

Milk South Africa  
Melk Suid-Afrika

# ANNUAL REPORT

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# 2021



## 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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# Chairman's Report



Dr Bonile Jack-Pama (Milk SA Chairman)  
delivering his report to the AGM

# CHAIRMAN'S REPORT

**It is my pleasure** to welcome you all to Milk SA's Annual General Meeting, which takes place at a time in history where the **macro-environment** has become increasingly uncertain, which emphasizes the relevance and purpose of a unified South Africa with a strong economic foundation. The South African economy and society were shaken quite severely by the following recent events:

- The social protests and economic devastation in KwaZulu-Natal during July 2021;
- The invisible COVID-19 enemy which continued fearlessly on its path of destruction;
- Outbreaks of foot-and-mouth disease during 2021 and 2022 in previous FMD-free zone areas;
- The devastation of veld, grazing land and crops by swarms of brown locusts in parts of the Northern Cape, Western Cape and Eastern Cape Karoo during March and April 2022 - which was by far the worst outbreak in the past 25 years;
- Disruptive rainfall and storms during April and May 2022 in KwaZulu-Natal which caused extreme damage to land, buildings and infrastructure; and
- World-wide economic disruption, risks and uncertainties stemming from the Russian invasion of Ukraine.

Dealing with the consequences of the above is not easy for South Africans who have already been crippled by poor service delivery by the public sector for many years. Economic failure leads to unemployment, for which the rate is currently highest among youths aged between 15 and 24, at around 66.5%.

Whereas **consumption** remained fairly positive during the coronavirus-stricken 2020 for many food products including dairy, the picture changed drastically in 2021. All the dairy product categories, except flavoured milk, experienced negative demand (a quantitative decline) from 2020 to 2021 (calendar years). Fresh milk and UHT

milk reflected a serious decline in sales.

After the pandemic-induced contraction of 6.4% in 2020, **South Africa's economy** started to recover in 2021, with GDP growth reaching 4.9%. Despite longstanding structural constraints such as electricity shortages, the recovery was expected to continue in 2022 and the medium term. With the key goal of accelerating an infrastructure-led economic recovery plan, President Ramaphosa announced the *Sustainable Infrastructure Development Symposium* (SIDSSA) in 2020 with a view to significant investment in energy, water and sanitation, agriculture & agro-processing and other economic sectors.

This led to (amongst others) the introduction of the **Agriculture and Agro-processing Master Plan** (AAMP) in 2021 which was concluded and signed by Minister Didiza on 12 May 2022. Milk SA, MPO and SAMPRO participated in AAMP which was aimed at improving food security, providing farmer support, investing and maintaining critical infrastructure, reducing imports, improving localized food production, supporting market expansion and promoting trade. Although insights and input by the SAMPRO CEO added value in respect of the agro-processing section, it unfortunately lacked clear definition and scope and therefore, further attention is required. On the contrary, the key challenges for the livestock section feature prominently and fairly sufficiently in the AAMP.

The Advisory Committee: Industry Information produced two detailed reports in reaction to the Competition Commission's reports on "Essential Food Price Monitoring" which were presented to and adopted by the Board of Directors. These reports of Milk SA clarify important principles of the SA dairy market in relation to competitiveness and competition.

Milk SA accomplished a myriad of goals through its projects and served the dairy industry of South Africa in various ways during the four-yearly **statutory measures** (2018 to 2021) which lapsed on 31 December 2021. Our levy, financial and other administration was solid and sound, as again underscored by the internal and external audit reports. Levy income during the four years was R231 million, which exceeded the budget by 1,2%. The work of the Milk SA Office and ministerially designated inspector and his professional approach is highly commended, as it not only resulted in improved levy income and more reliable industry information, but also fostered good relationships with our industry role-players.

All the **projects** of Milk SA maintained high standards and delivered excellent reports which were all adopted by the Board of Directors. I would like to highlight some of the more salient points:

- The amended statutory measures for 2018 to 2021 enabled Milk SA to present the dairy industry with reliable information on a wider range of dairy products manufactured from unprocessed milk.
- The SA dairy industry, through its SA National Committee (SANCIDF) remained an active member of the International Dairy Federation through its Standing Committees. Sustainability in all respects featured high on the agenda, with the UN Food Systems Summit being the supreme event where stakeholders presented

their commitments in respect of school meals, food waste, healthy diets and agro-ecology.

- Nineteen ongoing and new projects were facilitated and co-ordinated by the R&D structures. The R&D Programme is also responsible for overseeing the subprojects for animal welfare, animal health and environmental sustainability. The following aspects deserve special reference here:
  - The R&D Programme Manager (Dr Meissner) and the Manager: Environmental Sustainability (Dr Ohlhoff) compiled and updated the "*Sustainability in the SA dairy industry: A status and progress report*" with the most recent principles and practices pertaining to the organized dairy industry's endeavours to support and promote a viable, competitive and ethically sound SA dairy industry. Dr Meissner also wrote a document "*What is really important to ensure sustainability in the dairy industry?*".
  - The document: "*Anti-cattle campaign: Arguments to refute claims*", written by Dr Meissner, empowers industry participants with facts when confronted with anti-cattle campaigns.
  - A remarkable R&D achievement was the development of a web- and phone-based tool for producers of unprocessed milk, to calculate and monitor the impact of environmental indicators on the economic outcome of their operations.
- The Customs Duties and Market Access Project contributes to a trade dispensation that supports the growth and development of the dairy industry in South Africa. This includes representing Milk SA (as a member) on:
  - The National Animal Health Forum (NAHF); and
  - The Agricultural Trade Forum (ATF)

The goal of NAHF is to improve veterinary services and

# CHAIRMAN'S REPORT

Mr Prinsloo, Ms Teichmann,  
Mr Fouché (CEO),  
Dr Jack-Pama (Chairman)  
at the AGM



the compliance with animal health standards through public private partnerships. In 2021, the project liaised actively with the Directorate Animal Health and Directorate Veterinary Services of DALRRD and NAHF to share information on animal diseases including the foot-and-mouth disease outbreaks.

The Agricultural Trade Forum is a platform where agricultural industries together with Government can compile trade protocols and strategies for negotiations with numerous trading partners/countries to the benefit of all agricultural industries. The international trade dispensation covers issues such as:

- *Ordinary customs duties;*
- *Action against dumping and subsidized imports;*
- *Provision for rebate of custom duties;*
- *Government policy in respect of the issues already mentioned;*
- *Trade agreements that influence or determine the issues already mentioned as well as rules of origin and access by South Africa's dairy industry to foreign markets; and technical requirements in respect of imports and exports.*

• The role of the Dairy Standard Agency (DSA) increased immensely in terms of scope, intensity and purpose. Food quality and safety involves a network of affected parties and institutions - both nationally and internationally - and therefore, DSA's Managing Director secured a strong presence and active participation therein. For the year under review, the following can be highlighted:

- Expansion of DSA's role and activities in respect of participation in the harmonization of standards on the African continent through the African Organisation for Standardisation.
- Ongoing engagements with a view to co-operate constructively with DALRRD and its designated assignee, subject to the High Court judgment rulings of 22 February 2021.
- Engagements with DALRRD, Milk SA, the assignee and the Executive Officer of the APS Act to counter the latter two parties' claims which were aimed at removing Milk SA's dairy quality objectives from the statutory measures.
- Initiation of the review of the VPN<sup>1</sup> 20 to ensure

<sup>1</sup> *Veterinary Procedural Notices*



The Milk SA AGM in motion

that the updated Code of Practice for Milk Producers is aligned with statutory regulations and to support export certification.

- Industry consultation led to revised draft regulations for Dairy Products and Imitation Dairy Products (R1510 of 2019) as well as the micro-criteria required for the revision of R1555 of 1997 which are the Regulations Relating to Milk and Dairy Products.
- Farm audits assisted milk producers to implement sustainable and effective food safety systems, based on the prerequisite programmes as provided for in Regulation 908 of 27 June 2003, issued in terms of the Foodstuffs, Cosmetics and Disinfectant Act (Act 54 of 1972) as well as the DSA Code of Practice for the Secondary Industry.
- Updating of the DSA Code of Practice for Milk Producers in respect of biosecurity and animal welfare.
- Expanding audit services to include animal welfare audits, aligned with South African National Standards 1694 of 2018: The Welfare of Dairy Cattle.
- As reference laboratory for the SA dairy industry, the DSA Laboratory supplied reference samples for calibration of laboratory equipment and also analyzed routine samples in terms of the Milk SA Quality & Safety Programme, while it supported special investigations as well as the R&D Programme of Milk SA.
- Under the Primary Industry Skills & Knowledge Project, MPO initiated an online learning platform and bookstore. An “e-reader” application can be downloaded onto the student’s laptop, tablet or cellphone. The student may opt to complete any of the 13 modules (ranging from animal healthcare to farm business management) or the entire MPO Dairy Qualification.
- The Secondary Industry Skills & Knowledge Project was instrumental in establishing closer contact between the FoodBev SETA Board and the Dairy Chamber, which resulted in a far better understanding by the Board of the dairy vocational needs. For that reason, the Dairy Chamber is acknowledged as the best functioning



# CHAIRMAN'S REPORT

18 Mr Colin Wellbeloved  
(Chairman of MPO),  
Mr Fanie Ferreira (CEO of MPO)  
and Cindy Chokoe (NAMC)  
at the AGM



chamber within FoodBev SETA. The first private training provider has recently been accredited by the SETA.

- Although substantial challenges have been encountered, the black dairy entrepreneurs continued to be supported (under the Enterprise Development programme) with equipment, infrastructure, pregnant heifers, fodder flow, skills and knowledge. A system of partial payment by the beneficiaries for the aforementioned goods and services, has been introduced. A number of new potential beneficiaries have been identified for assessment.
- The Consumer Education Project's task to understand and influence consumer behaviour is a never-ending challenge which requires continuous study of the relevant sciences and creative action. Their 2021 programme is loaded with ingenuity, such as:
  - The new television advertisement "Dairy Gives You Whatever Go You Need";
  - The dairy matrix video, explaining to consumers the unique benefits of dairy in the diet;
  - Recipes shown in the DairyDoneEasy campaign on Facebook and Instagram; and

- A new sport portal on the website.

Every industry role-player is encouraged to study the project reports attentively to appreciate the work that underpins **a competitive SA dairy industry in the free market space**. Milk SA takes pride in presenting this annual report to its members, namely MPO and SAMPRO, while Milk SA also feels honoured to have been nominated by them as designated Administrator of the statutory measures, for another four years.

I would like to thank MPO, SAMPRO, DSA, SANCIDF and every project manager for their selfless dedication; every director who helped shape the projects and direct the activities of Milk SA strategically and tactically; all the industry role-players for their continued support for and trust in Milk SA; the professional business partners of Milk SA; and lastly, the Milk SA staff who ensured that the clock never missed a tick.

# Chief Executive Officer's Report



Nico Fouché (CEO of Milk SA)  
delivering his report at the AGM

# CEO'S REPORT

## Statutory measures

31 December 2021 marked the end of the latest regulatory period, as the statutory measures are published for intervals of four years only. The latest period was 1 January 2018 to 31 December 2021 for which Milk SA - as Administrator (designated by the Minister of Agriculture, Land Reform and Rural Development) - performed its functions in accordance with its mandate and to the satisfaction of its Board of Directors and the National Agricultural Marketing Council (NAMC). NAMC's observer attended nine of the 16 Board meetings held during the four-year period.

It was required of Milk SA (by law) to implement, administer and enforce the three statutory measures, which were published as a continuation of the previous set of statutory measures. It was found by the Ministerial Inspector that most of the registered role-players complied with the record-keeping requirements, while the positive co-operation from role-players in default was encouraging. Under-declarations of leviable unprocessed milk and other products (as identified by the Inspector) caused a larger than average spike in debt towards the end of 2021, but the necessary legal and other actions were taken to ensure compliance.

The most valuable enrichment of the 2018-2021 measures was that it enabled Milk SA to collate additional industry information pertaining to raw milk used in the manufacturing of different dairy products, which enables Milk SA to publish accurate and timely information in this regard. Additional products have been added to the series in respect of the ensuing (2022-2025) statutory measures. Milk SA's collation of this reliable and timely information and publication thereof to all role-players, empowers the SA dairy industry immensely.

## Finances

The independent accountants of Milk SA, PricewaterhouseCoopers, submitted monthly financial management accounts to the Office of Milk SA, which were reviewed by the CEO of Milk SA and the Chairman of the Audit & Risk Committee of Milk SA and discussed with the accountants.

The External auditor's report for 2021 was once again positive, with a clean report issued to Milk SA.

The levy income of R62,7 million for 2021 exceeded the budget by ±R400 000. The planned projects and other operations could be financed comfortably, while additional levy income and savings in respect of the four-year period could be used for additional operations such as support to the laboratory of the Dairy Standard Agency.

## Corporate Governance

The Board of Directors ensured that its committees and other structures remained fully operational. Terms of Reference for many of the committees have been reviewed and adjusted. Various projects and Milk SA's administration were subjected to internal audits by an independent firm.

Risk factors listed in the Company's Risk Register received high priority, especially where pertaining to cyber security and the protection of confidential information.

## Human Resources

The Office of Milk SA remained committed to the vision of the Company and to serve the collective interests of the dairy industry of South Africa. Skills were continuously

developed through in-house and external training. The mammoth task of statutory measures administration, financial administration, support to the projects and participation in various forums rested on the shoulders of five staff members. Nicolette Teichmann, Personal Assistant to the CEO, retired after twelve years of excellent service to the Company. She continues as part-time Minute-secretary for Milk SA.

## Implementation, Administration and Enforcement of Statutory Measures

Designated by the Minister of Agriculture, Land Reform and Rural Development, Milk SA acted as Administrator of the following statutory measures:

- 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, in force from 1 January 2018 until 31 December 2021.

The role-players and their obligations can be summarized as follows:

- 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:





# CEO'S REPORT

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, yoghurt, kephir and 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 functions of the Office of Milk SA in the above regard were sufficiently overseen by the organization's structures. Regular reports were submitted for the attention of the Audit & Risk Committee, Executive Committee and Board of Directors.

The policies on the administration of statutory measures, including debt management, were reviewed and formed the basis of the excellent financial, administrative and operational performance.

Legal action was continuously and consistently taken against role-players who failed to comply with their statutory obligations.

The Ministerially-designated inspector continued to play a significant role to ensure that levies were optimally collected and to verify that the industry information collated was reliable. Feedback letters were sent to role-players inspected, while the Inspector also supplied Milk SA with monthly status reports and an annual report.

The NAMC was supplied with:

- An annual review on the administration of the statutory measures, financial information and transformation; and
- A report on NAMC's conditions for the statutory measures in respect of 2018-2021.

## Annual movement in the number of registered persons in the registration categories

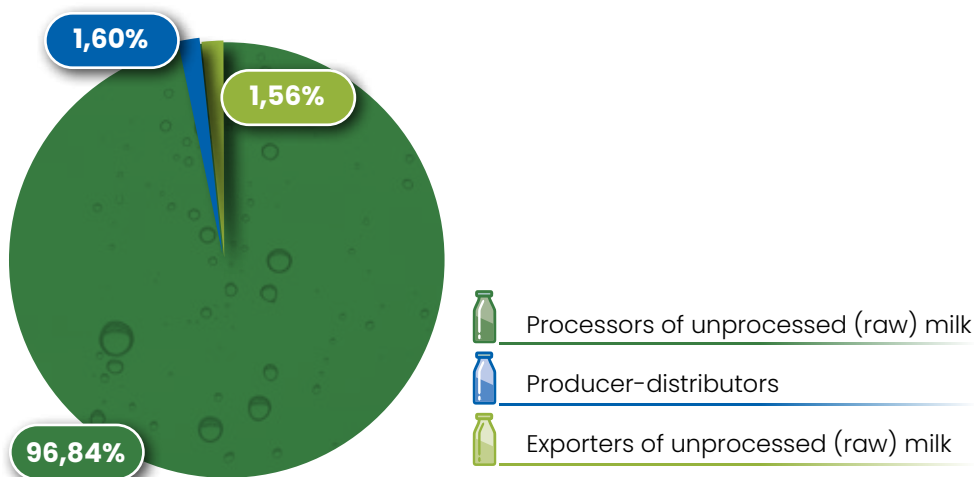
In December 2021, the number of processors made up 42,1% / 133 of the total number of persons/institutions registered with Milk SA, followed by importers of dairy products (36,4% / 115), milk producers<sup>2</sup> (20,9% / 66) and an exporter of raw milk (0,6 % / 2).

Contributions to the levies by category were as follows in 2021: Milk processors 86,87%; importers of dairy products 10,29%; milk producers 1,44%; and raw milk exporters 1,40%.

Milk processors contributed 96,84% to the total unprocessed (raw) milk declared to Milk SA, followed by milk producers (producer-distributors) with 1,60% and raw milk exporters with 1,56%.

### Unprocessed milk declared by the different role-player categories (%)

Total raw milk declared in 2021 = 3,4 billion kg's



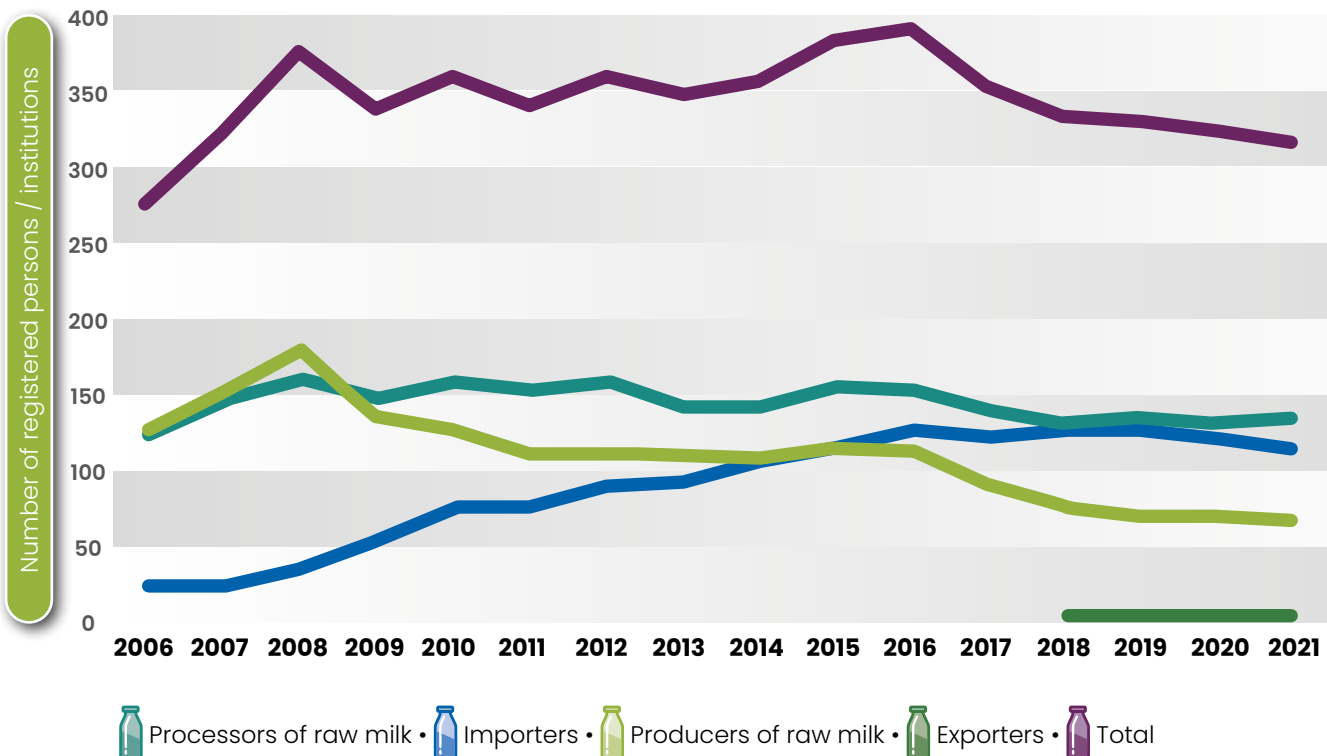
<sup>2</sup> A milk producer is defined in the Government Notices (Statutory Measures) as follows: "A person who produces milk by the milking of cows, goats or sheep". These persons must - in terms of the statutory measures - register with, submit returns and pay levies to Milk SA.

# CEO'S REPORT

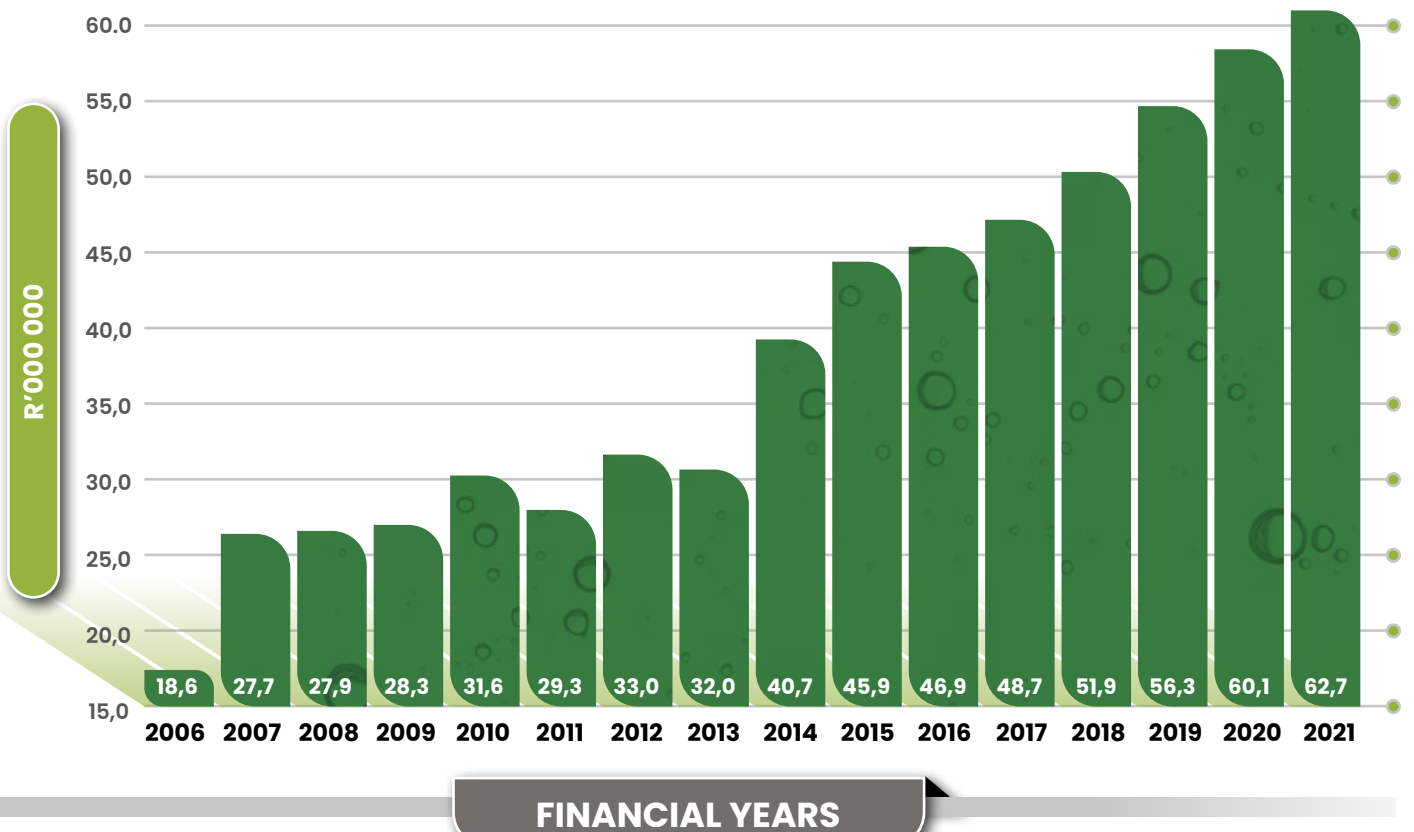
Number of registered role-players from 2006 to 2021, per registration category

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	70	1	330
2020	132	121	70	1	324
2021	133	115	66	2	316

Annual movement in the number of registered persons in the registration categories: 2006 to 2021 (Dec)



## Levy income, 2006 to 2021



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  
 2020: Levy rate = 1,54 cent / kg of unprocessed milk  
 2021: Levy rate = 1,64 cent / kg of unprocessed milk

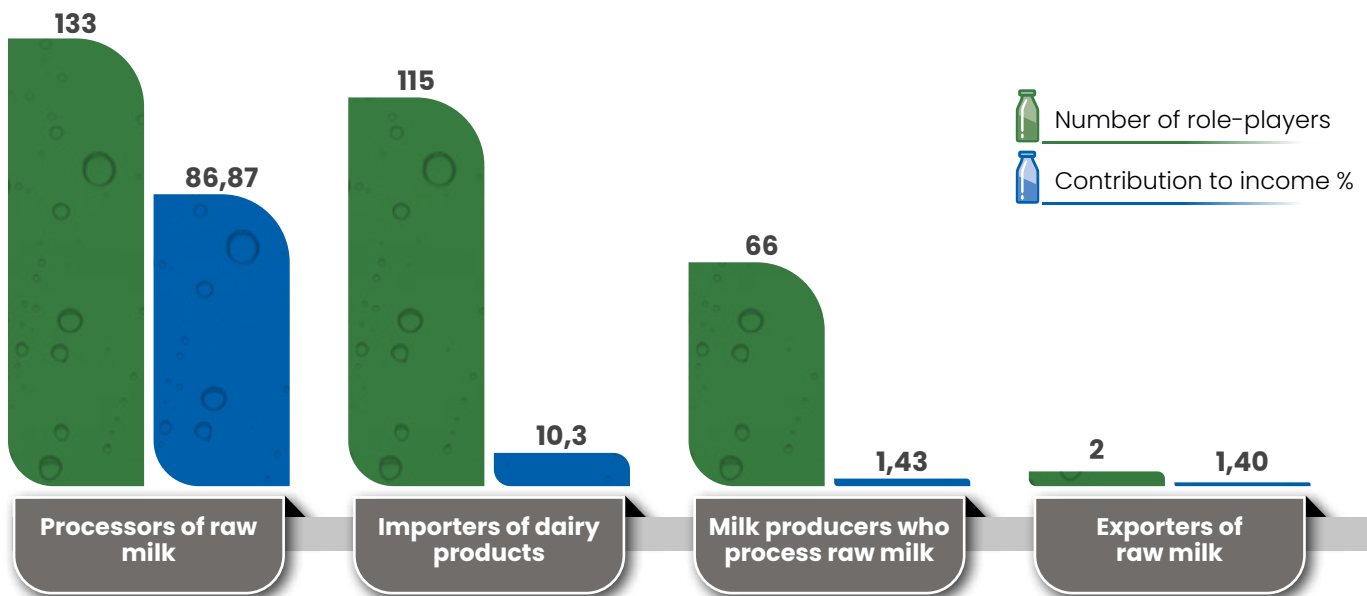


# CEO'S REPORT

## Percentage contribution of the number of levy payers to the income per category (rounded) - for selected years (2008 to 2021)

	2008	2010	2012	2014	2016	2018	2020	2021
Processors of raw milk	92	91	87	91	88	87	86	87
Importers of dairy products	6	7	12	8	10	11	11	10
Producers of raw milk	2	2	1	1	2	1	1	1
Exporters of raw milk	n/a	n/a	n/a	0	0	1	2	2

## Number of registered role-players per category and contribution to levy income, 2021



## The web-based information system

The web-based Management Information System (which is outsourced) facilitates efficient statutory measures administration through the following functions:

- Capturing, processing and securing of data relating to registrations, returns and levy payments.
- Management reports in respect of the above for the office, attorneys, inspectors and accountants.
- Submission of project proposals and reports by applicants/project leaders and liaison with project managers.
- Hosting and securing 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 by them to Milk SA and access to their invoices.
- Contact details of all relevant role-players and communication with registered and other role-players.

