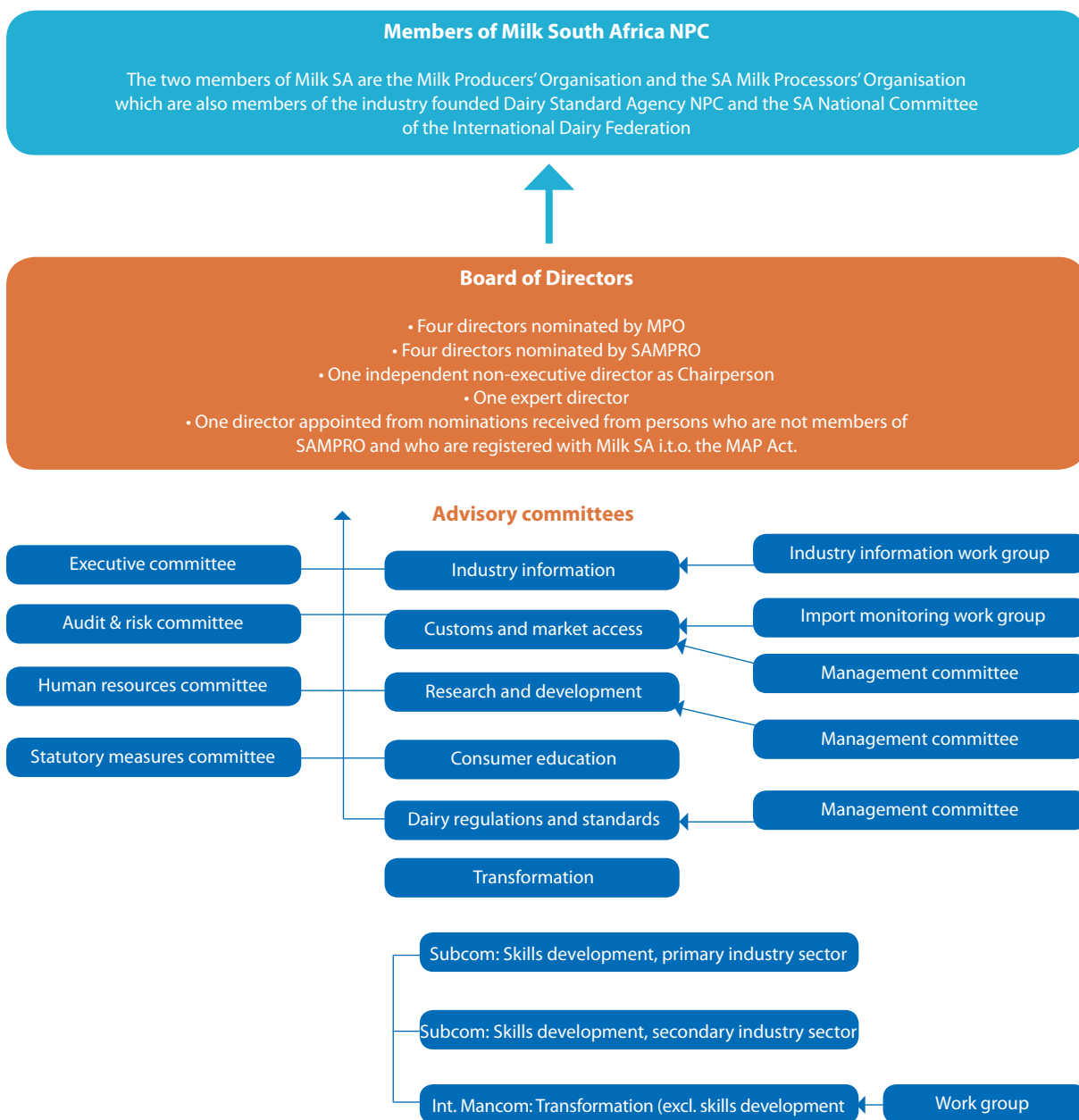
## 10. Staff structure of Milk South Africa and external support structure



**Solid lines: Line authority**  
**Dash lines: Administrative authority**

\* Mr Rathogwa is also a director of Milk SA

## 11. Functional structure of Milk South Africa





# CHIEF EXECUTIVE OFFICER'S REPORT



**STAFF OF MILK  
SOUTH AFRICA –  
NOVEMBER 2019**

**Seated (L-R):  
Nicolette Teichmann,  
Nico Fouché (CEO),  
Matilda Wistebaar.**

**Standing (L-R):  
June Mngadi,  
Lucua du Preez,  
Priscilla Sinclair.**

The structure left shows that:

- i. Milk SA is a non-profit company, "owned" by the primary and secondary industry sectors, that pursues goals and objectives which are in the interests of the entire South African dairy industry and community.
- ii. MPO and SAMPRO are not only members of Milk SA NPC, but also members of the Dairy Standard Agency NPC and the SA National Committee of the International Dairy Federation.
- iii. The strategic direction of Milk SA requires a multi-disciplined approach, which enables Milk SA to unlock a wealth of support and co-operation from governmental, semi-governmental and private business sources.
- iv. In respect of the South African dairy industry, collective issues of strategic importance exist which -
  - a. cannot be addressed through competition in the market;
  - b. should be addressed in the interests of the South African dairy industry, the consumer, and economic development; and
  - c. can, in terms of the Competition Act, be addressed by collective action by the members of the dairy industry.

## 12. Persons / institutions contracted by Milk SA in 2019

	Contractors	Services for Milk SA
i	PricewaterhouseCoopers Inc	Accountants.
ii	Octoplus (Pty) Ltd	Web-based system support and enhancement.
iii	Internet Solutions (Dimension Data)	Web-based systems hosting & security.
iv	Fourie & Botha Inc	External Auditors (i.t.o. Companies Act).
v	Faure Bosman	External Auditors for the project "Promotion of sustainable commercialization of existing black dairy producers" (joint project of Milk SA and National Treasury).
vi	Gildenhuis Malatji Inc	Attorneys.
vii	MacRobert Inc	Attorneys.
viii	Burden, Swart, Botha & Maluleke Inc	Attorneys.
ix	HP Audit Chartered Accountants & Auditors	Internal Auditor.
x	Messrs Johannes Petrus Ferreira and Malose Samuel Mothapo	Inspectors of Statutory Measures.
xi	Milk Producers' Organisation NPC	<b>Projects:</b> <ul style="list-style-type: none"> <li>• Collection, processing and dissemination of national and international information for the dairy industry of South Africa.</li> <li>• Empowerment of previously disadvantaged individuals in the primary dairy sector, through training and skills and knowledge development.</li> <li>• Administration of the R&amp;D Programme of Milk SA.</li> <li>• Performance measurements of automatic milking system (AMS) data in South Africa</li> </ul>
xii	SA Milk Processors' Organisation	<b>Projects:</b> <ul style="list-style-type: none"> <li>• Consumer Education.</li> <li>• Empowerment of previously disadvantaged individuals in the secondary dairy sector, through skills and knowledge development.</li> <li>• Custom duties and Market access.</li> </ul>

# CHIEF EXECUTIVE OFFICER'S REPORT

## 12. Persons / institutions contracted by Milk SA in 2019 (Continued)

	Contractors	Services for Milk SA
xiii	Dairy Standard Agency NPC	<p><b>Projects:</b></p> <ul style="list-style-type: none"> <li>• Improvement of the quality of milk and other dairy products and compliance with legal standards;</li> <li>• Dairy Regulations and Standards Project of Milk SA.</li> </ul>
xiv	University of Pretoria	<p><b>Projects:</b></p> <ul style="list-style-type: none"> <li>• <i>Fasciola hepatica</i>: Impact on dairy production and sustainable management on selected farms in South Africa.</li> <li>• Non-aureus staphylococci (NAS), also known as coagulase negative staphylococci (CNS), as a potential bacterial threat to udder health in South African dairy herds.</li> <li>• Evaluation and standardisation of antibiotic susceptibility testing methods used in South African dairy herds for routine diagnostic and research purposes.</li> <li>• Investigation of take-off time in milking machines in South African dairies.</li> <li>• Development of probiotic yoghurt with potential anti-candidal and anti-bacterial activity.</li> </ul>
xv	University of KwaZulu-Natal	<ul style="list-style-type: none"> <li>• Integrated Control of Liver Fluke of Cattle Using Botanical Extracts and Biocontrol Agents.</li> <li>• Investigating alternative methods such as bacteriophages and bacteriocins to control mastitis organisms.</li> </ul>
xvi	University of the Free State	<p><b>Project:</b></p> <p>Further studies to determine the effect of proteolytic enzymes in raw milk on flocculation and gelation.</p>
xvii	Dr HH Meissner (Programme Manager: Research & Development: Milk SA)	<p><b>Project:</b></p> <p>Co-ordination, support and promotion of needs-driven R&amp;D in the South African Dairy Industry.</p>
xviii	SA National Committee of the IDF	Participation in the projects and activities of the International Dairy Federation through the SA National Committee of the IDF.
xix	Dr Carel Muller	Developing efficiency measures for production parameters in dairy herds using automatic milk recording system data.

## 16. Communication & Liaison

- 16.1 The website was updated with project reports and industry statistics.
- 16.2 *The Milk Essay* newsletter continued to be a popular medium to inform the industry players quarterly about the performance of projects.
- 16.3 "Podcast" videos, covering the various disciplines of Milk SA, were also posted on the website on a regular basis.
- 16.4 Monthly articles about Milk SA's activities and projects were published in *The Dairy Mail*.
- 16.5 The monthly updated raw milk purchase information was disseminated to raw milk producers and levy payers.
- 16.6 Milk SA's activities and successes were also communicated by the MPO and SAMPRO to their members.
- 16.7 Detailed information with regard to communication of the Company and its projects with government and other institutions, appears in the annual and quarterly project reports and these institutions include:

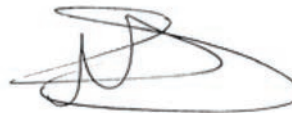
### The following South African institutions:

- Department of Trade and Industry
- International Trade Administration Commission of SA
- Department of Agriculture, Forestry and Fisheries
- Provincial Departments of Agriculture
- Local municipal authorities
- SA Bureau of Standards
- Regulator of compulsory standards
- Department of Health
- National Agricultural Marketing Council
- Agricultural Research Council
- Tertiary academic institutions
- Professional Health Practitioner Associations

- Department of Education
- SA research institutions
- Schools
- Sport associations
- Banks
- Consumer Goods Council
- International Trade Administration
- SA Large Herds Conference
- SA Society for Dairy Technology
- Animal Health Forum
- NEDLAC

### The following international institutions:

- Global Dairy Platform
- International Dairy Federation
- International Milk Promotion Group
- SA Research Institutions
- Foreign Research Institutions
- International Farm Comparison Network
- Codex Alimentarius ("Food code")



Nico Fouché  
Chief Executive Officer



# BOARD OF DIRECTORS' REPORT

## A REPORT OF THE BOARD OF DIRECTORS

In the reporting year, Milk South Africa continued to improve the competitiveness of the South African dairy industry through its projects and actions. It is evident from the included project reports that the "intellectual property" vested in the organized dairy family is an asset that should be nurtured.

The inclusive and cohesive structure of the organized dairy industry makes the role of Milk SA easier, as all activities are carried out in harmony: The activities of the

Dairy Standard Agency, Milk Producers' Organisation, SA Milk Processors' Organisation, SA National Committee of the International Dairy Federation and Milk SA are all interlinked and harmonized.

In its four meetings during 2019, the Board of Directors paid attention to project planning and considered reports from the projects, the Executive Committee, the Audit & Risk Committee, the Human Resources Committee and the Statutory Measures Committee.



**MILK SOUTH AFRICA BOARD OF DIRECTORS – NOVEMBER 2019**

***Seated (L-R): Nico Fouché (CEO), Melt Loubser (Vice-Chairman), Dr Bonile Jack-Pama (Chairman), Colin Wellbeloved, Frik Grobler.***

***Standing (L-R): Alwyn Kraamwinkel, Zola Gebeda, Dr Chris van Dijk, Dr Ndumiso Mazibuko (NAMC), Drikus Lubbe, Porchia Adams, Godfrey Rathogwa, Willie Prinsloo.***





**Lex Gutshe**  
Alternate director



**Neels Neethling**  
Alternate director

## 1. Persons who served on the Board of Directors during 2019

<b>Directors:</b>		
Adams, PH (Ms)		
Gebeda, ZM		
Grobler, FA		
Jack-Pama, BS (Dr)	Chairperson	
Kraamwinkel, AP		
Kuyler, GF		Resigned 26 November 2019
Loubser, MJ	Vice-Chairperson	
Lubbe, H		
Prinsloo, AW		
Rathogwa, MG		
Van Dijk, CJ (Dr)		
Wellbeloved, CE		Appointed 26 November 2019
<b>Alternate directors:</b>		
Gutsche, AR		
Neethling, CJ		Appointed 26 November 2019

# BOARD OF DIRECTORS' REPORT

## 2. Board and General Meetings



**L-R: Melt Loubser (Vice-Chairman), Dr Bonile Jack-Pama (Chairman), and Nico Fouché (CEO), at the General Meeting of 27 November 2019.**

## 3. Project Meetings

Discipline	No of meetings	Type of meeting
Industry Information	2	• Advisory Committee
Customs & Market Access	2	• Advisory Committee
Dairy Consumer Education	2	• Advisory Committee
Transformation: Enterprise Development	9	• Advisory Committee x 2 • Internal Management Committee: Transformation (Enterprise Development): x 2 • Work Group: Transformation (Enterprise Development) x 5
Subcommittee: Skills development - Primary Industry	2	• Advisory Committee
Subcommittee: Skills development - Secondary Industry	2	• Advisory Committee
Research & Development	6	• Dairy Research & Development Committee (DRDC) x 2 • DRDC Management Committee x 4 • Dairy Research Forum x 1

## 4. Other Board Committees

### Number of meetings held in 2019

Executive Committee	4	Statutory Measures Committee	2
Audit & Risk Committee	4	Human Resources Committee	1

## 5. Representation on external bodies

During 2019, Milk SA and the organized dairy industry was represented on the following external bodies by the persons as indicated:

	External body	Persons who represented the organized SA industry
5.1	Agricultural Trade Forum	De Wet Jonker
5.2	Executive Committee of the SA National Committee of the International Dairy Federation	CEO of Milk SA
5.3	Animal Health Forum	De Wet Jonker ( <i>General Meeting</i> ); Dr Chris van Dijk ( <i>GM and Board</i> )
5.4	Dairy Standard Agency, General Meetings	CEO of Milk SA
5.5	The Science and Programme Co-ordination Committee of IDF	Dr Koos Coetzee; Maretha Vermaak
5.6	The International Promotion Group (functioning under the auspices of the IDF Standing Committee on Marketing)	Christine Leighton; <i>Member of the IMP</i>
5.7	The International Dairy Federation (IDF) Board of Directors	Alwyn Kraamwinkel
5.8	IDF Standing Committee on Farm Management	Dr Koos Coetzee
5.9	IDF Standing Committee on Animal Health and Welfare	Dr Chris van Dijk
5.10	IDF Standing Committee on Environmental issues	Dr Heinz Meissner; Dr Colin Ohlhoff
5.11	IDF Standing Committee on Dairy Policies and Economics	Alwyn Kraamwinkel
5.12	IDF Standing Committee on Hygiene	Prof Elna Buys
5.13	IDF Standing Committee on Harmonization of Microbiological Standards	Prof Elna Buys
5.14	IDF Standing Committee on Nutrition and Health	Maretha Vermaak
5.15	IDF Standing Committee on Marketing	Christine Leighton
5.16	IDF Standing Committee on Dairy Science and Technology	Dr Jan Floor
5.17	IDF Standing Committee on Animal Health and Welfare	Dr Martin van der Leek; Dr Chris van Dijk
5.18	IDF Standing Committee on Standards and Labelling	Jompie Burger
5.19	IDF General Assembly	Melt Loubser; Dr Chris van Dijk; Edu Roux



# BOARD OF DIRECTORS' REPORT



**General meeting  
of Milk SA held at  
Waterkloof Guest  
House, Pretoria on  
27 November 2019**



## 6. Summary of projects and other functions funded in 2019

Function	Service provider	Subtotals spent Rand	Amount spent Rand (VAT Excl)
<b>Transformation</b>			<b>10 557 683</b>
• Enterprise Development (Including Management Control)	Milk South Africa NPC (Transformation Manager)	7 480 228	
• Skills Development in the Primary industry sector	Milk Producers' Organisation NPC	1 444 147	
• Skills Development in the Secondary industry sector	SA Milk Processors' Organisation	1 633 308	
<b>Industry Information</b>			<b>5 724 050</b>
• Markets and Economies	Milk Producers' Organisation NPC	992 712	
• Customs duties and Market access	SA Milk Processors' Organisation	469 994	
• Participation of the SA dairy industry in IDF (SANCIDF)	SA National Committee of IDF	1 031 505	
• Information support systems	Octopus Information Solutions	429 839	
• World Dairy Summit 2020		2 800 000	
<b>Research &amp; Development</b>			<b>2 267 748</b>
• Programme Manager	Dr Heinz H Meissner	415 254	
• Dairy R&D Committee		23 401	
• Dairy Research Forum		99 769	
• Management Committee		7 235	
• Administration and Secretariat	Milk Producers' Organisation	282 807	
• Provisional interaction		53 394	
• Congresses		39 944	
• Internal audits		121 560	
• Animal Health Forum Membership		65 000	



# BOARD OF DIRECTORS' REPORT

Function	Service provider	Subtotals spent Rand	Amount spent Rand (VAT Excl)
<ul style="list-style-type: none"> <li>• <i>Fasciola hepatica</i>: Impact on Dairy Production and Sustainable Management on Selected Farms in South Africa</li> </ul>	University of Pretoria	75 000	
<ul style="list-style-type: none"> <li>• Evaluation and standardization of antibiotic susceptibility testing methods used in South African dairy herds for routine diagnostic and research purposes</li> </ul>	University of Pretoria	42 237	
<ul style="list-style-type: none"> <li>• Further studies to determine the effect of proteolytic enzymes in raw milk on flocculation and gelation</li> </ul>	University of the Free State	183 434	
<ul style="list-style-type: none"> <li>• Flocculation and gelation studies: Facilitation</li> </ul>	Prof Piet Jooste	39 894	
<ul style="list-style-type: none"> <li>• Performance measurements of automatic milking system (AMS) data in South Africa</li> </ul>	Dairy Management Consulting and Milk Producers' Organisation (A Gresse)	308 533	
<ul style="list-style-type: none"> <li>• Development of probiotic yoghurt with potential anti-candidal and anti-bacterial activity</li> </ul>	University of Pretoria	260 000	
<ul style="list-style-type: none"> <li>• <i>Mastitis</i>: Antimicrobial Resistance Screening</li> </ul>	University of Pretoria	39 000	
<ul style="list-style-type: none"> <li>• System oriented strategies to reduce nitrogen excretion and emissions from dairy farming in South Africa</li> </ul>	University of Stellenbosch	21 739	
<ul style="list-style-type: none"> <li>• Antibiotic Residue Monitoring</li> </ul>	Dairy Standard Agency	157 047	
<ul style="list-style-type: none"> <li>• Investigation of take-off time in milking machines in South African dairies</li> </ul>	University of Pretoria	10 000	
<ul style="list-style-type: none"> <li>• Non-aureus staphylococci (NAS), also known as coagulase negative staphylococci (CNS), as a potential bacterial threat to udder health in South African dairy herds.</li> </ul>	University of Pretoria	22 500	
<b>Consumer education</b>	SA Milk Processors' Organisation		<b>17 953 090</b>
<b>Dairy quality and safety</b>	Dairy Standard Agency NPC		<b>7 812 960</b>
<b>Communication of the project performances</b>	Milk South Africa NPC		<b>549 132</b>
<b>Milk SA staff support to projects</b>	Milk South Africa NPC		<b>1 591 333</b>
<b>Administration, Implementation and Enforcement of the Statutory Measures</b>	Milk South Africa NPC		<b>5 520 173</b>
<b>TOTAL</b>			<b>51 976 169</b>

## 7. Project reports

### 7.1 Project title: Collection, processing and dissemination of national and international information for the dairy industry of South Africa

**Responsible Institution:** Milk Producers' Organisation NPC

**Project Manager:** Bertus van Heerden



#### Main Goal

The main goal of this project is to supply timely, accurate and reliable information to all role-players in the dairy industry value-chain to enable the dairy industry of South Africa to achieve sustainable, competitive growth. During 2019 the project was able to fulfill this goal in various ways.

#### Goal 1: Dairy Digits

Dairy Digits was published in all 12 monthly issues of The Dairy Mail. Dairy Digits has become an important source of market information for dairy industry role-players.

#### Goal 2: Quarterly Review of the Dairy Industry

The Quarterly Review provides a review of selected trends in the dairy industry. The following Quarterly Reviews of the Dairy Industry were published and distributed on the Milk SA website: Q4 of 2018, Q1 through Q3 of 2019.