## Inspections in terms of Section 21 of the Marketing of Agricultural Products Act, 1996

(Act No. 47 of 1996)

Mr Johannes Petrus Ferreira was designated and authorized by the Minister of DALRRD as Inspector, to perform the functions referred to in Section 21(3) of the Marketing of Agricultural Products Act (Act 47 of 1996) (“the Act”), namely:

- At a reasonable time, to enter premises where he or she has reason to believe that a statutory measure or any prohibition, control or direction referred to in the Act has been or is being contravened, in order to investigate and obtain evidence;
- To direct a person in control of or employed at such premises:
  - to deliver any book, record or other document that pertains to the investigation and which is in the possession or under the control of that person;
  - to furnish such information as he or she has with regard to that matter;
  - to render such assistance as the inspector requires in order to enable him or her to perform his or her functions under the Marketing Act;
  - to inspect any book, record or other document and make copies thereof or excerpts therefrom;
  - to seize any agricultural product, material, substance, book, record or other document which is or might be relevant to a prosecution under the Act and to keep it in his or her custody: provided that the person from whose possession or control any book, record or document has been taken, may, at his or her own expense and under supervision of the inspector concerned, make copies thereof or excerpts therefrom;
  - take samples of any agricultural product or any material or substance used or intended for use in the sale, manufacture, production, processing, treatment, preparation, grading, classification,

packing or marking thereof, and of any agricultural product, material or substances in terms of the Act and to examine, analyse, grade or classify such samples.

Constraints due to COVID-19 and related inherent limitations made it difficult to conduct inspections during 2020 and 2021. However, the Inspector managed to conduct inspections for most role-players for which inspection notices were issued - mostly via electronic media.

Eighty-seven (87) role-players - in all provinces and across all registration categories - were covered by the inspections and the inspections revealed (amongst others) the following:

- Most role-players complied with the requirements of adequate record keeping, which was also readily available for inspection;
- Incorrect conversion of litres to kilogrammes of unprocessed milk;
- Incorrect calculation of the volumes of unprocessed milk bought;
- Unprocessed milk losses were deducted from the unprocessed milk bought for manufacturing/processing;
- Deliberate understatement of volumes of unprocessed milk;
- Unprocessed milk sold to other processors was not deducted from the leviable volumes of milk;
- Duplication of unprocessed milk values; and
- Errors in the allocation of unprocessed milk used for the manufacturing/processing of dairy products.

The Inspector performed the following additional tasks:

- Assisted role players in reviewing Monthly Milk SA returns subsequent to the inspection;
- Drafted working papers (Excel) for some role-players which did not have electronic data systems (i.e. capture litres of unprocessed milk which automatically convert the volumes to kilogrammes on a monthly basis); and
- Assisted role-players with general queries.

# CEO'S REPORT

## Information supplied by the registered role-players

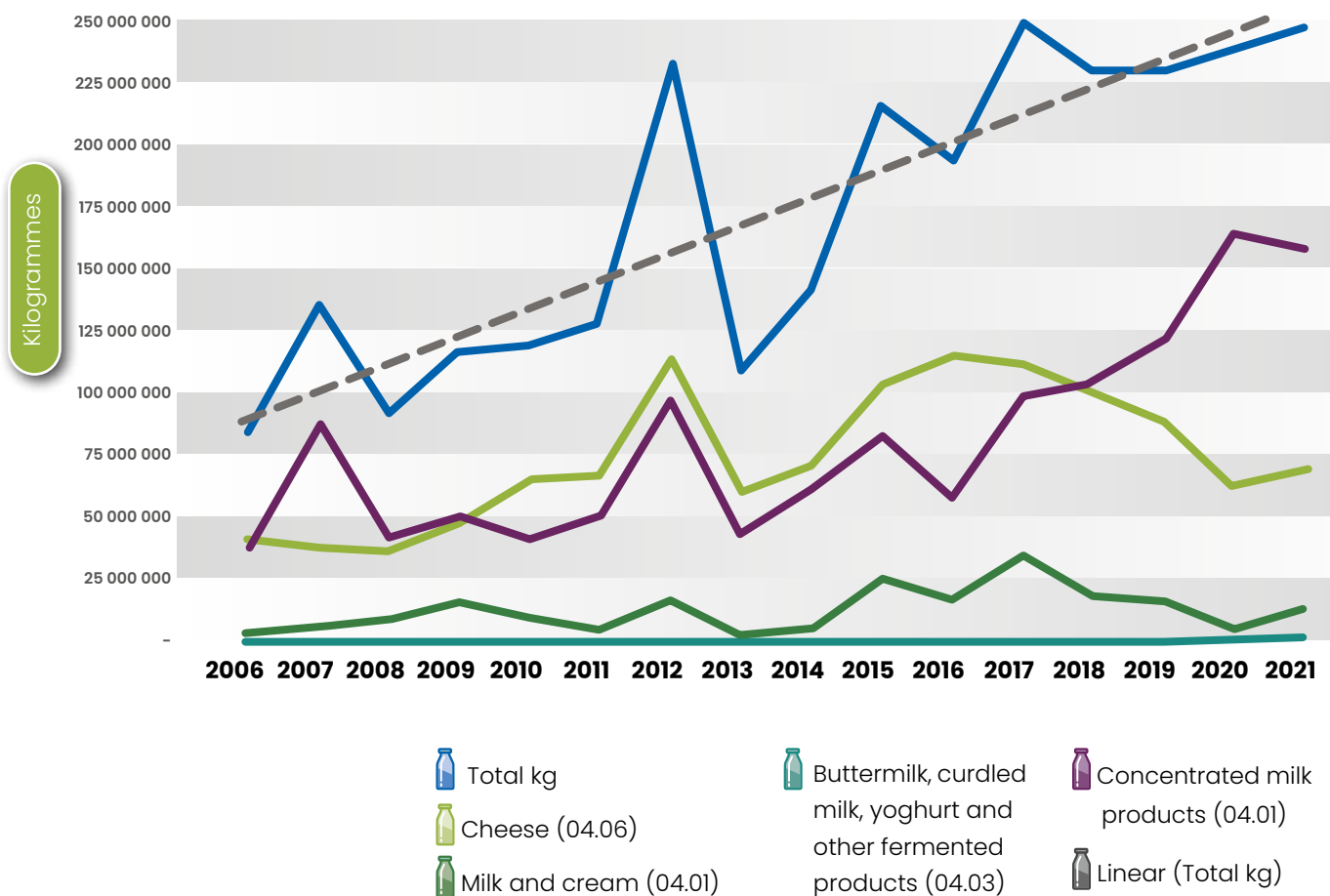
In terms of the 2018 to 2021 statutory measures, role-players had - on a monthly basis - to provide Milk SA with information regarding raw (unprocessed) milk that was used in the manufacturing of:

- Processed, unsweetened, unflavoured milk: Including pasteurized milk, ultra pasteurized milk, ultra high temperature milk (i.e. long life milk or UHT milk) and sterilized milk;
- Sweetened and/or flavoured and/or coloured milk;
- Fermented products namely maas, yoghurt, kefir and buttermilk;
- Milk powder; and
- Cheese, *excluding* cottage cheese and cream cheese.

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

- Whey powder manufactured; and
- Butter manufactured.

## Imports of product categories, 2006 to 2021 as reported to Milk SA (Milk equivalent: kilogrammes) Excluding whey powder and butter



## Administration of the projects of Milk South Africa

The strategic direction of Milk SA is 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.

Projects are subject to the requirements of a financing policy and must meet the requirements of the objectives of the statutory measures and the strategic direction.

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 Research & Development projects for which results had not been finalized.

The necessary attention was given by the relevant structures including the Work Groups, Advisory Committees, Audit & Risk Committee, Executive

Committee and Board of Directors to ensure that projects were well managed and their goals optimally achieved.

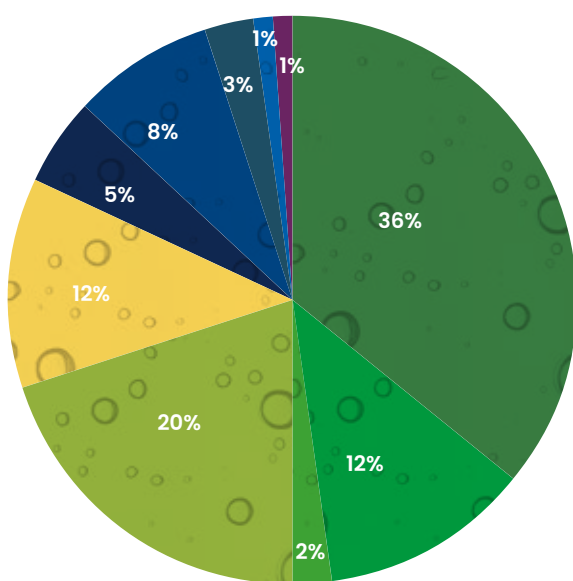
The Internal Auditor continued to provide independent and objective reports and advice with a view to improving Milk South Africa's performance in respect of its administrative and project responsibilities.

Internal audits were completed in 2021 for the following projects:

- i. Improvement of the Quality of milk and other dairy products and compliance with legal standards
- ii. Economies and Markets
- iii. Dairy Standard Agency Laboratory
- iv. Enterprise Development
- v. Skills & Knowledge Development in the Secondary Dairy Industry Sector
- vi. Mastitis projects
- vii. A comparison of methods for determining antibiotic residues in milk

The following graph shows the utilization of levy funds for the different project disciplines and the funds that remained unused in 2021:

**Division of levy income amongst the different functions, 2021: Percentage of total expenditure**

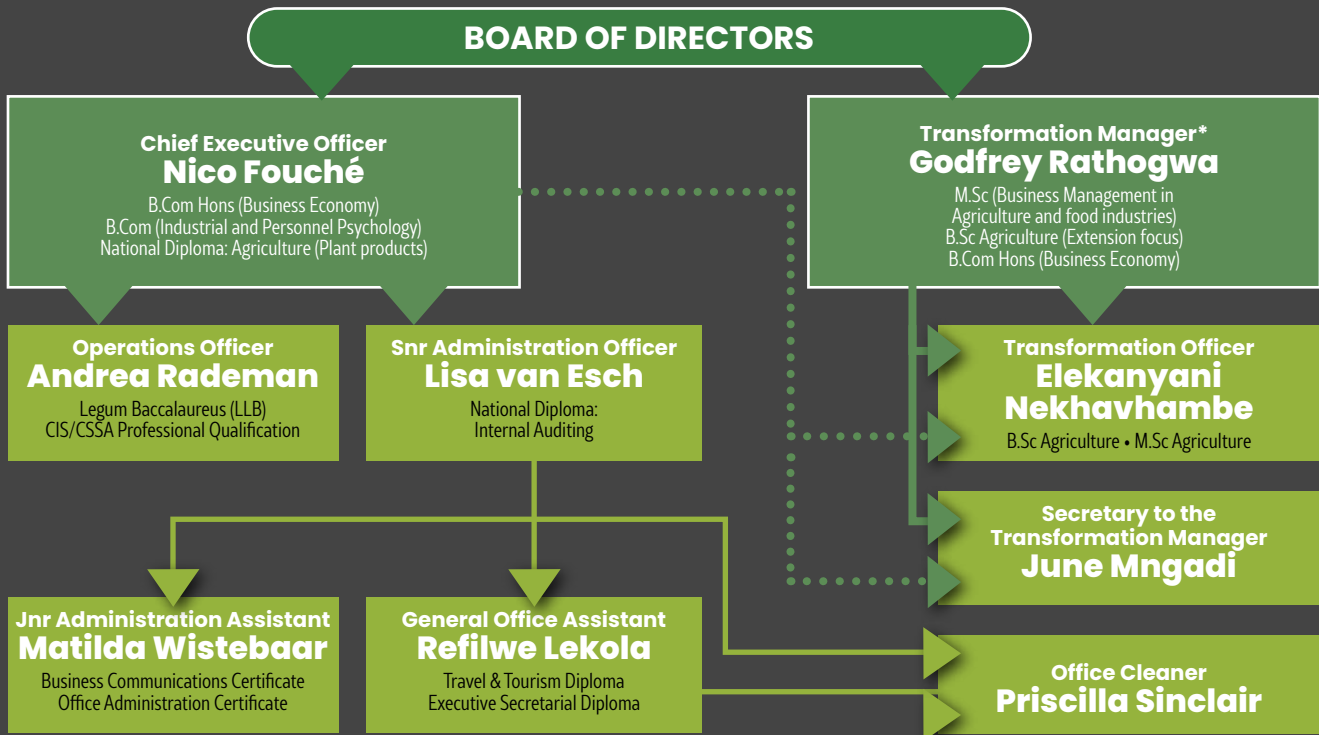


	<b>Consumer education</b> 21 901 728 • 36%
	<b>Transformation</b> 6 969 352 • 12%
	<b>Skills &amp; Knowledge Development</b> 1 381 213 • 2%
	<b>Quality &amp; Safety</b> 12 207 440 • 20%
	<b>Administration</b> 7 262 380 • 12%
	<b>Industry information</b> 3 251 186 • 5%
	<b>Research &amp; Development</b> 4 833 251 • 8%
	<b>MSA Office allocation to projects</b> 1 582 333 • 3%
	<b>Communication and Verification of statutory information</b> 880 855 • 1%
	<b>Internal audits - Projects</b> 203 011 • 1%



# CEO'S REPORT

## Staff reporting and external support structure as in June 2022



### External Support Structure

- Attorneys:
  - Gildenhuys Malatji Inc;
  - MacRobert Inc; Burden, Swart, Botha Inc
- Web-based systems support: Octoplus Information Solutions (Pty) Ltd
- Database hosting and security: Internet Solutions (Pty) Ltd
- Accountants: PricewaterhouseCoopers Inc
- Internal Auditors: HP Audit Chartered Accountants & Auditors
- Inspector of Statutory Measures: Mr Johannes Petrus Ferreira
- External Auditors: Fourie & Botha

**Solid lines:** Line authority

**Dashed lines:** Administrative authority

\* Mr Rathogwa is also a director of Milk SA  
Nicolette Teichmann retired in March 2021

Left to Right, Back: Elekanyani Nekhavhambe,  
Matilda Wistebaar, Lisa van Esch, Priscilla Sinclair  
Front: June Mngadi, Nico Fouché (CEO),  
Refilwe Lekola, Andrea Rademan



## Structure of Milk South Africa and its committees

### MEMBERS OF MILK SOUTH AFRICA NPC

**The two members of Milk South Africa are:**

- Milk Producers' Organisation NPC (MPO)
- SA Milk Processors' Organisation (SAMPRO)

**The MPO and SAMPRO are also members of:**

- Dairy Standard Agency (DSA) and
- SA National Committee of the International Dairy Federation (SANCIDF)

### BOARD OF DIRECTORS

- Four directors nominated by MPO
- Four directors nominated by SAMPRO
- One independent non-executive director as Chairperson
- One Expert director
- One director appointed from nominations received from persons who are not members of SAMPRO and who are registered with Milk SA i.t.o. the MAP Act



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.

In respect of the South African dairy industry, collective issues of strategic importance exist which:

- Cannot be addressed through competition in the market;
- Should be addressed in the interests of the South African dairy industry, the consumer, and economic development; and
- Can, in terms of the Competition Act, be addressed by collective action by the members of the dairy industry - such as through Milk South Africa.

# CEO'S REPORT

## Persons / institutions contracted by Milk SA in 2021

	Contractors	Services and projects for Milk SA
i	PricewaterhouseCoopers Inc	Accountants
ii	Octoplus Information Solutions (Pty) Ltd	Web-based Management Information Systems and IT support
iii	Internet Solutions (Dimension Data) (Pty) Ltd	Database hosting & security
iv	Fourie & Botha Inc	External Auditors (i.t.o. Companies Act)
v	Gildenhuis Malatji Inc	Attorneys
vi	MacRobert Inc	Attorneys
vii	Burden, Swart & Botha Inc	Attorneys
viii	HP Audit Chartered Accountants & Auditors	Internal Auditors
ix	Mr Johannes Petrus Ferreira	Inspector of Statutory Measures
x	Milk Producers' Organisation NPC	Projects: <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> </ul>
xi	SA Milk Processors' Organisation	Projects: <ul style="list-style-type: none"> <li>• Consumer Education.</li> <li>• Skills &amp; Knowledge Development, Secondary dairy industry sector.</li> <li>• Custom duties and Market access.</li> </ul>
xii	Dairy Standard Agency NPC	Projects: <ul style="list-style-type: none"> <li>• Improvement of the quality of milk and other dairy products.</li> <li>• Dairy Regulations and Standards Project.</li> <li>• The practical implementation of requirements of the SA National Standard SANS 1694: The welfare of dairy cattle validation by using the DSA Audit.</li> </ul>
xiii	University of KwaZulu-Natal	Projects: <ul style="list-style-type: none"> <li>• Use of NIR to Detect and Quantify Mastitic Bacteria in Cows' Milk.</li> <li>• Biological control of Liver Fluke of Cattle Using Botanical Extracts and Biocontrol Agents.</li> </ul>
xiv	Dr HH Meissner (Programme Manager: Research & Development: Milk SA)	Project: Co-ordination, support and promotion of needs-driven R&D in the South African Dairy Industry.
xv	SA National Committee of the IDF	Project: Participation in the projects and activities of the International Dairy Federation through the SA National Committee of the IDF.

	Contractors	Services and projects for Milk SA
xvi	Prof Piet Jooste	Facilitation services regarding research projects.
xvii	Stellenbosch University	Projects: <ul style="list-style-type: none"> <li>• System oriented strategies to reduce nitrogen excretion and emissions from dairy farming in South Africa.</li> <li>• The impact of fertilizer application rates on soil health and pasture yield in the Eastern Cape, South Africa.</li> </ul>
xviii	Institute of Natural Resources	Project: Buffer zones for wetlands and rivers in the dairy sector – The development of best practice guidelines for improved wetland and river management.
xix	Dr Anthony Davis	Project: Literature review of facial eczema relevant to South Africa.
xx	University of the Free State	Project: Evaluation and validation of methods for the detection of psychrotolerant bacteria and proteolytic enzymes in milk.
xxi	University of Pretoria	Projects: <ul style="list-style-type: none"> <li>• Investigation of alternative precision recording systems for collection of novel phenomes in the dairy industry.</li> <li>• Development of probiotic yoghurt with potential anti-candidal and anti-bacterial activity.</li> <li>• An assessment of cow welfare traits in South African Holstein herds.</li> <li>• Identification of Streptococcus uberis strains and biofilm expression isolated from milk samples of SA dairy herds.</li> </ul>
xxii	Chemunique (Pty) Ltd	Project: The seasonal effect on dairy cow trace mineral status in the Tsitsikamma, Eastern Cape.
xxiii	ASSET Research NPC	Project: A systems dynamic approach to incorporate environmental indicators into economic outcomes of dairy production systems in SA.
xxiv	Western Cape Agricultural Research Trust	Project: The effect of dietary Ca:P ratio on milk flocculation and milk composition of Jersey cows.

# CEO'S REPORT

## Communication & Liaison

- The website was reviewed and updated with project reports and industry statistics.
- The monthly updated raw milk purchase information was disseminated to raw milk producers and levy payers.
- Detailed information with regard to Milk SA and its projects appeared in the annual and quarterly project reports, which were posted on the company's website.
- *The Dairy Mail* covered project information and industry information (*Dairy Digits* and *Lacto Data*).
- The projects of Milk SA interacted (amongst others) with the following South African bodies:
  - Department of Trade, Industry and Competition
  - International Trade Administration Commission of SA (ITAC)
  - Department of Agriculture, Land Reform and Rural Development (DALRRD)
  - Provincial Departments of Agriculture
  - Local municipal authorities
  - Bureau for Food and Agricultural Policy (BFAP)
  - SA Bureau of Standards (SABS)
  - African Organisation for Standardisation (ARSO)
  - National Regulator for Product Specifications (NRCS)
  - Agricultural Business Chamber of South Africa (Agbiz)
  - Regulator of compulsory standards
  - Department of Health (DoH)
  - National Agricultural Marketing Council (NAMC)
  - Agricultural Research Council (ARC)
  - Milk Producers' Organisation (MPO)
  - South African Milk Processors' Organisation (SAMPRO)
  - Other organized agriculture and processing bodies
  - Tertiary academic institutions, including universities that offer human nutrition as a subject
  - Hospitals and clinics
  - Professional Health Practitioner Associations
  - Department of Education (DoE)
  - SA research institutions
  - Schools
  - Sport associations
  - Banks
  - Consumer Goods Council of SA (CGCSA)
  - International Trade Administration Commission (ITAC)
  - SA Society of Dairy Technology (SASDT)
  - SA Society for Animal Science
  - Ruminant Veterinary Society of SA
  - Grassland Society of SA
  - National Animal Health Forum (NAHF)
  - AgriSETA
  - FoodBev SETA
  - Quality Council for Trade and Occupations (QCTO)
  - Livestock Welfare Coordinating Committee (LWCC)
  - National Council for SPCAs (NSPCA)
  - SA National Consumer Union (SANCU)
  - SA Revenue Services (SARS)
  - Auditor-General (AG)

The projects also interacted with the following international bodies:

- Global Dairy Platform (GDP)
- International Dairy Federation (IDF)
- International Milk Promotion Group (IMP)
- Foreign Research Institutions
- International Farm Comparison Network (IFCN)
- Codex Alimentarius ("Food code")
- European Hygienic Engineering and Design Group (EHEDG)



# Board of Directors' Annual Report



Seated (L-R): Melt Loubser, Nico Fouché (CEO), Dr Bonile Jack-Pama (Chairman), Willie Prinsloo  
Standing (L-R): Godfrey Rathoawa, Zola Gebeda, Porchia Carstens, Fanie Ferreira, Alwyn Kraamwinkel  
Add-ins (L-R): Lex Gutsche, Colin Wellbeloved (Vice-chairman)

# BOARD OF DIRECTORS' REPORT

## Introduction

The highest legal duty of the Board of Directors is to act honestly, in good faith and in the best interests of the company. The Board of Directors has collective authority and accountability for decision-making. However, directors have individual responsibility. Directors, following King III, have two distinct categories of duties, being:

- The **duty of care, skill and diligence** in terms of which a director must manage the business of the company as a reasonably prudent person would manage his own affairs; and
- The fiduciary duty to act in **good faith in the best interests of the company**.

The Board of Directors comprises eleven (11) directors of whom -

- 4 directors are nominated by MPO;
- 4 directors are nominated by SAMPRO;
- 1 director appointed from nominations received from persons who are not members of SAMPRO and who are registered with Milk South Africa in terms of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996) whom the Board shall be entitled to nominate, appoint and replace from time to time;
- 1 independent non-executive director is appointed as chairperson of Milk SA; and
- 1 director is an expert, independent person.

The Board of Directors has established and delegated some of its functions to the Board committees, namely the Executive Committee; Audit and Risk Committee; the Human Resources Committee; Statutory Measures Committee and several advisory committees to assist and advise the Board on its obligations and duties in terms of the various strategic objectives and responsibilities of Milk SA.

Legislation that Milk SA must comply with, includes without limitation –

- The Constitution of the Republic of South Africa (Act no 108 of 1996);
- The Companies Act (Act no 71 of 2008);

- The Marketing of Agricultural Products Act (Act no 47 of 1996);
- The Promotion of Administrative Justice Act (Act no 3 of 2000); and
- The Competition Act (Act no 89 of 1998).

The Board of Directors met on four occasions during 2021 and considered the following reports:

- Quarterly and Annual reports on performance and results of the projects;
- Internal Audit reports on projects and administration;
- Non-confidential reports from the Statutory Measures Inspector;
- Financial management reports and the Annual Financial Statements;
- Annual report of the External Auditor;
- Cash flow projections;
- Debtors analysis reports;
- Reports on the investment of funds;
- CEO reports on the execution of Board resolutions;
- Reports from the Chairman of the Audit & Risk Committee;
- Risk Register.

The Board meetings were well attended and the changes in directorship are listed under item 1 below. As required by the Memorandum of Incorporation, some directors' terms overlap in order to ensure continuity of skills and knowledge.

The functions of Milk SA have been well attended to within the Company's committees and work groups. Due to COVID-19 and the resultant lock-down measures in 2020, some project activities had to be rescheduled for 2021, especially in the Enterprise Development and R&D programmes.

Sound administration of the statutory measures is key to the success of Milk SA. The Office of Milk SA reaffirmed its excellence through meticulous execution of its responsibilities in respect of the administration, implementation and enforcement of the statutory measures.

## 1. Persons who served on the Board of Directors during 2021

Adams, PH (Ms)	
Gebeda, ZM	
Grobler, FA	Resigned on 31 December 2021
Gutsche, AR	Appointed on 1 January 2022 as Director (Previously alternate director)
Jack-Pama, BS (Dr)	Chairman
Kraamwinkel, AP	
Loubser, MJ	
Prinsloo, AW	
Rathogwa, MG	
Van Dijk, CJ (Dr)	Resigned on 3 June 2021
Wellbeloved, CE	Vice-Chairman
Neethling, CJ	Alternate director: Resigned on 31 December 2021

## 2. Board and general meetings

In 2021, four Board meetings, one Annual General Meeting and one General meeting were held.

## 3. Project committees

Discipline	No. of meetings	Type of meeting
Economies & Markets	2	Advisory Committee
Customs & Market Access	2	Advisory Committee
Dairy Consumer Education	2	Advisory Committee
Transformation: Enterprise Development	8	<ul style="list-style-type: none"> <li>Internal Management Committee: Transformation (Enterprise Development) x 4</li> <li>Work Group: Transformation (Enterprise Development) x 4</li> </ul>
Skills & Knowledge Development	5	<ul style="list-style-type: none"> <li>Subcommittees: Primary &amp; Secondary x 4</li> <li>Advisory Committee x 1</li> </ul>
Research & Development	6	<ul style="list-style-type: none"> <li>Dairy Research &amp; Development Committee (DRDC) x 2</li> <li>DRDC Management Committee x 3</li> <li>Dairy Research Forum x 1</li> </ul>

## 4. Other board committees

Committee	No. of meetings
Executive Committee	4
Audit & Risk Committee	4
Statutory Measures Committee	1
Human Resources Committee	2

# BOARD OF DIRECTORS' REPORT

## 5. Representation on external bodies

The SA dairy industry was honoured by the representation of the following persons on the various national and international structures during 2021. Their expertise and contributions are indispensable to the well-being and advancement of the South African dairy industry.

	External Body	Persons who represented the organized SA industry
i	Agricultural Trade Forum	De Wet Jonker
ii	Animal Health Forum	De Wet Jonker (General Meeting); Dr Chris van Dijk (General Meeting and Board)
iii	The Science and Programme Co-ordination Committee of IDF	Maretha Vermaak
iv	The International Milk Promotion Group (functioning under the auspices of the IDF Standing Committee on Marketing)	Christine Leighton
v	National Regulator for Compulsory Specifications (NRCS)	Jompie Burger
vi	IDF Standing Committee on Farm Management	Fanie Ferreira
vii	IDF Standing Committee on Animal Health and Welfare	Dr Martin van der Leek
viii	IDF Standing Committee on Analytical Methods for Dairy Micro-organisms	Prof Elna Buys
ix	IDF Standing Committee on Analytical Methods for Additives and Contaminants	Dr Jan Floor
x	IDF Standing Committee on Analytical Methods for Composition	Dr Jan Floor
xi	IDF Standing Committee on Environmental issues	Dr Heinz Meissner Dr Colin Ohlhoff
xii	IDF Standing Committee on Dairy Policies and Economics	Alwyn Kraamwinkel
xiii	IDF Standing Committee on Microbiological Hygiene	Jompie Burger Prof Elna Buys
xiv	IDF Standing Committee on Harmonization of Microbiological Standards	Prof Elna Buys
xv	IDF Standing Committee on Nutrition and Health	Maretha Vermaak
xvi	IDF Standing Committee on Marketing	Christine Leighton Alwyn Kraamwinkel
xvii	IDF Standing Committee on Dairy Science and Technology	Stephan Steyn
xviii	IDF Standing Committee on Animal Health and Welfare	Dr Martin van der Leek Dr Inge-Marié Petzer
xix	IDF Standing Committee on Standards and Labelling	Jompie Burger Niel Erasmus Louise Götsche
xx	IDF General Assembly	Melt Loubser Edu Roux
xxi	European Hygienic Engineering and Design Group	Jompie Burger
xxii	SABS Technical Committee SABS TC 70/SC 4, Legal Metrology - Sale of goods	Jompie Burger
xxiii	SABS Technical Committee SABS TC 034 SC 17, Food products - Hygiene practices in the food industry	Jompie Burger
xxiv	SABS Technical Committee SABS TC 034 SC 05, Milk and Milk products	Jompie Burger
xxv	Consumer Goods Council of South Africa (CGCSA): Food Safety Initiative	Jompie Burger
xxvi	South African Association for Food Science and Technology (SAAFoST)	Jompie Burger
xxvii	South African Auditor & Training Certification (SAATCA)	Jompie Burger
xxviii	South African National Consumer Union (SANCU)	Jompie Burger
xxix	South African Society for Dairy Technology (SASDT)	Jompie Burger
xxx	Advisory Board: Department of Environmental Health of the Tshwane University of Technology	Jompie Burger
xxxi	Advisory Board: Department of Environmental Health of the Nelson Mandela Metropolitan University	Jompie Burger

## 6. Summary of projects and other functions funded in 2021

Function	Service provider	Subtotals spent Rand (VAT Excl)	Amount spent Rand (VAT Excl)
<b>Administration</b>	<b>Milk South Africa NPC</b>	7 262 380	7 262 380
<b>Transformation</b>			6 969 352
- Enterprise Development (Including Management Control)	Milk South Africa NPC (Transformation Manager)	6 969 352	
<b>Skills &amp; Knowledge Development</b>			1 381 213
- Skills Development in the Primary industry sector	Milk Producers' Organisation NPC	705 342	
- Skills Development in the Secondary industry sector	SA Milk Processors' Organisation	675 871	
<b>Industry Information</b>			3 251 186
- Economies and Markets	Milk Producers' Organisation NPC	1 173 628	
- Customs duties and Market access	SA Milk Processors' Organisation	652 264	
- Participation of the SA dairy industry in IDF (SANCIDF)	SA National Committee of IDF	865 189	
- Information support systems	Octoplus Information Solutions	560 105	
<b>Research &amp; Development</b>			4 833 251
Non-project costs including Administration and Programme Management	Milk Producers' Organisation & Milk SA NPC	1 310 195	
Fasciola hepatica - biological control	University of KwaZulu-Natal	4 115	
Mastitis - Coagulase-negative Staphylococcus (CNS) threat to udder health	University of Pretoria	7 500	
Mastitis: Antimicrobial resistance (AMR) screening	University of Pretoria	13 000	
Facilitation regarding flocculation projects	Prof Piet Jooste	45 800	
Development of probiotic yoghurt with potential anti-candidal and anti-bacterial activity	University of Pretoria	475 000	
Mastitis: Investigation of take-off time in milking machines in South African dairies	University of Pretoria	10 000	
Residual feed intake (RFI) and other efficiency parameters	University of Stellenbosch	70 000	
System oriented strategies to reduce nitrogen excretion and emissions from dairy farming in South Africa	University of Stellenbosch	60 367	
Buffer zones for wetlands and rivers in the dairy sector – A case study to determine best practice guidelines for improved wetland and river management	Institute of Natural Resources	300 411	



# BOARD OF DIRECTORS' REPORT

Function	Service provider	Subtotals spent Rand (VAT Excl)	Amount spent Rand (VAT Excl)
The impact of fertilizer application rates on soil health and pasture yield in the Eastern Cape, South Africa	University of Stellenbosch	68 827	
A systems dynamic approach to incorporate environmental indicators into economic outcomes of dairy production systems in SA	ASSET Research NPC	774 400	
The seasonal effect on dairy cow trace mineral status in the Tsitsikamma, Eastern Cape	Chemuniqu (Pty) Ltd	387 785	
Identification of Streptococcus uberis strains and biofilm expression isolated from milk samples of SA dairy herds	University of Pretoria	60 936	
The effect of dietary Ca:P ratio on milk flocculation and milk composition of Jersey cows	Western Cape department of Agriculture	347 000	
Investigation of alternative precision recording systems for collection of novel phenomes in the dairy industry	University of Pretoria	421 300	
An assessment of cow welfare traits in South African Holstein herds	University of Pretoria	68 000	
Evaluation and validation of methods for the detection of psychrotolerant bacteria and proteolytic enzymes in milk	University of the Free State	268 615	
An investigation into specific aspects of dairy industries in selected African countries	Prof André Louw Agri-consulting Cc	100 000	
Literature review	Dr Anthony Davies	40 000	
<b>Consumer education</b>	<b>SA Milk Processors' Organisation</b>	21 901 728	<b>21 901 728</b>
<b>Dairy regulations, standards, quality and safety</b>			<b>12 207 440</b>
Dairy quality and safety projects	Dairy Standard Agency NPC	11 190 957	
Dairy regulations and standards projects	Dairy Standard Agency NPC	1 016 483	
<b>Communication, liaison with role-players and verification of statutory information</b>	<b>Milk South Africa NPC</b>	880 855	<b>880 855</b>
<b>Milk SA staff support to and involvement in projects</b>	<b>Milk South Africa NPC</b>	1 582 333	<b>1 582 333</b>
<b>Project internal audits</b>	<b>HP Audit</b>	203 011	<b>203 011</b>
<b>Total</b>			<b>60 472 749</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' Organization NPC

**Project Manager:** Mr Bertus van Heerden



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 and to interact with the public sector and development sector regarding development measures and policy matters.

The project's main objective is described in Government Gazette No. 1398 of 15 December 2017: "The role of objective, transparent and widely disseminated information regarding international and domestic trends in production, processing, marketing and consumption in a market economy cannot be amplified enough. A market economy is a system where the laws of supply and demand direct the production of goods and services. A market economy is an economy that allocates resources through the decentralized decisions of many firms and households as they interact in markets for goods and services, where market prices play a crucial role. Price formation in a market economy is a function of market information that enable the "invisible hand" to optimally distribute production factors. The better the information the more optimally the invisible hand can function."

During 2021, the project was able to fulfill this goal in various ways:

*Dairy Digits* was published in all 12 monthly issues of *The Dairy Mail* during 2021. Dairy Digits has become an important source of market information for dairy industry role-players and the graphs are widely used in the industry. The table in *Dairy Digits* includes both the monthly and yearly cumulative volume of unprocessed milk purchased, volume of dairy imports and exports, monthly and cumulative yearly, the monthly producer price indices of unprocessed milk and dairy products and the farm requisite price index. These statistics provide the aggregate of supply and price trends in the primary and secondary industries and some indication of cost levels in the primary industry. This information piece also includes four graphs, namely: monthly international dairy product prices (R/T) covering the past 10 years; monthly unprocessed milk purchases covering the current year plus the three previous years; monthly cumulative net imports (milk equivalent), current year plus the four previous years; and a last graph that consists of three indices providing trends of prices in the primary, secondary and tertiary industries.

A *Quarterly Review of the Performance of the Dairy Industry* was published for all four quarters of 2021. These reviews provide a snapshot of selected trends in the dairy industry. The 2021 Q4 issue of the *Quarterly Review of the Performance of the Dairy Industry* was published in January 2022 and distributed via email and is available on the Milk SA website. The report included the following comments regarding the International and South African dairy industries:

- "The Food and Agriculture Organization of the United Nations (FAO) Food Price Indices (combined index, meat, dairy, cereal and sugar) increased substantially

# BOARD OF DIRECTORS' REPORT

in 2021. In the latter part of 2021, the combined index exhibited some loss in momentum, resulting predominantly from the downward trend in the meat and sugar indices in the last quarter of 2021. Nevertheless, all indices closed at the end of 2021 at noteworthy higher levels compared to 2020 and the start of 2021. The same situation is observed for prices in the international dairy market, i.e., butter, Cheddar cheese, FMP and SMP, with ZAR prices even more pronounced. Uncertainty in world markets is at an unparalleled level with market analysts differing widely about the future. The majority of analysts agree that a wide range of commodity prices will remain high in 2022 but that the upward momentum will slow down. The supply problems in the energy market are fingered as a driver of uncertainty. On the one hand the increase in the oil price is indicative of increased demand as per increased economic activity while gas supply challenges between the EU and Russia also play a role in the higher price. The latter has nothing to do with increased economic activity. Commodities associated and linked to the energy market will move in tandem, and increased volatility is possible as the temperature in the Ukraine/Russian hostilities change.

- Although sales volume interpretation is difficult due to distortions caused by the various degrees in severity regarding restrictions during the COVID-19 pandemic, dairy product sales volumes in the South African market during 2021 compared to 2020 are down on a wide front. Comparing year on year (September 2021 with September 2020), retail sales prices of dairy products mostly increased with more than the Headline inflation rate of 5,0%.
- The producer price indices for Other Manufactured Food, Agricultural Products, Dairy Products and Unprocessed Milk changed at relatively the same rate in the last quarter of 2021, following a rollercoaster trend between the different indices earlier in 2021.
- During the last quarter of 2021, unprocessed milk production picked up and outperformed the last quarter of the previous four years. During 2021, 3 402 754 tons of unprocessed milk were purchased, which is 0.72% less than in 2020.”

*Lacto Data* provides a general review of the South African and international dairy sector for role-players in the industry. The purpose of this publication is to provide information on structure and performance of the dairy industry, with a view to promoting optimal development to the benefit of the South African dairy industry and consumers. *Lacto Data* was published in the May 2021 edition of *The Dairy Mail*. The report included the following executive summary:

- “The estimated 3,5% contraction of the global economy for 2020 is better than that projected in the previous World Economic Outlook report (October 2020), due to a stronger than expected recovery, on average, across regions in the second half of 2020. The 2021 growth forecast of 5,5% is reflecting additional policy support in a few large economies and expectations of a vaccine-powered strengthening of activity later in the year, which outweighs the drag on near-term momentum due to rising infections in some regions.
- The Food Price Index of the Food and Agricultural Organization (FAO) of the UN indicates that global food prices increased by 11% from January 2020 to January 2021, while the index for dairy products increased by 7% over the same period. Comparing January 2021 with January 2020, skimmed milk powder (SMP) increased by 6,1%, butter prices by 17%, cheddar prices by 2,4%, and full-cream milk powder (FMP) by 6,4%.
- The OECD-FAO Agricultural Outlook 2020–2029 report, a collaborative effort between the Organisation for Economic Co-operation and Development (OECD) and the FAO, finds that over the next ten years, supply growth is going to outpace demand growth, causing real prices of most commodities to remain at or below their current levels.
- Comparing the average unprocessed milk price in Europe from January 2020 to December 2020, the price, in terms of euros, basically moved sideways, and from March 2020, at lower levels than 2019. In January 2020, the price was €0,34 (R5,62) and in December 2020, €0,35 (R6,27) per litre. In rand terms, however, the price increased by 12%, illustrating the effect of the depreciated rand. Over the same period, the average unprocessed milk price in South Africa increased by 19%, from R4,35 to R5,19. In South Africa, the

production of unprocessed milk registered a negative growth of 0,16% in 2020.”

A presentation was made at the Milk SA General Meeting of members on 1 December 2021. The presentation titled Economics and Markets, consists of 32 slides covering the following topics: the international and South African economic situations and the international and South African dairy situations.

*Report on the competitiveness of the SA Primary Dairy Industry in 2020: Extract from the IFCN report*

- The performance of the unprocessed milk price in 2020 essentially means a continuation of the zig-zag scenario that started in 2017. In this scenario the price fluctuation is approximately 10% during the year. The average world price for unprocessed milk in 2020

came in at 36.50 USD per 100kg SCM (4% fat and 3.3% protein) equating to R6.02/kg.

- Unprocessed milk deficits are concentrated in the middle and eastern side of China, the eastern side of India, the north-eastern side of South America and the south-eastern side of USA.
- According to the IFCN report, the number of dairy farms in Canada, USA, China, Mongolia, South Africa, Botswana, Egypt and a number of Western European countries e.g., Finland, Sweden and Poland decreased by between 2.5% to 5,0% per year.
- South Africa rates amongst the lowest cost unprocessed milk producers in the world, comparing favorably to New Zealand in relation to pasture-based operations and to USA and Uruguay for intensive based operations.

## 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:** Mr Edu Roux (also Secretary of SANCIDF)



The International Dairy Federation (IDF) is the only organization that can obtain global consensus on all aspects of dairying and represents the global dairy sector on 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 IDF through SANCIDF.

For IDF and therefore also for SANCIDF, 2021 was rather a rather busy year. As far as major events were concerned, it started off with the IDF Dairy Farmers Roundtable III webinar, followed by the IDF Nutrition Symposium 2021 in May 2021.

# BOARD OF DIRECTORS' REPORT

## UN Food systems summit

The supreme event as far as food is concerned, was undoubtedly the Food Systems Summit held on 23 and 24 September 2021. The event was fully virtual, took 18 months to prepare and consisted of Heads of State, UN Officials and Stakeholders presenting their commitments, resulting in 16 hours of video watching. Some of the numerous matters mentioned were:

- School Meals: Nutrition, Health, Education for Every Child;
- Food waste;
- Healthy Diets from Sustainable Food Systems for Children & All; and
- Agroecology.

Stakeholder groups like Youth, Gender/Female Empowerment, Indigenous Peoples, Civil Society, Producers and the Private Sector were also given the opportunity to present videos and make statements. The key themes from some of the videos included:

- Youth: Act4Food campaign (mentioned the importance of plant-based foods at the end of the presentation) and appeared hungry for change.
- Private Sector: The video included a strong comment by the CEO of Unilever about plant-based foods and reducing meat and dairy.
- Producer Group issued a declaration: "Food Producers' Declaration for the UN Food Systems Summit". Theo de Jager from the World Farmers' Organisation mentioned the creation of the Sustainable Livestock Coalition.
- Anti-livestock sentiment was strong in the civil society video, and they were also able to get a coalition mentioned in the official list titled: "Resizing the livestock industry".

As far as UN implementation is concerned:

- The UN Agencies will collectively contribute to implementation of commitments under the umbrella of the Rome agencies according to the FAO Director General, Dr Qu.
- The UN Secretary General will report every year to the High-Level Political Forum. A 'stock taking' event

on Food Systems will be organized every two years to review progress.

- Farmers have been successful in securing a seat at the table and being heard by the UN FSS Secretariat. Farmers will have their own seat on the Advisory Board.

IDF's post-summit actions will include:

- Understanding the next steps for the Sustainable Livestock Coalition.
- Engagement with the School Meals Coalition.
- Seeing who will represent the 'Private Sector' on the Advisory Board when it comes to implementation.
- Investigating how science expertise will be managed.
- Keeping a watch on how the ideology around True Cost of Food, will play out and what role IDF can play.
- Looking out for a new coalition for funding of national pathways.
- Preparing for Conference of the Parties (COP) 26 and beyond (the UN climate change conference).
- Monitoring the Tokyo Nutrition Summit in December, as there are expectations of additional commitments on nutrition.

## Global Dairy Conference

The next major event on the dairy calendar was the Global Dairy Conference which was held in Copenhagen from 13 to 15 October 2021.

Only one hundred odd delegates attended this hybrid event in person. It is unknown how many online participants there were. The technical quality of the online presentations was very good and as such, there was no reason for in-person attendance. There were five registrations for South Africa (four in Pretoria and one in Cape Town). The registrants themselves mainly utilized the online connections, while some industry role-players joined in for some of the presentations.

The Project Manager attended the Global Dairy Outlook, Farming and Policies and Economics sessions and some of the "takeaways" were:

- There is a bright future for dairy, but also challenges which could be turned into opportunities.



- All species milk production increased by 3% from 2019 to 2020 and cow's milk by 2.9% in spite of COVID-19. Asia's production increased by 4.2% and Africa's by 1.6%.
- Milk production was expected to increase by 2.1% from 2020 to 2021.
- 85% of climate problems are on-farm and farmers are key to climate change.
- In Europe, 85% of farmers cannot recover their costs out of the current milk price and no new barns are to be seen. Milk will not always "be there".
- The fight against methane includes a cow jacket which can reduce methane release by 40% (China) and a feed additive, Bovaer, to reduce methane production in cows.

As far as documents are concerned, the 2022-2025 IDF Strategy was probably the most important one and was adopted at IDF's last General Assembly. The following are extracts from the document:

The goals of the Board for the review were:

- IDF is relevant, efficient and impactful.
- IDF is recognized as the Global Dairy Expertise by key stakeholders.
- Dairy sector executives recognize the vital role that IDF plays in shaping the operating environment for the dairy chain and thus support IDF.
- IDF has the capacity to react quickly and to continually adapt to changes.

Eight elements were reviewed but for purposes of this report, only the last one, "World in which we operate/ Environment scan for the sector", will be highlighted. Since the world in which the dairy sector operates is changing rapidly, it was opportune to take a look at what the future world would like for dairy.

1. Global food insecurity will be compounded. The world's population is growing and will continue to do so with population predictions for 2050 currently at around 9.8 billion. Approximately 77% of the world's population lives in multidimensional poverty and most of this, with a 25% growth, will be observed in Africa and Asia.
2. Climate change is a reality (global warming, shrinking ice sheets, sea level rise, extreme events, etc.) And yet,

the industry needs to nourish the world with limited agricultural land.

3. As we approach 2030, we can expect that there will be greater potential and a perceived need for regulation to help meet the UN Sustainable Development Goals and transformation of Food Systems. Advocacy on the dairy industry's contribution to those goals will be crucial both at national and international levels.
4. Dairy farming, in all its forms, helps to feed the world and is important in ensuring food security around the globe. However, it is not without its challenges including:
  - Facilitating generational business succession – making rural living and farming attractive for future generations.
  - Ensuring financial resilience in increasingly volatile markets and challenging production conditions.
  - Ensuring availability to labour at an affordable price.
  - Dealing with increasing cost along the supply chain.
  - Addressing the lack of capital to drive investment on farm.
  - Finding how best to harness innovation and technology.
  - Dealing with regulatory constraints and climate change.
  - Ensuring best practice amongst all farmers irrespective of farm size.
  - Optimizing farm and animal productivity per animal, ensuring sustainable systems and practices while improving profitability.
5. The livestock sector is facing environmental challenges and opportunities such as climate actions, including carbon reduction and sequestration, as well as soil health, biodiversity and ecosystems services.
6. The dairy sector is changing in many parts of the world both on farm and at a processing level including:
  - Growth in dairy use forecast for years to come.
  - Increasing consolidation at the farm and processing levels.
  - Changing power of retailers/buyers.
  - New players and disrupters challenging the status quo.

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- Increasing competition from imitation products in the market.
  - Unknown long-term impacts of laboratory-made dairy ingredient analogues.
  - Traditional dairy players entering the hybrid product space.
  - Ability to produce new, novel dairy foods and ingredients that have new functionality.
  - Driving innovation along the value chain - production, processing and consumer products.
  - Volatile marketplace.
7. Infectious diseases, pathogens, food and worker safety:
- Although not transmitted by dairy animals or dairy foods, COVID-19 resulted in increased scrutiny on zoonoses and foodborne diseases. This will put additional pressure on public health issues, real or perceived, deriving from the livestock sector or animal-based foods.
  - Disruptions to global supply chains have increased the interest in technological solutions and in some cases shorter, more local food chains.
  - Vulnerabilities in food supply chains will increase demand for transparency and traceability.
  - A possible tilting back to more home food consumption may be observed, as many workers conduct more of their work at home and avoid away-from-home food consumption for reasons of social distancing, transparency and cost (due to the economic consequences of COVID-19) and the generally positive experience with online purchase of food or meal kits.
  - Experience with panic buying may result in increased interest in extended shelf-life products to serve as stock at home.

## 7.3 Project title: Customs Duties and Market Access

**Responsible institution:** SA Milk Processors' Organisation  
**Project Manager:** Mr De Wet Jonker

### Bilateral and multilateral trade agreements

*Two Multilateral agreements were implemented in January 2021, namely:*

- The African Continental Free Trade Area (AfCFTA) which includes 54 African countries; and
- The Southern African Customs Union and Mozambique Economic Partnership Agreement with the United Kingdom (SACUM/UK EPA).

The following market access aspects are of importance regarding the AfCFTA agreement:

- 90% of the tariff headings will scale down immediately after the implementation;
- The remaining 10% (i.e., the 7% Sensitive and 3% Exclusion products), will be phased out after five years of the implementation of the agreement; and

- 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 Sensitive product list.

*Outstanding AfCFTA Rules of Origin (agriculture)*

- SACU has adopted the "wholly obtained" rule of origin on all agricultural products. However, Mauritius and Namibia have adopted a different stance on the dairy



subheadings described in the next paragraphs.

- The table below summarizes the outstanding rules and options proposed by Member States. Government is requesting industries to consider the matrix below and indicate areas where they can be flexible to agree to the compromise rule of Value of Non-originating Materials (VNOM), as a transitional rule in areas where the proposed rule is wholly obtained, and other proposed Change of Tariff Headings (CTH). In the case of CTH, the two countries will be allowed to import all the materials from all over the world and manufacture yoghurt and processed cheese for a period of 10 years. After the 10 years the rule will be wholly obtained again. The VNOM is seen as a middle ground between the options of wholly obtained and CTH and allow minimum value addition in the Continent.
- **CTH - Change in Tariff Heading:** This is a very flexible rule of origin that is the exact opposite of the wholly obtained rule. It simply allows for the unrestricted sourcing of inputs from the global market in the production of any product. It undermines the sourcing of critical inputs from within the Continent.
- The government is proposing the VNOM rule (as a middle ground) tied up to the transitional period, after which South Africa would revert to the wholly obtained rule.

CHAPTER	HEADINGS/ SUB- HEADINGS	PROPOSED OPTIONS
04 (Dairy Products)	0403 (Yoghurt)  0406 (Cheese) 0406.30 (processed Cheese)	On 0403- CTH (Namibia, Mauritius (CTH for a period of 5 – 10 years) On 0406.30- Mauritius prefers a VNOM at 40%, but Namibia prefers a CTH

- It was proposed that the rule of VNOM be accepted for a period of five years which allows Namibia and Mauritius to import 40% of non-originating materials. After the five years the rule will be wholly obtained again.