#### Goal 3: Lacto Data

Lacto Data provides a general review of the South African and international dairy sector for role-players in the industry. It is widely used by researchers and policy makers as an overview of the industry. Lacto Data was published in the May 2019 and November 2019 issues of *The Dairy Mail*.

#### Goal 4: The Competitiveness of the South Africa primary dairy industry

The Report on the International Competitiveness of the South African primary dairy industry was completed in January 2020 and mailed to Milk SA.

#### Goal 5: World Dairy Situation Report

The report was completed in December 2019 and Milk SA was furnished with the report.

#### Goal 6: Report on the attendance of the World Dairy Summit

The World Dairy Summit was attended in September 2019. A report on the attendance of the summit was completed in December 2019 and mailed to Milk SA.

#### Goal 7: IFCN Summary report

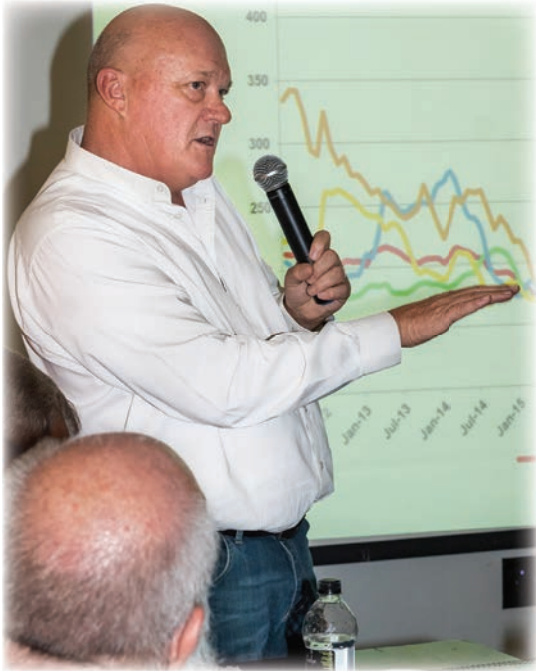
The IFCN Conference was attended in June 2019. Prior to the conference, input data was supplied to the IFCN research team regarding three typical dairy farming operations in South Africa. The IFCN Dairy Report 2019 was published in November 2019 and made available to various interest groups. An article on the conference was published in the September 2019 issue of *The Dairy Mail* and a short presentation on the conference was made at the Industry and Information Advisory Committee meeting dated 22 August 2019.

#### Goal 8: PowerPoint presentations to members of Milk SA

A presentation covering the international economy, international dairy situation, the South African economy and the domestic dairy situation was delivered at the Milk SA members meetings in June and November 2019.



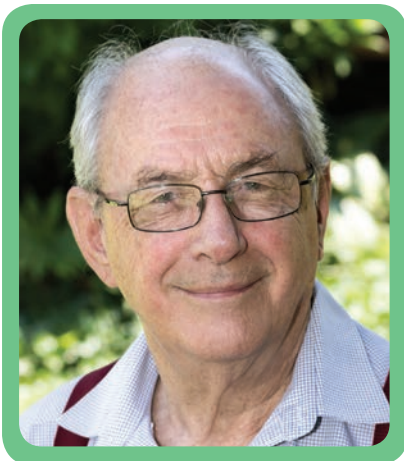
# BOARD OF DIRECTORS' REPORT



## 7.2 Project title: Participation of the SA Dairy Industry in IDF and its Projects via the SA National Committee of the International Dairy Federation (SANCIDF)

**Responsible institution:** SA National Committee of the International Dairy Federation (SANCIDF)

**Project Manager:** *Edu Roux (also Secretary of SANCIDF)*



The International Dairy Federation is the only organization that can obtain global consensus on all aspects of dairying, and represent the global dairy sector towards intergovernmental organizations such as FAO, Codex, OIE and WHO. IDF is the key authority on dairy standards and has access to a large network of worldwide experts in dairy. IDF has four focus areas namely Sustainability, Nutrition, Food Safety and Standards. These focus areas span nine work areas, 17 Standing Committees and three Task Forces. The dairy industry of South Africa is a member of the International Dairy Federation (IDF) through the SA National Committee of IDF (SANCIDF).

The membership fee of IDF amounting to €40 100 or R636 716 was paid on 26 February 2019. The Rand amount was R3 116 more than the budget due to exchange rate variation. Dr Anita Michel, Prof. Vincent Turner and Ms Delille Wessels ceased to be members of Standing Committees while Dr. Colin Ohlhoff and Mr. Jompie Burger joined.

Eighteen New Work Items (NWIs) received, were replied to before the deadline and National Committees voted positive on all of them. Seven questionnaires were also received during the year and replied to timeously.

The 2019 World Dairy Summit was promoted amongst dairy industry role-players by forwarding emails announcing the opening for registrations, the preliminary programme and the updated programme to them.

Four delegates (Mr Melt Loubser, Dr Chris van Dijk, Mr Alwyn Kraamwinkel and Mr Edu Roux) attended WDS 2019 with funds from this project's 2019 budget. Dr Colin Ohlhoff attended out of funds from this project's 2018 surplus and Dr Koos Coetzee and Mr Stephan Steyn attended the summit with funds from the yield of WDS 2012's surplus.

Reports were received from all the delegates and are attached to the main report. As in 2018, all reports will be bound into a book and distributed to levy payers.

As Milk SA's video conferencing facilities are used for meetings where possible, expenses amounting to R300 were paid to only one attendee.

Annual reports were submitted on the work of 11 Standing Committees and one task force. All these separate reports were combined in one document which is attached with the main report.

The following documents were received during the year:

- Five Bulletins with numbers 497/2019 to 501/2019
- One Standard no. ISO 17678/ IDF 202
- Nine Fact Sheets, nos 001/2019 to 003/2019 and 005/2019 to 010/2019
- Forty-one Newsbriefs
- Sixteen Press Releases

These documents were all circulated to industry leaders, Standing Committee members and associate members and except for Newsbriefs, the others were posted on the Milk SA website.

With regard to the goal to liaise with IDF regarding sustainability and environment by providing input from South Africa and communicating information from IDF to the local industry, the R&D Programme Manager of Milk SA (Dr Heinz Meissner) reported as follows:

#### Report on IDF Office requests

- The author provided the IDF document: 'IDF-DSF Carbon sequestration project 2018 document' to the relevant expertise in South Africa and communicated with them regarding the applicability and guidelines.
- The author supported the amendments to the documents: ISO 4044:2006 Environmental management — Life cycle assessment — Requirements and guidelines and ISO 14040:2006 Environmental management — Life cycle assessment — Principles and framework.
- The author provided comments via Christine Leighton as coordinator of the Task Force on Plant Based beverages on the document *Draft IDF compilation for TF on PBB: Data comparison of milk and plant-based beverages*.

#### SCENV (Standing Committee on the Environment) activities

SCENV Meeting of 20 June 2019

- The final draft of the Waste Water document was made available for final comments.
- With reference to the Solid

Waste Management section, Dr Colin Ohlhoff was requested to write the Introduction.

- For the Dairy Sustainability Outlook, case studies were requested. Dr Ohlhoff provided a case study of the plastic bottle initiative of Fair Cape.
- Following a number of interactions with DSF and the IDF office (amongst others by the author) that it is important to bring carbon sequestration into the calculations of carbon footprint, this has been decided.

#### SCENV Meeting of 20 September 2019

The following actions and responsibilities were suggested:

##### Action Team: Innovative Practices Eco-Friendly Dairy Processing Piercristiano Brazzale

- Solid waste management – Colin Ohlhoff (ZA)
- Energy management – Rainer Bertsch (DE)

##### Action Team: Life Cycle Analyses

- Carbon sequestration - C-sequestration Project - Sanne Dekker (NL)
- Water footprint – feedback comparative assessment - Pierre Barrucand (FR)

#### IDF WDS 2020 Cape Town - Heinz Meissner (ZA)

#### IDF Dairy Sustainability Outlook N° 3 – Natalie Jones (CL)





# BOARD OF DIRECTORS' REPORT

## WDS 2020 responsibility of the Programme Manager

Suggestions by the author at the time of reporting for the Environment (Pre-farm gate) session, were:

*Topic 1:* Regenerative agriculture with emphasis on dairy – Mr Ray Archuleta (NRCS/USDA, USA)

*Topic 2:* Carbon footprint of high and low input milk production systems – Prof Friedhelm Taube (Kiel, Germany)

*Topic 3:* The closed-farm-system (or Circular Economy) to manage nutrients, emissions and pollution – Gina Lucci (NZ Pastoral Agriculture Research Institute)

*Topic 4:* Success of integrated environmental and productive pasture-based dairy systems in South Africa (a Case Study) – Dr Craig Galloway (Trace and Save, SA)

## 7.3 Project title: Customs duties and Market access

**Responsible institution:** SA Milk Processors' Organization

**Project Manager:** De Wet Jonker



### Bilateral and multilateral trade agreements

- i. In 2019 the focus on trade negotiations shifted from negotiations with first world countries to trade

within the African continent. The focus is on the following agreements:

- The African Continental Free Trade Area (AfCFTA) which includes 54 African Countries; and
  - The Tripartite Free Trade Agreement (T-FTA) which includes some trade blocks within Africa.
- ii. Aspects such as market access, scaling down of import tariffs and rules of origin should be handled with caution not to be flooded by cheap imports and highly subsidized dairy products caused by government intervention. The project commented on rules of origin and a report was submitted to the Agricultural Trade Forum.
  - iii. Timelines on the AfCFTA

The following timelines have been adopted by the Trade Ministers:

- At the end of September, the member states submitted their Schedules of Tariff Concessions covering 90% of the tariff headings and they agreed to scale tariffs down immediately;
  - The remaining 10% (i.e. the 7% Sensitive and 3% Exclusion products) were finalized by the end of 2019;
  - Tariff headings (0402.10) skimmed milk powder, (0402.20) full cream milk powder, and (0405.10) butter are the dairy products which fall under the Exclusion product list;
  - That by January 2020, all the schedules should be finalized & submitted; and
  - The agreement should be implemented by July 2020.
- iv. A table showing utilization and re-allocations for 2019 as well as allocations for 2020 is attached to this report as Annexure 1. Implementation of the re-allocated volumes will apply retrospectively from 1 September 2019 after the volumes have been approved by the Council and the gazette issued by SARS.

### Trade protection and tariff dispensation: Protection against the import of UHT milk

- v. The preliminary evaluation was done and captured in a non-confidential report for consideration by

the UHT Milk Work Group. The report was discussed with UHT manufacturers during a meeting that was held in March 2019.

- vi. The work shop took note:
  - That no import of full cream UHT (0401.20.07) took place between August 2018 to March 2019; and
  - Concluded that ITAC should be requested to provide information regarding the process to be followed in respect of an application for Safeguard duties in respect of Article 35 of the EPA agreement; as well
  - As whether any criteria other than the criteria mentioned in Article 35 will be used.
- vii. Informal discussions about Article 35 took place and a formal letter was forwarded to ITAC to get clarity on whether there are any guidelines for the implementation of Article 35 of the EPA agreement once the import trigger levels for full cream UHT are exceeding a certain level in a particular year.
- viii. Subsequent to this development, DAFF held several interdepartmental meetings with DTI, SARS and ITAC on this matter during which implementation guidelines were developed and agreed upon at national level. The proposed guidelines were shared with its SACU partners during the SACU internal technical meeting whereby SACU Member States committed to provide comments by 27 September 2019. Draft guidelines for the implementation of Article 35 of the EPA Agreement were published in October 2019 in the Government Gazette and comments were submitted to ITAC.

### Export certification

- ix. With the outbreak of Foot and Mouth disease (FMD) early in January 2019 most of South Africans' trading partners introduced an interim ban on importation of all animal and animal products. All import permits and Veterinary Health certificates had to be renegotiated.
- x. The continuation of trade in safe commodities has been prioritized. Safe commodities include any product that has been processed in such a way that FMD virus, should it be present, will have been destroyed.

- xi. However, each importing country retains the right to determine its appropriate level of protection and exporters are urged to obtain import requirements via their contact points in the importing countries.
- xii. In the interim, the Department of Agriculture, Land Reform and Rural Development (DALRRD) has successfully negotiated the revision of veterinary health certificates for processed dairy exports and 90% of South Africa's historical export market has been re-opened.
- xiii. While (DALRRD) was waiting for the approval of a disease containment zone and the re-establishment of the previous FMD-free zone without vaccination status (excluding the FMD control zone and the disease containment zone) the FMD-virus spread to the Molemole area during the first week in November 2019.
- xiv. This new outbreak will definitely hamper trade in dairy products and some of the trading partner countries have already placed an embargo on trade in animals and animal products. DALRRD has already started re-negotiations with the trading countries.

### Import and export monitoring

- xv. The following monthly import and export tables and quarterly reports were submitted:

Monthly	October to December 2018 January to December 2019
Quarterly	January to December 2018 January to March 2019 January to June 2019 January to September 2019

Participation in the National Animal Health Forum (NAHF)

- xvi. The project manager participates in the meeting of the forum and focuses on trade related issues.
- xvii. Since the announcement of the FMD outbreak, the Customs and Market Access Project of Milk SA has been in continuous contact with the Animal Health Directorate of the Department of Agriculture, Land





# BOARD OF DIRECTORS' REPORT

Reform and Rural Development (DALRRD) and the National Animal Health Forum (NAHF). On 23 January 2019 a meeting took place between the Project of Milk SA and the Import-Export Unit of the Directorate Animal Health to share information and discuss the status of the outbreak and further actions needed.

xviii. NAHF, of which Milk SA is a member, immediately after the announcement of the FMD outbreak, contacted the Government and three task teams were set up to address the outbreak, namely:

- FMD Technical Task Team (The CEO of the MPO is a member of the task team);
- FMD Trade Task Team (Undersigned is a member of this task team); and a
- Communications Task Team.

xix. All the media briefs and press releases were forwarded to the industry by Milk SA and we will continue to do this.

xx. Dr Chris van Dijk was nominated by the Board of Directors of Milk SA to serve as a Director on NAHF and he also serves on the FMD Technical Task Team.

xxi. The project manager has attended numerous meetings with the veterinary officials and the meetings of the FMD Trade Task team.

xxii. A decision was taken by Milk SA that as from 2020 the membership fees for NAHF will be split 50/50 between the Research and Development Project and the Customs and Market Access Projects of Milk SA.

**Table 1: Utilization of EU's TRQ into SACU by SACU Member States under the SADC-EU EPA during the period January - August 2019**

	Overall annual quota (ton)	Total % August 19	Total quota uptake (August 2019)	Botswana annual allocation	Quantity of import	Eswatini annual allocation	Quantity of import	Lesotho annual allocation	Quantity of import	Namibia annual allocation	Quantity of import	South Africa annual allocation	Quantity of import
Pork	1 500	46.2	693	60	0	25	0	25	0	140	0	1 250	693.11
Pig fat	200	25.0	50	18	0	15	0	3	0	24	0	140	50
Butter	500	63.7	319	43	0	17	13 361	10	0	80	17 217	350	288
Cheese	7 850	48.3	3 790	588.75	0	588.75	0	588.75	0	588.75	25 534	5 495	3 764.42
Wheat	300 000	89.0	266 927	13 300	0	1 025	0	10 000	4 830	24 180	10 601 808	251 495	251 495
Barley	10 000	0.0	0	10	0	5	0	15	0	1 000	0	8 970	0
Cereal based food preparations	2 300	7.1	162	296	0	265	0	43	0	86	0	1 610	162.35
Ice cream	150	67.0	101	17	0	6	0	4	0	18	0	105	100.53
Mortadella bologne	100	3.8	4	2	0	3	0	2	0	23	0	70	3.75

**Table 2: Re-allocation of EU's TRQ into SACU under the SADC-EU EPA for the period September - December 2019**

Products	Annual quota (ton)	Total uptake (31 Aug)	Quota balances (1 Sept)	SA reallocation	Total for BELN	Botswana reallocation	Eswatini reallocation	Lesotho reallocation	Namibia reallocation	Minimum % for RSA
<b>Reallocated country-specific TRQ allocation for September to December 2019 (ton)</b>										
Pork	1 500	693	807	669.81	137	34.2975	34.2975	34.2975	34.2975	83%
Pig fat	200	50	150	120	30	7.5	7.5	7.5	7.5	80%
Butter	500	319	181	144.8	36	9.05	9.05	9.05	9.05	80%
Cheese	<b>7 850</b>	3 790	4 060	3398	662	165.5	165.5	165.5	165.5	80%
Wheat	300 000	266 927	33 073	26458.4	6 615	0	1653.65	4960.95	0	83%
Barley	10 000	0	10 000	9000	1 000	250	250	250	250	90%
Cereal based food preparations	2 300	162	2 138	1710.4	428	106.9	106.9	106.9	106.9	80%
Ice cream	150	101	49	39.2	10	2.45	2.45	2.45	2.45	80%
Mortadella bologne	100	4	96	76.8	19	4.8	4.8	4.8	4.8	80%

**Table 3: Allocation of EU's TRQ into SACU amongst SACU Member States under the SADC-EU EPA for the period January - December 2020**

Products	Annual quota (ton)	Botswana		Eswatini		Lesotho		Namibia		South Africa	
		Tons	%	Tons	%	Tons	%	Tons	%	Tons	%
Pork	1 500	60	4%	25	2%	25	2%	140	9%	1 250	83%
Pig fat	200	18	9%	15	8%	3	2%	24	12%	140	70%
Butter	500	43	9%	17	3%	10	2%	80	16%	350	70%
Cheese	8 000	720	9%	400	5%	240	3%	1 040	13%	5 600	70%
Wheat	300 000	13 300	4%	1 025	0%	10 000	3%	24 180	8%	251 495	84%
Barley	10 000	10	0%	5	0%	15	0%	1 000	10%	8 970	90%
Cereal based food preparations	2 300	296	13%	265	12%	43	2%	86	4%	1 610	70%
Ice cream	150	17	11%	6	4%	4	3%	18	12%	105	70%
Mortadella bologne	100	2	2%	3	3%	2	2%	23	23%	70	70%

# BOARD OF DIRECTORS' REPORT

## 7.4 Project title: Skills and Knowledge Development in the Primary Dairy Industry

**Responsible Institution:** Milk Producers' Organisation NPC

**Project Manager:** *Helene Pheiffer*



### Maintenance and development of the dairy occupational qualification

The registration of the Dairy Unit Manager Occupational Qualification was approved by the South African Qualification Authority (SAQA) in March 2019. The qualification consists of the Occupational Certificates for the Dairy Farm Supervisor and Dairy Unit Manager. The qualification of the Occupational Certificate for the Dairy Farmworker remains outstanding, despite numerous attempts to obtain confirmation from AgriSeta and QCTO (Quality Council for Trade and Occupations). MPO consulted with QCTO to register the MPO Training

Institute as skills development provider (SDP) of the dairy occupational qualification. The SDP policies do however not make provision for on-farm training, unless the facility is registered as a SDP.



MPO approached several Agricultural Colleges to negotiate their registration as SDP for the implementation of the dairy occupational qualification. These colleges include Elsenburg Agricultural Training Institute (Western Cape), Owen Sithole Agricultural College (KZN), Cedara Agricultural College (KZN), Potchefstroom Agricultural College (North West) and Glen Agricultural College (OFS). More Agricultural Colleges will be approached and MOUs will be concluded during the course of 2020.

SAQA QUALIFICATION ID	QUALIFICATION TITLE	NQF LEVEL	CREDITS	STATUS
105011	Occupational Certificate: <i>Dairy Farmworker</i>	NQF Level 1,2		Outstanding
101570	Occupational Certificate: <i>Dairy Farm Supervisor</i>	NQF Level 3	266 Credits	Registered
	Occupational Certificate: <i>Dairy Unit Manager</i>	NQF Level 5	410 Credits	Registered

The development of the External Integrated Summative Assessment (EISA) process is the final phase and requirement for the implementation of the dairy occupational qualification. As Assessment Quality Partner (AQP) of the qualification, the MPO developed the Qualification External Assessment Blueprint/Addendum for Occupational Qualifications (QAS document) for submission to QCTO. This document outlines the quality assurance and assessment instruments for the occupational qualification. The process also includes the development of a national assessment databank, the publication of assessment exemplars as well as a database for random assessment selection and access to implementation policies, assessment practitioners and assessment centers.

The quality management system (QMS) for implementation of the occupational qualification has been extended with a student information pack that includes general information on the curriculum and modules, enrolment requirements, implementation time frame, guidelines on formative assessments, external integrated summative assessments and workplace experience logbooks; as well as facilitation, assessment and farmer/supervisor orientation guides for a training intervention.

A training power-point presentation has been developed for Module 8 – *The Code of Practice for Dairy Producers*. This Dairy Code of Practice focuses on compliance with food safety requirements at a primary production level. It also aims to provide stakeholders in the industry with norms for measuring supplier quality assurance and addresses the minimum requirements for export certification. Module 8 forms part of the Dairy occupational qualification for the Dairy farm supervisor.