## Trade protection and tariff dispensation

### *Protection against the import of UHT milk*

- Informal discussions about Article 35 took place and a formal letter was forwarded to ITAC (International Trade Administration Commission of South Africa) to obtain clarity on whether there were any guidelines for the implementation of Article 35 of the EPA agreement, once the import trigger levels for full cream UHT milk are exceeded in a particular year.
- Subsequent to this development, the Department of Agriculture, Land Reform and Rural Development (DALRRD) held several interdepartmental meetings with the Department of Trade and Industry (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 and draft guidelines for the implementation of Article 35 of the EPA agreement were published in the Government Gazette.
- The Customs Duties and Market Access Project of Milk SA commented on the guidelines and the comments were submitted to ITAC.
- The South African negotiators (DTI and DALRRD) are busy negotiating the guidelines with the EU and it was hoped to have a conclusion in 2022. The Department participated in the 8<sup>th</sup> SADC-EU EPA Trade and Development Committee (TDC) meeting which took place on 26 November 2021 through a virtual platform. During the meeting, the EU indicated that their newly-appointed political head had approved, on behalf of the EU, the signing of the decision on implementation of the measure by the Joint Committee.
- The EU further indicated that it had noted the matter raised by the SADC EPA states of recovering the lost time, but was of the view that the focus now should be on getting the measure implemented. The EU further stated that the article itself and the footnote did not make any reference to the timeframe for implementation of the measure and did not state any possibility of extension, therefore no time was lost and the legal arguments presented by SACU had no basis. In response, SACU indicated that it had put its arguments in writing and therefore would prefer feedback from

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the EU in writing as well. SACU also indicated that the article is not explicit in terms of the start of implementation of the measure.

- The mass (kg) of imports of UHT milk with a fat content not exceeding 1 percent (tariff subheading 0401.10.07) and UHT milk with a fat content exceeding 1 percent, but not exceeding 6 percent (tariff subheading 0401.20.07), have decreased considerably over the last view years up to 2020. From January to December 2021, 22 491 tons of UHT were imported.

**The mass of imports of UHT milk with a fat content not exceeding 1 percent (tariff subheading 0401.10.07) and that of UHT milk with a fat content exceeding 1 percent but not exceeding 6 percent (tariff subheading 0401.20.07)**

UHT Milk	2017	2018	2019	2020	2021
Tons					
0401.10.07	3	25	20	43	8 724
0401.20.07	38 801	17 145	17 992	5 392	13 767
Total mass	38 803	17 170	18 012	5 435	22 491

## Export certification Foot and Mouth Disease outbreak

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

- While DALRRD was awaiting 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.
- A third outbreak occurred during June 2021, at Mthubatuba. The Minister of Agriculture, Land Reform and Rural Development declared a Disease Management Area (DMA) in the KwaZulu-Natal Province in Government Gazette No. 44783 on 30 June 2021, which was reduced in size on 7 September 2021, as declared in Government Gazette No. 45109. This reduced DMA with all its control measures is still in place. Currently there are 25 affected locations. Serological and clinical surveillance is ongoing.
- At this stage, except for Botswana, no other trading partners have imposed any trade restrictions.
- The two-year window of opportunity to apply for the reopening of the free states FMD has elapsed and DALRRD indicated that it would have to restart the whole process of applying to OIE. It could take as long as two years to regain South Africa's free FMD status.

## Import and export monitoring

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

- Monthly January to December 2021
- Quarterly January to December 2021

## Participation in the National Animal Health Forum (NAHF)

- The Project Manager participates in the meetings of the Forum and focuses on trade-related issues.
- Since the announcement of the FMD outbreak, the Customs Duties and Market Access Project of Milk SA has been in continuous contact with the Animal Health Directorate of the Department of Agriculture Land Reform and Rural Development (DALRRD) and the National Animal Health Forum (NAHF).
- The Project of Milk SA and the Import-Export Unit of the Directorate: Animal Health met on several

occasions to share information and discuss the status of the outbreak and further actions needed.

- All the media briefs and press releases were forwarded to the industry by Milk SA.
- A decision was taken by Milk SA that, as from 2021, the membership fees for NAHF will be split 50/50 between the Research and Development Project and the Customs Duties and Market Access Project of Milk SA. The membership fees for 2022 were R72 000.00.

## Annexure 1 Proposed SACU Tariff Rate Quota Allocations for 2021

Products	Annual Quota (ton)	Botswana		Eswatini		Lesotho		Namibia		South Africa	
		Tons	%	Tons	%	Tons	%	Tons	%	Tons	%
Pork	1.500	60	4.00%	25	1.67%	25	1.67%	140	9.33%	1,250	83.33%
Pig fat	200	18	9.00%	15	7.50%	3	150%	24	12.00%	140	70.00%
Butter	500	43	8.60%	17	3.40%	10	2.00%	80	16.00%	350	70.00%
Cheese	8.150	733	8.99%	408	5.01%	245	3.01%	1,059	12.99%	5,705	70.00%
Wheat	300.000	13,300	4.43%	1,025	0.34%	10,000	3.33%	24,180	8.06%	251,495	83.83%
Barley	10.000	10	0.10%	5	0.05%	15	0.15%	1,000	10.00%	8,970	89.70%
Cereal Based Food Preparations	2.300	296	12.87%	265	11.52%	43	1.87%	86	3.74%	1,610	70.00%
Ice Cream	150	17	11.33%	6	4.00%	4	2.67%	18	12.00%	105	70.00%
Mortadella Bologna	100	2	2.00%	3	3.00%	2	2.00%	23	23.00%	70	70.00%

## Annexure 2 UK Products subjected to TRQ Regime under SACUM-UK EPA (Inward/import TRQs)

Commodity	Quota Volumes for the EU for 2021 (in tons)	Quota Volumes for the UK for 2021 (in tons)	Duty applied within the Quota
Pork	1 500	150	MFN less 75%
Pig fat	200	20	Free
Barley	10 000	1 003	Free
Wheat	300 000	30 090	Free
Cereal based foodstuff	2 300	796	MFN less 25%
Butter	500	94	MFN less 75%
Cheese	8 150	1 444	Free
Ice cream	150	24	MFN less 50%
Mortadella Bologna	100	n/a	Free



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

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

**Project Manager:** Ms Helene Pheiffer

**Goal 1: Continuous evaluation of the current dairy occupational curriculum to determine whether amendments are necessary to the curriculum design, learning material, assessment tools or quality management system. Amendments are subject to technology development, production procedures and requirements set by relevant bodies in the public and private sector**

- AgriSeta advised MPO to only consider revision of the dairy occupational qualification in 2022, as the first revision can only take place after five years of registration.
- MPO will continue to identify commercial dairy farms where students can undergo practical training, assist dairy farmers to register as workplace providers, and dairy trainers as skills facilitators.
- The AgriSeta, however, remains responsible for liaising with agricultural colleges to include the dairy occupational qualification in college curriculums.
- To ensure easy access to dairy training material and the dairy occupational qualification, MPO concluded a contract with *Optimi Classroom Holdings* for an online learning platform and bookstore. This platform ensures access to groups and individuals to register and complete the theoretical component of the dairy occupational qualification.
- The dairy supervisor modules were revised, adapted, and captured for online facilitation and assessment. Capturing and preparation of the dairy management modules will be completed during the first quarter of 2022. The roll-out of this platform for online dairy learning was planned for the first quarter of 2022.



**Goal 2: Interaction in respect of acts, regulations, policies, procedures as well as skills and knowledge development needs in the dairy industry, with authoritative bodies in the public sector and representatives of other industries**

### **AgriSeta**

Several meetings between MPO and the AgriSeta, concerning mandatory and discretionary grants, as well as sector specific matters, took place during 2021:

- The Skills Development Levy (SDL) is a mandatory monthly payment that South African employers earning over R500 000 a year are obliged to pay. It equates to 1% of their payroll and is paid to SARS together with monthly PAYE and UIF. The SDL is distributed between the National Skills Fund (NSF) and the SETAs. The NFS and SETAs then oversee the disbursement of grants to funds, programmes and employers across South Africa for training and upskilling of the country's workforce. The mandatory grant has an important function, as it encourages employers to provide data to their SETA on their workforce and skills needs, based on their annual Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs). The SETA is mandated to annually pay back 20% of the SDL to employers who successfully submit their required annual submissions.

- To advise the dairy farmers on the requirements and procedures of online submissions and deadlines, MPO attended a Mandatory Grant workshop on 8 March 2021. MPO provides feedback to farmers via the MPO newsletter and telephonically, and support to some members with the online submission of their SWPs and ATRs.
- Discretionary grants are the remaining 80% of the SDL which are awarded to employers at the discretion of the SETAs. The aim of these grants is to encourage stakeholders and employers to contribute to skills development, address critical and scarce skills shortages and create jobs and employment opportunities. The AgriSeta annually awards discretionary grants to commodities. The red meat sector (including dairy) had several concerns regarding the inconsistent allocation of discretionary grants and several meetings took place between the red meat sector and AgriSeta, as well as the red meat sector and AgriSA, to resolve these concerns.
- MPO attended a Discretionary Grant workshop on 16 August 2021, whereafter project plans were developed and submitted for evaluation. MPO submitted a discretionary grant project proposal for the implementation of dairy programmes. The proposal was based on a national dairy skills needs analysis which was conducted during September 2021 and concerned the presentation of short courses in the various dairy regions. Successful applications would be announced in April/May 2022.
- MPO attended two AgriSeta Sector Skills Committee meetings on 11 May and 13 July 2021 respectively. During these meetings the importance of skills development in agriculture, sub-sectors skills plans, employer surveys and the scope of quality assurance were discussed. MPO was also involved with the annual inputs for the red meat sector skills plan that was revised in the first part of 2021 and published in the latter part of 2021.
- MPO attended the AgriSeta Annual General Meeting (AGM) on 8 October 2021. The meeting included the Chairperson's Report, Annual Report of the Accounting Authorities Affairs, Financial Statements and Audit Report, as well as the AgriSeta's Annual Budget and Business Plans 2022 / 23.

Several meetings took place between MPO and Milk SA concerning primary dairy industry skills and knowledge development:

- MPO participated in an online Milk SA Primary Industry Skills and Knowledge Development meeting on 20 April 2021, where the 2020 annual report, the project proposal for 2021, as well as the first quarterly report of 2021, were discussed.
- The primary industry meeting that was scheduled for 6 May 2021 was cancelled due to MPO's restructuring process.
- Due to COVID-19 restrictions, Milk SA did not require the attendance of the primary skills Project Manager at the Milk SA AGM that took place on 10 June 2021.
- The second Milk SA Primary Industry Skills and Knowledge Development meeting took place on 13 August 2021 and was hosted online. The Milk SA Second Quarterly Report and proposal for the Skills and Knowledge Development Project for 2022, discretionary and mandatory grants, as well as primary industry skills needs, were discussed.
- MPO attended the Milk SA Advisory Committee meeting on 17 August 2021. Reports of both the primary and secondary industries were discussed as well as guidelines for, and draft proposals of, skills and knowledge development in 2022. MPO provided Milk SA with the Agricultural Sector Skills Plan for 2022 / 23, as well as sector statistics on SDL-paying entities and the impact thereof on the availability of skills development funding.

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### **Goal 3: Promotion of skills and knowledge development in the dairy industry and guidance to members of the dairy industry**

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Several meetings and events took place that had a direct or indirect impact on the promotion and guidance of skills and knowledge development in the primary dairy industry. Milk SA did not fund the implementation of these events, as it did not form part of the project. MPO engaged with various role-players daily regarding guidance and the implementation of dairy training programmes. Owing to the restructuring of MPO, no regional MPO meetings were attended during the first half of 2021. The

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following MPO skills and knowledge development meetings, industry and regional meetings, were however attended:

- 19 February 2021: Member meeting with MPO KZN. MPO informed the members on mandatory grant applications, new requirements regarding learner work-based agreements and training facilities on KZN dairy farms.
- 28 July 2021: The MPO skills and knowledge development office attended the MPO KZN Management meeting.
- 29 July 2021: The MPO skills and knowledge development office attended a meeting with Limpopo Dairy focusing on the dairy occupational qualification and work experience of students.
- 2 September 2021: The MPO skills and knowledge development office attended the MPO KZN AGM.
- 8 September 2021: The MPO skills and knowledge development office attended the MPO North AGM.
- 14 October 2021: The MPO skills and knowledge development office attended the AgriSA Annual Congress.
- 14 October 2021: The MPO skills and knowledge development office attended the MPO EC AGM.
- 14 October 2021: The MPO skills and knowledge development office attended the MPO National AGM.
- 19 October 2021: The MPO skills and knowledge development office attended the MPO National Virtual Congress.
- 20 October 2021: The MPO skills and knowledge development office attended the MPO KZN Central Committee meeting.
- 9 November 2021: The MPO skills and knowledge development office participated in the MPO strategic planning session. Structural changes within MPO required a new strategic roadmap. Training remains a strategic objective of MPO. A new coordinating committee was appointed to align training with MPO's new strategic focus.
- 8 - 9 December 2021: The MPO skills and knowledge development office attended three meetings in KZN, focusing on skills and knowledge guidance to dairy farmers for the implementation of the dairy occupational qualification.

Skills and knowledge development in the primary industry was also promoted through a *Landbouradio* interview as well as through related articles and information in *The Dairy Mail* and MPO Bulletin.





## 7.5 Project title: **Secondary Industry Skills Development (Maintenance of the existing Skills and Knowledge Development System)**

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

**Project Manager:** Mr Gerhard Venter



### **Goal 1: Interactions in respect of acts, regulations, policies and procedures regarding knowledge and skills development in light of the needs of the dairy industry, with the authoritative bodies in the public sector and representatives of other industries**

The following is reported following an in-person meeting with the Education and Training Quality Assurance (ETQA) Manager on outstanding issues emanating from identified endeavours for 2021:

- Revision of credits allocated to Dairyman modules: The principle of revising the credits has been accepted as realistic and would obviously be considered when the revision of the qualification is due, which is by mid-2022. Some reprieve has been taken note of, as certain

of the specializations have been given an extended registration (the received information was incomplete and efforts are being made to determine which and which not, to request the same, in order to be afforded time for the revision) – which process will be a prescribed SETA process. Discussions were also held with the SETA-appointed Qualification Development Facilitator (QDF) as to a format for this revision. The learning contents are up to date, but there seems to be an acceptable format in which to state outcomes and other particulars of the curriculum, which QDF should supply. The re-allocation of credits will probably form the largest part of the amendments.

- Recognition of Prior Learning (RPL): The outstanding issue here is the recognition intended (with possible additional assessment) for the pilot study learners. Reportedly, the Quality Council for Trades and Occupation (QCTO) is not performing efficiently and effectively and seems to shift goal posts in respect of problems for which they do not offer solutions. This remains an agenda item for Dairy Chamber activities.
- Initial discussions were conducted with the ETQA

Right: Recording observations made at the automated cheese making apparatus. Far Right: Sampling whey directly after the coagulum cutting stage to perform a pH measurement.



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Manager about the assembling of a panel of external assessors and moderators for the Dairy qualifications. The Project Manager has contacted dairy experts and will be submitting a list of such persons to both the SETA and QCTO. This is necessary to get activities for workplace accreditation as Training and Assessment Centres, for which this Project compiled and submitted requirements long ago. It might be decided that the format requires amendment.

## **Goal 2: Continuous evaluation to determine whether amendment is necessary of, for example, the dairy technical curricula, learning materials, assessment tools and qualifications required by industry**

Two new projects initiated by FoodBev SETA (and based partially on the issues stated and driven in Goal 1) involved this project intensely, but have not been completed. (The Project acts as expert consultancy in this regard and not the driving force.)

The first is the finalization of the Skills Programmes derived from the Dairyman qualification. The latest report from QDF indicates that the Dairyman qualification was indeed registered as 10 discreet qualifications and not part-qualifications within a parent qualification. Thus, the original design by the Project of skills sets will be reverted to for the design of Skills Programmes, as required by QCTO. This will not influence the more than 20 Skills Programmes already approved in the work group, but will revitalize those that QDF wanted to move aside as being 'identical' (which is valid for the theory component on Production Control, but varies in the practical component for every specialization). This is fully under control of the SETA-appointed QDF.

The second SETA project is an evaluation - and possible but not probable amendment - of the learning contents of the (Milk Reception) Liquid Dairy Raw Materials Reception Operator. It is aimed at ensuring that the developed learning materials address all outcomes and assessment specifications contained in the qualification, as it is on the verge of registration and actually addresses the qualification outcomes (a matrix). This project has not progressed beyond what was reported during the

fourth quarter of 2021, due to staff issues at the SETA. The Project is ready, willing and able to perform the work required - if any - to ensure conformance of the learning materials to QCTO specifications.

## **Goal 3: Guidance to members of industry on and promotion in respect of skills and knowledge development in terms of the national and sector skills development drive**

A circular was compiled by the project, approved by SAMPRO management and presented to Milk SA for distribution. A follow-up will be compiled after the fourth quarter. It seems likely that some progress would only have been made by the end of the first quarter in 2022, whereafter a proper informative report could be compiled.

Right: Initiating the coagulum cutting step during a production run.

Below: Scraping the last of a finished batch of molten cooked processed cheese from the small Stephan pot (automatic cycle disabled for the picture) for loading into a hopper and casting in bulk blocks.



## 7.6 Project title: **Enterprise Development**

**Responsible Institution:** Milk SA

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



The Sustainable Commercialization Project came into being as a result of Milk SA's 2006-2009 statutory levy surplus funds. The project's 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;
- Limited dairy-specific enterprise technical competencies;
- Limited business competencies; and
- Low levels of compliance with legislation.

In order to augment the limited statutory levy surplus funds, Milk SA's Transformation Manager successfully applied for grant funding from the Jobs Fund programme and secured R10,35 million in 2012. Below follows a report on the objectives set for 2021 at the beginning of the year.

During the year under review, monitoring continued to focus on dairy herd health, breeding, milk production, fodder flow, animal feeding, and business record keeping. Advice to entrepreneurs was given based on actual circumstances of their enterprises.

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### **Goal 1: Monitor existing Black dairy commercialization enterprises**

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On average over the period, there were 825 cows in milk. Farmers supplied 2 877 146 kilogrammes of milk to processors or consumers. The total number of cows in milk decreased by 5%, while milk volume went down by 22% during 2021, compared to the year 2020.

The major challenges which farmers identified during the year under review were as follows:

- Cow mortality rate;
- Cow fertility;
- No visits from the local provincial Extension Officers;
- Unavailability of State veterinarians when needed;
- Poor fodder flow due to too much rain before they started to plant;
- Animal theft; and
- Animal diseases such as mastitis and foot rot due to poor dairy herd health management and excessive rain.

As reported previously, management of cooperative enterprises remains a challenge. A sense of ownership and thus commitment to the success of the enterprise is lacking in cooperatives compared to family-owned enterprises. Moreover, enterprises owned by elderly entrepreneurs without the involvement of their children or young committed employees, face a risk of business continuity in the near future. All entrepreneurs were advised to implement succession planning for their enterprises to ensure future continuity and sustainability.

Notwithstanding the above-mentioned challenges, enterprises in general have improved a great deal when assessed over a period since Milk SA first became involved, although performance in 2021 was poorer than in 2020, as both milk volume and the number of cows decreased by 5% and 22% respectively.



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## **Goal 2: Deliver pregnant heifers to new and existing black dairy enterprises depending on compliance with Milk SA criteria and beneficiary counter performance. This objective includes veterinary services**

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One of Milk SA's strategies to promote economies of scale, competitiveness and sustainability, is to supply certified pregnant heifers. Unfortunately, during the year under review, the project's objectives could not be met due to the unavailability of suitable pregnant heifers. Instead of delivering 180 pregnant heifers, Milk SA delivered a total of 80 pregnant heifers which were shared equally amongst four new beneficiaries, each one receiving 20 heifers. It should be noted that during 2021, availability of pregnant heifers was very limited and thus delivery to beneficiaries was overly delayed.

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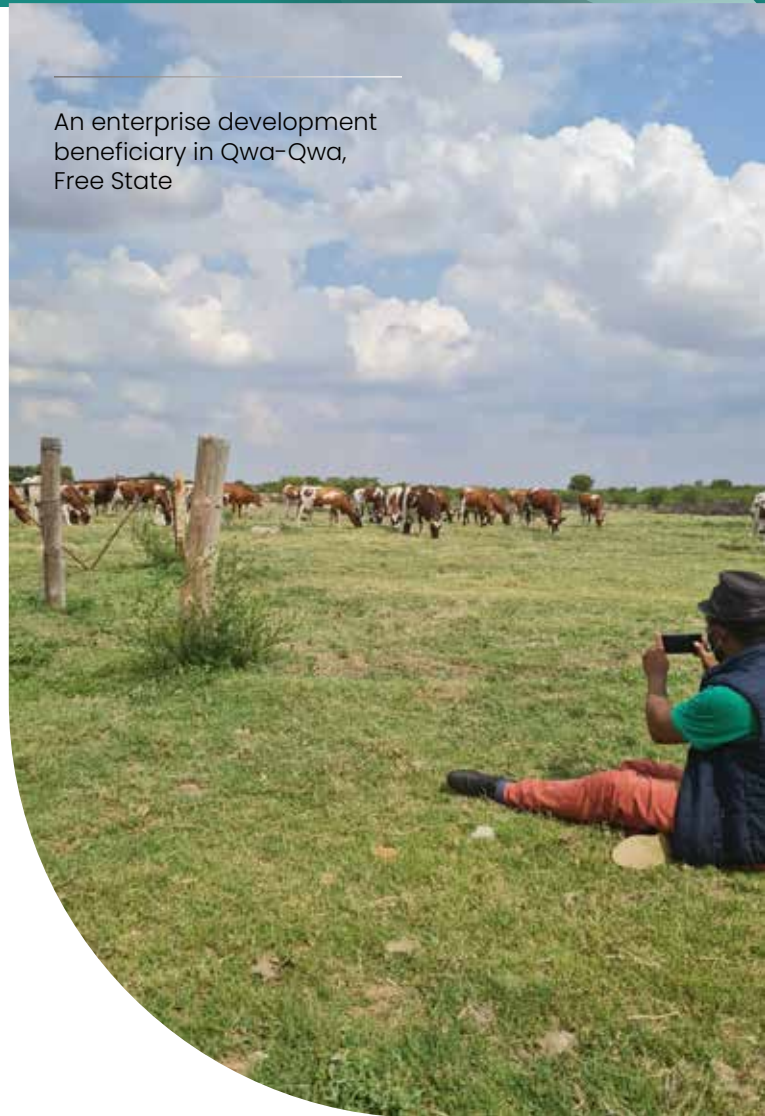
## **Goal 3: Fodder flow improvement on farms - including fodder at the time of pregnant heifer delivery to maintain conditions of pregnant heifers**

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Adequate fodder flow is important for a dairy cow to be productive, provided other critical inputs are adequate. Milk SA project beneficiaries were advised regularly to support good quality fodder flow. This could be achieved through planting of maize for silage, winter pasture planting and purchases of extra fodder and dairy meal concentrates, depending on the on-farm feed situation. In order to minimize the shortage of fodder on farms, the plan was to assist farmers to establish permanent pasture, on a cost sharing basis.

During the year under review, a total of 391 tons of lucerne was delivered to fourteen beneficiaries. The quantity delivered per farmer ranged from five tons to 40 tons. Milk volumes of the majority of beneficiaries (71.4% of the 14 beneficiaries), who bought lucerne improved, compared to those who did not take advantage of the Milk SA lucerne subsidy. Forty tons of lucerne were delivered to support four new beneficiaries, who each received 10 tons with their new delivery of pregnant heifers.

An enterprise development beneficiary in Qwa-Qwa, Free State



The remaining 351 tons were delivered to farmers on a 30%:70% cost sharing basis between the beneficiary and Milk SA, to support milk production as informed by the poor results during quarter two and three of 2021. This is 50% less than the total lucerne delivered under the 50%:50% cost sharing basis between the beneficiary and Milk SA in 2020. A total of 3.5 tons of dairy meal concentrate was also delivered to one beneficiary on a 40%:60% cost sharing basis between the beneficiary and Milk SA.

Milk SA insisted on cost sharing to promote an entrepreneurial mind-set and to protect Milk SA's scarce resources against misuse without accountability.



Beneficiaries of the Milk SA enterprise development project, with the Transformation Manager (Godfrey Rathogwa) on the left

Based on the poor results of analysis of enterprises' performance during quarter two and quarter three of 2021, farmers were advised to plant maize for silage and that Milk SA would contribute 50% of the total cost to the supplier of inputs such as fertilizer, seeds and chemicals. Following the advice regarding the subsidy for maize for silage planting, only two beneficiaries were assisted to plant 58 hectares and 45 hectares respectively. Others could not be assisted because they either did not supply quotations, or quotations could not be confirmed by suppliers of inputs, while others were assisted by commercial farmers leasing their land.

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**Goal 4: Supply critical enterprise on-farm infrastructure including affordable processing equipment**

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Adequate and appropriate infrastructure is critical for the optimal operation of an enterprise. Milk SA supports infrastructure investment on a cost sharing basis after the initial basic grant, which is fully borne by Milk SA. Actual support of infrastructure is also dependent on the available funds, as Milk SA's resources are extremely limited.

An upgrade of a milk tank from 850 litres to 2 300 litres was done during the year under review for one beneficiary, who is a processor of raw milk. Furthermore,

electric cables were delivered to the same beneficiary, although the delivery was delayed due to the work overload of the contractor. The cost of upgrading the milk tank and electric cables was shared between the beneficiary and Milk SA on a 50%:50% cost sharing basis.

Permanent pasture establishment under irrigation could not be implemented pending financial support approval by development financial institutions. Milk SA has been requested to secure letters from buyers of milk confirming that its farmers do indeed supply raw milk to respective processors of milk. Letters of confirmation from processors of milk have been requested.

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**Goal 5: Capacitate new and existing black dairy entrepreneurs and their workers in critical dairy enterprise/business competencies, including dairy processing using Milk SA resources and external professionals, with all costs included**

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During the year under review, four workshops were conducted with the project beneficiaries. The Transformation Secretary attended one of the workshops to express her concern regarding poor cooperation in submitting information timeously for reporting purposes, as previously agreed.

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The workshops covered the following aspects:

- Dairy herd health management and preventing mastitis in the herd;
- Planting of lucerne in mixed pastures as grazing for dairy cows;
- Feed requirement with respect to dairy herd size;
- Record keeping of business activities;
- Business continuity and succession planning;
- Breeding and cow fertility;
- Fodder flow plan and feeding for profitability;
- Blended funding;
- Milk production;
- Number of cows in milk;
- Dairy meal concentrate per cow per day; and
- Farmers' milk income.

Workshops were held at Harrismith and Senekal. The workshops at Harrismith were attended by farmers from Harrismith, Dundee, Swartberg and Indwe, with a total number of 63 attendees. Workshops at Senekal were attended by farmers from, Dewetsdorp, Tweespruit, Vereeniging Welkom and Wepener, with a total number of 33 attendees. Workshops were based on training and development needs analyses of the project beneficiaries.

Long-term business goals, objectives and strategies were discussed with the beneficiaries. The issue of fodder flow management, human resources management, and breeding for profitability, as well as dairy herd health management, were some of the aspects covered under strategies for beneficiaries to realize their goals and objectives. Business risks and mitigation strategies were also discussed thoroughly with project beneficiaries. Moreover, one of the milk buyers discussed milk contamination, bacteria and somatic cell counts with beneficiaries.

Entrepreneurs were advised to ensure that the record keeping of their daily business activities was correct at all times, and that they should not submit incorrect information in order to impress Milk SA. Farmers in general were very happy with the workshops they received from the dairy expert and one of them indicated that he would be engaging with the dairy expert at his own cost, regarding his farm's dairy technical development.

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## **Goal 6: Coordinate and liaise with Government at all levels - Agri BEE Council meetings, Marketing Forum, provincial officers and all private stakeholders**

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Coordination of transformation activities with other relevant stakeholders is of critical importance to ensure that maximum synergy is achieved, resources are used optimally and that project participants are not confused. Nonetheless, effective coordination is dependent on a common vision among stakeholders. During the year under review, a number of engagements were made with institutions and persons indicated below in pursuing Milk SA's transformation goal.

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

During the year under review, engagements between DALRRD and Milk SA were as follows:

A meeting with the Agri-BEE Directorate to discuss the criteria for funding potential black-owned dairy enterprises took place. Furthermore, discussions were held with an official involved with blended funding, to obtain clarity on the application process.

### **Dairy Standard Agency (DSA)**

Engagements with DSA during the year under review were as follows:

A meeting was held with the Chairperson: Transformation Committee, DSA Managing Director, Transformation Manager and the Transformation Officer to discuss the minimum compliance standards for processing, transporting and trading with processed milk. During the meeting, the Transformation Officer was introduced to DSA and exposed to DSA's general laboratory operations.

A webinar convened by DSA was attended by the Transformation Officer. The purpose of the webinar was to discuss the importance of cold chain management in the dairy industry, in order to bring more clarity on the basic principles of efficient milk cooling, milk hygiene and quality, cooling technologies and calibration of thermometers.



## Agricultural Research Council (ARC)

During the year under review, a meeting was held between ARC, Nestlé and Milk SA to discuss a research project regarding reproductive technology such as artificial insemination (AI) and how black dairy entrepreneurs could be capacitated and empowered on artificial insemination to improve their calving rate, which would then improve their milk volume. Milk SA requested more information from ARC regarding the cost of participation in the project, but unfortunately was not supplied with such information. Milk SA still had to decide whether to participate in the project, provided that additional information and cost implications of participating were shared by ARC.

## The National Agricultural Marketing Council (NAMC)

Engagements were made between NAMC and Milk SA during the year under review regarding Ministerial funds, transformation activities and the transformation business plan for 2022.

A meeting between NAMC and Milk SA was convened to deal with various issues relating to transformation, including the Dairy Industry Transformation Handbook and the NAMC Smallholder Market Access Tracker (SMAT) initiatives, which aimed at tracking the level of market access and challenges facing smallholder farmers in accessing markets.

NAMC, FANRPAN and CARE International held a webinar meeting on the biannual review and results of the study by CARE International on climate change and nutrition, which was attended by the Transformation Manager and Transformation Officer.

A meeting between NAMC, DALRRD and Milk SA was attended to discuss the Comprehensive Africa Agriculture Development Programme (CAADP) biannual review reports relating to the achievement of the Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods Objectives. Milk SA was requested to participate in the biannual report in

order to provide some industry information. Milk SA was able to provide information regarding its Transformation Programme participants and information related to statutory levies.

NAMC and Milk SA also met to discuss a skills development plan for smallholder farmers and agripreneurs. Milk SA was advised to submit its skills development proposal for its transformation beneficiaries. NAMC will match rand for rand with Milk SA, the cost of training of any competencies/skills related to climate smart agricultural practices, marketing and distribution, agro processing and entrepreneurship skills amongst transformation project beneficiaries.

A team of two officials from NAMC was taken to one of Milk SA's transformation beneficiaries and one new potential entrepreneur's site during the third quarter of the year, to assess performance and challenges which were being experienced by beneficiaries. The visited farm wanted to revive a previously established dairy farm, but Milk SA cannot be involved in a project where there are no existing dairy operations. NAMC was advised to engage the relevant department of agriculture to assist in revitalizing the project, as a precondition for Milk SA to become involved.

## Agribusiness Development Agency - KZN (ADA)

Two meetings were held by ADA, with an existing beneficiary in the KwaZulu-Natal Province, DALRRD and Milk SA. The existing milk buyer was also part of the meeting to discuss how the existing project could be operationalized to its full capacity considering the newly constructed milking parlour with a 10 000 litre milk tank capacity, supported by ADA. The following resolutions were taken during the meeting:

- That the local Department of Agriculture, Land Reform and Rural Development would assist the beneficiary with a fodder flow plan and dairy herd health assessment;
- That ADA would revise and update the existing business plan/proposal to outsource possible funding to support the project; and

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- That the beneficiary would balance the number of beef cattle versus his dairy herd over time, to minimize resources competition on the farm.

## Future Farmers Foundation

A meeting was held with the CEO/Chairperson of Future Farmers Foundation in KZN. The meeting focused on stipend support for interns working on farms abroad and locally. The institution was advised to send a formal request for support to Milk SA which was not forthcoming.

## Funding Connections

A meeting was held with Funding Connections to establish if they could be of assistance in submitting our individual farmer business plans to the Industrial Development Corporation of South Africa (IDC), as they are experienced in business plans and processes of funding institutions. One business plan was submitted to them for their input, but their fees appeared to be exorbitant, given the initial work done by Milk SA's transformation team.

## Public Investment Corporation (PIC)

A representative of PIC was met together with an aspirant dairy farmer who wished to buy a dairy farm in the Eastern Cape. The PIC representative advised the aspirant dairy farmer on how to approach the whole idea of buying an existing commercial dairy farm.

## Free State Dairy

Two meetings were held with people interested in buying a stake in a commercial dairy in Free State. The potential buyers of a stake in an existing commercial dairy wanted to know if Milk SA would support them and to seek advice on approaching the deal to qualify for the AgriBEE Fund.

## KZN Dairy Hub

Advice was sought by an official from DALRRD on the proposed dairy hub in KZN in the Ixopo area. The matter was discussed with some dairy industry role-players, but all contacted said they knew nothing about the proposed

hub and according to them there was excess capacity. Information received from industry role players was shared with DALRRD who were still engaging with IDC on the matter.

## Marketing Forum

A webinar Marketing Forum meeting took place. The purpose of the meeting was to get feedback on the Agri-BEE Fund. The purpose of the fund was to support an acquisition of an equity stake in established agribusiness entities on condition the equity is  $\geq 26\%$ , or where a black-owned agri-enterprise intends to start processing own production or production of other people. Applications will go via DALRRD or the Land Bank.

## Nedbank Engagements

A webinar meeting was organized by the Nedbank Empowerment division to be educated about Milk SA's commercialization project. The Milk SA commercialization project was explained in full detail to two representatives from Nedbank.

## World Wide Fund for nature (WWF)

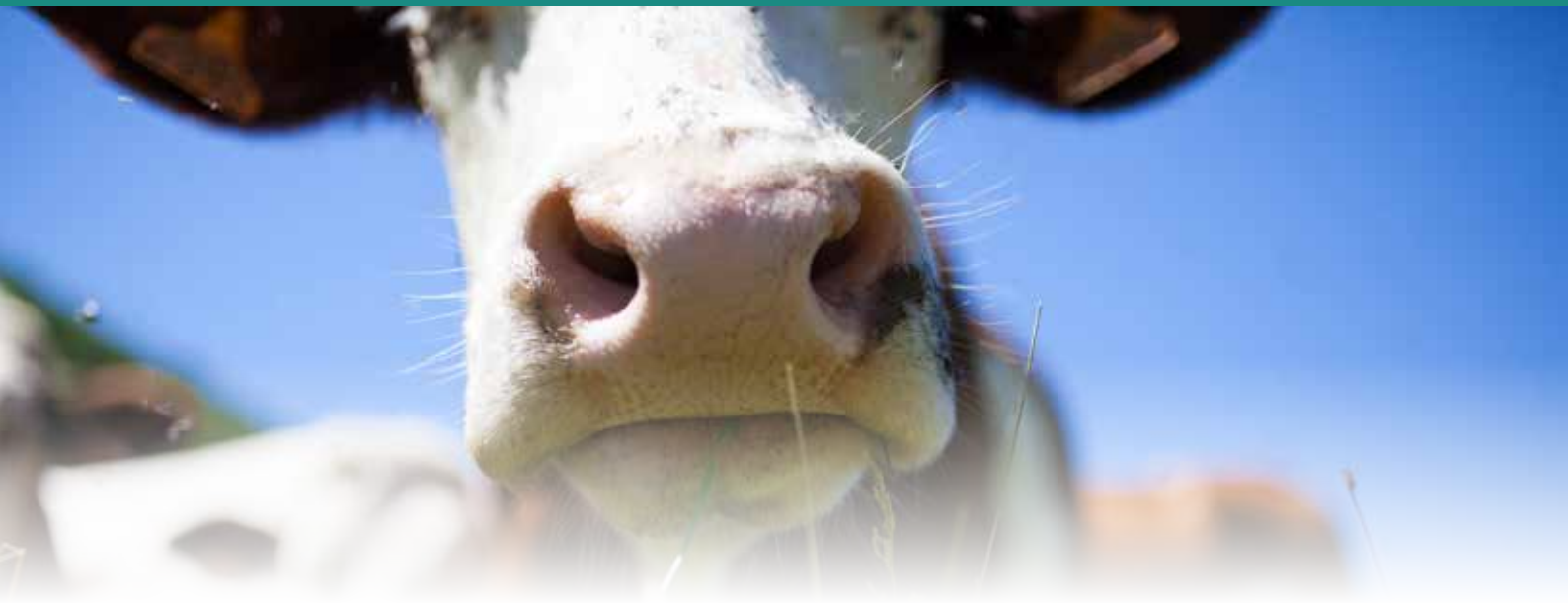
A subsequent webinar meeting on sustainable dairy farming by WWF was also attended. It was encouraging to learn that those implementing sustainable farming practices were using less on fertilizers but yielded more tonnage of forage.

## Livestock Agent

An engagement with the livestock agent regarding challenges he had faced with the supply of pregnant dairy heifers took place. It was learnt that the high price of beef was resulting in farmers selling their older cows to abattoirs and purchasing younger heifers to replace these.

## Milk buyer in KZN

A meeting was convened with a milk buyer in KwaZulu-Natal and one of Milk SA's beneficiaries, who supplies his milk to the milk buyer. The purpose of the meeting was



to assess the performance of the dairy enterprise as agreed among the beneficiary, milk buyer and Milk SA. It was reported that the enterprise's somatic cell count and butter fat content of milk from January to September 2021 had improved, compared to the records of the same period in 2020. The beneficiary was advised to plant maize for silage and buy ready mixed dairy meal concentrate to ensure adequate and balanced feeding to further boost milk production volume and quality.

### Potential new project beneficiaries

A number of engagements were held with new potential project beneficiaries during the year under review in different provinces as indicated below:

- A representative of a private company who was interested in partnering with an emerging dairy entrepreneur to process milk into powder was met to discuss how they could be assisted to identify black milk producers.
  - Two engagements were made with aspirant dairy entrepreneurs at Mokopane/ Potgietersrus (Limpopo) and Tarlton (Gauteng) respectively. At Tarlton, the goat dairy enterprise was being run by a church. Milk SA's method of operation was explained and Milk SA's dairy enterprise profile questionnaire was left with them. They later requested Milk SA to assist in finding a stable market and support for extra goats. The aspirant dairy entrepreneur at Mokopane was also informed
- on how Milk SA works to support smallholder dairy development.
  - An already approved farmer (currently selling his milk to a registered processor) was visited to cement the relationship with Milk SA, by addressing an outstanding matter regarding the lease agreement with DALRRD. The lease agreement was secured and subsequently 20 heifers were delivered to him during December 2021.
  - A land claimant was visited at Giyani in Limpopo to assess dairy potential. It was found that the transfer of the claimed property of about 18 000 hectares was being finalized by DALRRD. The land claimant was advised to approach Milk SA once the transfer of land had been finalized and also to engage other dairy farmers in the area.
  - An aspirant dairy entrepreneur from the Eastern Cape approached Milk SA to be assisted with a business plan in order to run a dairy enterprise with other cooperative members on a farm which was owned by military veterans at the time. The potential beneficiary was referred to Milk SA by one of the milk processors. Since he was not yet operational, he was advised to get a lease agreement from the military veterans and buy his own animals before Milk SA could become involved. Nonetheless, he was advised on how to develop a business plan for submission to DALRRD.
  - Two visits were also made to a potential project in the Ventersdorp area, North West.



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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:** Mr Jompie Burger

The primary objective of the Dairy Standard Agency (DSA) is the promotion of compliance of milk and other dairy products with product composition, food safety and metrology standards.

DSA acts strictly according to scientific information and functions, independent of commercial interests that may affect the organization's actions. DSA membership consists of the South African National Consumer Union (SANCU), the Milk Producers' Organisation (MPO), the South African Milk Processors' Organisation (SAMPRO) and the South African Society of Dairy Technology (SASDT). DSA has four members and five directors.

The DSA Technical Advisory Committee consists of a panel of experts that provides valuable scientific and legal knowledge to DSA regarding microbiological and chemical product specifications and related matters.

### **DSA and transformation in the dairy industry**

DSA's primary objective 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 the presentation of workshops and information sessions to government officials and student environmental health practitioners (EHPs) during which transfer of dairy technological information and regulatory matters were carried out. Workshops/webinars 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 South African 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.

### **2021 Projects**

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 managed, of which 10 were of a statutory nature.

#### **Project 1: National milk monitoring programme in collaboration with health authorities**

Operational activities due to the COVID-19 restraints continued to affect the DSA project activities during 2021 and more specifically the national dairy monitoring programme in collaboration with health authorities. Combining of sample cycle activities and operational logistics (rescheduling and planning of routes) resulted in optimized project outputs in the circumstances given.

Challenges relating to the limited availability of environmental health practitioners (EHPs) to conduct sample collections mainly due to COVID-19 responsibilities and reallocation of resources, continued. DSA personnel, where possible, managed to assist with sampling in various provinces.

The annual sample run activities (cycle 75 to 78) were completed as per schedule and the number of samples per product are indicated in the table below.

Dairy product	Total
Fresh milk in the categories named packed pasteurized and unpasteurized, pasteurized and unpasteurized retail bulk milk	870
Flavoured milk	52
Yoghurt including plain, flavoured and yoghurt with added fruit and / or foodstuffs and drinking yoghurt	159
Cultured milk, cultured buttermilk, buttermilk	123
Butter	75
Cream incl. cultured cream	103
Cheese (various classes)	281
Ultra-high pasteurized and sterilized milk	114
Condensed and evaporated milk	36
Powdered milk and powdered blend	11
Dairy desserts and custard	82
<b>TOTAL</b>	<b>1906</b>

During the year, six Metropolitan municipalities, 12 district municipalities and 44 local municipalities participated in the sampling runs, representing all provinces.

Samples were submitted to DSA Laboratory Services per standard procedure and the 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). The inclusion of *Enterobacteriaceae* testing as part of the standard analyses for milk was established and increased the scope of risk identification, towards pathogen detection and control.

Food safety non-conforming results obtained were assessed and communicated to the participating municipal health authorities for further action. Contact details of participating authorities as well as processors, were updated as per standard procedure.

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

### Project 2: Handling of industry related problems in respect of problem-compliance with legal standards

The following complaints were received and investigated by the DSA office:

- Butterfat % of milk sold in Gauteng / Incorrect labelling
  - Where applicable resampling and analyses of products were conducted
  - Communications of non-conformance to processors were completed
- Labelling and composition of butter imported from Ukraine
- Labelling of plant based “butter” fat spread
- Flocculation of fresh pasteurized milk
- Labelling of medium fat milk sold in the Western Cape
- Importation of UHT milk
- Milk adulteration (possible addition of water to milk sold in Gauteng province)
- Milk sour before expiry date (off-taste)
- Adulteration of butter (modified butter sold as salted butter)
- Incorrect labelling and marketing of various dairy snacks under product type Yoghurt based Dairy Snack – Various role-players
- Non-conformance of product against food safety standards measured against R1555/1997
- Selling of expired foodstuffs in the informal market.

### Project 3: Special Investigations

#### Aflatoxin M1

Procurement of DSA Laboratory equipment to conduct investigation work was completed in the first quarter of 2021.

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Right: Dr Heinz Meissner, Mr Jompie Burger, Prof Mark Laing (UKZN), Mrs Riana Erlank and Mr Nico Fouché at the DSA lab, investigating research collaboration.

A national survey was conducted on the presence of *Aflatoxin M1* in fresh milk sold in South Africa during 2021. A total number of 473 milk samples were tested of which 4.4% of the samples exceeded the maximum residue limit of 50 ppm. The project was commissioned in the second quarter of 2021 and continued until the final quarter of 2021.

## Psychrotrophs in milk

Milk SA project: Evaluation and validation of methods for the detection of *psychrotolerant bacteria* and *proteolytic enzymes* in milk. The project was commissioned during the second quarter. Assistance was rendered by DSA in the Milk SA Research and Development Project (Milk SA R&D) relating to the development of a rapid test method for detection of *psychrotrophic* organisms in raw milk registered by the University of the Free State.

## Addition of milk powder to various types of milk (Pasteurized, ESL, UHT and sterilized milk)

Work on this project was initiated in 2019 and outsourced to an external specialist laboratory to develop the analytical method currently not in existence. The laboratory assisting with the research is building on prior work using high sensitivity instrumentation to identify these low-abundance protein modifications, to build a targeted and quantitative method for detecting the level of powdered milk to both fresh and UHT milk.

Target markers have been identified and verification is currently underway to confirm specificity across a wide range of commercial UHT and powdered milk samples. The benefits of this targeted protein-based method include comparatively low cost and high confidence results. The research is still in process.



## Investigation into the establishment of a suitable analytical method for the enumeration of *bifidobacteria* in fermented milk products

This work was a new project identified and development continued until the end of 2021.

## Establishment of a suitable sterility test for UHT and sterile product

The necessary equipment was obtained and commissioned. The first files were successfully conducted in 2021 and the work will continue into 2022.

## Project 4: Risk identification through statistical analysis

The DSA national dairy monitoring programme provides for the sampling of milk categories, namely packed pasteurized and unpasteurized milk and retail bulk pasteurized and unpasteurized 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 relevant dairy industry members as tests were completed.

## Reporting

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. Non-conforming processors as well as processors whose contact

details were verified and who requested to receive test results were provided with individual test reports. The total cycle reports forwarded to health authorities for 2021 are indicated in the table below.

Province	Health Authority offices
Mpumalanga	49
Limpopo	56
Western Cape	55
North West	63
Gauteng	48
Free State	60
Northern Cape	4
Eastern Cape	20
KwaZulu-Natal	33
<b>TOTAL</b>	<b>388</b>

## Management information system (MIS) upgrading

The compatibility of the current DSA MIS platform with the latest Microsoft platform was initiated and the updating of parameters on products was aligned with R1510 of 2019. Improvements on product classification were effected and the design of result reports was changed in order to be more user friendly and reflect a wider range of tests conducted.

## National and international food safety and recall monitoring

National and international food safety alerts during 2021 were monitored. Approximately 19 national and international websites were monitored on a weekly basis for possible food safety risks relating to dairy during the year, that could have a public health impact on South African consumers. No further actions were required based on the monitoring activities.

Relevant information regarding food safety and compositional standards for milk and other dairy products was communicated to the dairy industry and other organizations.

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

Due to the limited shelf life of most dairy products, the follow-up of non-conforming products so as to ensure appropriate action by the parties involved, requires prompt action. The data obtained from projects 1 and 5, was used and effectively communicated to industry members. Environmental Health Practitioners (EHPs) were also requested to communicate all test results to relevant stakeholders in a confidential manner. During the 2021 (cycle 75 to 78) sample runs, 119 visits were paid to processors, PDs and milk shops in six provinces as illustrated in the table below.

DSA technical personnel provided the respective processors and producer / distributors and retailers (milk shops) with comprehensive reports after the visits, which were also used for further reference purposes.

As part of the remedial action programme, assistance was given to processors on the verification of compliance of product labels against national standards. The dairy product labels of 113 companies were reviewed and comprehensive feedback reports on each label were communicated to processors. The labelling website was also updated with the newest applicable regulations to ensure integration into the programme.

Province	Companies visited	DSA further assistance provided
Gauteng	17	42
Mpumalanga	18	1
Free State	29	23
North West	27	8
Northern Cape	0	0
Western Cape	0	14
Eastern Cape	0	7
Limpopo	10	18
KwaZulu Natal	18	0
<b>Total</b>	<b>119</b>	<b>113</b>

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## 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. Technical matters such as the incorrect issue of certificates of acceptability in terms of health regulations in particular, received attention.

Technical consultation with the directorate during the revision meeting of R1555/1997, supported by the technical workgroup of the Milk SA Regulations and Standards project managed by DSA, continued during 2021, the work of which is to be completed in 2022.

### • Municipal health authorities

Communication with the municipal health authorities focused mainly 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. In support of Project 1, a letter was forwarded to SALGA (South African Local Government Authorities) encouraging the continuous participation of municipal authorities in the DSA national dairy monitoring programme.

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

- *Directorate: Inspection Services (IS)*  
Cycle results of the DSA monitoring programmes regarding infringements in terms of the regulations relating to dairy and imitation dairy products (as a result of the DSA mandate) were restricted to communication with the Directorate: Food Safety and Quality Assurance in light of the dysfunctional status of the assignee and judgement by the High Court in the case between Woodlands Dairy and Milk SA and the DALRRD respondents.

Progress regarding the appointed assignee is reported on under the Regulations and Standards Project of Milk SA.

#### - *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 FSQA also continued regarding possible revisions of the latest R1510 of 2019 - regulations relating to dairy and imitation dairy products - which initiated the industry process of reviewing R1510/2019.

Inputs from FSQA were also addressed during the technical workgroup meetings held during the third quarter by the Regulations and Standards Project of Milk SA. Support from FSQA regarding enquiries on compositional and labelling matters was well received, in an attempt to assist industry members with technical matters.

### • 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 of NRCS. No formal complaints were lodged with NRCS during 2021.

Interaction took place by means of a webinar regarding fraudulent activities (SANS 289 – under filling and misleading practices by means of oversized packaging materials).

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

DSA participated as member in the activities of the Technical Committee SABS/TC 070/SC 04, 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.



A virtual workgroup technical committees meeting was attended by DSA on which it serves namely TC 034/SC 17/SC 034/05 and SC 10. DSA continued participation in the review and development of a draft SANS 10156: Handling of chilled and frozen foods.

Virtual meetings of the TC 070/SC 04, Sale of goods and TC 070, Legal Metrology were attended by DSA, as well as monthly African Organisation for Standardisation (ARSO) workgroup meetings relating to the TC 05, Milk and milk products.

## Communication with other organizations

### Milk SA, MPO and SAMPRO

DSA interacted on a regular basis with the Project Managers of Milk SA's Consumer Education Project, SAMPRO, MPO as well as the Project Coordinating Committee of Milk SA (DSA, CEP and R&D project of Milk SA) of which scheduled meetings took place during 2021. DSA Managing Director was nominated to the Dairy R&D Committee (DRDC) of Milk SA and subsequently participated in the meetings of the DRDC and Management Committee.

### Consumer Goods Council of South Africa: Food Safety Initiative (CGCSA: FSI)

DSA as a 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;
- New regulations in terms of the National Environmental Management Waste Act, 2008;
- The assignee; and
- The latest developments regarding the Front of Pack Labelling.

The Front of Pack labelling initiative will continue in 2022 in collaboration with the Milk SA Consumer Education Project. Discussions were considered critical to ensure dairy

products are specifically protected from harmful warning signs regarding fats and sugars on front of pack labelling regulations, to the detriment of the industry and the consumer.

### European Hygienic Engineering & Design Group (EHEDG)

DSA is a member of the South African steering committee. DSA could not attend any meetings scheduled during 2021.

### International Dairy Federation (IDF)

DSA Managing Director is a member of the South African National Committee of the International Dairy Federation (SANCIDF) and of the IDF Standing Committee: Standards of Identity and Labelling; and nominated to the IDF Standing Committee for food additives. IDF electronic webinars were attended where possible and comments were provided on documents relating to Front of pack labelling, general standards for the use of dairy terms and IDF comments on Codex Standards on Fats and Oils.

### South African Society of Dairy Technology (SASDT)

DSA's Managing Director as member of the management committee of the Northern region, participated in the SASDT management meetings during 2021.