Module 2 – *Dairy calf and heifer rearing* has been revised with minor amendments to the learner guides.

### **Primary industry skills and knowledge development interaction**

The MPO Training Institute attended forty one (41) meetings relating to skills and knowledge development in the primary industry during 2019:

#### **AgriSeta**

Attended four (4) Sub-Sector Skills Committee (SSC) meetings to revise and update the Sub-Sector Skills Plans (2019/20) and the Annual Performance Plan (2019/20); discuss and amend the Red Meat Sector Skills Plan and strategic vision and functioning of the various SSCs; provide inputs for skills planning and research on emerging and critical skills in the sector; the development of the sectoral priority occupations lists; sector trends, challenges and skills development needs; inputs regarding the sector skills plan and research agenda; and participation in an AgriSeta sector skills survey interview.

Attended three (4) meetings concerning mandatory grants and changes within the AgriSeta Indicum programme for the capturing of industry skills and knowledge profiles; the allocation of discretionary grants and new implementation requirements for 2020; information sessions on skills development issues with stakeholders, public and private training providers, skills planning, skills delivery and quality assurance. The information has been distributed to primary producers for skills development plans and reporting implementation.

Attended six (6) meetings concerning AQP accreditation with AgriSeta and QCTO; AQP requirements; the development of a QAS document, assessment procedures and requirements to obtain a national dairy occupational qualification; SDP requirements and accreditation; and benchmarking with the Chamber of Milling for SDP procedures at QCTO.

Attended one (1) AgriSeta AGM with SDPs and industry stakeholders.

#### **QCTO**

Attended four (4) QCTO meetings concerning SDP accreditation requirements and challenges; external assessment requirements for AQP and QAS documentation development, implementation methodology and outcomes; and a constituency group meeting.



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## **Milk SA**

Attended eight (8) Milk SA meetings concerning primary industry skills and knowledge development project implementation in 2019 and planning for 2020; secondary industry skills and knowledge development; Milk SA transformation (enterprise development) projects; Milk SA member meetings for primary industry project feedback; and a discussion session with CEO Milk SA regarding 2020 project proposal and requirements.

## **Private and public training institutions**

Attended seven (7) meetings concerning the registration of SDPs for the implementation of the Dairy occupational qualification at Elsenburg Agricultural Training Institute, Potchefstroom Agricultural College, Owen Sithole Agricultural Colleges, Cedara Agricultural College and Glen Agricultural College; and contractual agreements with SDPs and assessment centers.

## **Public and industry stakeholders**

Attend seven (7) stakeholder meetings including an Agricultural Industry Transformation workshop meeting between NAMC and industry stakeholders regarding transformation guidelines, expectations, project monitoring and evaluation processes; Motsepe Foundation meeting regarding projects with provincial and commercial partners; University of Pretoria meeting regarding the presentation of a Dairy School to final year veterinary students; Innovation and inclusive industrialization of the dairy value chain in South Africa workshop attended by members of Milk SA, SAMPRO and MPO; meeting with DALRRD concerning dairy development projects in KZN; DSA meeting concerning the development of an infographic poster of the Dairy Code of Practice for Milk Producers for dairy farmers; and a MPO AGM.

## **Promotion of skills and knowledge development in the primary industry**

Promotion of the MPO Training Institute's activities and skills and knowledge development information were advertised bi-weekly in the MPO Newsletter and the monthly publication of The Dairy Mail (TDM). The following TDM articles were published in 2019:

- January 2019: *"Maak reg vir 2019"*. This article focused on all the programmes and activities of the MPO Training Institute.
- February 2019: *"Uplifting Communities"*. This article focused on the skills and knowledge development programmes presented by the MPO Training Institute as part of the Sernick Transformation programme.
- March 2019: *"Building an educated workforce"*. The article focused on opportunities for internships and graduate placements in the dairy industry.
- April 2019: *"What makes a training programme?"*. This article focused on the benefits as well as the requirements that training programmes have to abide by.
- May 2019: *"Wie is AgriSeta"*. This article focused on the function and services of AgriSeta.
- June 2019: *"Thrive through training"*. This article focused on the farmers of the Amadlelo Group and the training provided by the MPO Training Institute.
- July 2019: *"A happy and healthy cow starts with the trained farmworker?"*. This article focused on the skills and knowledge requirements of a farmworker to ensure happy and healthy cows for optimal milk production and successful dairy business.
- August 2019: *"Trained supervisors maintain"*. This article focused on the role of trained supervisors in maintaining a happy and healthy dairy herd.
- September 2019: *"Opgeleide plaasbestuurders onderhou gelukkige en gesonde koeie"*. This article focused on all the dairy farm management programmes provided by the MPO Training Institute.
- October 2019: *"Health and welfare"*. This article focused on the moral and ethical responsibility of farmers to ensure animal well-being through the application of the correct animal husbandry practices.
- November 2019: *"Nuwe kursus vir beesbemarkingsbestuur"*. This article focused on the requirements and options of cattle marketing to achieve the highest possible profit.



- December 2019: *"The year that was ... from a training perspective!"*. This article focused on all the dairy and cattle training activities and events that took place during 2019.

The MPO Training Institute participated in a *Grootplaas* television interview on training opportunities in the primary industry as well as a *RSG* radio interview on 'Stories of hope' deriving from training on dairy farms. The interview was broadcasted in July and Aug 2019.

The MPO Training Institute attended MPO member meetings as well as a dairy conference. These events provided an opportunity for networking with industry stakeholders as well as commercial and entrepreneurial dairy farmers to promote skills and knowledge development in the primary dairy industry:

- Mar 2019: MPO Western Cape
- Aug 2019: MPO KZN AGM
- Sep 2019: MPO Free State and North AGM
- Jul 2019: Large Herds Conference in Port Elizabeth

Approximately 200 farmers were contacted via telephone, WhatsApp and e-mail to promote dairy training in the primary industry.

The MPO Training Institute's prospectus with detailed information on skills development programmes and the modules of the dairy occupational qualification was updated during 2019. The prospectus was distributed to all dairy farmers in January 2020 as a supplement in the Dairy Mail magazine.

The training database, data capturing and data management system have been completed. The database system has been designed to provide a range of training statistics and process management data for training implementation. The statistics are valuable for sector skills data and profiling.

### Skills and knowledge implementation at qualifying black dairy entrepreneurs

Based on the Milk SA Transformation Guidelines, the MPO Training Institute identified Amadlelo Agri, Little Barnet farm and Coromandel farm for Milk SA training support. Commercial farmers established Amadlelo Agri in 2004 to assist community families who received land from redistribution programmes. Amadlelo Agri assists the farmers in managing their farmland and ultimately develop the land to its full potential. Currently, the farmers have 49% shares in the company while Vuwa Investments, an empowerment company, owns 35% shares. The remaining shares have been distributed between workers on the dairy farms. Amadlelo Agri regards the training of local community members as a priority goal.

The group consists of five farms, namely Seven Star Trust, Middledrift Dairy, Fort Hare Dairy, Shiloh Dairy Trust and Ncora Dairy Trust. A total of 135 employees are associated with the group's dairies and they produce more than 98 000 l of milk per day which they mostly sell to Coega Dairies. Some of their milk is also sold to Sundale and via local sales.





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Amadlelo Agri identified the skills needs of the five farms through a GAP analysis process. The MPO Training Institute concluded a training session in 2018, where Module 9 - *Dairy Production Management* was presented to the group's managers and supervisors. Module 8 - *Dairy Code of Practice for Milk Producers* and the *Legenda(i)ry* game was presented on each of the five farms during 2019. *Table below.*

During 2018 the MPO Training Institute trained seven employees of Little Barnet farm in the Farmworker qualification (Modules 1 – 6 and Module 8, the *Legenda(i)ry* board game based on the *Dairy Code of Practice for Milk Producers*). During 2019 the MPO Training Institute presented the Dairy Supervisor qualification to the employees of Little Barnet Farm (*Table below*):

Date	Course	Venue	Employees trained
11-15 February 2019	Module 8: <i>Code of Practice for Milk Producers</i>	Fort Hare Trust	13
18-22 February 2019	Module 8: <i>Code of Practice for Milk Producers</i>	Seven Star Trust	15
01-05 April 2019	Module 8: <i>Code of Practice for Milk Producers</i>	Shiloh Dairy Trust	10
08-12 April 2019	Module 8: <i>Code of Practice for Milk Producers</i>	Ncora Dairy	11

Tshilidzi Matshidzula of Little Barnet Farm is part of a share milking business scheme in the Eastern Cape. Mr Matshidzula started his dairy venture as a TUT internship student under the mentorship of the commercial dairy farmer Mr Walter Biggs. Messrs. Biggs and Matshidzula entered a share milking business, which currently has more than 800 cows in milk. Mr Tshilidzi completed the GAP analysis in 2018 and committed to training his employees in all the modules of the Dairy occupational qualification.

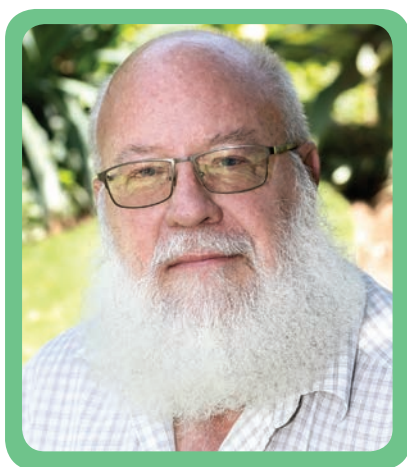
A *Dairy Code of Practice to Milk Producers* course, combined with the *Legenda(i)ry* board game that focuses on compliance with food safety requirements at a primary production level, was presented to the employees of Coromandel dairy. Coromandel farm is located close to Lydenburg, Mpumalanga and is owned by a Farmers Trust consisting of its employees. The farm is mentored by one of the MPO directors.

Date	Course	Venue	Employees trained
04-08 March 2019	Module 1 and 2: <i>The South Africa dairy environment Dairy calf and heifer rearing, feeding and health care</i>	Little Barnet Farm	6
11-15 March 2019	Module 3: <i>Dairy animal health care</i>	Little Barnet Farm	6
08-12 July 2019	Module 4: <i>Animal reproduction</i>	Little Barnet Farm	4
15-19 July 2019	Module 5: <i>Livestock feeding</i>	Little Barnet Farm	4
19-13 September	Module 6: <i>Milk harvesting</i>	Little Barnet Farm	4
16-20 September	Module 7: <i>Team leadership</i>	Little Barnet Farm	4

## 7.5 Project title: Transformation: Secondary Industry Skills Development

**Responsible institution:** SA Milk Processors' Organization

**Project Manager:** *Gerhard Venter*



### **Goal 1: Finalization of the Milk Reception Operator curriculum and qualification for submission for registration**

For a start, and on the recommendation of QCTO a year ago when there was a definitive drive from the authorities to prevent the proliferation of qualifications, the Milk Reception curriculum was incorporated as Part-qualification into a so-called Parent qualification titled Food and Beverage Process Machine Operator, together with 13 other such 'part-qualifications'. These part-qualifications were unrelated and originated across the five sub-sectors of FoodBev.

Just prior to submission for registration and based on the decision by QCTO regarding the dismantling of the Dairyman qualification – which

consists of ten specializations with appreciable overlap, and thus related specializations – and re-submission of Dairyman as 10 separate qualifications, the parent qualification so intended and containing Milk Reception, was dismantled and eventually re-submitted as separate qualification.

The requirement for a pilot study prior to registration was scrapped, but six learners were engaged by the project of which two were summatively (final, external) assessed for the dairy component (but not the generic component, which remains a mystery until today). This issue is to be discussed.

### **Goal 2: Support by the project for the final submission and approval of the Dairy Laboratory Analyst curriculum and qualifications to all role players for final registration**

Offers were made to FoodBev SETA (registered Development Quality Partner and Assessment Quality Partner for this qualification) to meet with the Qualification Development Practitioner (QDF) for assistance in any corrections to any component of the qualification submission, as it was reported that one component was in error. This offer was deemed unnecessary, as the error was as a result of a wrong format used for the Process Report. In the mean time it was reported that the error was corrected and a re-submission made.



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The project thus had no input in this matter. It needs to be stated that the development of all learning materials and assessment tools were based on the Curriculum Document as originally submitted by QDF on behalf of FBS (Foodbev). Should any amendments be recommended by QCTO, such amendments will in all probability impact on the developed materials.

### **Goal 3: Development of learning resources for Laboratory Analyst – Comparative study of the curriculum requirements to determine context and content**

In both Dairyman and Milk Reception, substantial laboratory skills have been addressed. In the legacy unit standards based qualification for Laboratory Analysts, some resources are also available and a thorough check had to be made on what is available and with what utility, taking into account that the presentation methodology is very different for unit standards based and curriculum based.

In the end a 'stock taking' indicated that even though much of the existing resources would be useful (as facts remain facts even with the passing of time), substantial dismantling and re-assembly, with appreciable additional development would be necessary to address all the requirements of the curriculum as designed and submitted.

### **Goal 4: Development of learning resources for Laboratory Analyst – Development of standardized learning resources**

Thirty-one modules had to be developed using existing materials, with much dismantling and re-assembly, plus appreciable additional development. This is complete.

### **Goal 5: Development of learning resources for Laboratory Analyst – Development of Internal assessment documents and tools for theory and practical learning formative assessment**

All internal assessment documents and tools have been developed.

### **Goal 6: Development of learning resources for Laboratory Analyst – Development of External assessment documents and tools for theory and practical learning summative assessment**

All external assessment documents and tools have been developed.



### **Goal 7: Conducting a pilot study for full utility assessment of the Laboratory Analyst curriculum**

This requirement was removed by QCTO from the curriculum development rules. In addition to the impact of other planning and incidental work required of the Project manager, it was welcomed as the development load was greater than initially planned for (planning for a year is done by August/September of the previous year, but only once a goal is embarked upon in a developmental milieu, can one really appreciate the magnitude of the task). The Project Manager was retrenched from full-time employment but nevertheless planning was required for system maintenance in future.

### **Goal 8: Specialized support in respect of skills and knowledge development**

Quite a substantial load of enquiries was handled through the year (some 30-odd) in respect of types or level of intervention which could be recommended to end-users. This is not a measurable output as the number and magnitude of enquiries to be encountered are unknown at the onset.

### **7.6 Project title: Enterprise Development, Facilitation and Coordination**

**Responsible Institution:** Milk SA

**Project Manager: Godfrey Rathogwa (Transformation Manager of Milk SA)**



### **Objective 1 - Continue monitoring existing black dairy commercialization enterprises**

The Sustainable Commercialization Project came into being as a result of 2006-2009 Milk SA statutory levy surplus funds. Its goal is to promote competitiveness, profitability and sustainability of existing small black owned dairy enterprises by contributing to the reduction of commercial venture impediments such as poor on-farm infrastructure, dairy enterprise technical competencies, business competencies and compliance with legislation. In order to augment the limited statutory levy surplus funds, Milk SA's Transformation Manager

successfully applied for a grant for funding from the Jobs Fund programme and secured R10.35 million. Below follows a report on the objectives set for 2019 at the beginning of the year.

During the year under review monitoring focused on dairy herd health, breeding, milk production, fodder flow, animal feeding, and business activities record keeping. Accordingly, advice to entrepreneurs was given based on actual circumstances of the enterprise. On average, there were seven hundred and fifty two (752) cows in milk. Farmers supplied 3 014 696 kilograms of milk to processors / or consumers. The total number of cows increased by 30% while milk volume went up by 12.15 % during the year under review compared with 2018.

A total of 1 240 tonnes of lucerne were delivered during the period under review. Lucerne was delivered to farmers on a 25:75% cost sharing basis between the beneficiary and Milk SA. The decision was taken to support farmers with fodder because drought severely affected fodder flow in general as farmers could not plant maize for silage during the summer of 2018. Orders placed by individual beneficiaries ranged from five to 100 tonnes.

The Centre for Competition, Regulation and Economic Development of the University of Johannesburg organized a stakeholder meeting which was attended with some of the project beneficiaries, researchers from Edinburgh University and Milk SA directors. What was encouraging at the workshop, was the positive feedback to the meeting from two beneficiaries about the good work of Milk SA in supporting smallholder dairy enterprises development. One dairy entrepreneur said that when you partner with Milk SA you make real progress.

The relationship with the Jobs Fund ended in November 2019 because the Jobs Fund approved the transfer of funds which Milk SA wanted to use to assist farmers to establish permanent pasture. The Jobs Fund's reasons for denial to use such funds in establishing pasture was that farmers could not employ a sufficient number of workers and that Milk SA wanted farmers to contribute to the cost of establishing pasture. Nonetheless, an independent project performance assessor is currently gathering information from project beneficiaries and the report on overall performance of the commercialization project is expected before the end of March 2020.



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## **Objective 2 - Deliver cows / pregnant heifers among new and existing black dairy enterprises depending on compliance with Milk SA criteria and beneficiary counter performance**

Sixty-two (62) pregnant heifers were delivered and shared among three beneficiaries during the period under review. The three beneficiaries who received cows were also given a total of fifty (50) tonnes of lucerne to support their animals with feed as the period was very dry. Two of the farmers each received twenty three (23) and the third received sixteen (16) pregnant heifers. The third farmer received fewer heifers because he was also assisted with a 1 000 litre pasteurizer.

Five existing project beneficiaries were assisted to obtain quotations for the purchase of cows funded under the comprehensive agricultural support programme (CASP) of the Department of Agriculture, Forestry and Fisheries. One new beneficiary, who was in the process of buying someone's farm, was not supported, until proof of farm ownership transferred into his name had been received by Milk SA. The entrepreneur is an ex-government employee who resigned in order to pursue farming full time.

## **Objective 3 - Supply critical dairy productive infrastructure**

An order for a 1 000 litre pasteurizer was placed during the period under review. Unfortunately the pasteurizer which was supposed to have been delivered by November/ December 2019 was not yet delivered at the time of writing the report. The matter was followed up with the supplier who said that he was disorganized due to a bigger project which he was handling, but promised to deliver the pasteurizer during February 2020. Sinking of boreholes, construction of water reservoirs and laying of irrigation pipes could also not be implemented as planned because the Jobs Fund could no longer release funds. According to them the requirement for a farmer's contribution to the cost of establishing pasture on a 50:50% cost sharing basis between Milk SA and existing beneficiaries using Milk SA Jobs Fund funds, was a change of the original contract which they did not like to approve, although during negotiations they had never refuted the idea.

On investigating the matter further, it was discovered that they approached one farmer who indicated to them that contribution would be difficult. Such a person was unfortunately not at a meeting where all farmers

agreed and signed to confirm their commitment to 50% own contribution to the total cost of establishing permanent pasture under irrigation. The reason for requesting farmers' own contribution was to ensure that more land was cultivated under pasture and to promote entrepreneurial culture. The Jobs Fund was also requested that if contribution by farmers was not acceptable to them, 60 hectares instead of 120 could be developed.

- vi. Strengths, weaknesses, opportunities and threats (SWOT) analysis of the enterprise.
- vii. Strategies to realize objectives

Information obtained during these sessions was also used to develop business plans for blended funding being managed by the Department of Agriculture, Forestry and Fisheries (DAFF).



**Objective 4 - Capacitate new black dairy entrepreneurs and their workers in dairy enterprise business competencies**

During the year under review, three workshops were held in Free State over a period of three days in total with existing project beneficiaries and five potential beneficiaries. During the workshops the following aspects were covered:

- i. Fodder flow planning.
- ii. Enterprise mission.
- iii. Enterprise vision.
- iv. Short term objectives.
- v. Long term objectives

**Objective 5 - Assist existing black dairy enterprises in business plan development**

Four workshops were held at Harrismith during the year under review. The focus of the workshops was on challenges which entrepreneurs were facing and strategies to overcome them in line with their business mission and envisioned business objectives. Adequate fodder flow, proper feeding, adequate water supply, dairy herd health management and adequate working capital were some of the challenges identified.

Permanent rye grass under irrigation was suggested to address the issue of inadequate fodder flow while testing of knowledge of the previous workshops was suggested



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to test general knowledge before future workshops. Farmers were also requested to revisit their medium and long term objectives and also to formulate strategies to realize their objectives to promote pragmatism in the whole business process.

## **Objective 6 - Coordinate and liaise with relevant stakeholders**

The purpose of engaging other relevant stakeholders is to promote collaboration and partnership in dairy development as development cannot be monopolized. During the year under review engagements were made with each of the institutions / persons indicated below.

- i. The Department of Agriculture, Forestry and Fisheries were met regarding blended funding and the Jobs Fund/DAFF funding for black agri-businesses, for an opportunity for one to buy a stake in an existing commercial enterprise, regarding CASP funding for some of Milk SA's commercialization project beneficiaries. The department wanted to know if farmers had already received money and used it on what it was intended for. It was discovered that money was being received in tranches and farmers were connected with our livestock agent to give them quotations.
- ii. The Department of Trade and Industry was engaged regarding agro-processing support for small, medium and micro enterprises without reliable milk buyers.
- iii. The National Agricultural Marketing Council was met with regarding Ministerial funds, Transformation Business Plan for 2020 and transformation work in general.
- iv. Meetings were held with a Land Bank representative in connection with a current project beneficiary having challenges to meet his loan repayment due to a loss of cows which he claims were sold to him sick, and possible partnership between Milk SA and the Land Bank in assisting new potential dairy enterprises.
- v. The Agricultural Research Council (ARC) was met with to discuss potential beneficiaries they had identified in some provinces and were given enterprise profiling forms.
- vi. Two representatives of Edinburgh University who were visitors at the Centre for Competition, Regulation and Economic Development (CCRED), University of Johannesburg, were accompanied to Harrismith to interview farmers regarding project progress and challenges.
- vii. The Department of Trade and Industry was met with regarding incentives for agro- processing- funding ranges 20 to 305 depending on meeting criteria.



- viii. The Department of Basic Education was also met with regarding a potential partnership with Milk SA, especially a school feeding scheme programme.
- ix. Four Free State Agri-BEE Council meetings were attended in Bloemfontein during the year under review. It was reported during one of the Free State Agri-BEE Council meetings that:
  - a. Agri-SA released a transformation report that did not speak to five (5) elements of transformation.
  - b. Standard Bank was training farmers together with the University of Free State on financial management and production on the farm to ensure that they graduate to commercial level.
  - c. There was a need to harmonize the financial sector code (FSC) and the Agri-BEE sector code for coordinated efforts to realize transformation in the sector.
- x. The Centre for Competition, Regulation and Economic Development (CCRED) of the University of Johannesburg organized a stakeholder meeting which was attended with some of the project beneficiaries. What was encouraging was the positive feedback to the meeting from two beneficiaries about the good work of Milk SA in supporting smallholder dairy enterprises development.
- xi. The Gauteng Growth and Development Agency was met with during the period under review to discuss possible support for small raw milk processors. Contact numbers of the officer at Gauteng Agriculture were provided for giving to those who wanted to process their own raw milk.
- xii. The Agricultural Development Agency (ADA) of KZN was visited during the period under review to discuss support of one beneficiary who wanted to expand dairy. The challenge of the enterprise was found to be lack of focus because they wanted to deal with beef, sheep and dairy without any clarity of the main enterprise. ADA would send the business plan to Milk SA for a review and advice.
- xiii. A meeting organized by the Department of Rural Development and Land Reform (DRDLR) was attended in Umthatha during the period under review. The meeting was discussing a potential raw milk processing plant and supply of raw milk. Stakeholders at the meeting requested what informed the thought to start the business but there was no any report. Milk SA was requested to secure a

report of the study done by the University of Pretoria. It was agreed that:

- a. Future meetings should involve Coega.
  - b. Milk SA should advise on milk volumes needed for a successful raw milk processing plant.
  - c. SEDA (Small Enterprise Development Agency) should be invited to the next meeting regarding their incentives.
- xiv. On 16 November 2019 Amadlelo Annual Awards Luncheon day was attended with the Chairman and CEO of Milk SA. The CEO made a presentation on the Dairy Industry Perspective and the future prospects.

### Objective 7 - Participate in Marketing Forum meetings

Three Marketing Forum meetings were attended during the year under review. The focus of the meetings was, among other things, on Global GAP, CASP support to the SA-GAP programme, agricultural marketing capacity building and the AgriBEE Fund. It was reported that the AgriBEE Fund was unfrozen and should be applied for through provincial Land Bank offices. It was also expressed that all commodity organizations should develop long term development strategies that include marketing. A concern was also expressed regarding lack of co-operation in development initiatives.

The Transformation Manager was nominated to be a member of the task team of the Agricultural Marketing Forum to review the Marketing Forum's terms of reference. The meeting was held at Milk SA offices. The revised terms of reference of the Marketing Forum are to:

- i. Facilitate efficient and effective marketing of produce from black producers.
- ii. Operationalize implementation of the Integrated Marketing Strategy through a marketing support programme;
- iii. Exchange experiences and share lessons on both best practices and unsuccessful projects in implementing the Integrated Marketing Strategy;
- iv. Coordinate and initiate applicable and relevant skills development and capacity building programs for Agricultural Marketing Economists responsible for implementation;
- v. Undertake any activity in relation to agricultural marketing as delegated by the (Agricultural Economics Working Group) AEWG;

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- vi. Serve as a platform for joint planning with provinces on implementation of the Integrated Marketing Strategy;
- vii. Serve as a platform for reporting and reviewing progress and bottlenecks regarding implementation of the Integrated Marketing Strategy;
- viii. Recommend proposals for funding marketing infrastructure investments;
- ix. Enhance access to various incentives by producers for marketing initiatives.
- x. The Forum reports quarterly and annually to the Agricultural Economics Working Group (AEWG) regarding progress made and challenges experienced during implementation. The specific functions of the Forum are expanded as follows:
  - a. Marketing Infrastructure and Agro-Logistics
    - 1. Develop and implement solutions for logistical problems experienced by smallholder producers in areas with high agricultural, market driven production potential and improve efficiency of logistics.
    - 2. Facilitate the establishment of marketing infrastructure, particularly infrastructure that facilitates storage (including cold-storage), grading, packing and value addition by assisting producers in the development of bankable business cases; and
  - b. Marketing Information
    - 1. Facilitate access to and use of the marketing information system;
    - 2. Facilitate collection and dissemination of agricultural marketing information to assist smallholder producers/ farmers to make informed business decisions; and
    - 3. Generate relevant regional and/or local agricultural marketing information and disseminate it to producers and other role-players in their locality.
  - c. Market Linkages
    - 1. Implement a credible and comprehensive programme of linking smallholder producers to markets by securing markets;
    - 2. Undertake marketing research and market intelligence when necessary.
  - d. Skills Development
    - 1. Undertake needs analysis for smallholder producers on marketing skills and develop a database of such producers for utilization by the department and other training institutions that have an interest in skills development of smallholder producers; and
    - 2. Roll out the skills development and capacity building programme on marketing using accredited learning programmes.





e. Finance

1. Mobilize funds for implementation of the integrated marketing strategy within respective provinces.
2. During the previous sitting the Perishable Product Export Control Board (PPECB) reported on the DAFF SAGAP Certification Project covering the work done during April 2019 to September 2019 covering pre-audits, one on one farm visits, workshops and final certification audits. It was reported that:

- Pre audits were done in the presence of the farm manager and two officials from the respective provinces.
- Farms were inspected to check that required infrastructure complied with prescribed standards.
- Learning and development specialist went through the project file (records) with the farmer and the learning and development specialist offered advice on aspects that needed to be addressed before the final audit was done.
- Reports of the non-conformances were written and shared with the project owner. The majority of non-conformances appeared to be soft issues (recording keeping) and the provinces promised to work with farmers to address the non-conformances.



**Gerhard Venter and Dawie Prinsloo at Milk SA's General Meeting in November 2019.**

**Objective 8 - Maintain and strengthen relationships with Provincial Departments to enable updating of data on black dairy enterprises**

Letters were written to all provincial HODs of agriculture requesting Black dairy enterprises data / information with a deadline. Unfortunately, except for three provinces, no responses were received despite several telephonic follow-ups. Even among the three that responded, one response indicated that there were no Black dairy enterprises in that province. While no specific visits to the provinces were made, communication regarding transformation in the dairy industry was maintained through the Marketing Forum which met three times during the year under review.



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## 7.7 Project title: Improvement of the quality of milk and other dairy products and compliance with legal standards

**Responsible Institution:** Dairy Standard Agency NPC

**Project Manager:** Jompie Burger



The Dairy Standard Agency (DSA) is a registered non-profit company (NPC) in terms of the new Companies Act, 2008 (Act 71 of 2008). The primary objective of DSA is the promotion of compliance of milk and other dairy products with product composition, food safety and metrology standards.

The DSA serves as an organization which acts strictly according to scientific information and functions independently of commercial interests that may affect the organization's actions. The DSA as organization has a Board of Directors consisting of members who have no interest in any commercial enterprise in the primary or secondary dairy industry.

DSA membership consists of the SA National Consumer Union, the Milk Producers' Organisation, the South African Milk Processors' Organisation and the South African Society of Dairy Technology.

The company has an established technical committee comprising scientists who are specialists in the matters handled by DSA. It also has an established enterprise risk management programme that is maintained through its Audit and Risk Committee to ensure alignment of DSA

project activities with the company as well as Milk SA's objectives and strategies.

The DSA's strategic approach for 2019 was accepted by the DSA Board and Members and was the result of a comprehensive consultation process. This strategic approach contributed in a significant manner by limiting substandard milk and other dairy in the retail and was realized through the progressive implementation and maintenance of the DSA statutory and non-statutory projects.

### DSA and transformation in the dairy industry

The primary objective of the Dairy Standard Agency is to promote the improvement of dairy quality (compositional standards) and safety on a national level, in the interests of the industry and the consumer. Activities within the scope of the approved statutory and non-statutory projects directly and indirectly contributed to the empowerment of the previously disadvantaged. These activities included presentation of workshops and information sessions to government officials and student environmental health practitioners during which transfer of dairy technological information and regulatory matters was done. Workshops and sessions conducted were predominantly (more than 90%) attended by previously disadvantaged students and individuals.

DSA acknowledges the commercialization of black dairy farmers and secondary processing facilities, as stakeholders in the SA dairy industry as well as the need for the development and implementation of appropriate supportive services necessary to create a sustainable environment for food safety and quality raw milk production. To this effect DSA rendered services to the Milk SA transformation project by conducting facility assessment at farming operations on request. The assessment work and recommendations mainly dealt with aspects relating to compliance with the relevant health legislation.

### DSA 2019 projects

According to the approved 2019 project plan, DSA activities were grouped into specific programmes and projects under the titles "Milk SA" (statutory) and "User Pay" (non-statutory). A total of 17 goals/projects were

executed of which 11 were of a statutory nature. The latter are reported on here below.

### **Project 1 - National milk monitoring programme in collaboration with Health Authorities**

The quarterly sample runs for 2019 were successfully completed as per predetermined schedules. Based on four cycles, on average seven Metropolitan Municipalities, 18 District Municipalities and 75 Local Municipalities participated in the sampling runs representing all provinces. As per procedure, results of all milk and other dairy products were benchmarked against food safety, compositional and trade metrology standards as per regulation. The total number of 1849 samples of milk and other dairy products were analysed.

Samples were mainly submitted to DSA Laboratory Services as well as SANAS accredited laboratories as per standard procedure and results of milk and other dairy products were benchmarked against food safety, compositional and trade metrology standards as respectively gazetted under the Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972), Agricultural Product Standards Act, 1990 (Act 119 of 1990) and the Legal Metrology Act, 2014, (Act 9 of 2014). Non-conforming results obtained were assessed and communicated to the processors for further action. Contact details of participating authorities as well as processors were updated as per standard procedure.

Non-conformance reports regarding added water, inhibitory substance positive, phosphatase positive and E.coli positive were also forwarded to the relevant authorities for further action.

DSA in terms of its project activities continued to extensively use its updated guideline developments to promote the improvement of the level of compliance of the above categories of products during 2019.

DSA also in terms of its project protocol and relationships with the relevant authorities (see project goals 5 and 6) continuously liaised with the relevant law enforcement bodies, providing support through dairy technical information, workshops and guideline documents to limit the sale of non-conforming products.

### **Project 2 - Investigation regarding complaints received in respect of product compliance with legal requirements**

Investigations were done regarding the following complaints:

- Product composition of milk and other dairy products
- Sale of Bulk Cheese in the retail
- Shelf life compliance of yoghurt products
- Adulteration of butter
- Presence of antibiotic residues in milk





# BOARD OF DIRECTORS' REPORT

## Project 3 - Special Investigations

The following special investigations took place:

### *Adulteration of UHT milk with milk powder and related concentrated powders*

The establishment of analytical method for the detection of added milk powder and milk protein concentrates to fresh milk and UHT milk continued during 2019 with the scientific report expected in mid-2020.

### *Listeria monocytogenes*

A total of 205 samples were analyzed for the detection of presumptive *Listeria* spp. during the DSA's National Milk Monitoring Programme between July 2019 and September 2019. Out of the 205 samples, eight tested positive for presumptive *Listeria* spp. This included raw milk and cheese samples and upon further analyses, three of these eight samples tested positive for presumptive *L. monocytogenes* which have been sent to the University of Pretoria for confirmation. A full report was submitted to the DSA Board for consideration in November 2019.

### *Aflatoxin*

The Aflatoxin investigation initiated during 2018 was completed and a scientific report compiled at the end of January 2019.

### *Antibiotic project*

This is a comparison of methods for determining antibiotic residues in milk. The project was established as collaborative work in conjunction with the Milk SA Research and Development Project of Milk SA.

## Project 4 - Risk identification through statistical analysis

DSA compiled comprehensive statistical reports following the completion of each quarterly cycle. The reports were interpreted to determine possible industry specific food safety risks. All cycle results indicating non-conformances were subsequently communicated to the respective health authorities.



A total of 459 reports on non-conforming results were forwarded to the respective government departments at the end of each cycle. Each participating municipality received a quarterly report on the analysis done of samples submitted.

The DSA national dairy monitoring programme provides for the sampling of the categories namely packed pasteurised and unpasteurised milk and retail bulk pasteurised and unpasteurised milk as well as other dairy products. Relevant information regarding food safety and compositional standards for milk and other dairy products was communicated to the dairy industry and other organizations.

### *National and international food safety and recall monitoring*

International food risk monitoring: Eighteen different websites and RSS feeds\* were monitored on a weekly basis for possible food safety scares that might affect the local dairy industry:

Continuous monitoring did not reveal any direct threats from food safety incidents and product recall to the South African consumer.

Special attention was given to the presence of *Listeria*, the presence of antibiotic residue on raw milk and milk products as well as milk ring test (brucellosis in raw milk). Industry reports regarding the prevalence of Brucellosis

in milk herds in certain provinces and consumption of unpasteurized remained a public health concern.

### **Project 5 - Remedial action programmes with producer-distributors (PDs) and distributors**

Producer distributors (PDs) are defined as milk producers that are also engaging in the packing, distribution and selling of milk whether raw or as heat treated milk and may include other dairy products.

Quarterly milk and other dairy product sample results once processed were forwarded to the respective PDs and processors/manufacturers. These activities were followed by means of interaction with PDs and processors/manufacturers regarding non-conforming test results as well as recommendations for corrective actions. Communication is done either by means of a telephone call, e-mail report, posted report or a visit to the facility. Environmental Health Practitioners (EHPs) were also requested to communicate all test results to the relevant parties.

DSA technical personnel provided the respective processors and producer / distributors and retailers (milk shops) with comprehensive reports after the visits that are also used for further reference purposes. A total of 278 facilities were visited during 2019.

### **Project 6 - Communication with authorities and other organizations**

*Department of Health: Directorate Food Control*

As a continuous activity DSA in a supportive role, assisted the industry members with queries relating to food labelling, food safety and food additive requirements as well as dairy technical matters. DSA liaison with DOH focused on the identification and surveillance of residues of antibiotics of critical importance for both humans and animals as well feedback on Codex Committee activities.

*Municipal Health Authorities*

Communication with the municipal health authorities mainly focused on interpretation of food safety legislation and elements of law enforcement as per the health regulations under the Foodstuffs, Cosmetics

and Disinfectants Act with specific reference to retail unpasteurized and pasteurized bulk milk and certificates of acceptability.

*Department of Agriculture, Land Reform and Rural Development (DALRRD)*

#### **i) Directorate: Inspection Services (IS)**

Following the ongoing High Court application a directive was issued on 23 August 2019 from the Acting Deputy Director, Directorate: Food Safety and Quality Assurance, choosing as a result of the High Court application brought by Milk SA against the Department, to instruct officials not to execute their mandate based on information generated by DSA and that inspection shall be carried out independent of any influence whatsoever from Milk South Africa. The Acting Deputy Director was cordially informed that DSA is primarily funded by a statutory levy imposed by the Minister of DALRRD upon processors and manufacturers of dairy products in terms of the Marketing of the Agricultural Products Act, 1996 to enable it to fulfil its mandate. This includes assisting the Directorate, the Executive Officer and its inspectors in identifying compliant and non-compliant processors and manufacturers in the dairy industry which enables them to identify and then conduct efficient and effective inspections of those members who are non-compliant.

The above situation directly influenced DSA in forwarding cycle results regarding infringements in terms of the Regulations relating to dairy and imitation dairy products, to the Inspection Services. No results were forwarded to the assignee before and subsequent the resumption of services pending the High Court application.

#### **ii) Directorate Food Safety and Quality Assurance – FSQA (policy making)**

Communication with FSQA regarding dairy product compositional matters and the interpretation of the Regulations relating to dairy and imitation dairy products continued. Formal communication with DALRRD: FSQA also continued regarding the circulation and commenting on the second draft amendment of the Regulations relating to dairy and imitation dairy products.



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## *National Regulator for Compulsory Specifications (NRCS): Legal Metrology*

Standard procedure provides for a quarterly report regarding metrology infringements to the Senior Manager, Inspections: Legal Metrology NRCS. Two formal complaints were raised with NRCS.

## *Perishable Product Export Control Board (PPECB)*

Since the filing of papers in the High Court by the Woodlands/Milk SA joint application against matters relating to the latest appointment of an assignee, no further developments regarding the PPECB SOP regarding dairy export took place during 2019.

## *South African Bureau of Standards (SABS)*

DSA participated as member in the activities of the Technical Committee SABS TC 70/SC 4, Legal Metrology - sale of goods as well as the SABS TC 034 SC 17 Food products - Hygiene practices in the food industry and technical committee. Committee work resulted in the publication of SANS 10049 and the draft SANS 10330 (HACCP) for public comment. Outcomes were communicated via the Regulations and Standards Project of Milk SA to industry.

## **Communication with other organizations**

### *Milk SA, MPO and SAMPRO*

DSA attended the Advisory Committee meetings on which it serves and also interacted on a regular basis with the Project Managers of the Milk SA Consumer Education Project and SAMPRO Training, MPO Institute for Dairy Technology as well as the Project co-ordinating committee of the Milk SA (DSA, CEP and R&D Programme of Milk SA).

The Project management of the Regulations and Standards Project of Milk SA consulted regularly with the organized dairy industry with specific reference to the appointment of the DAFF Assignee and regulatory matters. Regular interaction between the project management and the Milk SA legal team continued during 2019. The Managing Director with permission of the Board attended the European Dairy Quality conference in Amsterdam during 11 to 15 November

2019 as well as visited Qlip (Netherlands) who is the preferred supplier of international standards for the calibration of industry high frequency measuring equipment. A scheduled meeting also took place at the Wageningen University to establish a standing relationship on development of analytical methods with regard to food fraud detection in milk and other dairy products.

## **Additional project: Standardization of standards for calibration of laboratory equipment**

Liaison with industry members continued regarding the Milk SA project relating to the standardization of standards for calibration of laboratory equipment resulting in the following progress made. The laboratory is fully functional, by supporting the DSA statutory monitoring project of milk and other dairy products. The delay experienced regarding the official commissioning of the standardization project continued with issues relating to the issue of a master import permit form to be issued by DAFF veterinary offices due to a revised veterinary import procedure. Extensive work has been done regarding the extension of the DSA Lab Services in respect of the establishment of somatic cell count as well as diagnostic testing in the interests of the organized dairy industry

CGCSA: FSI – DSA as member of the Food Safety Initiative (FSI) interacted on a regular basis with the management of FSI regarding matters relating to regulations under the Foodstuffs, Cosmetics and Disinfectants Act, Agricultural product Standards Act and the DAFF appointed Assignee.

EHEDG: European Hygienic Engineering and Design Group – DSA serves as committee member of the South African Regional Section of EHEDG. The EHEDG provides a balanced forum for food processing equipment manufacturers, users and legislators to discuss issues concerning hygienic design and to stimulate food safety and quality.

IDF – The DSA Managing Director is a member of SANCIDF and of the IDF Standing Committee: Standards of Identity and Labelling and nominated to the IDF Standing Committee for food additives. The Managing Director attended meetings as participant of the arranging committee for the IDF WDS 2020 in Cape Town.

SANCU - DSA as member of SANCU communicates with the SA National Consumer Union regarding dairy food safety and quality related and attends general meetings where applicable.

SASDT – The DSA Managing Director as member of the management committee of the Northern region participated in the SASDT management meetings and general meeting during the fourth quarter.

TERTIARY INSTITUTIONS – DSA served as a member of the Advisory Boards of the Departments of Environmental Health of the Tshwane University of Technology (TUT) as well as Nelson Mandela Metropolitan University. The purpose of the advisory boards is to give industry inputs and assist the universities with the development of course material for Environmental Health Practitioners.