### Tertiary institutions

DSA serves as a member of the Advisory Boards of the Departments of Environmental Health of the Tshwane University of Technology (TUT) as well as the 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 (EHPs). One meeting was attended during 2021.

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### Project 7: Liaison on legislation with authorities

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



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## 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): Milk SA's approval of funding for the appointment of a consultant was finalized. Revision continued through the appointed Technical Workgroup and three phases of development of micro criteria have been worked through.

What was outstanding, is the compilation of criteria for composite dairy products of which the work was rescheduled for the first quarter of 2022, during which restricting requirements will be revised and completed. It is envisaged that the final draft will be circulated by the end of the second quarter of 2022.

Comments to the Department of Health in preparation of the South African contribution towards the Codex Committee on Food Additives meetings (CCFA 52) in June and September 2021, were submitted.

## Department of Agriculture Land Reform and Rural Development (DALRRD)

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

Regulations relating to the classification, packing, and marking of dairy products and imitation dairy products intended for sale in the Republic of South Africa (R1510/2019).

A draft was compiled and forwarded to the industry technical workgroup for comments during the first half of 2021.

The first report was circulated to the workgroup, which was followed up with a meeting in the second half of 2021 for purposes of the revision of R1510/2019. Workgroup comments were collated with the assistance of DALRRD: FSQA. A second meeting regarding the revision of R1510/2019 was held following comments received from

industry and input from DALRRD: FSQA. Following this meeting, a further document was compiled for the Technical Workgroup's consideration. The work is to continue during the first quarter of 2022.

### South African National Standards (SABS)

- SABS TC 034/SC 17, Hygiene practices in the food industry: SANS 10156: 202X-Ed2 Handling of chilled and frozen foods.
- SANS 298, Labelling requirements for pre-packaged products and general requirements for the sale of goods subject to legal metrology control.

The Managing Director of DSA serves as chairperson of the SABS TC 034/SC 05 regarding Milk and milk products. The first meeting for TC 034/SC 05 was held on 19 May 2021. As chairperson of the TC 034/SC 05, DSA Managing Director was appointed on behalf of SABS and industry on the African Organisation for Standardisation (ARSO), TC 04, Milk and milk products.

Three ARSO workgroups were established to address compositional standards for milk and other dairy products of which the Managing Director of DSA was nominated as workgroup 1 convener. All ARSO meetings for TC 04 were attended during 2021.

### Codex Alimentarius and International Organization for Standardization (ISO)

- International Dairy Federation (IDF) draft of the latest General Standards for the Use of Dairy Terms
- International Dairy Federation (IDF) draft document on Front of Pack Nutritional Labelling

As representative of the SA National Committee of IDF (SANCIDF), the Managing Director of DSA participated in the IDF survey regarding the General Standards for the Use of Dairy Terms during May 2021. Both the IDF Standing Committee on Identity and Labelling (SCIL), as well as the joint SCIL and the Standing Committee on Nutrition and Health (SCNH) meetings were attended

on 25 and 26 May 2021. IDF comments on front of pack nutritional labelling were followed and used as part of the information forwarded to the South African Codex contact point for purposes of discussion at the next South African preparation meeting of the Codex feedback session on food additives (CCFA 52).

Codex standards preparation meetings were also attended and comments on food additives, as well as fats and oils relating to “plant butter” were rendered. Following further Codex standards in the third quarter, comments were rendered on 13 October 2021 to the Codex Committee on Fats and Oils. A Codex feedback session on food additives (CCFA 52) was attended as presented by the SA Codex Contact point.

### **DSA Technical Committee**

The extensive work in terms of preparation of the industry meeting on imitation dairy and the use of dairy terms on plant-based beverages and products (R1510/2019) that took place in the previous year, continued. This work also supports the project work of the Regulations and Standards Project of Milk SA.

Technical inputs were provided in support of the Regulations and Standards Project of Milk SA relating to the revision of R1555 of 1997. The work of this project also supports the Research and Development Project of Milk SA.

Assistance for the development of the DRDC Research Project regarding the development of a rapid test method for the early detection of *psychrotrophic bacteria* at farm level was rendered.

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

DSA presents information sessions based on the DSA Code of Practice and related guideline materials to professional environmental health practitioners (EHPs) as well as student EHPs, and other professions such as veterinary and B.Sc. Agric students. EHP presentations for student EHPs were scheduled with the respective

tertiary institutions. The project operations have been amended to engage with the institutions more through electronic communication, where possible. To this effect, the scope of the audiences was also widened to cover other interest parties. The first webinar was held on 31 March 2021 with the subject “*Understanding the complexities of the dairy regulatory landscape*”. The purpose of the presentation was to bring more clarity to the integral role of acts, regulations and standards in respect of compliance and 111 people attended.

The following successful webinars took place during the first half of 2021 with 241 attendees:

- April 2021 – Brucellosis and tuberculosis: The importance of zoonosis in dairy - 60 attendees.
- May 2021 – Mastitis and the quality of your milk: What to do – 83 attendees.
- June 2021 – Introduction into pasteurization – 98 attendees.

A successful workshop was held in the Sarah Baartman District Municipality on 8 April 2021 with 17 municipal environmental health practitioners, followed by a physical visit at a milk production farm in the Alexandria area.

Other successful webinars with 810 attendees took place during the second half of 2021:

- July 2021 - Milk Sampling – 101 attendees.
- August 2021 - Dairy laboratory testing – 117 attendees.
- August 2021 - Student webinar on Introduction to dairy quality and safety in the dairy industry - 396 student attendees.
- September 2021 - Cleaning and sanitizing in the dairy industry – 73 attendees.
- October 2021 - Cold chain in dairy – 63 attendees.
- November 2021 - Packaging and Labelling in the dairy industry – 60 attendees.

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### **Project 9: Media communication**

DSA signed contractual agreements with Agri Connect and *Plaas Media*. Twelve advertorials/advertisements relating to food safety/hygiene, animal welfare and DSA Lab Services were published in *The Dairy Mail* and *Plaas Media*

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during 2021. One radio interview on a national radio station was conducted. During May 2021, there was a television broadcast regarding the DSA Lab Services.

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## **Project 10: Development of guideline documentation**

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Work on the update of the DSA Code of Practice for Milk Producers, with specific reference to biosecurity as well as animal welfare, continued during 2021 with the launch of the Code to take place during the first quarter of 2022. In addition, the work on the validation of the DSA audit criteria based on SANS 1694 was completed at the end of 2021, in collaboration with the Milk SA R&D project. The outcomes of this work also gave direction on the completion of the Code of Practice for Milk Producers.

## **2021 projects funded on “user pay” principle (non-statutory)**

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### **Project 11: Product monitoring on behalf of the client**

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Monitoring activities of company branded fresh milk and other dairy products on behalf of a major retail company were conducted as per normal schedule during this year. Ten dairy product labels on a service level agreement / contractual basis were completed.

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### **Project 12: Farm food safety audits on contractual basis**

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The signing of service level agreements for 2021 received the necessary attention during the first quarter.

The signing of service level agreements for 2021 continued during the second and third quarter and 118 audits were conducted during 2021.

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### **Project 13: DSA food safety audits on request**

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Three processing facilities were audited during 2021.

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### **Project 14: Food safety consultation**

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Only two processing facility consultations were conducted during 2021. Electronic consultation and sharing of dairy technical information continued as part of the DSA mandatory project work.

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### **Project 15: Dairy Quality Club**

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The Dairy Quality Club (DQC) is a forum of suppliers that supports the initiatives of DSA as independent objective institution. Income generated from club members is used to develop guideline documentation and DSA advertising. Only electronic communication took place between members and DSA during this year.

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### **Project 16: Workshops**

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Workshops are presented on request to members of the primary and secondary industry as well as to other industry stakeholders. Converted workshop material as part of the project is however to be used during in-virtual sessions. This work has proved to be effective in terms of Project 8. The first Internal Auditors workshop took place from 21 to 25 June 2021 in the Western Cape and was attended by nine participants.

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### **Project 17: DSA Laboratory Services**

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Liaison with industry members continued regarding the Milk SA project relating to the standardization of standards for calibration of laboratory equipment, which resulted in the following progress:

- The laboratory is fully functional, by supporting the DSA statutory monitoring project of milk and other dairy products. Delays regarding the official commissioning of the standardization project due to obtaining a master import permit from DALRRD veterinary offices were resolved. With the assistance of Milk SA, the extension of the DSA Lab Services in respect of the establishment of somatic cell count equipment testing regime in the interests of the organized dairy industry, was made possible.

## 7.8 Project title: Dairy Regulations and Standards

**Responsible Institution:** Dairy Standard Agency NPC

**Project Manager:** Mr Jompie Burger

The project management of the Regulations and Standards Project of Milk SA regularly consulted with the organized dairy industry with specific reference to:

- Information relating to matters pertaining to the DALRRD assignee, acts, amendment bills, regulations, voluntary standards as well as amendments received by the Regulations and Standards Project. Information relevant to the organized dairy industry was circulated via Milk SA, SAMPRO and MPO for comments and or information.
- Joint interactions relating to IDF matters as well as with CGCSA continued regarding Front of pack labelling to ensure comprehensive reports based on science to the Department of Health. These reports are critical to ensure dairy products are specifically protected from possible harmful warning signs regarding fats and sugars on front of pack labelling regulations, to the detriment of the industry and the consumer.
- Continuous collaboration between the members of the Milk SA Coordinating Committee namely SAMPRO, Milk SA Research and Development, Milk SA Consumer Education Project, Dairy Standard Agency and MPO, to discuss industry matters of a collective nature.

Effective communication with the Milk SA Consumer Education Project continued in respect of Front of Pack Labelling, nutrition, General Standards for the Use of Dairy Terms, and related matters. Cross consultation with the Consumer Education Project ensured effective participation in stakeholder meetings relating to nutrition and health, food safety and product compositional matters. Continued collaboration contributed remarkably to the improvement of communication to the dairy industry and other stakeholders.

Continuous collaboration took place between the members of the Milk SA Coordinating Committee namely SAMPRO, Milk SA Research & Development, Milk SA

Consumer Education Project, Dairy Standard Agency and MPO, to discuss industry matters of a collective nature. The benefit of the Coordinating Committee is the amount of project interaction that ensures a cross flow of knowledge and information, enriching the quality of project work outcomes. The quarterly meetings of the Coordinating Committee were attended with the final meeting of 2021 held on 23 November 2021.

Since mid-June 2021 the DALRRD assignee endeavored through the DALRRD Executive Officer's (EO) office to arrange meetings with industry, with the aim at publication of fees. The Management Committee of the Regulations and Standards Project of Milk SA regularly consulted with the Milk SA attorney, following procedures to force the Department and assignee to give adherence to the rulings of the High Court case of 22 February 2021. As a result, several engagements took place between the Milk SA representatives, the assignee and the Executive Officer. The assignee, with the assistance of the Department, subsequently directed their attempts toward challenging the application of SAMPRO/MPO for the continuation of statutory levies under the Marketing of Agricultural Products Act (MAP Act) by submission of comments. Subsequent meetings in this regard resulted in agreement to a press release - to industry and stakeholders - explaining the role of the Dairy Standard Agency under the MAP Act and the functions of the assignee under the Agricultural Product Standards Act.

The final outcome was that the Minister approved the application of SAMPRO/MPO for the levy funding under the MAP Act. During the beginning of December, the assignee again approached the industry to meet at short notice, which was considered inconceivable, and all matters were postponed to the first quarter of 2022. It has to be noted that the organized dairy industry was committed to the process of law enforcement as provided for under the Agricultural Product Standards Act and to

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this effect, the Regulations and Standards Project of Milk SA continued to pursue a fair and sustainable outcome.

Through both the Dairy Standard Agency related project and the Regulations and Standards Project of Milk SA, regular consultations took place with DALRRD regarding revision and interpretation of regulations. The review of the Veterinary Procedural Notices (VPN) 20 was initiated during the final quarter of 2021 to ensure that the updated Code of Practice (COP) for Milk Producers is well aligned in support of promoting compliance with regulations, and to support the export certification. The revised VPN (after consultation) was to be submitted to DALRRD during the first quarter of 2022 on the back of the publication of the said COP.

The Regulations and Standards Project of Milk SA continued to liaise with the industry through the established Milk SA Technical Workgroup (TWG) regarding R1510 of 2019. Following a scheduled meeting held on 28 September 2021, TWG completed a draft which was circulated to the TWG members for further comments. As planned, all final comments on the draft received during the first quarter of 2022 will be included in a final draft which would be prepared for circulation to the organized dairy industry for comments.

The Regulations and Standards Project of Milk SA Technical Workgroup has completed the work on the micro criteria required for the revision of R1555 of 1997. The compilation of criteria for composite dairy products – scheduled for the first quarter of 2022 - was still outstanding, following which restricting requirements would be revised and completed. It was envisaged that the final draft would be circulated by the end of the second quarter of 2022. Certification of milking sheds under the Foodstuffs, Cosmetics and Disinfectants Act remained problematic as several local health authorities continued to incorrectly quote the wrong regulations and or unlawfully requested payment for services rendered under the same Act. Communication with the authorities was ongoing so as to facilitate the correct processes.

The Project Manager attended the relevant meetings of SABS and fulfilled the role as SABS representative at the African Standards Organisation (ARSO) on the Standing Committee for Milk and Dairy products. The work in the final quarter was extensive with the establishment of three working groups and representation on all working groups, working towards harmonization of standards on the African continent. The current ARSO secretariat's aim is to compile 75 African Standards for milk and other dairy products under the ARSO TC 04 within a four-year period. As permanent member of the SABS Technical Committees 17 and 34, the Project Manager continued to be involved in the voluntary and international standards relating to metrology (SANS 458 and 289); draft SANS 10156 (chilled foods); and continued as chairman of the technical committee 34/05 (milk and milk products) which included ballot voting on adoption of ISO standards.

DSA as member of the Consumer Goods Council: Food Safety Initiative (CGCSA:FSI) regularly communicated and attended electronic meetings regarding regulatory matters in terms of the Agricultural Product Standards Act, the Foodstuffs Cosmetics Act (food labelling relating to front of pack labelling) as well as DALRRD assignee matters, Codex standards, draft regulations and the APS Amendment Bill. The cooperation and collaboration between the CGCSA:FSI, the Consumer Education Project of Milk SA and the Regulations and Standards Project of Milk SA expanded significantly during 2021 in the interests of dairy consumerism and the organized dairy industry.

All IDF documents relating to the disciplines of standards on identity and labelling, as well as animal welfare and hygiene, as applicable to the mandate of DSA and the Regulations and Standards Project, were reviewed and communicated where applicable to the organized dairy industry. Requests from IDF for comments on Codex-related matters, for example General Standards for Food Additives and Front of Pack Labelling were attended to and where applicable, shared with the Codex Contact Point in South Africa (DOH).



## 7.9 Project title: **Consumer Education Project of Milk South Africa**

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

**Project Manager:** Ms Christine Leighton



### **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.”*

### **Nature of the project**

The communication campaign of the Consumer Education Project (CEP) consists of two elements, executed on an integrated basis:

*General communication*, namely messages of a general nature regarding the health and nutritional advantages of dairy products, conveyed to consumers; and

*Specialized communication*, namely proactive and reactive messages regarding the health and nutritional advantages of dairy products conveyed to selected target groups that are opinion formers in the South African society.

## **GENERAL COMMUNICATION**

### **Target markets**

- The target market of the general communication element consists of consumers, living standards measure (LSM) 6–8, with a meaningful spill-over to LSM 9–10 and LSM 4–5, as agreed to by the Advisory Committee of the Consumer Education Project (CEP).
- To buy media for television, it is estimated that LSM 6–7 households have an income of about R5 000 to R9 999. Those in LSM 8–10 may have an income greater than R19 999. The LSM indicators are used to determine target audiences for the different elements of CEP.
- The socio-economic measurement (SEM) segmentation tool is a measure that differentiates how people live. It represents a spectrum of low to high socio-economic living standards. It is based on where people live and the type of structures they live in, and what they have access to in and near their homes (Bureau for Food and Agriculture Policy, 2019 to 2028). LSM segmentation was terminated in 2015 and LSM data cannot relate to data for SEM segments. However, for the purposes of the Project, SEM segments 4–7 and SEM 8–10 represent the bulk of the target audience of CEP. They make up 40% and 20% of the total adult market, respectively.
- The target market of the specialized communication element is health professionals like doctors, nurses, dietitians, nutritionists, nutrition advisers, health promoters, and community workers.



## Communication channels

Different communication channels must be used appropriately to convey messages effectively to the target markets. Due to the many communication opportunities in the marketplace, CEP must be highly disciplined in selecting the most effective communication channels. It must ensure balanced and integrated use of these channels to convey its messages to the different target markets.

The communication channels that were selected for use by CEP were:

- Television;
- Publications (print and digital) such as promotional articles (advertorials) in consumer magazines, scientific articles in journals aimed at health professionals, pamphlets for distribution at selected events, and trade magazines;
- Websites;
- Digital advertising and social media;
- Presentations at scientific congresses and seminars;
- Educational information sessions at clinics; and
- School programmes.

## Television and social media for 2021

### Television broadcast schedule for 2021

The television advertisement was flighted over four bursts in 2021, for two to three weeks per burst. Kantar Millward Brown conducted a newcomer report for the television advertisement that was presented to the Project on 23 February 2021.

### Post-campaign results: January 2021

Results are presented relative to the core market, i.e., ages 13 to 19.

## Performance related to teens

The teenage population in this income group makes up 3.5% of the population. Over the four bursts, 77% of the target population was reached, with a frequency of 16.6 (number of times the television advertisement was viewed per person).

## Performance related to mothers of teens (aged 35 to 55 years)

No budget is spent on buying media related to mothers, but good performance is achieved in this group. Over the three bursts, 81.6% of the target was reached with a frequency of 16.9 (number of times the advertisement was viewed). There is no benchmark for television in the category of non-branded nutrition education.

## YouTube videos

The YouTube 'Dairy Gives You Go' (DGYG) campaign was launched with an awareness goal, with four bumper advertisements and one skippable in-stream video. Four five-second bumper advertisements (cutdowns) from the 30-second advertisement were developed. The campaign ran for three months. The only call to action was to click through to the television advertisement to create awareness of the television commercial. Over 6,4 million impressions were served. The bumper advertisements clicked through to Facebook. A total of 10 543 clicks were obtained.

## Dairy gives you go social media campaigns for 2021

### Analytics related to the Facebook page for 2021

The analytics of the interaction of visitors with the information posted on the DGYG Facebook page were collected systematically. 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 Facebook page stood at 51 500 followers and the Instagram platform at 3 541 followers up to the end of 2021.

### Hero campaigns

Three hero campaigns were planned and executed in 2021. Each hero campaign had a specific theme and ran for a determined period on the DGYG social media platforms. The campaigns use micro-influencers with strong independent followings, which enhances dairy awareness and reach among teenagers. The campaign ran on Facebook, Instagram, and TikTok.

Teenagers were invited to participate in the campaigns and share their participation on Facebook, Instagram, or Twitter, and possibly win a grand prize. The three campaigns were:

- #DairyDoneEasy;
- #WhateverYourTaste, Dairy Gives You Go; and
- #MyDairyDoodle.

### Rediscoverdairy Facebook and Instagram pages

The RediscoverDAIRY (RDD) Facebook page was introduced on 21 October 2019 and is aimed at the

modern mother (aged 25 to 55) with children, living at home.

The purpose of the RDD social media pages is to be a portal for trusted, credible information on dairy nutritional information. It uses existing content from the RDD website primarily, together with newly developed content that is disseminated through direct posts and established bloggers. The content focuses on the nutritional importance and role of milk and other dairy products in the diet. The information is posted on the platforms at least three times per week. The RDD Facebook page followers stood at 17 880 and Instagram at 1 560 as of December 2021.

### Media releases on the RediscoverDAIRY social media platforms

For 2021, five media releases were developed and then used and repurposed by journalists for their own publications. The media releases focus on dairy health and nutrition. Established bloggers posted the relevant content on their own social media pages, which were then linked to the RediscoverDAIRY social media pages. This further boosted the content of the media releases. The five media releases were published in 98 digital publications, five newspapers, and 10 radio interviews.

### List of 2021 media releases

Campaign period	Title
February 2021	'Cheese, full of goodness and a lunchbox favourite'
April 2021	'Dairy hacks to get more goodness, for much less'
27 May to 14 June	'World Milk Day reminds us why milk is great for busy moms and families'
20 September to 10 October	<ul style="list-style-type: none"> <li>• 'Why yoghurt is a healthy eating gateway for kids'</li> <li>• 'Waarom jogurt 'n sleutel is tot gesonde eetgewoontes vir kinders'</li> <li>• 'Why active women love yoghurt'</li> </ul>
November 2021	'Outsmart osteoporosis and bolster joint health with dairy!'

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All media releases can be viewed at:

<https://www.rediscoverdairy.co.za/latest-news-2/media-information/>

## Digital advertorials on Parenting Hub

The Project ran a digital campaign on Parenting Hub (PH), a digital parenting resource, from May to July 2021:

- May – 'Milk: back to basics'
- June – 'Yoghurt: lactose intolerance and recipes on smoothies'
- July – 'Cheese: dairy protein for growth'

Over the three months, 12 advertorials related to the theme of the month were published, and supported with posts on Facebook, Instagram, and Twitter. Each month a banner was developed, which carried a dairy health message for the nutrition section on the PH platform.

## Consumer print campaign

### Promotional articles

Promotional articles are written for consumer publications to expand on the key dairy nutrition and health messages by creatively engaging with consumers. Because of the pandemic in 2020, many print publications were discontinued. The Project therefore commissioned a media expert to do a category analysis to identify the best channels to reach the target market for this element of the Project in 2021.

The outcomes of this analysis were used to plan the consumer communications campaign aimed at mothers aged 25 to 55, with children living at home. The activities planned include print, digital, social media, and lifestyle television. In 2021, a total of 16 advertorials were published in *Kuier*, *You*, *Huisgenoot*, *Drum*, *Babies and Beyond*, *Moeder en Kleuter* and *Sarie*.

### Lifestyle TV

The Project collaborated with the *Expresso Morning Show* on SABC 3. Three interviews were flighted on the show and the television advertisement was flighted after each

interview. At each interview, a CEP banner was displayed, increasing the awareness of dairy during the show.

- September: 'The importance of dairy products in the diet' – interview with the Project Manager
- October: 'The health benefits of dairy in all stages of life' – interview with the Project dietitian
- November: 'The role of dairy in sports nutrition' – interview with Nicki de Villiers, sports dietitian.

## Media liaison activity

### Trade publications

Trade publications such as *The Dairy Mail*, *Farm Link* and *Milk Essay* are vehicles for communicating with the dairy and food industries. Eleven informative articles on CEP and other relevant topics were published in *The Dairy Mail* in 2021.



## Dairy and health publications

An article was published in the *Diabetes Focus* magazine.

### Diabetes South Africa: 2021 Autumn: Diabetes Focus eMag.

Title of the article: 'Milk alternative: worth the hype or milking the health system?'

Author: Jessica Pieterse, registered dietitian.

### Diabetes South Africa

Title of the article: 'All you need to know about cottage cheese.'

Author: Tammy Jardine, registered dietitian.

Medical brief published in *International Journal of Obesity*, May 2021

Title of the article: 'Regular milk consumption not associated with increased cholesterol.'

Article authors: Karani Santhanakrishnan Vimaleswaran *et al.*

## Media liaison monitoring

The essence of media liaison is to make information on the nutrition and health benefits of dairy available to journalists. They then communicate the information to the target markets, serving the interests of the reporters and the media concerned.

Relevant information published in the media on dairy is monitored by Newsclip, an independent media monitoring firm. Updates are received daily in electronic format.

## Media coverage of dairy information for the year

Total PR per category 1 902		
A	General media	R5 563 509
	No	199
B	CEP-generated article	R4 651 104
	No	18
C	Advertorials	R591 026.02

A. The media coverage achieved across general media (not paid for by the Project).

B. Information developed by CEP (content published by the Project, which gets used by media and publishing houses).

C. Advertorials (paid content developed and published by the Project).

## Trending topics

Topics related to dairy health and nutrition, which appear frequently in the media, are called 'trending'. The media monitoring activity of CEP identified topics that appeared in the media frequently and which refer to dairy directly.

The topics that featured most frequently are:

- Childhood nutrition (had the greatest number of articles published [564 of 2 101 articles] and had the most overall positive/open sentiment);
- Bone health (170);
- World milk day (78);
- Plant-based eating (73); and
- Lactose intolerance (75).

It was observed that the greatest negative sentiment came from articles on plant-based eating (88) and lactose intolerance (40). Others included acne (56), sugar (52), and the environment (20), which had a less balanced view in the media.

## CEP Twitter (@CEPMilkSA)

CEP posts selectively on its Twitter account and relies on organic growth (no funds are allocated to Twitter).

## School education programme

### General

The school education programme is aimed at Grades 1 to 7:

- 'From farm to fridge': Grades R to 3.
- 'A guide to healthy eating': Grades 5 and 6 (the curriculum does not include dairy in Grade 4).

Each phase is dealt with through a teacher's guide, class posters, a fact sheet, and worksheets on each topic.

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All posters and worksheets are available in English and Afrikaans. The school education programme and learning material are available on the website ([www.dairykids.co.za](http://www.dairykids.co.za)).

CEP is expanding its school education programme to include the consumer studies curriculum of the Further Education and Training (FET) for Grades 10 to 12. The consumer messages developed by CEP align well with the content covered in the food and nutrition section of the curriculum. All the content has been developed for each grade. The content will be available in electronic format and will be posted on the website early in 2022.

## Worksheets for the website and E-classroom website

The teacher's guide and accompanying worksheets that were developed by CEP are hosted on the E-classroom website. E-classroom is an independent website that hosts branded worksheets, with external links for primary school teachers and learners.

Because of the shift to digital education since the pandemic, the Project has increased its engagement with E-classroom. It has developed additional worksheets that are posted on the E-classroom social platforms and shared with the RDD Facebook page. World School Milk Day (WSMD) forms part of the communication activities with E-classroom. In the last quarter of 2021, worksheets, in the form of comic strips, were developed for a back-to-school campaign in January 2022.