### **Project 7 - Liaison on legislation with authorities**

Although a blended role of activities exists it is important to note that the work of the Regulations and standards project of Milk SA project is not a duplication of this DSA project. The fundamental difference of Project 7 relates to the relationship and involvement of DSA as self-regulatory initiative with government structures and execution of the law. The Regulations and standards Project of Milk SA relates to participation in the formalization of draft regulations and standards and comments on regulatory matters, as well as communication through Milk SA in the interests of the dairy industry and other stakeholders.

DSA continued liaison with the authorities regarding the following legislation and standards:

*Department of Health: Directorate Food Control*

Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972)

- Regulations relating to milk and dairy products R1555/1997
- Global standards for food additives
- Codex Committee comments on Food Hygiene

*DALRRD*

Agricultural Product Standards Act, 1990 (Act 119 of 1990)

- Publication of the Regulations relating to the classification, packing and marking of dairy products and imitation dairy products intended for sale in RSA (R1510/2019)

*Non-compulsory South African National Standards – SABS*

SANS 10330: Food safety - Requirements for a Hazard Analysis and Critical Control Point (HACCP) system. Codex Alimentarius and ISO

- Amendments to the “Codex General Standard for Food Additives”
- Codex Committee comments on Food Hygiene

*DSA Technical Committee*

The technical workgroup activities in 2019 were mainly focused on projects relating to the investigation into the establishment of infrastructure regarding supply of standardized standards used for the calibration of laboratory equipment in the local dairy industry, special investigation into food fraud: adulteration of local and imported milk and other dairy products and testing for antibiotic residues in milk and completing the Listeria case study of 2018. Technical committee work regarding comments on the draft R260 of 2015 dealing with dairy and imitation dairy products was done through the Regulations and Standards Project of Milk SA.

### **Project 8 - Information and education project**

DSA presented information sessions based on the DSA Code of Practice and related guideline materials to professional EHPs as well as 256 student EHPs, on a national level, at the respective tertiary institutions. These information sessions are also available to other professions and government/municipal officials, milk producers, processors and distributors that require information regarding food safety and quality standards on a national level. Two information sessions were held at the University of Pretoria main campus and Onderstepoort to 3rd and 4th year students respectively.

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## Project 9 - Media communication

DSA signed contractual agreements with Veeplaas and Agri Connect. Project work resulted in six advertisements, six advertorials, three talks on national radio stations, two Milk Essay booklet publications and two video podcast recordings.

## Project 10 - Development of guideline documentation

Following the publication of the latest SANS 1694, "The welfare of dairy cattle", work has been initiated on the update of the DSA Code of Practice for Milk Producers, with specific reference to biosecurity as well as animal welfare. Subsequently the DSA audit criteria based on SANS 1694 were developed in support of the dairy industry compliance with animal welfare criteria. The update of the DSA Code of Practice for the Secondary Industry as a result of the amendment of the latest SANS 10049 and latest Regulations relating to dairy and imitation dairy products also resulted in amendments on the draft COP until end 2019. Publication of reviewed codes of practices is foreseen in mid-2020.

## Project 11 - Regulations and Standards Project

The Regulations and Standards Project of Milk SA relates to participation in the formalization of draft regulations and standards and comments on regulatory matters, as well as communication through Milk SA structures in the interests of the dairy industry and other stakeholders.

The Advisory Committee of the Regulations and Standards Project communicated electronically during 2019 and members participated in matters relating to proposed new and revised legislation and standards. The Advisory Committee, also through its Management Committee, communicated relevant legislation, voluntary standards and related matters where applicable regarding food safety, product composition and metrology to the organized dairy industry. Members of this committee namely Messrs AP Kraamwinkel (Chairman) and J Burger (Project Manager) also acted as Milk SA representatives in the joint Woodlands/Milk SA High Court application against the respondents namely the Minister of DALRRD, the executive officer and assignee in terms of the Agricultural Product Standards Act.

## 7.8 Project title: Consumer Education Project of Milk South Africa

**Responsible Institution:** The SA Milk Processors' Organisation

**Project Manager:** *Christine Leighton*



The objective of this report is to describe the outputs and the activities of the Consumer Education Project during 2019. The Project was allocated a budget of R 18 750 000. The unused funds of 2018, of R403 113 were approved for use in 2019. These funds are applied in respect of specific budget items as approved by Milk SA.

### Objectives of the project

In terms of Regulation 1398 dated December 2017 and similar regulations implemented previously, issued in terms of the Agricultural Marketing Act (47 of 1996), part of the income from the levies on dairy products should be spent by Milk SA on consumer education. In this regulation the following is stated:

*"From a national point of view and to promote the viability of the dairy industry, consumers should be informed of the health and nutritional advantage of milk and other dairy products. Informed consumers will not only contribute to the national well-being in respect of nutrition and health, but especially also to the viability and sound development of the dairy industry. The education will be conducted in such a way that it will not erode the marketing activities of any firm in the dairy industry that are aimed at differentiating its products from that of competitors."*



## Target groups

- The target group for the General Communication element is consumers, LSM 6-10, with a meaningful spill-over to LSM 4 and 5 and agreed to by the advisory committee. LSM 6-7 groups have an income of approximately R 5 000 to R 9 999 and LSM 8-10 can have an income greater than R19 999. LSM indicators are used to determine target audiences for the different elements of the Project.
- The target group for the Specialized Communication element is health professionals, namely doctors, nurses, dietitians, nutritionists, nutrition advisors and health promoters.

## Communication channels

To convey messages effectively to the target groups, appropriate use of the different communication channels is necessary. Due to the numerous opportunities which exist and which can be created, it is of extreme importance to be highly disciplined in selecting the most effective communication channels, the reason being to ensure balanced and integrated use of the



channels to convey the messages to the target groups. The communication channels that were selected for use by the project are:

- Television;
- Print in the form of promotion articles (advertorials) in consumer magazines, scientific articles in magazines aimed at health professionals and pamphlets for distribution at selected events;
- Schools;
- Clinics;
- Websites;
- Digital advertising and Social media;
- Presentations at scientific congresses and seminars; and
- Media liaison

## General communication

### Television and social media

#### *Campaign roll out during 2019*

Three bursts were planned for 2019. The new television advert was flighted from 15 March to 4 April 2019; 15 to 28 June 2019; and 20 to 30 September 2019 - during the school holidays - as the advertisement is aimed at teenagers.

The online mobile game was introduced on Facebook and users signed up to play the game from 15 to 31 March 2019. The game ran from 8 April to 3 May 2019.

A digital advertising campaign was implemented to carry the messages of the campaign and to promote the website, Facebook page and Instagram. Banners appeared on social media sites visited by teenagers such as YouTube and Facebook.

The winner was announced on 13 May 2019 and received the prize in September 2019.

### Demographics of the target audience:

- 13 to 19 years (spill-over to 20 to 25 years)
- Male & Female
- Middle income group
- Primarily high school students

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## Objectives for the campaign

The objectives are to promote the image of dairy; and to promote the health and nutritional advantages of milk and other dairy products in terms of bone health and sport. This is always communicated in an accessible, relatable way.

## Top-line results for Alien television and digital during the first burst in April 2019

### Television results

The 30" TV ad was flighted with a tagline to enter a competition i.e. Dairy Space Race.

- ARs (Average Reach): 97% of goal achieved - (Planned ARs 530; Achieved 512 ARs;  $512/530\% = 96.6\%$ )
- Reach: Aimed to reach 70% of teens and actual reach was 67.0
- Frequency: Aimed for 7.5% against teens and actual achieved was 7.7%.

### Digital results



## YouTube media results

- The 50" TV ad was viewed on YouTube
- A total of 237 947 views were delivered as opposed to the 66 250 goal and was an imperative driver to the overall awareness of the campaign.
- VTR (View Through Rate) had a benchmark of 16.00% and 37.75% was achieved.

Overall the campaign outperformed the expectations on the different digital platforms. The digital banners drove viewers to the game, to sign up and play for 30 days.

## Facebook audience

The majority of the Facebook fans (those that liked the page) were women between the ages of 18 and 24. The most engaged part of the audience and the age group reached during the campaign were both women and men between the ages of 13 and 17.



Facebook	Total fans	Fan increase	Posts sent	Impressions	Impressions per post	Engagements	Engagement per post	Linked clicks
Dairy Gives You Go	54 0434	0.01%	116	5 241 353	45 184.1	74 294	640.5	5 919

## Instagram

The DGYG Instagram page gained 570 new followers over the 3-month campaign period and engagement increased by 319.0% over the period. The spot prizes and posts that prompted engagement (e.g. share a pic of your alien, or tell us what your alien's hobbies are) helped to boost engagement levels. The use of micro-influencers contributed to the increased following in this platform.

## Dairy Space Race game performance

The objective of the game was for the user to evolve their alien by feeding it three dairy products per day for 30 days. In addition, there were opportunities to earn extra entries with quizzes and other activities.

### Results:

Number of players that signed up to play the game: 2 560  
Active players to the end: 2 518  
Inactive players: 42

The total number in the target group (age 13-19 HHI R5 000 39 999/middle income group) is 2 183 000. The

campaign achieved a reach of 67.0%, thus the total reach was 1 462 610.

For moms (age 35-55/Mothers/HHI R5 000 – 39 999/ middle income group) – The total number in the target group is (1 453 000). The campaign achieved a reach of 73.0%, thus total reach was 1 060 690. **Table of Post campaign below.**

## Cumulative 2019 television performance

- ARs 1151
- Reach and frequency: 13.2% frequency and 87.0% reach.

## Social media campaigns in 2019

### Dairy Dares Campaign:

A digital campaign was introduced on the Dairy Gives You Go (DGYG) Facebook page i.e. Dairy Dares campaign which ran for August and September. Every week one exciting 'dare' was announced on the DGYG Instagram & Facebook pages calling out to the campaign followers to attempt to complete the 'dare' within the week. Their

Total visits	Page views	Unique visitors	AVG duration	Pages per visit
16 030	91 959	15 118	1.24 min	2.88

## Post campaign analysis for all three bursts i.e. April, June and September 2019

Target groups	TV April 2019			TV June/July 2019			TV September/October 2019		
	ARs	Reach %	Frequency	ARs	Reach %	Frequency	ARs	Reach %	Frequency
Age 13-19 HHI R 5000-R 19 999									
Age 13-19 planned	530	70	7.5	300	59	5.0	224	56	4.0
Age 13-19 Implemented	595	67	8.7	299	58	5.2	242	54	4.5
Age 13-19 Actual	512	67	7.7	411	64	6.4	218	53	4.1

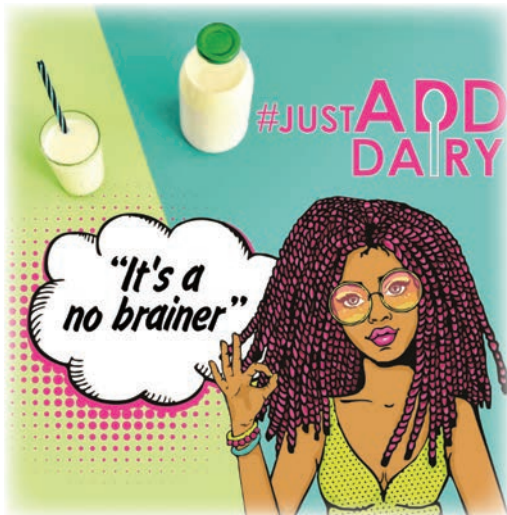


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friends had to record them and post it on the DGYG Facebook and Instagram pages in order to win prizes.

Processors were engaged to share the campaign on their own social media platforms. Positive engagement was received from the target audience.

## Dairy cook-off Campaign



The campaign aimed to educate South Africans on how easy and fun cooking with dairy is – and how most delicious meals contain dairy products – be it cheese, milk, cream, butter, milk etc.

DGYG audience were invited to share their recipes on Facebook. It is not about being an experienced chef and presenting the perfect dish, and for that reason we went with the audience's vote – which makes the brand and the brand's ideals authentic.

During 2019, eight tasty treat recipes were developed and the winners of the Cook-Off campaign's video formed part of the Tasty Treat component of the DGYG Facebook page. Three winning recipes were also produced as Tasty Treat videos to be broadcast in December 2019 and January and February 2020.

**Dairy gives you go (dgyg)**  
**website: [www.dairygivesyougo.co.za](http://www.dairygivesyougo.co.za)**

The 'Dairy Gives You Go' website targets teenagers and gives the health and nutritional benefits of dairy in infographic format. The 'Dairy Gives You Go' website is continually monitored and updated as required. The themes on the website are:

- Every day: and the role of dairy
- Sport and dairy
- Strength: the benefits of dairy
- Do the dairy diary
- Ask Dairy
- Videos

The television advertisements, and Tasty Treats can also be viewed on the website.

## Website statistics for the period January to December 2019 inclusive

	Sessions	Users	Page views	Average page/session	Bounce rate
January to December	6 477	5 310	11 323	1.98	73.03%

The Dairy Cook Off Campaign promoted a healthy lifestyle and relationship with food. One of the main aims of the campaign was to show how easy it is to be healthy, to enjoy treating yourself (in moderation) and to incorporate dairy into your daily meals. An influencer campaign encouraged followers to test out and try recipes (those similar to the DGYG Tasty Treats range), have fun with food preparation and to enjoy food. The

## Consumer advertorials

During 2019 eight advertorials were published in the You, Huisgenoot and DRUM consumer publications and digital platforms. The message communicated focused on the importance of calcium in building healthy bones. The printed advertorial included a competition where readers had to visit the Dairy Gives You Go Website.

Digitorials supported the advertorial and were published in the online publications of the You, Huisgenoot and DRUM magazines.

## Digital advertising



### Rediscoverdairy facebook page

The RediscoverDairy Facebook page was introduced on 21 October 2019 and is aimed at the modern mom ages 25 – 55yrs).

The purpose of the RediscoverDairy Facebook page is to be a portal of dairy nutritional information. The page primarily uses curated content (existing content) and some newly developed content including bloggers. The page currently has 1 250 followers.

### Trade publications: The Dairy Mail

The Dairy Mail provides a platform for the Project to engage with the dairy industry and share activities of the Project and dairy health related messages. Ten articles were developed for the Dairy Mail during this 2019.

### Dairy gives you go facebook page

- *Tasty treats:*

Tasty Treat videos are short videos of recipes where dairy is the hero ingredient. One Tasty Treat video is developed per month and posted on Facebook and Instagram social media platforms. During 2019, eight tasty treat recipes were developed and the winners of the Cook-Off campaign's video formed part of the Tasty Treat component of the DGYG Facebook page. Three winning recipes were also produced as Tasty Treat videos to be broadcast in December 2019 and January and February 2020.

- *Dairy Gives You Go Facebook (DGYG)*

The DGYG Facebook Page is aimed at teens and targets and budgets are set per month and a digital report is generated monthly. The performance is closely monitored against the set targets and the social media performance either met, or exceeded the set targets. The DGYG has 54 116 fans.

### Media liaison

#### Media Monitoring

The essence of the activity is to make information on the nutrition and health benefits of dairy available to journalists, who then communicate the information to the target groups, as it serves the interests of the reporter and media. Relevant information published in the media on dairy is monitored by an independent firm who specializes in such work namely, Newsclip. Updates are received daily in electronic format.

In 2019, articles and other communication with an estimated value of R13 199 745.75 were identified in consumer and health professional print; regional and trade press; online coverage, TV and radio.

#### Consumer liaison in the media

The Project participated in three radio interviews on "RSG Landbou" and one television interview on "KykNet



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Grootplaas". The topic of the conversation focused on the role of dairy in a healthy diet. The second interview was sparked by a talk on RSG regarding plant-based beverages. The Project was invited to speak on the nutritional difference between plant-based beverages and cow's milk.

The material fits in neatly with CEP's aim to convey a holistic message about dairy as part of a balanced diet, which creates awareness about milk and other dairy products among consumers of all ages. The guides touch on various aspects of dairy production and the role of dairy in the diet. Additional features to assist the

## Newsclip PR for 2019 Summary

Total PR	Total + Trade press	1199	R13 199 745.75
Summary			
Media sources	Internet	731	R6 442 547.76
	Magazine	237	R4 123 428.01
	Trade press	12	R721 048.08
	National Press	25	R167 801.68
	Regional Press	165	R898 514.91
	Professional	11	R71 890.40
	Radio	13	R649 838.24
	TV	5	R124 676.67

## Nutritional enquiries from industry and consumer and media responses

The Project receives numerous enquiries or comments regarding the health and nutritional benefits of dairy. Each enquiry is evaluated and the Project determines the best response. The Project processed nine enquiries from consumers and industry either by means of email, phone call or direct contact with editors of different publications

teacher include glossaries of important subject terms, useful hints and information about dairy and activity sheets to allow for interactive learning. Supplementary to the educational material are posters and handouts, which support and reinforce the lessons. All posters and worksheets are available in English and Afrikaans. The School Programme's learning material is available on the website i.e. [www.dairykids.co.za](http://www.dairykids.co.za)

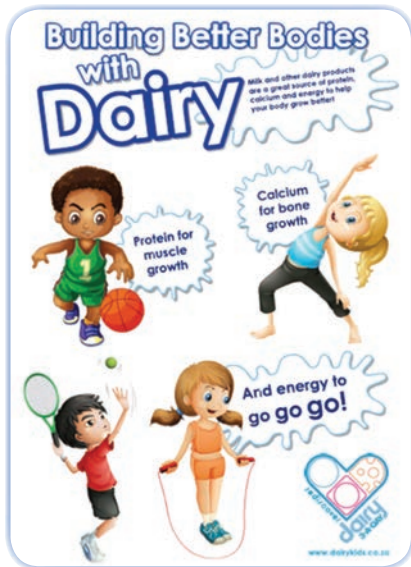
## School curriculum programme/ World School Milk Day

As part of the school programme, the CEP developed learning material aimed at learners in the Foundation Phase (Gr R-3) and the Intermediate Phase (Gr 5 and 6). The educational material is aligned with the curriculum of the Department of Education (DBE) and guides teachers on how to include information about dairy in their lessons. The objective was to distil the science behind milk and other dairy products and to condense the information into a workable guide for teachers.

## Worksheets for the website and E-Classroom website

Worksheets that carried a dairy message were developed and placed on the E-Classroom website, which is an independent website that carries worksheets for primary school teachers and learners. The website has been endorsed by the Department of Basic Education for the E-learning section of the DBE's website. KykNet has become one of the main sponsors of E-Classroom, which creates more exposure. It is estimated that each worksheet downloaded from the E-Classroom website is used by at least 60 learners.

## World school milk day (WSMD)



World School Milk Day is an important annual event for the Project which was celebrated during the week of 18 September 2019. The Project participated in WSMD by providing educational material to 15 rural school and attended three events at different schools during this period. At the WSMD celebrations, the Project addressed learners through a presentation and encouraged participation by the learners; the MPO arranged for a milk sample to be provided to each learner at the celebration events. In total, 12 100 learners were reached and each received a fact sheet; and 230 teacher's guides and class posters were distributed.

## National nutrition week

The National nutrition week is an initiative by the Department of Health (DOH) and targets the population at large. The National nutrition week is an



annual calendar event of the Department of Health. The CEP participates in the event every year as it provides an opportunity to network with the DOH and reach lower LSM groups across the country. The National nutrition week takes place 8-13 October 2019, followed by Obesity Week. The theme for 2019 was "Make eating whole foods a way of life".

The Project participated in the communication activities planned by DOH / National nutrition week by means of the Twitter campaign and a television interview.

## Specialized communication

The target group for Specialized Communication is health professionals i.e. doctors, dietitians, nutritionists and nurses. The messages communicated are based on the latest scientific information on dairy nutrition and health. The CEP makes use of a Technical Advisory Committee who work independently from the project, and are specialists in the field of nutrition and health. Communication channels include:

- Print in the form of scientific advertorials and nutrition reviews
- Education material for dietitians, nutritionists and nutrition advisors
- Education material for dietetic students at universities
- Liaison directly with health professionals through the CPD (Continuing Professional Development) events, seminars and conferences
- Exposure on the ADSA website
  - A comprehensive website with specific reference to the section on 'Dairy-based nutrition'

## Wellness programme: Training of health promoters took place in the following districts in 2019

### Education of nutrition advisors and health promoters

Nutrition Advisors and Health Promoters are individuals with basic nutrition and health education who are employed by DOH and work in government clinics. The

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Project trains the Nutrition Advisors and Health Promoters who, in turn, educate patients and visitors on an ongoing basis at their respective government clinics. The key communication message is 'Have milk, maas or yoghurt every day' plus associated nutritional and health benefits of dairy.

The Nutrition Advisors and Health Promoters are also equipped with a set of educational tools for their respective clinics, including a Dairy Training tool for use during their respective training sessions. The training has been implemented in KwaZulu-Natal, Limpopo, Mpumalanga, Gauteng, Free State, North West and Northern Cape provinces and is ongoing. This 'train-the-trainer' activity is considered a long-term investment for CEP of Milk SA and the dairy industry, reaching a target group that is difficult to access.