## Wellness activity

This programme entails community work in public clinics of the Department of Health (DoH) for nutrition advisers, health promoters and community health workers. This is presented in the format of educational information sessions for upliftment of local communities. In 2021, 339 health promoters attended the training event presented by the Project in North West and KwaZulu-Natal.

In the fourth quarter of 2021, a recording of the training session presentation was developed. This will be used for online presentations when 'in-person' presentation is not possible in some regions, or where a safety threat exists.

## SPECIALIZED COMMUNICATION

### Health professional print and digital

#### Scientific advertorials and publications

Evidence-based nutrition reviews are written on new topics regarding nutrition, health, and dairy. These are aimed at health professionals. Each review is summarized into an advertorial and is published accordingly in publications read by this target audience.

The evidence-based nutrition reviews explore new topics in dairy health and nutrition that warrant further investigation. The reviews allow for extensive and detailed information on a specific topic without a limitation on the number of words used. The nutrition reviews are posted on the RDD website, under the Dairy-Based Nutrition menu item.

As part of the print and digital campaign, publications aimed at health professionals are used to publish scientific advertorials, which are abbreviated versions of the full evidence-based review. In 2021, 14 scientific advertorials were published.

#### Presentations and handouts at Association for Dietetics events

As part of the health professional print campaign, CEP creates awareness on the website of the Association for Dietetics in South Africa (ADSA) ([www.adsa.org.za](http://www.adsa.org.za)), specifically to inform dietitians of the new information. The information appears on the RDD website together with any new scientific information on dairy health and nutrition. CEP also presents at ADSA regional meetings. Seven notifications about the work of the Project were published on the ADSA portal in 2021.

#### Update of the sports booklet

The information on dairy and sports nutrition is aimed at the sports enthusiast and sports coaches/personal trainers. The booklet was updated in 2020 by two sports dietitians to include new research results and references. The information is only available in electronic format on the RediscoverDAIRY website: <https://www.rediscoverdairy.co.za/dairy-and-sport-2/sport-nutrition-and-the-role-of-dairy/>



The Sports Nutrition tool is supported by a leaflet, which is available as a PDF download on the website.

### **Participation in sports webinar**

CEP participated in online workshops for school sports coaches, organized and presented by the All-Sport Coaches workshop. Two workshops were presented on 18 and 25 March 2021. The two sessions were 20 minutes and 30 minutes each on the respective days. CEP tasked Nicki de Villiers, a member of the Technical Advisory Committee (TAC) of CEP, to present a talk at the All-Sport Coaches workshops:

- 18 March: 'Eating for injury prevention: the role of energy intake'
- 25 March: 'Prevention of injuries: timeous intake after training session'
- Attendance: 300 sports coaches registered for the event.

## **CLINICS: EDUCATIONAL PRESENTATIONS AND MATERIAL FOR HEALTH PROFESSIONALS**

### **Dairy-based nutrition tool (USB tool)**

The dairy-based nutrition tool developed by CEP is distributed to the third- and fourth-year dietetics students at all the universities in South Africa that offer a degree in dietetics. This is part of the communication activities with dietitians. The tool is a memory stick containing all the scientific information regarding dairy health and nutrition, developed by CEP. It includes all the dairy-based nutrition science-based reviews, advertorials, and specific links to sections on the website, e.g. sports nutrition and the role of dairy, the clinic wellness programme, and the school programme. It also provides an overview of CEP and includes the television advertisements. No university visits were planned for the first and fourth quarter in 2021.

The Project presented three online presentations for students at Stellenbosch University, the University of the Free State, and the University of Pretoria.

## **Continuing professional development**

The CPD activity provides CEP with an opportunity to communicate directly with one element of the health professional target markets, i.e., dietitians and nutritionists. The articles selected for this activity focus not only on dairy nutrition and health, but also on new research results available in nutrition overall. This menu item has proved to be very successful in reaching dietitians and nutritionists.

The peer-reviewed articles for 2021 were available for dietitians and health professionals from 1 April 2021. There are 13 articles and health professionals can earn 25 clinical points (CEU) and five ethical points by completing the CPD articles on the RediscoverDAIRY website, free of charge. Dietitians must obtain 30 points per year, five of which must be ethical points, and therefore they can get all their required CEUs by simply using the CEP portal. The continuing nutrition education (CNE) menu was available to dietitians until 31 January 2022.

In addition, the Project developed a fully integrated and automated online system for registration, submission of articles and generation of the certificates for CPD points. This has simplified the process for the Project and also for participating dietitians.

Responses from dietitians as from April 2021 to January 2022:

- Participating dietitians: 1 873
- Articles completed: 5 330.

IDF Nutrition Symposium was presented as a CNE event.

## **Technical Advisory Committee**

TAC meets once a year. During each year, several consultations are held with individual members.

The annual meeting was held on 11 February 2021 and attended by all six members (present and online).

CEP maintains contact with TAC and consults it about scientific issues related to dairy health and nutrition.

# BOARD OF DIRECTORS' REPORT

CEP used four additional dietitians, each on a topic in their corresponding field of interest - on an ad hoc basis - to expand on the work delivered by TAC. In 2021, CEP made use of the following dietitians:

Prof Mieke Faber: 'Moving towards more sustainable food systems'

Abby Courtenay: 'Lactose, the unsung hero'

Monique Piderit: 'Know your yoghurt'

Claire Julsing-Strydom: 'Dairy and inflammation'

## Dietitians' survey

The report for the dietitians' survey conducted in 2020 was presented to the Project in January 2021. CEP developed two surveys to measure limitations in dietitians' knowledge of the nutrition and health benefits of milk and other dairy products. The surveys were also used to explore their awareness of various information sources provided by CEP. The findings were implemented in the planning of the Project in 2021.

## REDISCOVERDAIRY NEWSLETTER

Two newsletters were developed in 2021. The second newsletter was distributed in January 2022.

## DAIRY MATRIX EDUCATIONAL MATERIAL

As part of the output for 2021, the Project is developing educational material on the dairy matrix. Communication tools have been produced and finalized. The dairy matrix communication educational tools include:

- Video: 2.36 minutes
- Three short videos per product: 30 seconds each
- Social media: banner and posts per product.
- The communication tools will be available on [www.rediscoverdairy.co.za](http://www.rediscoverdairy.co.za) by the end of January 2022.

## CONFERENCES, PRESENTATIONS AND WEBINARS

### Webinars presented

#### Industry webinars

On 3 March 2021, a webinar was presented to the dairy industry. The webinar focused on the different projects of CEP and was titled 'Be an ambassador for dairy: RediscoverDAIRY – Your gateway to dairy health and nutrition!'

The three staff members of CEP presented the webinar. It was attended by 75 people from the food and dairy industries.

The Dairy Matrix





On 23 June 2021, the Project dietitian presented a talk, 'Processing: Effect on the nutrition value of milk', on the Dairy Standard Agency (DSA) webinar on pasteurization.

### **International webinar**

IDF's Standing Committee on Nutrition and Health presented a two-day virtual Nutrition Symposium on 11 and 12 May 2021. The Project used the event to provide an opportunity for local dietitians and nutritionists to earn CPD points by attending both days of the symposium. Participating health professionals could earn up to eight CPD points. In total, 312 dietitians from South Africa attended the CNE. IDF issued certificates to the participants.

13 July 2021: Virtual presentation by the Project dietitian for Wageningen University's postgraduate Nutrition Summer School.

Title: 'The role of MILK and DAIRY in the diet – from an African perspective.'

This was followed by a panel discussion.

19 July 2021: Participation of the Project dietitian in an international conference of the Institute of Food Technologists.

Presentation title: 'The impact of school milk programmes on children's nutrition and performance: a global perspective.'

The presentation was pre-recorded and was available on the Food Improved by Research, Science, and Technology (FIRST) platform until December 2021.

### **Webinar attendance**

Eleven webinars were attended online in 2021 by members of the Project.

### **Attendance of conferences/seminars**

Nutrition Solutions CNE, 8 November 2021: the Project Manager and the dietitian participated in the CNE and a short presentation on the products developed by the Project for health professionals.

### **World Milk Day**

World Milk Day (WMD) was celebrated on 1 June 2021. The Project planning for 2021 included promotional activities around WMD.

### **Media release**

The consumer media release of CEP for WMD was titled: 'World Milk Day reminds us why milk is great for busy moms and families'. The media release was circulated on 29 different platforms. To boost the awareness of WMD, several radio interviews were conducted with dietitians. This increased awareness and the reach of the target audience.

### **Participation on a global and local level on social media**

RediscoverDAIRY also collaborated with GDP and participated in the global WMD celebrations in 100 countries. This included an online rally on WMD on various social media platforms. Dairy producers were also invited to share their videos on sustainable dairy farming.

# BOARD OF DIRECTORS' REPORT

With the support of the local dairy industry and other organizations and municipalities, South Africa was in the top 10 participating countries for the third consecutive year, as monitored by GDP. South Africa ranked in the fifth place for 2021. A global total reach of 1.38 billion impressions across 199 000 social media posts was achieved. GDP acknowledged the efforts made by the Project.

## World School Milk Day

World School Milk Day (WSMD) was celebrated on 29 September 2021.

The Project developed activity sheets for foundation and intermediate phase learners. The activity sheets had two applications and were used for E-Classroom and for WSMD in conjunction with the Department of Basic Education.

## E-classroom

The activity sheets were posted on the E-classroom website and a related competition was run on the E-classroom Facebook page. Learners had to design their own labels for yoghurt, using a market sample as inspiration. Three winners were identified based on a lucky draw.

## Department of Basic Education's National School Nutrition Programme

The same activity sheets were repurposed for the WSMD celebrations with the National School Nutrition Programme (NSNP). The Department of Basic Education (DBE) posted the activity sheets on their website and alerted all schools to participate in a competition:

<https://www.education.gov.za/WorldSchoolMilkDay2021.aspx>

Learners were invited to complete the activity sheets, and through the relevant school, post the winning entries on DBE's Facebook Page.

## Industry-related matters

### Consumer Goods Council of South Africa

The Project is a member of the Food Safety Initiative and Health Foods Options Industry Initiative of the Consumer Goods Council of South Africa (CGCSA). The Department of Health (DoH) requested CGCSA support for their Health

Food Options Industry Initiative (HFOII). CEP contributes to the HFOII national strategic plan for the prevention and control of noncommunicable diseases (NCDs) in South Africa. The initiative gives high prominence to food products containing added sugar.

CEP attends regular meetings with CGCSA about the engagement of the healthy food options industry (HFOI) with the Director-General: Health and Beverage South Africa (BevSA). The first meeting was held on 17 February 2021.

Front-of-pack (FOP) labelling has been discussed extensively with CGCSA and industry. Many industry meetings and consultations hosted by CGCSA were attended and the Project participated in this discussion on behalf of the organized dairy industry. All retail sectors were given the opportunity to voice their requirements in this regard. The Project completed an industry survey on FOP labelling in conjunction with DSA, at the request of CGCSA.

CEP aligned itself with the guidelines provided by IDF for FOP labelling. Industry was awaiting response by DoH in this regard. A follow-up meeting was held on 19 October 2021.

The Project attended a workshop presented by the National Department of Health (NDOH), titled 'National obesity strategy'.

### South African Society of Dairy Technology

The Project Manager was elected national president of the South African Society for Dairy Technology (SASDT) in September 2020. Four webinars were planned for 2021.

- SASDT was requested to organize and facilitate a session at the SAAFOST 24th Biennial International Virtual Congress from 20 to 22 September 2021. The session was titled: 'Nutrition labelling: delivering meaningful outcomes'.
- SASDT conducted a survey in October 2021 to establish the expectations of its members. The Project Manager planned and managed the process through Carnelley Rangelcroft Consultancy and the results were presented to the committee on 22 November 2021.

- SASDT would be holding its symposium in March 2022. During the fourth quarter, the programme for the symposium was developed in terms of the theme and relevant speakers.

### **Milk SA Technical Working Group meeting: 'Dairy products and the use of dairy terms'**

The meeting reviewed the regulation on dairy terms used in imitation dairy products such as plant-based beverages. IDF's *Bulletin* on the Codex General Standard for use of dairy terms: its nature, intent, and implications, was used for this discussion. The Regulations and Standards Project of Milk SA carries the primary responsibility in respect of the matter. The first meeting was arranged and held by DSA on 26 February 2021. A follow-up meeting with industry was held on 28 September 2021 and chaired by DSA.

### **Coordinating Committee of the Dairy Standard Agency, CEP, and the Research Project of Milk SA**

The Coordinating Committee of DSA, CEP, and the Research Project of Milk SA met on 16 February, 13 May, 23 August, and 23 November 2021.

### **Work related to the International Dairy Federation**

The work related to IDF is ongoing.

### **Standing Committee on Marketing**

The Project Manager is a member of the task team responsible for the global marketing survey, which is to be conducted in 2022. The questionnaire has been developed and circulated for comment.

The Project Manager is a member of the task team of ultra-processed foods. The first task force meeting on dairy products and ultra-processed foods was held at the 2019 IDF World Dairy Summit in Istanbul. A position statement regarding dairy and ultra-processed foods was shared with members.

A new task team on information sharing was formed by the Standing Committee on Marketing (SCM). Brainstorm meetings were held on 9 and 23 June 2021 to formalize the purpose and goals of the task team. This task team would form part of the work of SCM.

The Project Manager participated in the SMC meeting on 9 June and 11 October 2021, and the joint SMC and SCDPE meetings.

### **International milk promotion group**

The first international milk promotion (IMP) meeting was held on 24 March 2021. The meeting focused on the planning of the virtual mid-year meeting and the proposed meeting in Denmark during October 2021. The IMP mid-year meeting took place on 8 June 2021.

The IMP Yves Boutonnat Trophy Awards competition was held virtually on 6 September 2021. The Project entered the television commercial: 'Dairy Gives You Whatever Go You Need'. The Milk SA Project shared third place with two other countries.

The Project Manager participated in the IMP meeting held on 13 October and 8 December 2021.

### **Global dairy platform**

The Project Manager is a member of the task team on environmental sustainability communications (ESC). Meetings were held on 28 January, 18 March, and 29 June 2021.

The Pathway to NetZero campaign was launched on 23 September 2021. The Project Manager attended meetings related to the campaign.

### **Standing Committee on Nutrition and Health**

The Project dietitian is a member of the IDF Standing Committee on Nutrition and Health (SCNH) and the representative of SCNH on the Science and Programme Coordinating Committee (SPCC).



# BOARD OF DIRECTORS' REPORT

## SCNH and SPCC meetings

'Lactose, as an important nutrient, advocating a revised policy approach for dairy and its intrinsic sugar'

IDF CNE second quarter: Part of planning SCNH Nutrition Symposium

SPCC: IDF Strategic Action Plan for 2022–2025

IDF General Assembly

Action team leader: School Milk Programmes (SMPs).  
IDF: Action team on School Milk Programmes meeting on proposal of AT SMPs as a continuous work item of IDF

## Global dairy nutrition network

The Project is a member of a global network of nutrition experts in the dairy community with the aim of sharing acquired knowledge, perspectives, and resources. This network collaborates in a collective effort to grow trust in dairy's contribution to health and sustainable food systems among health care professionals and reputational thought leader audiences. The group meets three to four times per year and each meeting has a specific topic for discussion. Three meetings were held in 2021.

## SANCIDF

The Project attended the Annual General Meeting of the SANCIDF meeting on 31 March 2021. The Project Manager reported on the activities of SCM and IMP, and the Project dietitian reported on SCNH and SPCC activities for 2019–2020. She also gave a brief description of the forthcoming Food System Summit in September 2021, its purpose, and IDF's possible involvement.

## Research

Planning of a research project titled: 'Changes in consumer consumption and behaviour of dairy products in South Africa and reasons for it'.

The proposal and planning of the research project was developed in the fourth quarter. The Bureau for Food and Agriculture Policy (BFAP) would conduct the research in 2022.



## 7.10 Project title: **Co-ordination, support and promotion of needs-driven research & development 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**

There was noteworthy cooperation in 2021 between the Institute of Natural Resources (INR), WWF-SA, Confluent-SA and committed farmers in the project on Buffer zones for wetland structures for wetland and river protection on dairy farms; and between Asset Research, FarmVision, Stellenbosch University (US) and committed farmers on the project “A Systems dynamic approach to environmental indicators on dairy farms”; and the University of Pretoria (UP) (main campus), UP (Onderstepoort), Chemuniquie, Holstein Breeders Association and committed farmers on the project “An assessment of cow welfare traits in South African Holstein herds”.

Negotiations with the Technology Innovation Agency (TIA) have culminated in a new proposal to them by the author, which they hope to fund from their ABIPP (Agriculture Bio-Economy Innovation Partnership Programme). They have however indicated that they are interested only in Milk SA’s R & D projects which will have a tangible outcome, i.e., the Programmes: Animal health and welfare,

Milk quality and safety, and Innovative dairy products of the Dairy R&D project. The contact person approached the CEO of Milk SA and the R&D Project Manager to continue with discussions and requested input on aspects such as Transformation in the institutions providing R&D services to Milk SA. Milk SA considered this request to be unfair and of course do not have control over such matters in these institutions. Therefore, after consultation in the R&D Management Committee, the decision was to end all further negotiations and TIA was informed accordingly.

The problem of facial eczema of cows in the south-eastern Cape led to discussions with Dr Anthony Davis and a literature study to that effect has been funded. Further work based on the recommendations in the report is envisaged for 2022. Other new projects which will commence are:

- Use of near-infrared (NIR) to Detect and Quantify Mastitic Bacteria in Cow’s Milk
- A comparative analysis of the nutrient and resource use footprints of dairy and plant-based substitutes.

For a number of years, the R&D Project of Milk SA has paid particular attention to Mastitis and Milk flocculation. The R&D Project Manager summarized the outcomes and implications of this work, which was attached to the Third Quarterly Progress Report.

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

In the Management Committee and the Dairy R&D Committee (DRDC) meetings of respectively 3 February and 17 February 2021, special attention was given to the procedure and standardization of project proposal evaluation. To that effect the Policy document reflecting

# BOARD OF DIRECTORS' REPORT

procedure, IP, contracts and financing was adapted by the author.

A second Management Committee meeting was held on 11 June 2021 and the DRDC meeting on the morning of 23 June 2021, was followed by a DRF meeting in the afternoon. The progress on the milk flocculation programme was again discussed at the Management Committee and DRDC meetings. Whereas a great deal has been learned, the number of influencing variables appear to be more than anticipated; in addition to which they interact, which makes it difficult to control some, while studying others. Furthermore, whereas tick infestation is more of a problem in beef cattle, the progress with genomic evaluations on tick resistance and the possibility for vaccine development have bearing on typical African diseases and bovine brucellosis which should be investigated. The author will continue with discussions to that effect. In addition, there was concern that antibiotic residues may accumulate in pasture soils because of manure fertilization, which may lead to antimicrobial resistance (AMR). The preliminary decision was that the author should investigate the usage of antibiotics by dairy farmers, although the concern may be unnecessary if antibiotic usage is on the decline.

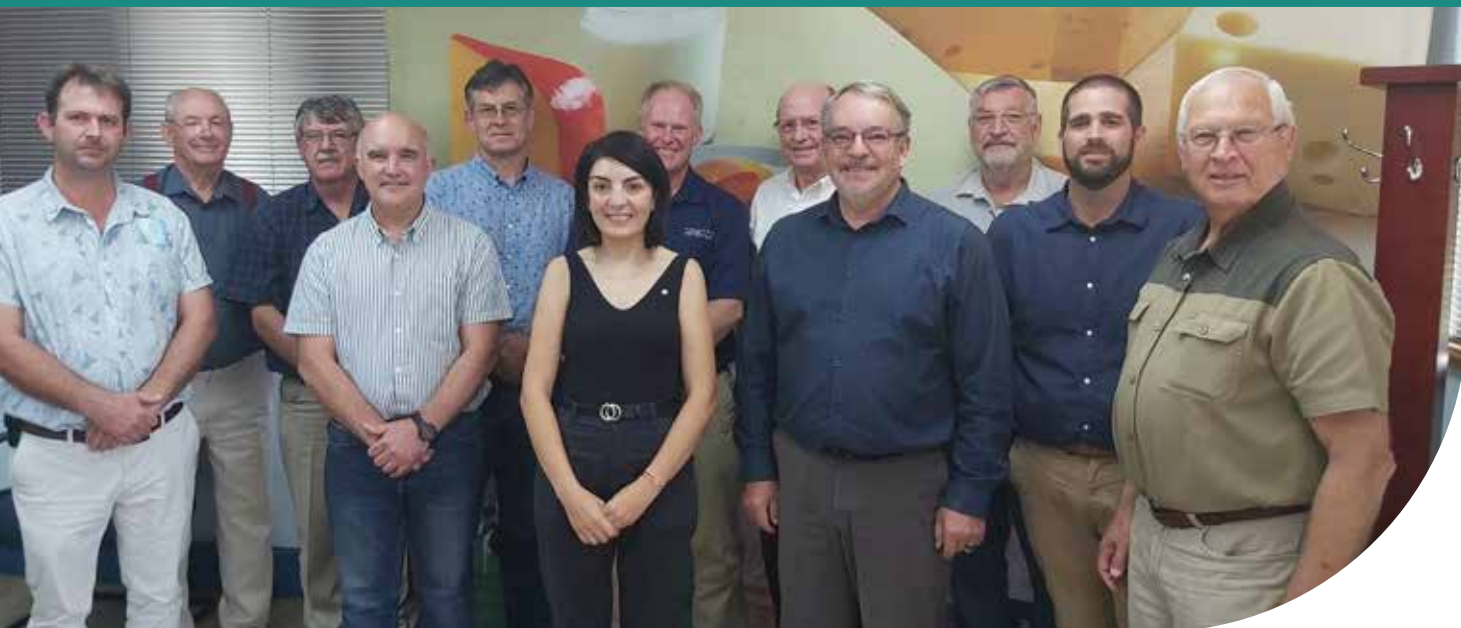
A third Management Committee Meeting was held on 11 August 2021 and a DRDC Meeting on 25 August 2021. Some of the issues discussed and resolutions taken included: 2022 Funds for currently running projects to be secured; the administration of the R&D programme to be moved back to Milk SA before the end of the year; and the secretariat to be moved back to Milk SA at the end of 2021.

A fourth Management Committee Meeting was held on 10 November 2021 and a DRDC Meeting on 24 November 2021. Some of the issues discussed and resolutions include: The R&D Project Manager to discuss with Prof Christine Maritz-Olivier of UP and request a summary on possibilities of a Brucellosis vaccine based on new technology, and that the summary be discussed with the RPO and the National Wool Growers Association (NWGA) before being submitted to the National Animal Health Forum (NAHF) for their consent; Dr Theo Kotze to be requested to do a literature study on the practice of releasing slurry and manure onto pasture - the concern is with possible antibiotic residues entering pastures and soils; and the R&D Project Manager and the CEO of Milk SA to plan and decide which research project messages should be prepared for publication in the *Milk Essay* and *The Dairy Mail*.

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Prof Christine Maritz-Olivier (UP), Dr Theo Kotzé (veterinarian), Nico Fouché and Dr Heinz Meissner discussing ideas for a brucellosis project





Research experts discussing facial eczema (sporidesmin fungus)

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

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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 posted on the website was two per month, i.e., 24 per year. The target was met. Some of the articles were also published in *The Dairy Mail* under the regular Research Column of the author.

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**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**

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The strategic document: “Sustainability in the SA Dairy Industry: A status and progress report”, is updated every six months. This was done in June 2021 and again in December 2021. The document provides insight into matters associated with the strategic direction specifically, as it relates to the UN 2030 Agenda for Sustainable Development.

The document: *What is really important to ensure sustainability in the Dairy Industry?*, compiled by the author, is relevant here. The document was attached to the Third Quarterly Progress Report.

The Project Manager was a judge in the annual stewardship awards of MPO. The assessment and farmer visits took place in September 2021.



# BOARD OF DIRECTORS' REPORT



Dairy Research Forum attendees

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**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**

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The author focuses on writing or sourcing articles with an environmental sustainability theme, including Greenhouse Gas (GHG) reduction, carbon sequestration, water use efficiency and waste management. Because of his known knowledge in this regard, he is sometimes consulted for input or advice. A case in point is a report written by WWF-SA on: “Investing in Dairy: Business Case for Sustainability”. A second example is a summary which was written for the newsletter ‘ReStory’ on: “Sustainability in the South African Dairy Industry – a project by Milk SA”.

From time to time the sustainability of livestock (e.g. dairy) production is threatened by claims and selective information by anti-livestock activists. The document: “Anti-cattle campaign: Arguments to refute claims – Heinz Meissner”, has been written by the author for everyone who wishes to have facts, when confronted with the anti-cattle campaign. The document was attached to the First Quarterly Progress Report.

With regard to animal welfare, the author was part of the discussion and planning group which culminated in the project by DSA: Practical implementation of SANS 1694 with DSA audit, which relate to animal welfare.



# Audit and Risk Committee Report

FOR THE YEAR ENDED |  
31 DECEMBER 2021



Mr Danie du Plessis, Chairman of the Audit & Risk Committee (right), presenting the Annual Financial Statements at the AGM with Messrs Martin Fourie, External Auditor (left) and Hansie Ferreira, Ministerial Inspector: Statutory Measures

# AUDIT & RISK COMMITTEE

**Milk SA's independent Audit and Risk Committee** ("the Committee") is pleased to submit its report, in accordance with section 94(7)(f) of the Companies Act of 2008, to the members for the financial year ended 31 December 2021.

## Introduction

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

- Safeguarding the assets of the Company;
- Keeping sufficient accounting records;
- Developing and maintaining an effective internal control system; and
- Identifying risks pertaining to the Company's structures, management, projects and other activities, and making suggestions to the Board of Directors in this regard.

The Committee serves in an advisory capacity to the Board of Directors. The members of the Committee are appointed by the Board of Directors of Milk SA.

In terms of Clause 34(2) of the Memorandum of Incorporation of Milk SA, the Company elected not to comply with the extended accountability provisions set out under Chapter 3 of the Companies Act.