During 2019, 752 health promoters were trained. Overall, 82.6% of districts in the country have been reached and a total of 3 829 health promoters have been trained since 2014.

## Dairy based nutrition: Evidence based scientific reviews and advertorials

'Dairy-based nutrition' is a product of the Project. This compilation of 26 evidence-based nutrition reviews aims to help readers rediscover the health-promoting benefits

of milk and other dairy products. This is the third update of the compilation since 2014.

The Project tasked nutrition science experts from various academic institutions in South Africa to examine the latest science behind the nutrition and health benefits of dairy. The result is a compilation of evidence-based reviews that cover a range of dairy health topics and can be downloaded from [www.rediscoverdairy.co.za](http://www.rediscoverdairy.co.za). The reviews are aimed at health professionals and are intended to be a convenient, accessible reference source to assist them in informing their clients of the role of milk and dairy in healthy eating patterns.

The Project also developed a hand-out to give readers a quick overview of the 26 reviews. It provides a brief summary of each review and serves as a road map for navigating the compilation of full reviews, grouped under four categories: dairy basics, dairy components, options with dairy and health benefits. All the reviews can be accessed on the website: <http://www.rediscoverdairy.co.za/nutrition-health-wellness/dairy-based-nutrition-2019/>

## Health professional scientific advertorials for print

Evidence-based nutrition reviews are written on research results regarding nutrition, health and dairy. These are aimed at health professionals and are published



accordingly in publications read by this target audience. A nutrition review explores a new topic in dairy health and nutrition that warrants further investigation. The nutrition reviews allow for extensive and detailed information on a specific topic without a limitation to the number of words used. The nutrition reviews are posted on the [www.rediscoverdairy.co.za](http://www.rediscoverdairy.co.za) website, under the Evidence-based nutrition review menu item. Each nutrition review article is also summarized into a scientific advertorial which is published in peer reviewed publications. In 2019 four scientific advertorials were published in peer-reviewed publications such as SA Journal of Clinical Nutrition, Modern Medicine.

As part of the Health Professional print campaign, the project creates awareness on the ADSA (Association for Dietetics in SA; [www.adsa.org.za](http://www.adsa.org.za)) website, especially to inform dietitians of the new information. The information appears on the 'Rediscoverdairy' website as well as any new scientific information of dairy health and nutrition. CEP also presents at the ADSA regional meetings. Specific topics for presentation purposes are requested from CEP.

During 2019, the Project published three times on the ADSA communication portal. The Project also informed The National Nutrition Society of South Africa (NNSA) regarding new developments and communication material, which was shared with their members on email.

### Association for dietetics in South Africa Continuing Nutrition Education - KwaZulu-Natal

On the 7 November 2019 the Project was invited to present at the ADSA (Association for dietetics in South Africa) KZN branch provincial year end Continuing Nutrition Education meeting. A total of 60 Dietitians attended the function. The speakers and topics presented were:

- Dr Tuscka Reynders: The Dairy Matrix
- Christine Leighton: Dairy as part of a sustainable diet
- Maretha Vermaak: Dairy and health and the truth about plant-based beverages

In addition, CEP provided two CPD articles for the function and the delegates could qualify for a total of five CNU's.

## Communication with dietitians

### Dairy day seminar for health professionals, Western Cape

On 23 August 2019, the Project hosted its popular biennial dairy day seminar day for dietitians and nutritionists at Durbanville Hills. In keeping with the aim of sharing new research on dairy health and nutrition with health professionals, the seminar focused on the role of dairy in sustainable nutrition.

An expert presenter panel shared key insights into dairy as part of a sustainable dietary pattern. Professor Friede Wenhold of the University of Pretoria presented dairy as a unique whole food for the future, and was supported by dietitian Abby Courtney, who explained what makes dairy an essential part of a sustainable diet. Dr Stephan Peters, nutritionist of The Dutch Dairy Organisation, joined in via webinar from the Netherlands and shared a practical approach to understanding how food choices influence sustainable nutrition. In the last presentation of the day, Dr Jonathan Whitt explained the ethics behind the recently published EAT-Lancet report.

The group of 50 delegates later visited the farm of Fair Cape Dairies, where Dr Colin Ohlhoff discussed what sustainable dairy farming means practically and described Fair Cape's initiatives to recycle plastic packaging. The presentation was followed by a farm tour during which delegates could see the principles in action.

### Continuing Professional Development (CPD)

The CPD activity provides the Project with an opportunity to communicate directly with one of the health professional target group i.e. dietitians. The CPD articles are used to inform them of the latest research results in dairy health and nutrition, as well as topics that are of current importance.

Continuing Nutrition Education (CNE) on the 'Rediscoverdairy' website: A new menu item was introduced in 2017 on the [www.rediscoverdairy.co.za](http://www.rediscoverdairy.co.za) website for dietitians.

A new set of 11 CNE articles for 2019 have been identified and accredited. These articles focus on dairy health and nutrition, and relevant questions have been developed



# BOARD OF DIRECTORS' REPORT

for dietitians to earn 22 CEUs. The menu item was made active from 17 April to December 2019. A notification was placed on the ADSA website in April to notify dietitians of the availability of the 2019 publications.

Since the introduction of the new set of eleven articles in May 2019 on the website, 173 dietitians have registered and answered the questions of one or more of the articles. Thirty-three dietitians have completed all 11 articles. Overall, 814 articles and questionnaires have been completed and submitted to the Project for certification during 2019.

## Technical advisory committee (TAC)

Each year one meeting is held with the Technical Advisory Committee (TAC) and during each year, several consultations are held with individual members. This year, the annual meeting was held on 25 January 2019 and attended by all seven members. The Dietitian and the Project Manager presented the Project and new work conducted during 2018. The Chair of the CEP presented an overview of the performance dairy industry in South Africa.

## Dairy on-line tool

This product of CEP was developed in consultation with members of TAC.

- A 'search function' key has been added to the Ask Dairy section of the website.
- The questions and answers section have been



summarized by the Technical Advisory Committee (TAC) as some of the answers to the questions on Ask Dairy were too long. These were added to the Q&A on the website.

- During this period a list of myths was developed which will feature on this portal.

The dairy tool will also be used for research by a PhD student of the University of Pretoria. A section on the website will be designed that will allow the student to gather data.

## Rediscoverdairy newsletter

The purpose of the Rediscover dairy newsletter is to remind the industry about CEP; and highlight new products and initiatives by the Project. The target audience is the dairy enterprise registered with Milk SA and the members of MPO and SAMPRO. Two newsletters were circulated in 2019.

## Conferences and presentations

- i. That National School Nutrition Programme of the Dept of Basic Education held a conference at Lake Hotel, Benoni and invited the Project to present: Presentation on Ensuring Milk Safety (25 February).
- ii. CEP presented at the National School Nutrition Programme of the Dept of Basic Education's mini conference in Kuilsriver in the Western Cape on 1 June 2019.
  - a. The Project Manager presented the school programme and an overview of the Project.
    - b. The Dietitian of the Project presented on 'Ensuring safe milk'.
    - c. A processor provided milk samples for the delegates.
  - iii. The Dietitian on the Project attended the annual Continuing Nutrition Education (CNE) Update programme of the University of Stellenbosch. This is a 2-day event which was presented in Cape Town at the Tigerberg Campus on 30 to 31 May 2019.
  - iv. The Project Dietitian also participated in a CNE event in



- Bloemfontein on 13 June. The event was held at the University of the Free State and she presented on CEP of Milk SA and what the Project does for dietitians and nutritionists. One hundred and thirty USB memory sticks, containing CEP's educational material, were distributed to the delegates.
- v. CEP has a meeting and presented the project to the Tigerfoods Foundation on 8 July 2019. This served as an explorative meeting for possible collaboration.
  - vi. The Project Manager attended the BFAP baseline agricultural outlook for 2019-2018 at Kievitskroon in Pretoria on 14 August 2019.
  - vii. The Project Manager and the Consumer Scientist participated in the 23rd biennial international congress SAAFOST conference which was held on 1 to 4 September 2019 at the Birchwood Hotel and Conference Centre. The Project was responsible for organizing speakers for the Dairy Session and the Project Manager chaired the session.
  - viii. The Project Manager presented an overview of the Project at the MPO conference in Port Elizabeth on 28 September 2019.
  - ix. The Project Dietitian presented a talk to the BSc Agric IV-year students on 3 September 2019. The topic presented was The Dairy matrix and health as well as Plant-based beverages on the market and how they compare to milk.
  - x. The Dietitian presented a talk on Dairy and Health as part of a plenary Q&A session at the annual IDF WDS in Istanbul on 24 September 2019.
  - xi. The Stellenbosch University awards event for 4th and final year dietetic students took place on 18 October 2019. Students were provided with CEP leaflets and DBN booklets. Twenty-four students attended.

- xii. ADSA CNE event: 7 November 2019, KZN (refer point 3.5)
- xiii. SAAFOST (SA Association for Food Science and Technology): 14 November 2019. The Project Manager and the Chair of the Project presented on the South African Dairy industry and the International Dairy Federation.
- xiv. SASDT Western Cape: The Project Manager attended the year-end function in 22 November 2019.

## International Dairy Federation

### Global Dairy Platform

A meeting with the International Milk Promotion and Global Dairy Platform on #Enjoydairy, a joint campaign by members of the International Milk Promotion and Global Dairy Platform, was held on 18 February 2019 to discuss the next initiative which will focus on World Milk Day on 1 June 2019. This initiative was implemented in June 2019. See WMD results below.

### International milk promotion (imp) of the international dairy federation (imp/idf) mid-year meetings

The Mid-year meetings of the Standing Committee of the Marketing/International Milk Promotion Group and GDP were held in the USA in April/May 2019.

The GDP meetings were held on 28 & 29 April. The Project Manager presented the sustainability initiatives of South Africa and the GDP meeting.

The IMP meetings were held on 30 April – 3 May in Arizona. The Project Manager presented the Clinic project with focus on: 'Health promoter training in rural areas: Evaluation of effectiveness of training'. The Project Manager is a member of the task team for developing and communication framework for plant-based beverages.

The Project Manager (from South Africa) was responsible (from South Africa) for the completion of the Global Marketing Survey with a team of experts from SAMPRO i.e. the CEO of SAMPRO and the Office Manager of SAMPRO. The completed questionnaire was submitted to IDF.



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## Standing Committee of Nutrition and Health (SCNH)

The Project Dietitian participated in the mid-year meeting of the Standing Committee of Nutrition and Health in the Netherlands on 14 May 2019. She is a member of the Task Force on plant-based beverages and is the Action Team leader for the School Milk Programmes. She also serves on the Action Team on Flavoured and Sweetened Dairy and the Programme Committee for the IDF World Dairy Summit Istanbul 2019.

### *School Milk Survey*

IDF School Milk Programme (SMP) survey: The Project Dietitian contributed to the development of the questionnaire in conjunction with members of SCNH. The Project was also responsible for converting the final questionnaire into a digital survey on Survey Monkey. This part of the Project was completed and circulation of the survey started on 18 March 2019. This was an international survey, following the previous collection of data in 2013. The Dietitian presented the results during the mid-year meeting of the Standing Committee of Nutrition and Health on 14 May 2019.

In November and December 2019, the coordination and editing of the final IDF SMP report and accompanied literature review was managed by South Africa on behalf of IDF. The final report will be published in March 2020 as an IDF Bulletin.

### *Utrecht Group as part of SCNH*

The Project Dietitian participated in the Utrecht group meeting on 15 and 16 May 2019. This is a closed research group meeting that has been held every year for the past 33 years and is open to members of SCNH.

Each year the research group focus on a particular theme and gets the best researchers to present on the topics. The theme of this year was Dairy as a Whole food and looking into the NOVA and other food classification systems, which is highly functional for CEP.

### *IDF Science and Programme Coordination Committee (SPCC)*

The Project Dietitian was elected as SPCC member representing SCNH at the WDS in Turkey. The first SPCC meeting was held on 29 November 2019 and a report on

priority new work items for 2020 had to be delivered by 5 December 2019.

### *New work item on Sugar sweetened dairy products*

The Project completed a questionnaire on sugar sweetened dairy products in South Africa. Information was gathered from processors and the questionnaire was submitted to IDF.

## International Dairy Federation (IDF) World Dairy Summit, Istanbul, Turkey



**Maretha Vermaak, Dietician of the Consumer Education Programme**

The Project Manager and Dietitian participated in IDF WDS 2019, which was held in Istanbul from 20 to 26 September 2019.

The Project Manager participated in the business meetings of GDP, Standing Committee on Marketing and IMP and joined the following task-teams:

- GDP communications framework on sustainability
- Task-team on ultra-processed foods, representing the Standing Committee on Marketing
- Action team for planning of the marketing sessions of the WDS in 2020

The Dietitian of the Project presented on 'Dairy and Health' on 24 September during a plenary session. The Dietitian of the Project was appointed a member of the Science and Programme Coordination Committee of IDF.

### World Dairy Summit 2020

A World Dairy Summit 2020 meeting was held on 24 October. All champions had to provide a proposed programme for each discipline by 29 November 2019

### World Milk Day

World Milk Day was held on 1 June 2019. The Project participated in World Milk Day by means of:

- Social media campaign on the DGYG Facebook and Instagram platforms.
- Registered events with the Global Dairy Platform's social media campaign which included three videos that were provided by GDP and included on the DGYG Facebook page.
- A press release on the Dairy Matrix was distributed to media.
- During a visit to Willow Valley Farm, Cullinan, CEP presented its School Programme to teachers and learners from different schools on 16 and 30 May 2019.
- CEP attended an event arranged in conjunction with MPO where educational material developed by CEP, was distributed at the following three events:
  - Willow Valley Farm and dairy tour with various schools on 26 and 30 May
  - Crossfit Radium Studio on 28 May 2019
  - Irene running club on 1 June 2019

The media was monitored for coverage during this period and resulted in an Estimated Average Value of R436 763.

### Industry related matters

#### Consumer Goods Council of South Africa (CGCSA)

The aim of the engagement is to consider a request from the Department of Health for support of their 'Healthy Food Options' initiative which consists of a

national strategic plan for prevention and control of Non-Communicable Diseases (ncds) in South Africa. The initiative gives high prominence to food products containing added sugar.

The Project attends meetings with the CGCSA with regard to 'Healthy Food Options industry engagement' with the Director-General: Health, beverage South Africa (bevsa) on an ongoing basis. During this period, communication with CGCSA was primarily electronic.

- CEP participated in a meeting that was held on 20 February 2019 to discuss progress on the Food Safety Initiative.
- The Chairperson of the Project and the Project Manager participated in a conference call on 20 May 2019 with Linda Drummond of CGCSA regarding the Healthy Food Options Industry Initiative (HFOII) on added sugar in flavoured milk and drinking yoghurt.
- The CEO of SAMPRO and the Project Manager participated a meeting with DOH and HFOII on 5 September 2019 to discuss the progress on sugar reduction initiatives of the dairy industry.

#### World Wide Fund for Life

The Project Manager attended an industry sustainability workshop in Natal and visited three dairy farms to gain insights on sustainability initiatives at farm level.

#### South African Society of Dairy Technology

The Project Manager is the Vice President of SASDT National. SASDT held its symposium in July and the Project Manager was responsible for planning the programme for the event in Gauteng and Western Cape.

The 2020 symposium will be held in March and the Project Manager is responsible for the coordination of the programme and the event.

#### Compositional data

The Project purchased maas and yoghurt-based dairy snack products that were available at different leading retailers. The nutritional information displayed on the products was captured and compared and shared with members of the Coordinating Committee of Milk SA.



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Food composition data is used by the Consumer Education Project of Milk SA to educate consumers on the nutritional content of milk and other dairy products and to be able to make accurate recommendations of intake relevant to the Recommended Daily Allowance for humans. Food composition data is also used for labelling and advertising purposes (health claims proposed as in R146 and pending R429). Accurate food composition data, based on South African values, is therefore critical in order to ensure communication in this regard is accurate.

The matter of re-analysis of the nutritional composition of selected dairy products was discussed in view of technicalities regarding the requirements to update the South African existing data-bases on dairy's nutritional composition.

The matter was discussed at the Coordinating Committee of Milk SA and the way forward is pending.

## Industry related meetings

- i. The Coordinating Committee of the Dairy Standard Agency, CEP and the Research Project of Milk SA met on 27 June 2019.
- ii. During this meeting matters pertaining to sustainability in the dairy industry are explored.
- iii. The second meeting of the Coordinating Committee of the Dairy Standard Agency, CEP and the Research

Project of Milk SA for 2019, was held on 6 September 2019.

- iv. Livestock Meeting: The Project initiated a meeting of the members from the livestock industry to have an informal discussion regarding the current trend towards plant-based eating patterns. This meeting was held on 24 June 2019.
- v. The Project Dietitian attended the Codex Committee on Nutrition and Foods for Special Dietary Uses (CCNFSDU) preparatory meeting at DOH on 13 November 2019, representing the dairy industry.
- vi. The CEO of SAMPRO and the Project Manager participated in a meeting with DOH (Department of Health) and HFOII (Healthy Food Options Industry Initiative) on 5 September 2019 to discuss the progress on sugar reduction initiatives of the dairy industry.

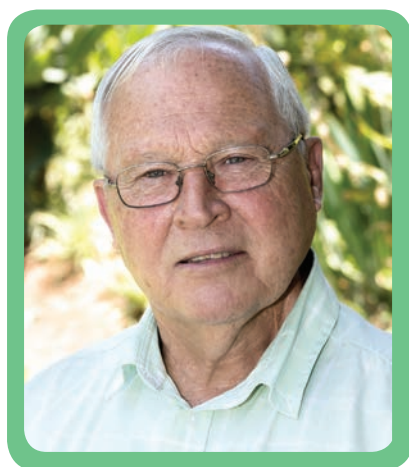




## 7.9 Project title: Co-ordination, support and promotion of needs-driven R & D in the South African Dairy Industry

**Responsible Institution:** Milk South Africa

**Programme Manager:** Dr Heinz Meissner



### Goal 1 - To limit research fragmentation and promote and initiate cooperation between R&D capacities towards achieving the strategic direction of the industry

We continued with our quest to seek co-operation and outside funding. To that effect we had a meeting with TIA (Technology Innovation Agency) to follow up on the next phase in the Genomics Programme. TIA indicated in a previous meeting that they would be interested in supporting a more comprehensive programme which could ensure sustainability and profitability of the Dairy Industry. The resulting proposal which was presented to them was "Sustainability/ Stewardship of the South African Dairy Industry". The next step was to develop the application according to TIA's specifications. This resulted in a document of more than 30 pages, which will be presented to them early in 2020.

A further demonstration of our quest for co-operation in R & D is evident in new projects registered in the fourth quarter: (1) The project "The impact of fertiliser application rates on soil health and pasture yield in the Eastern Cape, South Africa" is led by US and runs in conjunction with WCDA (Outeniqua), Trace and Save (Humansdorp) and FARMsystem Engineers, Osnabrück,

Germany; (2) "Buffer zones for wetlands and rivers in the dairy sector – A case study to determine best practice guidelines for improved wetland and river management" is led by the Institute of Natural Resources (INR), with WWF-SA and Confluent Environmental/NMU.



### Goal 2 - To guide the R&D programme by means of effective structural arrangements, administration and fund sourcing

The budget of the TIA submission is R15.3 million for 2020 with 10% escalations in 2021 and 2022. According to the TIA policy, they may consider funding 50% of that.

MANCOM Meetings were held on 18 February, 8 March, 9 May, 13 August and 13 November 2019. DRDC (Dairy Research & Development Committee) met on 28 February and 29 August 2019. Because of the Large Herds Conference, DRDC's scheduled meeting was cancelled, but the Dairy Research Forum (DRF) met at the Conference. The DRF meeting, attended by 30 delegates, was valuable in terms of general discussion about dairy R & D in the country, but especially also because some 20 new proposals for research were put forward.

### Goal 3 - To accumulate and publish existing domestic and international scientific knowledge of applicable and practical value to enhance the industry

THE RESEARCH COLUMN and DAIRY R & D IN SA: The target of respectively scientific articles sourced from the international literature and SA scientific articles to be entered on the website is two per month, i.e. 24 each for the year. The target was met. Twelve of the Research Column articles were also published in The Dairy Mail under the regular 'The Research Column' of the author.



# BOARD OF DIRECTORS' REPORT



## **Goal 4 - To advise and assist with national and international managerial, strategic and position publications on any matters which may support the strategic direction of the industry**

The author is a member of the WWF-SA/MPO Water Stewardship initiative and has participated in discussions at Woodlands Dairy/Trace & Save on soil, water and waste treatment. The meeting was on 26/27 February 2019 in the Humansdorp area. The author provided a Draft of the IDF Water Footprint Guidelines to participants.

The author participated in a discussion on sustainability in food production in response to the EAT\_LANCET report on 24 June 2019 and gave a PowerPoint presentation with the title: "Can the Globe function without Livestock?"

In a workshop on herbivores and rangelands in Pretoria on 29 November, initiated by the Chairman of the World Farmers Organization (WFO), and which followed upon a severe attack by anti-livestock activists at a meeting in Brussels, the author gave a talk on: 'A critical review of the anti-animal protein agenda'. It was decided that the proceedings of the workshop will be adapted for a purpose of a television documentary. The goal of the documentary would be to present scientific counteracting arguments and evidence which can be presented to both the South African and WFO audiences. The author is on the advisory committee of the documentary manufacturers and the manufacture is expected early in 2020.

## **Goal 5 – To support the dairy industry with R & D and advice on matters affecting sustainability, such as environmental – GHG reduction, carbon sequestration, water use efficiency, waste treatment, ecosystem and biodiversity protection – and animal welfare**



One of the actions is the research, extension and training programme for which we seek to obtain funding from TIA as discussed under Goal 1, participation in the SIMPL [Sustainable Integrated Management of Parasites of Livestock] programme of NAHF discussed previously, the MPO-WWF Water Stewardship Programme and the Integra system as discussed under Goal 4, are further examples where the author is involved with matters affecting sustainability, from which the experience gained may prove useful to the dairy industry. In the talk which he gave at the Herbivores and Rangelands workshop, discussed under Goal 4, one of the issues dealt with is Animal Welfare and how we deal with it in South Africa.

# AUDIT AND RISK COMMITTEE ANNUAL REPORT



**Danie du Plessis**  
*Chairman: Audit & Risk Committee*

## 1. Composition of Committee

1.1 The Audit and Risk Committee is appointed by the Board of Directors and comprise:

- One independent person with expertise, nominated by the MPO.
- One independent person with expertise, nominated by SAMPRO.
- One independent person with expertise, who shall be the Chairperson.

1.2 During 2019 the committee consisted of the following persons:

Du Plessis, DH: Independent chairman, Whole year  
Fürstenburg, DF (Prof): SAMPRO, Whole year  
Scheepers, JFJ: MPO, Whole year.

## 2. Terms of office

- 2.1 A committee member is appointed for a term of three years.
- 2.2 After completion of a three-year term, the committee member is eligible for re-appointment.
- 2.3 The three-year terms of the members nominated by the MPO and SAMPRO overlap with one year.
- 2.4 When a committee member resigns or moves out of the position for any other reason before the expiry of the fixed three-year term of office, his/her replacing member is appointed for the remaining period of the three-year term of office.
- 2.5 The maximum period for which a committee member may serve is three terms.



**Seated: Kobus Scheepers and Philip Potgieter (Internal Auditor)**

**Standing: Prof Don Fürstenburg and Danie du Plessis**

# AUDIT & RISK COMMITTEE REPORT

2.6 During 2019 the positions were occupied as follows:

Position and committee member	Fixed term in respect of the member's position.	Period served by the committee member during the 2019 financial year as well as an indication of the term for which the member served
Independent Chairman (DH du Plessis)	1 February 2016 to 31 January 2019 1 February 2019 to 28 February 2022	1 January to 31 January 2019 (First term) 1 February 2019 to 31 December 2019 (Second term)
MPO nominated (JFJ Scheepers)	1 October 2018 to 30 September 2021	1 January to 31 December 2019 (First term)
SAMPRO nominated (Prof DF Fürstenburg)	1 October 2018 to 30 September 2022	1 January to 31 December 2019 (First term)

## 3. Role of the Audit and Risk Committee

The primary role of the Committee is to assist the Board in meeting its obligations in terms of:

### 3.1 Safeguarding the assets of the company

The Committee is satisfied that the assets of the company is adequately safeguarded.

### 3.2 Keeping of sufficient accounting records

The firm PricewaterhouseCoopers Incorporated was contracted to perform this function, with oversight of the Chief Executive Officer and the Chairman of the Audit and Risk Committee.

### 3.3 Evaluation of the effectiveness of the internal control system

- The control system was designed to ensure that assets are safeguarded cost effectively and that liabilities and working capital are efficiently managed.
- The Audit and Risk Committee is of the opinion that the internal controls are appropriate and cost effective.

### 3.4 Identifying risks and evaluation of an effective risk management system

- Evaluates the risk management process and recommendations to the Board regarding the process.

- Considers the Risk Register and provide input to the Executive Committee as it deems fit.

## 4. Meetings

4.1 Meetings of the Audit and Risk Committee were held on the following dates during 2019:

- 8 March 2019
- 15 May 2019
- 21 August 2019
- 31 October 2019
- 6 November 2019

4.2 The committee members attended all the meetings in person.

4.3 The internal auditor, Mr PR Potgieter from HP Audit, and the CEO of Milk SA also attended all the meetings in person.

## 5. Responsibility of the Audit and Risk Committee

The Audit and Risk Committee reports that:

- Appropriate and formal terms of reference as approved by the Board;
- The affairs of the committee were regulated in compliance with the terms of reference; and
- All its responsibilities were discharged accordingly.

## 6. Activities

The following aspects were addressed by the committee:

- 6.1 Terms of reference of the Audit & Risk Committee
- 6.2 Financial management accounts
- 6.3 Annual financial statements
- 6.4 Risk management framework and risk register
- 6.5 Data categories and responsibilities from a risk perspective
- 6.6 Business continuity and backups
- 6.7 Decision-making process regarding contractual relationships
- 6.8 Internal audit charter
- 6.9 Internal audit planning
- 6.10 Internal audit control sheet
- 6.11 Perusal of internal audit reports
- 6.12 Efficiency of Inspection function
- 6.13 External audit planning, audit opinion and management report
- 6.14 Response to qualified external audit opinion, included in directors report
- 6.15 Levy debtor reports
- 6.16 Accounting treatment of levy debt not regarded as recoverable
- 6.17 Accounting treatment of project assets
- 6.18 Policy on financing of projects
- 6.19 Cash flow forecasts
- 6.20 Budget
- 6.21 Assessment of fees of Information Technology system providers and Accountants
- 6.22 Interviews with External Auditor, Internal Auditor and Chief Executive Officer

The Committee found that the independence of neither the external auditors (Fourie & Botha) nor the internal auditors (HP Audit) were under suspicion.

## 7. Tasks undertaken by the chairman

- 7.1 Studied the Statutory notices 1218, 1219, 1220 of 20 December 2013 & 1396, 1397 and 1398 of 15 December 2017
- 7.2 Studied the Terms of Reference of Audit & Risk Committee
- 7.3 Studied the applicable sections of Companies Act
- 7.4 Review of and feedback on monthly financial management accounts
- 7.5 Review of and feedback on the monthly cash flow forecast
- 7.6 Review of and feedback on the annual financial
- 7.7 Perusal of the minutes of the General meetings
- 7.8 Perusal of the minutes of the Board meetings





# AUDIT & RISK COMMITTEE REPORT

- 7.9 Review of internal auditor's reports
- 7.10 Review of external audit reports
- 7.11 Discussions with the CEO on 18/10/2019
- 7.12 Discussions with the internal auditors (HP Audit) on 6/8/2019
- 7.13 Meetings with CEO and accountants (PwC) regarding financial reporting on 7/2/2019, 27/2/2019, 6/3/2019, 24/5/2019, 27/5/2019 and 30/7/2019
- 7.14 Meeting with the external auditors (Fourie & Botha) on 16/4/2019
- 7.15 Attended Board meetings on 14/3/2019 and 12/6/2019
- 7.16 Attending Annual General Meeting on 13/6/2019 and General Meeting on 26/11/2019
- 7.17 Assessment of project applications: Meeting with CEO and internal auditor on 21/11/2019
- 7.18 Reconciliation of cash flow for the levy period 2018 - 2021
- 7.19 Assisted with the improvement of the policy regarding assets utilised by projects

## 8. Annual financial statements and accounting practices

The Audit and Risk Committee has reviewed the accounting policies and annual financial statements of the company, is satisfied that they are appropriate and comply with International Financial Reporting Standards for Small and Medium-sized Entities and recommended its inclusion in the annual report.

Signed in Pretoria on 17 April 2020 on behalf of the Audit and Risk Committee.



DH du Plessis CA(SA)





# ANNUAL FINANCIAL STATEMENTS

## For the year ended 31 December 2019

### General Information

<b>Country of incorporation and domicile</b>	Republic of South Africa
<b>Nature of business and principal activities</b>	<p>Milk SA is a non-profit company with the vision to promote a healthy South African dairy community and the mission to promote the image and consumption of South African dairy products amongst consumers and to develop the dairy industry through the rendering of value-added services to industry participants, consumers and broader South African population.</p> <p>In terms of the Marketing of Agricultural Products Act, No 47 of 1996 as amended ("MAP Act"), Milk SA was appointed by the Minister of Agriculture, Forestry and Fisheries to implement, enforce and administrate statutory measures in pursuit of the company's strategic direction to broaden the market for milk and other dairy products, improve the international competitiveness of the South African dairy industry and to empower black participants in the industry.</p>
<b>Current directors</b>	Adams PH Ms   Gebeda ZM Mr   Grobler FA Mr Jack-Pama BS Dr (Chairman)   Kraamwinkel AP Mr Loubser MJ Mr (Vice-Chairman)   Lubbe H Mr   Prinsloo AW Mr Rathogwa MG Mr   Van Dijk CJ Dr   Wellbeloved CE Mr
<b>Alternate directors</b>	Gutsche AR Mr   Neethling CJ Mr
<b>Members</b>	Milk Producers' Organisation NPC   SA Milk Processors' Organisation
<b>Auditors</b>	Fourie & Botha Registered Auditors   (Auditors to the Companies Act)
<b>Secretary</b>	Fouché N Mr
<b>Company registration number</b>	2002/032020/08
<b>Level of assurance</b>	These annual financial statements have been audited in compliance with International Standards on Auditing
<b>Preparer</b>	<p><i>The annual financial statements were independently compiled by:</i>            Claassens L Mrs CA (SA)            PricewaterhouseCoopers Inc ("PwC")</p>



# ANNUAL FINANCIAL STATEMENTS

## Index

The reports and statements set out below comprise the annual financial statements presented to the members:

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• The following supplementary information does not form part of the annual financial statements and is unaudited:	
• Detailed Income Statement	96
• Research and Development Reserve Fund - Analysis of the Movement in Reserve Fund i.t.o. Clause 15(5)(a) of the Marketing of Agricultural Products Act	98
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# Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.


The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.


The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 December 2020 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 22 which have been prepared on the going concern basis were approved by the Board of Directors on 27 May 2020 and were signed on its behalf by:



Director



Director



Chief Executive Officer

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**Fourie + Botha**

**Geregistreerde Ouditeure  
Registered Auditors  
Geoktrooieerde Rekenmeesters(SA)  
Chartered Accountants (SA)**

## Independent Auditor's Report

### Qualified Opinion

We have audited the annual financial statements of Milk South Africa NPC as set out on pages 8 to 22, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the annual financial statements present fairly, in all material respects the financial position of Milk South Africa NPC as at 31 December 2019 and its cash flows for the year then ended, in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and in the manner required by the Companies Act of South Africa, 71 of 2008.

### Basis for Qualified Opinion

The main source of income of the company is the collection of levies in terms of the Marketing of Agricultural Products Act of South Africa. Persons who are compelled to register as levy payers in terms of the statutory measures published under the Act, must do so out of their own accord. The company relies on monthly returns submitted by the levy payers on a self-assessment system. Accordingly we were unable to obtain sufficient audit evidence or perform satisfactory auditing procedures to obtain reasonable assurance as to the completeness and accuracy of the accounting records relating to levy income collectable.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standard Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Other information

The directors are responsible for the other information. The other information comprises the directors' report as required by the Companies Act of South Africa, 71 of 2008, which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Praktyk Nr / Practice No  
930229



Vennote / Partners  
EHK Botha, WM Fourie, MA Eastman

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the annual financial statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and the requirements of the Companies Act of South Africa, 71 of 2008, and for such internal controls the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concerns and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, whether due to fraud or errors, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in this circumstance, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and balances in a manner that achieves fair presentation.

We communicated with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

MA Eastman CA(SA) Partner

Chartered Accountants (SA)  
Registered Auditors  
27 May 2020





## Directors' Report

The directors submit their report for the year ended 31 December 2019.

### 1. Review of activities

#### Main business and operations

The company collects levies from role-players in terms of Regulation 1398 of 15 December 2017 in order to finance projects relating to research, the collection and distribution of industry information, the promotion of dairy quality, research and development, the education of consumers and transformation (including the promotion of sustainable black dairy enterprises and the development of knowledge and skills).

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

The comprehensive surplus for the year was R 5,763,986 (2018: surplus R 5,488,654).

### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Events after the reporting period

The directors are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements that would affect the operations of the company or the results of those operations significantly.

### 4. Directors

The directors of the company during the year and to the date of this report are as follows:

	Changes
Adams PH Ms	
Gebeda ZM Mr	
Grobler FA Mr	
Jack-Pama BS Dr (Chairman)	
Kraamwinkel AP Mr	
Kuyler GF Mr (Vice-Chairman)	Resigned on 26 November 2019
Loubser MJ Mr (Vice-Chairman)	
Lubbe H Mr	
Prinsloo AW Mr	
Rathogwa MG Mr	
Van Dijk CJ Dr	
Wellbeloved CE Mr	Appointed on 26 November 2019

The alternate directors of the company are as follows:

Gutsche AR Mr	
Wellbeloved CE Mr	Resigned on 26 November 2019
Neethling CJ Mr	Appointed on 26 November 2019

### 5. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act 71 of 2008.

### 6. Auditors

The company's auditors are Fourie & Botha (Registered Auditors) in terms of the Companies Act.

## 7. Qualified audit opinion

Through the publication of Notices 1396, 1397 and 1398 on 15 December 2017 ("Statutory Measures"), the Minister of Agriculture, Forestry and Fisheries, in terms of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996), entrusted Milk SA NPC ("Milk SA") with the implementation, administration and enforcement of the statutory measures for the four years ending 31 December 2021. The persons who are subject to these statutory measures are compelled to register with Milk SA, keep certain records, submit information per monthly returns and pay levies at the rates as specified in the measures.

Persons who are compelled to register in terms of the measures, must register as levy payers with Milk SA out of their own accord and the submission of levy returns is based on a self-assessment system, whereby Milk SA uses information supplied by the levy payers.

Although Milk SA's policies and procedures are aimed at ensuring that all the relevant persons are registered and that they submit accurate returns and pay the correct levy amounts, it is not feasible for the external auditors to extend their audit procedures to obtain reasonable assurance regarding the completeness and accuracy of the accounting records relating to levy income in addition to the levy income declared to Milk SA, as accounted for in the accounting records, due to the fact that the records of the levy payers are legally inaccessible to them.



# ANNUAL FINANCIAL STATEMENTS

## Statement of Financial Position

as at 31 December 2019

	Notes	2019 R	2018 R
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	3	12 688 603	10 039 853
Cash and cash equivalents	4	28 323 084	24 714 803
		41 011 687	34 754 656
<b>Non-Current Assets</b>			
Property, plant and equipment	5	181 978	102 875
<b>Total Assets</b>		<b>41 193 665</b>	<b>34 857 531</b>
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	6	1 837 034	1 264 886
<b>Equity</b>			
Reserves		20 181 945	19 267 122
Retained income		19 174 686	14 325 523
		39 356 631	33 592 645
<b>Total Equity and Liabilities</b>		<b>41 193 665</b>	<b>34 857 531</b>

## Statement of Comprehensive Income

	Notes	2019 R	2018 R
Revenue	7	56 346 019	51 914 430
Project expenses	8	(46 749 737)	(42 596 930)
<b>Gross surplus</b>		<b>9 596 282</b>	<b>9 317 500</b>
Other income	9	337 518	1 383 561
Operating expenses		(5 520 173)	(5 821 754)
<b>Operating surplus</b>		<b>4 413 627</b>	<b>4 879 307</b>
Finance income	11	1 350 359	619 472
Finance costs	12	-	(10 125)
<b>Net surplus for the year</b>		<b>5 763 986</b>	<b>5 488 654</b>
Other comprehensive income		-	-
<b>Total comprehensive surplus for the year</b>		<b>5 763 986</b>	<b>5 488 654</b>

# Statement of Changes in Equity

	Research and Development: Reserve Funds  (2006 - 2009)  R	Commercia- lization: Joint Milk SA and Jobs Fund  (2006 - 2009)  R	Enterprise Development  (2006 - 2017)  R	Total reserves  R	Retained income: Levy Funds  R	Total equity  R
<b>Balance at 01 January 2018</b>	<b>204 268</b>	<b>3 077 374</b>	<b>11 282 874</b>	<b>14 564 516</b>	<b>13 539 475</b>	<b>28 103 991</b>
Changes in equity						
Total comprehensive surplus for the year	-	-	-	-	5 488 654	5 488 654
Transfer between reserves	-	-	4 943 597	4 943 597	(4 943 597)	-
Transfer unutilised/ (utilisation of) funds	382 337	(1 104 286)	480 958	(240 991)	240 991	-
Total changes	382 337	(1 104 286)	5 424 555	4 702 606	786 048	5 488 654
<b>Balance at 01 January 2019</b>	<b>586 605</b>	<b>1 973 088</b>	<b>16 707 429</b>	<b>19 267 122</b>	<b>14 325 523</b>	<b>33 592 645</b>
Changes in equity						
Total comprehensive surplus for the year	-	-	-	-	5 763 986	5 763 986
Transfer unutilised/ (utilisation of) funds	35 796	(293 294)	1 172 321	914 823	(914 823)	-
Total changes	35 796	(293 294)	1 172 321	914 823	4 849 163	5 763 986
<b>Balance at 31 December 2019</b>	<b>622 401</b>	<b>1 679 794</b>	<b>17 879 750</b>	<b>20 181 945</b>	<b>19 174 686</b>	<b>39 356 631</b>

# ANNUAL FINANCIAL STATEMENTS

## Statement of Cash Flows

	Notes	2019 R	2018 R
<b>Cash flows from operating activities</b>			
Cash receipts from industry participants and grantors		56 425 831	52 143 471
Cash paid to suppliers and employees		(54 051 274)	(47 404 477)
Cash generated from / (used in) operations	13	2 374 557	4 738 994
Finance income	11	1 350 359	619 472
Finance costs	12	-	(10 125)
<b>Net cash generated from / (used in) operating activities</b>		<b>3 724 916</b>	<b>5 348 341</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	5	(116 635)	(141 650)
<b>Net increase in cash and cash equivalents for the year</b>		<b>3 608 281</b>	<b>5 206 691</b>
Cash and cash equivalents at the beginning of the year		24 714 803	19 508 112
<b>Cash and cash equivalents at end of the year</b>	<b>4</b>	<b>28 323 084</b>	<b>24 714 803</b>



# Accounting Policies

## 1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, except for certain financial instruments, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

### 1.1 Significant judgements and sources of estimation uncertainty

In the application of the company's accounting policies and preparing the annual financial statements, management is required to make judgements, estimates and assumptions about income, expenses and the carrying amounts of assets and liabilities that are not readily apparent from other sources and that affect the amounts represented in the annual financial statements and related disclosures. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Due to the inherent uncertainty in making estimates, actual results reported in future periods may differ from those estimates, judgements and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

A change in accounting estimates is defined as an adjustment to the carrying amount of an asset or a liability that results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

Estimates, judgements and assumptions made, relate predominantly to impairment provisions for financial instruments and determining the useful lives, residual values and depreciation methods for fixed assets. Other judgements made relate to classifying financial instruments into their relevant categories and in determination of its fair value for measurement and disclosure purposes.

The following are the significant judgements and key estimation uncertainties that management have made in the process of applying the company's accounting policies:

#### Impairment of property, plant and equipment

The company assesses its property, plant and equipment stated at cost less accumulated depreciation for impairment at each reporting period date. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from property, plant and equipment.

#### Depreciation

The company assesses the useful lives, residual values and depreciation methods of property, plant and equipment at each reporting period date for indicators present that suggest changes from previous estimates.

#### Impairment of levy debtors

The company assesses its trade and other receivables, more in particular its levy debtors, for impairment at each reporting period date. Significant financial difficulties of levy debtors, probability that a levy debtor will enter bankruptcy or financial reorganisation, and default in payments are all considered to be indicators that the trade receivable is impaired.

### 1.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation on property, plant and equipment are provided for on the straight-line basis in order to write off the cost over their expected useful lives.

The expected useful lives are as follows:

Item	Average useful life
● Furniture and fixtures	6 years
● IT equipment	3 - 6 years
● Computer software	2 years

### 1.3 Financial instruments

#### Classification

The company classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Receivables



## Accounting Policies *(continued)*

- Financial liabilities measured at amortised cost:

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Financial instruments are re-assessed on an annual basis.

### Subsequent Measurement

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

### Impairment of financial assets

At each reporting period date the company assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or default of payments are all considered indicators of impairment.

Impairment losses are recognised in the statement of comprehensive income.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

### Trade and other receivables

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the assets is reduced through the use of an allowance account (provision for doubtful debts), and the amount of the loss is recognised in the

statement of comprehensive income within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the operating expenses in the statement of comprehensive income.

Trade and other receivables are classified as receivables.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently recognised at amortised cost using the effective interest method.

### Trade and other payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

## 1.4 Reserves

Clause 15(5)(a) of the Marketing of Agricultural Products Act of 1996 (Act No 47 of 1996) reads: "Any levies collected, administered or kept by any person or body under this Act shall not form part of the assets of that person or body, and any levies remaining in the possession of or under the control of any person or body after that period for which such levies were approved, shall be utilized in a manner determined by the Minister."

The periods for which the levies are approved, are four years each and any levy funds that remained unused after each period constitute "reserve funds". On successful application and approval by the Minister of Agriculture, Forestry and Fisheries, Milk SA must use the surplus (reserve) funds in accordance with the Minister's instructions.

## 1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference

## Accounting Policies *(continued)*

between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

### 1.6 Impairment of non-financial assets

The company assesses at each reporting period date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment

loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

### 1.7 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

### 1.8 Revenue

Revenue comprises of levy income payable by role players in terms of the applicable regulations. Revenue is shown net of valued-added tax.

Levy income is recognised in the period that it accrues to Milk SA.

Interest is recognised in the statement of comprehensive income, using the effective interest rate method.



## Notes to the Annual Financial Statements

### 2. Risk Management

The Board is committed to identifying, assessing and managing risks as an integral part of good corporate governance, as is evident from contractual agreements with other parties and from the Terms of Reference of the Executive Committee, Audit & Risk Committee and other Board Committees.

Internal audits are carried out by an external auditing firm which reports to the Audit & Risk Committee. All Milk SA's disciplines and projects are subject to internal audits on a rotational basis, reports of which are considered by the Board of Directors.

Inspectors, designated and authorized by the Minister of Agriculture, Forestry and Fisheries in terms of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996) [MAP Act], verify compliance by levy-paying industry role-players with the compulsory statutory measures which are administrated by Milk SA.

The Risk Register which forms part of Milk SA's Risk Policy, was refined in 2018 and the following risk elements are contained therein:

**Integrity risk** relates to the incidence of internal/external theft, dishonest, fraudulent and unethical behaviour, corrupt practices and corporate misconduct. Competitive behaviour risk; risk of conflicting interest and fraud risk resort under Integrity risk.

Competitive behaviour risk: Agendas, meeting proceedings and general conduct in the company facilitate and promote good governance in respect of independent, objective and non-discriminatory behaviour. Policies and procedures cover any possible risk of competitive advantage that any industry player or group of players may gain over industry competitors.

Risk of conflicting interests: Meeting participants are sensitized to refrain from pursuing own agendas in competition with, or to the detriment of, Milk SA and / or its operations, and to declare conflicting interests.

Fraud risk: The risk of fraudulent activities is minimized by i) policies and procedures, ii) the separation of duties in the financial chain of activities, iii) responsibilities of the relevant structures within Milk SA, iv) internal audits and v) inspections to verify compliance with the statutory measures.

**Financial, Business and Market risk** refers respectively to i) the chance that a business's cash flows are not enough to pay creditors and fulfil other financial responsibilities; ii) the chance that a business's cash flows are not enough to cover

its operating expenses; and the possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets.

Milk SA manages liquidity risk on the basis of expected maturity dates, through an ongoing review of future commitments and credit facilities. Cash flow forecasts and financial management statements are prepared on a monthly basis. Financial assets are managed in such a way that they are readily available to meet liquidity needs.

Milk SA's financial liabilities are limited to its contractual obligations for projects, the administration of Milk SA and refunds to levy-paying role-players due to *bona fide* errors in the monthly statutory return calculations, subject to verification by the Inspector.

Surplus cash is invested with reputable banking institutions as approved by the Board, in instruments that earn competitive interest rates.

Trade receivables comprise a widespread base of levy-paying industry participants and the debt risks of these participants are evaluated monthly. Credit risk consists mainly of cash deposits and trade debtors. The company only deposits cash with major banks (as approved by the Board) with high-quality credit standing. Milk SA's communication policy plays a huge role in strengthening confidence in the integrity and achievements of the company amongst all role-players concerned.

Milk SA has no material foreign currency exposure. In 2019, foreign currency exposure was limited to some R1.1 million because of membership fees to the International Farm Comparison Network and the International Dairy Federation, as well as the attendance of international conferences by industry members.

**Production risk** is the risk of not achieving budgetary and operational goals of Milk SA due to external factors that may influence the income base and actual income of the company.

Milk SA is to a large extent exposed to production risk due to the unpredictable nature of the weather, pests and diseases, competitive markets for inputs and outputs and unfavourable policy changes by local and foreign governments. It is Milk SA's policy to determine expected income for the ensuing year conservatively, by averaging the previous three years' milk purchases and imports as declared to Milk SA.

**Human resources risk** is the possible negative impact on all spheres of the company if the basic and motivational requirements of the employees and other key persons involved in the company are not adequately addressed.

# Notes to the Annual Financial Statements

Milk SA maintains an insurance programme that provides cover for identified, insurable risks. As provided for in the Memorandum of Incorporation, Milk SA indemnifies its directors and senior officers for potential losses arising from a claim in their capacity as director or officer, unless

the liability arises from conduct involving a lack of good faith. A Human Resources Policy was introduced in January 2014 and - as stipulated - is annually reviewed by the Human Resources Committee in conjunction with the CEO.

## 3. Trade and other receivables

	2019 R	2018 R
Accrued levy income	6 126 816	5 563 715
Levy debtors	786 851	1 219 655
Provision for impairment of trade receivables	(448 534)	(474 556)
Deposits	100 833	100 833
Advances - Projects	5 219 195	3 630 206
Accrued interest - Reserve funds	903 442	-
	<b>12 688 603</b>	<b>10 039 853</b>

## 4. Cash and cash equivalents

	2019 R	2018 R
Cash and cash equivalents consist of:		
Reserve Funds	19 278 498	18 309 945
- Rand Merchant Bank: Term deposits	5 446 423	5 257 260
- ABSA Bank: Savings accounts	2 604 550	2 489 340
- ABSA Bank: Current account	1 679 794	1 973 088
- First National Bank: Savings accounts	9 547 731	8 590 257
Levy Funds	9 044 586	6 404 858
- ABSA Bank: Current accounts	6 738 845	6 404 858
- ABSA Bank: Savings accounts	2 305 741	-
	<b>28 323 084</b>	<b>24 714 803</b>





# ANNUAL FINANCIAL STATEMENTS

## Notes to the Annual Financial Statements

### 5. Property, plant and equipment

	2019			2018		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	219 483	(137 955)	81 528	247 783	(148 177)	99 606
IT equipment	242 485	(142 041)	100 444	344 776	(341 513)	3 263
Computer software	11 697	(11 691)	6	11 697	(11 691)	6
	<b>473 665</b>	<b>(291 687)</b>	<b>181 978</b>	<b>604 256</b>	<b>(501 381)</b>	<b>102 875</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	99 606	-	(18 078)	81 528
IT equipment	3 263	116 635	(19 454)	100 444
Computer software	6	-	-	6
	<b>102 875</b>	<b>116 635</b>	<b>(37 532)</b>	<b>181 978</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	15 945	139 680	(56 019)	99 606
IT equipment	21 835	1 970	(20 542)	3 263
Computer software	6	-	-	6
	<b>37 786</b>	<b>141 650</b>	<b>(76 561)</b>	<b>102 875</b>

### 6. Trade and other payables

	2019 R	2018 R
Trade payables	484 089	421 094
Provision for leave	141 271	125 711
South African Revenue Service - VAT	1 061 853	649 596
Unidentified levies	5 912	4 599
Debtors with credit balances	129 820	51 968
Credit card balances	14 089	11 918
	<b>1 837 034</b>	<b>1 264 886</b>

# Notes to the Annual Financial Statements

## 7. Revenue

	2019 R	2018 R
Levies in terms of Notice 1398 of 15 December 2017	56 346 019	51 914 430

## 8. Project expenses

	2019 R	2018 R
Consumer Education	17 953 090	16 632 266
Research and Development	2 267 748	2 835 465
Industry Information	5 724 050	2 632 622
Dairy Quality and Safety	7 812 960	8 163 151
Transformation	10 557 683	9 896 098
Milk SA staff remuneration	1 591 333	1 429 950
Communication	549 132	225 534
Utilisation of reserve funds	293 741	781 844
	<b>46 749 737</b>	<b>42 596 930</b>

## 9. Other income

	2019 R	2018 R
Administration recovery from Enterprise Development	311 496	293 820
Reversal of provision for doubtful debts	26 022	1 089 741
	<b>337 518</b>	<b>1 383 561</b>

## 10. Operating and project expenses

	2019 R	2018 R
<b>Expenses by nature</b>		
Accounting fees	901 924	759 925
Bad debts written off	38 044	1 014 124
Depreciation	37 532	76 561
Employee costs	1 591 333	1 429 947
Legal expenses	560 929	198 895
Meeting costs	919 835	823 798
Office rent	798 951	849 593
Other administrative expenses	671 625	668 911
Operating expenses	5 520 173	5 821 754
Project expenses (note 8)	46 749 737	42 596 930
	<b>52 269 910</b>	<b>48 418 684</b>

# ANNUAL FINANCIAL STATEMENTS

## Notes to the Annual Financial Statements

### 11. Finance income

	2019 R	2018 R
<b>Interest revenue</b>		
Bank	108 798	31 656
Interest received - trade and other receivables	32 997	46 963
Interest received - reserve funds	1 208 564	540 853
	<b>1 350 359</b>	<b>619 472</b>

### 12. Finance costs

	2019 R	2018 R
Interest paid on trade and other payables	-	10 125

### 13. Cash generated from operations

	2019 R	2018 R
Surplus / (deficit) for the year	5 763 986	5 488 654
<b>Adjustments for:</b>		
Depreciation and amortisation	37 532	76 561
Interest received	(1 350 359)	(619 472)
Finance costs	-	10 125
<b>Changes in working capital:</b>		
Trade and other receivables	(2 648 749)	575 020
Trade and other payables	572 147	(791 894)
	<b>2 374 557</b>	<b>4 738 994</b>

### 14. Auditor's remuneration

	2019 R	2018 R
Audit fees	101 000	96 900

### 15. Taxation

No provision has been made for 2019 tax as the company is exempt from income tax in terms of Section 10(1)(cN) of the Income Tax Act.

# Notes to the Annual Financial Statements

## 16. Related parties

### Related party transactions

	2019 R	2018 R
<b>Project expenses paid to related parties for the execution of the projects of Milk SA</b>		
Milk Producers Organisation NPC	2 359 509	3 007 028
SA Milk Processors Organisation	19 711 675	19 602 908
<b>Compensation to the Chief Executive Officer</b>	1 532 348	1 568 078
<b>Compensation to the Transformation Manager</b>	1 529 318	1 473 830
The compensation to the Chief Executive Officer and the Transformation Manager includes payments in respect of leave payouts.	-	-

## 17. Financial instruments by category

### Reconciliation of financial instruments by category - 2019

	Financial assets at amortised cost R	Financial liabilities at amortised cost R	Total R
Trade and other receivables	12 688 603	-	12 688 603
Cash and cash equivalents	28 323 084	-	28 323 084
Trade and other payables (excluding VAT and provision for leave)	-	(633 911)	(633 911)
	<b>41 011 687</b>	<b>(633 911)</b>	<b>40 377 776</b>

### Reconciliation of financial instruments by category - 2018

	Financial assets at amortised cost R	Financial liabilities at amortised cost R	Total R
Trade and other receivables	10 039 853	-	10 039 853
Cash and cash equivalents	24 714 803	-	24 714 803
Trade and other payables (excluding VAT and provision for leave)	-	(489 579)	(489 579)
	<b>34 754 656</b>	<b>(489 579)</b>	<b>34 265 077</b>

## Notes to the Annual Financial Statements

### 18. Directors' remuneration

	2019 R	2018 R
Adams PH Ms	12 472	20 549
Gebeda ZM Mr	19 960	12 897
Grobler FA Mr	14 599	22 332
Jack-Pama BS Dr (Chairman)	85 910	99 184
Kraamwinkel AP Mr*	-	-
Kuyler GF Mr (Vice-Chairman)	6 000	12 000
Loubser MJ Mr (Vice-Chairman)	39 717	46 746
Lubbe H Mr*	-	-
Prinsloo AW Mr	104 664	121 106
Rathogwa MG Mr	30 000	37 500
Wellbeloved CE Mr	17 044	-
Van Dijk CJ Dr*	-	-
Van Heerden J Mr	-	13 864
	<b>330 366</b>	<b>386 178</b>

\* The directors did not claim directors fees for their involvement in Milk SA.

The remuneration paid to MG Rathogwa as Transformation Manager is reflected under related party transactions in note 16.

### 19. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 20. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act 71 of 2008.



# Detailed Income Statement

	Current Levy Period R	Reserve Funds R	2019 R	2018 R
<b>Revenue</b>				
Levies	56 346 019	-	56 346 019	51 914 430
<b>Project Expenses</b>				
Project expenses	(46 455 996)	(293 741)	(46 749 737)	(42 596 930)
<b>Gross surplus / (deficit)</b>	<b>9 890 023</b>	<b>(293 741)</b>	<b>9 596 282</b>	<b>9 317 500</b>
<b>Other income</b>				
Administration recovery from Enterprise Development	311 496	-	311 496	293 820
Provision for doubtful debts	26 022	-	26 022	1 089 741
Finance income	141 795	1 208 564	1 350 359	619 472
	<b>479 313</b>	<b>1 208 564</b>	<b>1 687 877</b>	<b>2 003 033</b>
<b>Operating expenses (Refer to page 97)</b>	<b>(5 520 173)</b>	<b>-</b>	<b>(5 520 173)</b>	<b>(5 821 754)</b>
<b>Operating surplus</b>	<b>4 849 163</b>	<b>914 823</b>	<b>5 763 986</b>	<b>5 498 779</b>
Finance costs	-	-	-	(10 125)
<b>Net surplus for the year</b>	<b>4 849 163</b>	<b>914 823</b>	<b>5 763 986</b>	<b>5 488 654</b>

# ANNUAL FINANCIAL STATEMENTS

## Operating Expenses

	Notes	2019 R	2018 R
Accounting fees		(901 924)	(759 925)
Auditor's remuneration	14	(101 000)	(96 900)
Bad debts written off		(38 044)	(1 014 124)
Bank charges		(20 271)	(15 586)
Consumables		(30 603)	(35 362)
Depreciation		(37 532)	(76 561)
Employee costs		(1 591 333)	(1 429 947)
Inspection and Investigation		(76 477)	(12 905)
Insurance		(67 161)	(66 189)
Internal audits		(40 414)	(67 009)
Legal expenses		(560 929)	(198 895)
Meeting costs		(919 835)	(823 798)
Office rent		(798 951)	(849 593)
Postage		(535)	(78)
Printing and stationery		(157 907)	(160 147)
Promulgation of Statutory Regulations		(18 998)	-
Relocation costs		-	(134 952)
Repairs and maintenance		(82 190)	(5 751)
Security		(5 345)	(5 374)
Small assets		(40 045)	(25 825)
Subscriptions		(13 206)	(13 270)
Telephone and fax		(4 707)	(9 960)
Travel - personnel		(12 766)	(19 603)
		<b>(5 520 173)</b>	<b>(5 821 754)</b>

# Research & Development Reserve Fund

Analysis of Movement in Reserve Fund (Research & Development)  
Surplus funds i.t.o. clause 15(5)(a) of the Marketing of Agricultural Products Act

	2012-2019 R	2019 R	2018 R
<b>Opening Balance</b>	-	586 605	204 268
<b>Income</b>	537 145	35 796	37 272
Interest received	537 145	35 796	37 272
<b>Expenses</b>	(2 190 587)	-	-
Mastitis competition prize money	(23 000)	-	-
R&D unallocated support: 2012 - 2013	(819 794)	-	-
Research Projects	(1 347 793)	-	-
Fasciola hepatica - Impact & Management (UP)	(305 962)	-	-
Fasciola hepatica and Nematodes - Biological control (UKZN)	(438 750)	-	-
Mastitis - bacteriophages (UKZN)	(417 042)	-	-
Mastitis - resistance to antibiotics in lactating cows (UP)	(172 665)	-	-
Flocculation (UFS)	(13 374)	-	-
<b>Refund of funds on transfer of project</b>	-	-	345 065
<b>Transfers from/(to) reserve funds</b>	2 275 843	-	-
<b>Closing balance</b>	<b>622 401</b>	<b>622 401</b>	<b>586 605</b>

**Note:**

A reserve fund was originally created for the unused levy funds that accrued during 2006 to 2009, against which the Minister allowed expenditure on Research and Development, World Dairy Summit, Dairy Quality & Safety and the Commercialization Project. During 2014, the Research and Development funds were transferred to a separate reserve fund. As only the funds for the Commercialization Project eventually remained in the original reserve fund, it was named the "Commercialization Fund".

# ANNUAL FINANCIAL STATEMENTS

## Enterprise Development

	2012-2019 R	2019 R	2018 R
<b>OPENING BALANCE</b>	-	16 707 429	11 282 874
<b>INCOME</b>	31 398 082	1 172 571	5 446 962
Surplus funds i.r.o. R1220 of 23 December 2005	13 285 772	-	-
Surplus funds i.r.o. R57 of 30 January 2009	3 842 137	-	-
Surplus fund i.r.o. 2014 - 2017	9 498 724	-	4 943 597
Interest received	4 771 449	1 172 571	503 365
<b>EXPENSES</b>	(393 166)	(2 984)	-
<b>Support Services</b>	(62 871)	-	-
Veterinary Services	(5 648)	-	-
Infrastructure	(123)	-	-
Professional advice	(57 100)	-	-
<b>Administration</b>	(330 295)	(2 984)	(19 601)
Bank charges	(22 585)	(2 984)	(19 601)
Meeting costs	(102 019)	-	-
Travel: Road	(87 870)	-	-
Travel: Air	(47 459)	-	-
Accommodation	(40 386)	-	-
Other	(29 976)	-	-
<b>TRANSFERRED FROM/(TO) RESEARCH &amp; DEVELOPMENT FUNDS</b>	(2 292 930)	-	-
<b>TRANSFERRED FROM/(TO) JOBS FUND</b>	(10 832 163)	-	-
<b>ACCRUALS</b>	(73)	2 734	(2 807)
Value Added Tax			
<b>CLOSING BALANCE</b>	<b>17 879 750</b>	<b>17 879 750</b>	<b>16 707 429</b>

# Promoting sustainable commercialisation of existing black dairy enterprises

## Analysis of Movement in Commercialization Fund (Jobs Fund and Milk SA Contract)

	2012-2019 R	2019 R	2018 R
<b>OPENING BALANCE</b>	-	<b>1 973 088</b>	<b>3 077 374</b>
<b>TRANSFERRED FROM COMMERCIALISATION FUND</b>	10 832 163	-	-
<b>INCOME</b>	8 837 830	(289 674)	216
Contribution received/(repaid) - Jobs Fund	8 805 732	(289 871)	-
Interest received	32 098	197	216
<b>TOTAL EXPENSES</b>	(18 022 186)	(35 616)	(305 228)
<b>Management Fees</b>	(1 914 914)	-	(189 732)
Project Manager	(567 626)	-	(85 485)
Project Manager: Monitoring & Evaluation	(521 232)	-	-
Project team members	(86 097)	-	-
Project secretary	(15 489)	-	-
Expert consultant for assessment of cows	(34 756)	-	-
Car hire/ road transport	(238 079)	-	(50 125)
Accommodation	(385 208)	-	(51 024)
Airfare	(63 288)	-	(3 098)
Subsistence	(3 139)	-	-
<b>Training (Consultants)</b>	(916 323)	(34 842)	(78 684)
Professional Fees	(875 534)	(34 842)	(69 625)
Accommodation & meals	(29 784)	-	-
Capacity building	(11 005)	-	(9 059)
<b>Capital Expenditure</b>	(12 150 995)	-	(36 060)
Machinery & Equipment	(214 093)	-	(36 060)
Procurement of cows	(8 168 682)	-	-
Pasture Establishment	(378 689)	-	-
Capital transfers (Capital expenditure)	(3 389 531)	-	-
<b>Infrastructure costs (Eskom power)</b>	(3 035 019)	-	-
<b>Administration</b>	(4 935)	(774)	(752)
Bank charges	(4 935)	(774)	(752)
<b>ACCRUALS</b>	31 987	31 996	(799 274)
Value Added Tax	(13)	(4)	101 377
Expenditure incurred but settled after reporting date	32 000	32 000	(900 651)
<b>CLOSING BALANCE</b>	<b>1 679 794</b>	<b>1 679 794</b>	<b>1 973 088</b>









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