The Committee's duties and objectives are governed by its Terms of Reference, which were approved by the Board of Directors.

## Composition and meetings

The Committee comprises:

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

The Committee usually meets at least four times per year as per the Committee's Terms of Reference.

The Chief Executive Officer, Internal auditor and independent External auditor attend meetings by invitation.

During the year under review, four meetings were held:

Name of member	5/3/2021	5/5/2021	4/8/2021	2/11/2021
Mr DH du Plessis Independent Chairman	Present	Present	Present	Present
Prof DF Fürstenburg Nominated by SAMPRO	Present	Present	Present	Present
Mr JFJ Scheepers Nominated by MPO	Present	Present	Present	Present

## Statutory duties

The Committee is satisfied that it adhered to the statutory requirements for an audit committee as set out in the Companies Act as well as the functions set out in the Terms of Reference and that it has therefore complied with its legal, regulatory and other responsibilities.

No reportable irregularities were brought to the attention of the Committee.

## External auditor

The Committee nominated and recommended to the Members of Milk SA the reappointment of the External auditor, Fourie & Botha, in compliance with the Companies Act and the appointment of Mr WM Fourie, as designated auditor for the 2021 financial year.

The Committee satisfied itself that the audit firm was accredited, and the Committee further satisfied itself that Fourie & Botha was independent of Milk SA (the Company), which included consideration of compliance with criteria relating to independence, proposed by the Independent Regulatory Board for Auditors.

The Committee, in consultation with the CEO of Milk SA, agreed to the engagement letter, terms, audit plan and budgeted audit fees.

The Committee has the responsibility to recommend the appointment of the External auditor and to oversee the external audit process and in this regard the Committee must:

- Nominate the External auditor for appointment by the members;
- Approve the annual audit fee and terms of engagement of the External auditor;
- Monitor and report on the independence of the External auditor in the annual financial statements;
- Define a policy for non-audit services and pre-approve non-audit services to be provided by the External auditor;
- Ensure that there is a process for the Committee to be informed of any reportable irregularities as defined in the Auditing Profession Act, 2005, identified and reported by the External auditor; and
- Review the quality and effectiveness of the external audit process and performance against their audit plan.

## Key audit matters

The Committee has applied its mind to the key audit areas and key audit matters identified by the External auditors and is comfortable that they have been adequately addressed and disclosed in the annual financial statements. These items, which required significant judgement, were:

- Key judgements and estimates used in assessing the impairment of debtors; and
- Revenue recognition.

## Internal audit

The Committee has satisfied itself that the internal audit function, as outsourced to HP Audit Incorporated, was appropriately independent. The internal audit Terms of Reference and the internal audit plan were approved by the Committee. The Internal auditor has access to the Committee.

The Committee has the following responsibilities regarding the internal audit function:

- Recommend the Internal Audit Charter and any amendments, to the Board.
- Recommend to the Board, the appointment, replacement or dismissal and compensation of the Internal auditor.

- Consider and review, in liaison with the Internal auditor and CEO, the internal audit plan and budget.
- Review the performance of the internal audit function annually.
- Once a year, or as the Committee deems fit, to meet separately with the Internal auditor to discuss matters that the Committee considers necessary to discuss in private with him/her.
- Advise the Board on its conclusions pertaining to the internal audit reports as submitted by the Internal auditor.

The Committee is satisfied with the expertise and performance of the Internal audit executive, Mr Philip Potgieter.

## Internal financial control

The Committee considered the reports of the accountants, internal auditors and external auditors in arriving at its conclusion that the company's system of internal controls (including financial controls) and risk management practices are effective and that the internal financial controls form a sound basis for the preparation of reliable financial statements. No material breakdown in controls was identified during the year.

## Risk management

The Committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and financial risk management and to consider any major findings of any internal investigations into control weaknesses, fraud or misconduct and management's response thereto. The Committee reviewed the Risk register and categorized the level of each risk, probability and monetary value; and made appropriate recommendations to the Board regarding the corrective actions needed.

## Going concern

The Committee assessed the going concern status of the Company at year-end regarding the foreseeable future. It concluded that the Company is a going concern and recommended acceptance of this conclusion to the Board.

# AUDIT & RISK COMMITTEE

## Corporate Governance

The Committee considered the Internal Audit report on Corporate Governance as well as the Management Report of the External auditors. Taking into account the size of the organization relative to its role and responsibilities, the Committee is comfortable with the structures in place, which exercised oversight on various levels.

## Recommendation of the annual financial statements for approval by the Board

The Committee recommended the annual financial statements for the year ended 31 December 2021, for approval by the Board.

On behalf of the Committee

**DH du Plessis**

*Chairman*

22 May 2022





Milk South Africa NPC  
Registration Number  
2002/032020/08

# Annual Financial Report

for the year ended  
31 December 2021





## General Information

<b>Country of incorporation</b>	Republic of South Africa
<b>Nature of business and principal activities</b>	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. 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.
<b>Current directors</b>	<ul style="list-style-type: none"> <li>• Carstens PH Ms</li> <li>• Gebeda ZM Mr</li> <li>• Gutsche AR Mr</li> <li>• Jack-Pama BS Dr (Chairman)</li> <li>• Kraamwinkel AP Mr</li> <li>• Loubser MJ Mr</li> <li>• Prinsloo AW Mr</li> <li>• Rathogwa MG Mr</li> <li>• Wellbeloved CE Mr (Vice-Chairman)</li> </ul>
<b>Alternate directors</b>	<ul style="list-style-type: none"> <li>• Ferreira S Mr</li> <li>• Lubbe H Mr</li> </ul>
<b>Members</b>	<ul style="list-style-type: none"> <li>• Milk Producers' Organisation NPC</li> <li>• SA Milk Processors' Organisation</li> </ul>
<b>Auditors</b>	<ul style="list-style-type: none"> <li>• Fourie &amp; Botha Registered Auditors</li> <li>• (Auditors ito the Companies Act)</li> </ul>
<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 the applicable requirements of the Companies Act of South Africa, 71 of 2008
<b>Preparer</b>	The annual financial statements were independently compiled by: Claassens L Mrs CA (SA) PricewaterhouseCoopers Inc ("PwC")

## Index

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

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Mr Martin Fourie (middle) presenting the Auditor's Report at the AGM

## 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 2022 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.

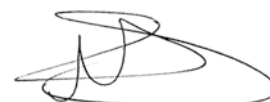
The annual financial statements set out on pages 86 to 104 which have been prepared on the going concern basis, were approved by the board of directors on 26 May 2022 and were signed on its behalf by:



Director



Director



Chief Executive Officer

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Lynnwood, Pretoria 0081  
Posbus 74960  
Lynnwoodrif 0040  
Tel: (012) 361 1172/3, 348 8184  
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## Independent Auditor's Report to the members of Milk-South Africa NPC

### 1 Qualified Opinion

We have audited the annual financial statements of Milk South Africa NPC as set out on pages 8 to 21, which comprise the statement of financial position as at 31 December 2021, 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 2021 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.

### 2 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 selfassessment 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 Auditor's 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.

### 3 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.

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.

Praktyk Nr | Practice No  
930229



Vennote/Partners  
WM Fourie, MA Eastman

## 4 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 concern 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.

## 5 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.

### FOURIE + BOTHA



WM Fourie CA(SA);

Partner

Chartered Accountants (S.A)

Registered Auditors

26 May 2022



## Directors' Report

The directors submit their report for the year ended 31 December 2021.

### 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 3,570,947 (2020: surplus R 16,626,162).

### 2 Going concern

The COVID-19 pandemic and statutory lockdown measures which were imposed in the first quarter of 2020 continued to curb the economy internationally. Consumer demand for dairy products in general remained fairly healthy during 2020 but weakened since the first quarter of 2021. For each of 2020 and 2021, the production of unprocessed milk registered a slight (less than one per cent) year-on-year decline. As the economy was recovering, the market for dairy products - including supply and demand - was expected to strengthen.

Fortunately, Milk SA's levy income for 2021 matched its budget spot-on and the company could continue with business as normal. However, where certain project activities could not be carried out as planned, the Board approved alternative spending of the relevant funds.

On 9 December 2021, the Minister of Agriculture, Land Reform and Rural Development approved the continuation of statutory measures (statutory levies, registration and submission of records and returns) in the South African dairy industry, for a period of four years to lapse on 31 December 2025.

### 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:

- Carstens PH Ms (Previously Adams)
- Gebeda ZM Mr
- Grobler FA Mr Resigned on 31 December 2021
- Gutsche AR Mr Appointed on 1 January 2022
- Jack-Pama BS Dr (Chairman)
- Kraamwinkel AP Mr
- Loubser MJ Mr
- Prinsloo AW Mr
- Rathogwa MG Mr
- Van Dijk CJ Dr Resigned on 3 June 2021
- Wellbeloved CE Mr (Vice-Chairman)

The alternate directors of the company are as follows:

- Ferreira S Mr Appointed 1 January 2022
- Lubbe H Mr Appointed 1 January 2022
- Gutsche AR Mr Resigned 31 December 2021
- Neethling CJ Mr Resigned 31 December 2021

## 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, 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, due to the fact that the records of the levy payers are legally inaccessible to them.

## Statement of Financial Position as at 31 December 2021

	Notes	2021 R	2020 R
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	3	17,384,947	17,644,448
Cash and cash equivalents	4	44,392,334	40,077,168
		<b>61,777,281</b>	<b>57,721,616</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	5	164,857	176,702
<b>Total Assets</b>		<b>61,942,138</b>	<b>57,898,318</b>
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	6	2,388,398	1,915,525
<b>Equity</b>			
Reserves		22,044,678	21,258,448
Unutilised funds		37,509,062	34,724,345
		<b>59,553,740</b>	<b>55,982,793</b>
<b>Total Equity and Liabilities</b>		<b>61,942,138</b>	<b>57,898,318</b>

## Statement of Comprehensive Income

	Notes	2021 R	2020 R
Revenue	7	62,739,378	60,078,788
Project expenses	8	(53,212,535)	(39,450,071)
<b>Gross surplus</b>		<b>9,526,843</b>	<b>20,628,717</b>
Other income	9	349,992	330,180
Operating expenses		(7,612,331)	(5,737,516)
<b>Operating (deficit) / surplus</b>		<b>2,264,504</b>	<b>15,221,381</b>
Finance income	11	1,306,483	1,404,781
Finance costs	12	(40)	-
<b>Net surplus for the year</b>		<b>3,570,947</b>	<b>16,626,162</b>
Other comprehensive income		-	-
<b>Total comprehensive surplus for the year</b>		<b>3,570,947</b>	<b>16,626,162</b>

## Statement of Changes in Equity

	Research and Development: Reserve Funds (2006 – 2009)	Commercialisation: Joint Milk SA and Jobs Fund (2006 – 2009)	Enterprise Development (2006 – 2017)	Total reserves	Unutilised funds: Levy Funds	Total equity
	R	R	R	R	R	R
<b>Balance at 01 January 2020</b>	622,401	1,679,794	17,879,750	20,181,945	19,174,686	39,356,631
Changes in equity						
Total comprehensive deficit for the year	-	-	-	-	16,626,162	16,626,162
Transfer unutilised / (utilisation of) funds	24,465	(91,614)	1,143,652	1,076,503	(1,076,503)	-
Total changes	24,465	(91,614)	1,143,652	1,076,503	15,549,659	16,626,162
<b>Balance at 01 January 2021</b>	<b>646,866</b>	<b>1,588,180</b>	<b>19,023,402</b>	<b>21,258,448</b>	<b>34,724,345</b>	<b>55,982,793</b>
Changes in equity						
Total comprehensive surplus for the year	-	-	-	-	3,570,947	3,570,947
Transfers between reserves	-	(1,587,765)	1,587,765	-	-	-
Transfer unutilised / (utilisation of) funds	21,688	(415)	764,957	786,230	(786,230)	-
Total changes	21,688	(1,588,180)	2,352,722	786,230	2,784,717	3,570,947
<b>Balance at 31 December 2021</b>	<b>668,554</b>	<b>-</b>	<b>21,376,124</b>	<b>22,044,678</b>	<b>37,509,062</b>	<b>59,553,740</b>



## Statement of Cash Flows

	Notes	2021 R	2020 R
<b>Cash flows from operating activities</b>			
Cash receipts from industry participants and grantors		60,106,484	59,032,383
Cash paid to suppliers and employees		(57,030,189)	(48,646,507)
Cash generated from / (used in) operations	13	3,076,295	10,385,876
Finance income	11	1,306,483	1,404,781
Finance costs	12	(40)	-
<b>Net cash generated from operating activities</b>		<b>4,382,738</b>	<b>11,790,657</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	5	(67,572)	(36,573)
<b>Net increase in cash and cash equivalents for the year</b>		<b>4,315,166</b>	<b>11,754,084</b>
Cash and cash equivalents at the beginning of the year		40,077,168	28,323,084
<b>Cash and cash equivalents at end of the year</b>	4	<b>44,392,334</b>	<b>40,077,168</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.

## Accounting Policies – continued

### 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
Leasehold improvements	Term of lease

### 1.3 Financial instruments

#### Classification

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

- Held-to-maturity investment
- Receivables
- 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

## Accounting Policies – continued

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 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.

## **Accounting Policies - continued**

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 responsibilities of Milk SA as Ministerially designated Administrator of the statutory measures, published by virtue of the Marketing of Agricultural Products Act, No 47 of 1996 ("MAP Act"), prompt the company to apply good corporate governance of which risk management is crucial. To this end, the Board of Directors has approved a Risk Policy and a Risk Register which demand active governance through its structures, including the Audit & Risk Committee, Executive Committee and Board of Directors.

Internal audits are carried out by an independent audit firm. Milk SA's administration and projects are subject to internal audits on a rotational basis, reports of which are considered by the Audit & Risk Committee, Executive Committee and Board of Directors. External audits are carried out in terms of the provisions of the Companies Act. Inspectors, designated and authorised by the Minister of Agriculture, Land Reform and Rural Development in terms of the MAP Act, verify compliance by role players with the compulsory statutory measures that are administered by Milk SA.

The Risk Policy and Risk Register address the following risk elements:

- i. Integrity risk, which mainly observes the risks regarding confidentiality of information, anti-competitive behaviour, Milk SA's objectivity, sound administration and project management.
- ii. Financial Risk and Business risk, which mainly observes the risks regarding liquidity, debtor and creditor management and foreign exchange rates.
- iii. Production risk, which mainly observes the risks regarding the production of raw (unprocessed) milk, legislation and government support services.
- iv. Human Resources risk, which mainly observes the risks regarding exposure of its directors and officials to legal action, compliance with legal requirements, staff efficiency regarding administration and project management, expertise and costing.



## Notes to the Annual Financial Statements – continued

### 3 Trade and other receivables

	2021 R	2020 R
Accrued levy income	7,029,836	7,165,374
Levy debtors	4,104,938	908,534
Provision for impairment of trade receivables	(2,520,714)	(664,545)
Deposits	100,833	100,833
Project advances - operating expenditure	1,083,033	5,127,709
Project advances - capital expenditure	6,711,125	3,401,189
Accrued interest - Reserve funds	158,396	793,489
Prepayments	717,500	811,865
	<b>17,384,947</b>	<b>17,644,448</b>

### 4 Cash and cash equivalents

Cash and cash equivalents consist of:

Reserve Funds	21,886,281	20,464,961
- First National Bank: Term deposit accounts	10,665,294	5,861,484
- ABSA Bank: Savings accounts	25,755	3,739,722
- ABSA Bank: Current account	-	1,588,180
- ABSA Bank: Term deposit accounts	11,190,159	-
- First National Bank: Savings accounts	5,073	9,275,575
Levy Funds	22,506,053	19,612,207
- ABSA Bank: Current accounts	16,520,487	9,657,061
- ABSA Bank: Savings accounts	3,139,148	9,955,146
- First National Bank: Current accounts	2,846,217	-
- Petty cash	201	-
	<b>44,392,334</b>	<b>40,077,168</b>

## Notes to the Annual Financial Statements – continued

## 5 Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	227,363	(175,597)	51,766	227,363	(156,180)	71,183
IT equipment	313,015	(199,931)	113,084	271,178	(165,665)	105,513
Computer software	11,697	(11,691)	6	11,697	(11,691)	6
Leasehold improvements	25,735	(25,734)	1	-	-	-
<b>Total</b>	<b>577,810</b>	<b>(412,953)</b>	<b>164,857</b>	<b>510,238</b>	<b>(333,536)</b>	<b>176,702</b>

## Reconciliation of property, plant and equipment – 2021

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	71,183	-	(19,417)	51,766
IT equipment	105,513	41,837	(34,266)	113,084
Computer software	6	-	-	6
Leasehold improvements	-	25,735	(25,734)	1
	<b>176,702</b>	<b>67,572</b>	<b>(79,417)</b>	<b>164,857</b>

## Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	81,528	7,880	(18,225)	71,183
IT equipment	100,444	28,693	(23,624)	105,513
Computer software	6	-	-	6
	<b>181,978</b>	<b>36,573</b>	<b>(41,849)</b>	<b>176,702</b>

## 6 Trade and other payables

	2021 R	2020 R
Trade payables	869,340	314,789
Provision for leave	204,027	261,702
South African Revenue Service - VAT	1,036,905	1,186,351
Sundry creditors	25,500	-
Debtors with credit balances	251,706	140,085
Credit card balances	920	12,598
	<b>2,388,398</b>	<b>1,915,525</b>

## 7 Revenue

Levies in terms of Notice 1398 of 15 December 2017	62,739,378	60,078,788
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## Notes to the Annual Financial Statements – continued

	2021 R	2020 R
<b>8 Project expenses</b>		
Consumer Education	21,901,728	20,260,210
Research and development	4,833,251	1,926,013
Industry Information	3,251,186	95,089
Dairy Quality and Safety	12,207,439	8,519,217
Transformation	6,969,352	4,585,058
Milk SA staff remuneration	1,582,333	1,753,323
Communication	880,855	969,174
Skills and Knowledge development	1,381,213	1,235,253
Project audits	203,011	11,300
Utilisation of reserve funds	2,167	95,434
	<b>53,212,535</b>	<b>39,450,071</b>
<b>9 Other income</b>		
Administration recovery from Enterprise Development	349,992	330,180
<b>10 Operating and project expenses</b>		
Accounting fees	1,032,534	951,394
Bad debts written off	66,962	40,818
Depreciation	79,417	41,849
Employee costs	1,612,333	1,753,323
Legal expenses	327,985	419,653
Meeting costs	908,552	733,367
Office rent	955,015	861,940
Provision for doubtful debts	1,856,169	216,011
Other administrative expenses	803,364	719,161
Operating expenses	7,642,331	5,737,516
Project expenses (note 8)	53,212,535	39,450,071
	<b>60,854,866</b>	<b>45,187,587</b>

## Notes to the Annual Financial Statements – continued

	2021 R	2020 R
<b>11 Finance income</b>		
Interest revenue		
Bank	277,348	205,134
Interest received - trade and other receivables	240,738	27,712
Interest received - reserve funds	788,397	1,171,935
	<b>1,306,483</b>	<b>1,404,781</b>
<b>12 Finance costs</b>		
Bank - credit cards	40	-
<b>13 Cash generated from operations</b>		
Surplus for the year	3,570,947	16,626,162
<b>Adjustments for:</b>		
Depreciation and amortisation	79,417	41,849
Interest received	(1,306,483)	(1,404,781)
Finance costs	40	-
<b>Changes in working capital:</b>		
Trade and other receivables	259,500	(4,955,845)
Trade and other payables	472,874	78,491
	<b>3,076,295</b>	<b>10,385,876</b>
<b>14 Auditor's remuneration</b>		
Audit fees	103,000	99,200
<b>15 Taxation</b>		
No provision has been made for 2021 tax as the company is exempt from income tax in terms of Section 10(1)(cN) of the Income Tax Act.		
<b>16 Related Parties</b>		
<b>Related party transactions</b>		
Project expenses paid to related parties for the execution of the projects of Milk SA		
Milk Producers Organisation NPC	1,846,075	2,141,302
SA Milk Processors Organisation	24,101,921	21,500,825
Compensation to the Chief Executive Officer	1,691,673	1,611,003
Compensation to the Transformation Manager	1,537,399	1,461,871



## Notes to the Annual Financial Statements - continued

### 17 Financial instruments by category

#### Reconciliation of financial instruments by category - 2021

	Financial assets at amortised cost R	Financial liabilities at amortised cost R	Total R
Trade and other receivables	17,384,947	-	17,384,947
Cash and cash equivalents	44,392,334	-	44,392,334
Trade and other payables (excluding VAT and provision for leave)	-	(1,147,466)	(1,147,466)
	<b>61,777,281</b>	<b>(1,147,466)</b>	<b>60,629,815</b>

#### Reconciliation of financial instruments by category - 2020

	Financial assets at amortised cost R	Financial liabilities at amortised cost R	Total R
Trade and other receivables	17,644,448	-	17,644,448
Cash and cash equivalents	40,077,168	-	40,077,168
Trade and other payables (excluding VAT and provision for leave)	-	(467,472)	(467,472)
	<b>57,721,616</b>	<b>(467,472)</b>	<b>57,254,144</b>

**Notes to the Annual Financial Statements – continued****18 Directors' remuneration**

	2021 R	2020 R
Carstens PH Ms (Previously Adams)	24,500	16,500
Gebeda ZM Mr	15,099	19,800
Grobler FA Mr	-	4,172
Gutsche AR	8,050	7,590
Jack-Pama BS Dr (Chairman)	73,667	92,212
Kraamwinkel AP Mr*	-	-
Loubser MJ Mr (Vice-Chairman)	21,000	29,700
Lubbe H Mr*	-	-
Prinsloo AW Mr	85,244	87,232
Rathogwa MG Mr	38,500	29,100
Wellbeloved C Mr	22,575	17,490
Van Dijk CJ Dr*	-	-
	<b>288,635</b>	<b>303,796</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 COVID-19 pandemic and statutory lockdown measures which were imposed in the first quarter of 2020 continued to curb the economy internationally. Consumer demand for dairy products in general remained fairly healthy during 2020 but weakened since the first quarter of 2021. For each of 2020 and 2021, the production of unprocessed milk registered a slight (less than one per cent) year-on-year decline. As the economy was recovering, the market for dairy products - including supply and demand - was expected to strengthen. Fortunately, Milk SA's levy income for 2021 matched its budget spot-on and the company could continue with business as normal.

However, where certain project activities could not be carried out as planned, the Board approved alternative spending of the relevant funds.

On 9 December 2021, the Minister of Agriculture, Land Reform and Rural Development approved the continuation of statutory measures (statutory levies, registration and submission of records and returns) in the South African dairy industry, for a period of four years to lapse on 31 December 2025.

**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	2021 R	2020 R
<b>Revenue</b>				
Levies	62,739,378	-	62,739,378	60,078,788
<b>Project expenses</b>				
<b>Project expenses</b>	(53,210,368)	(2,167)	(53,212,535)	(39,450,071)
<b>Gross surplus / (deficit)</b>	<b>9,529,010</b>	<b>(2,167)</b>	<b>9,526,843</b>	<b>20,628,717</b>
<b>Other income</b>				
Administration recovery from Enterprise Development	349,992	-	349,992	330,180
Finance income	518,086	788,397	1,306,483	1,404,781
	<b>868,078</b>	<b>788,397</b>	<b>1,656,475</b>	<b>1,734,961</b>
<b>Operating expenses (Refer to table below)</b>	<b>(7,612,331)</b>	<b>-</b>	<b>(7,612,331)</b>	<b>(5,737,516)</b>
<b>Operating surplus / (deficit)</b>	<b>2,784,757</b>	<b>786,230</b>	<b>3,570,987</b>	<b>16,626,162</b>
Finance costs	(40)	-	(40)	-
<b>Net surplus for the year</b>	<b>2,784,717</b>	<b>786,230</b>	<b>3,570,947</b>	<b>16,626,162</b>

## Operating Expenses

	Notes	2021 R	2020 R
Accounting fees		(1,032,534)	(951,394)
Auditor's remuneration	14	(103,000)	(99,200)
Bad debts written off		(66,962)	(40,818)
Bank charges		(16,916)	(14,534)
Consumables		(21,395)	(29,936)
Depreciation		(79,417)	(41,849)
Employee costs		(1,582,333)	(1,753,323)
Inspection and Investigation		(197,653)	(187,254)
Insurance		(93,804)	(82,462)
Internal audits		(66,467)	(41,075)
Legal expenses		(327,985)	(419,653)
Meeting costs		(908,552)	(733,367)
Office rent		(955,015)	(861,940)
Postage		(576)	(1,046)
Printing and stationery		(172,703)	(161,975)
Provision for doubtful debts		(1,856,169)	(216,011)
Repairs and maintenance		(43,793)	(43,134)
Security		(6,824)	(11,970)
Small assets		(48,383)	(15,160)
Subscriptions		(15,295)	(14,335)
Telephone		(3,143)	(2,035)
Travel - personnel		(13,413)	(15,045)
		<b>(7,612,331)</b>	<b>(5,737,516)</b>

## Reserve Fund: Research & Development

	Cumulative 2012-2021 R	2021 R	2020 R
<b>OPENING BALANCE</b>	-	646 866	622 401
<b>INCOME</b>	775 500	21 688	24 465
Interest received	775 500	21 688	24 465
<b>EXPENSES</b>	(2 259 843)	-	-
Mastitis competition prize money	(23 000)	-	-
Research & Development support (2012 - 2013)	(141 430)	-	-
Research Projects	(2 095 413)	-	-
- Fasciola hepatica - Impact & Management (UP)	(404 451)	-	-
- Fasciola hepatica and Nematodes - Biological control (UKZN)	(721 708)	-	-
- Mastitis - bacteriophages (UKZN)	(417 042)	-	-
- Mastitis - resistance to antibiotics in lactating cows (UP)	(538 838)	-	-
- Flocculation (UFS)	(13 374)	-	-
<b>TRANSFERS FROM RESERVE - ENTERPRISE DEVELOPMENT</b>	2 152 897	-	-
<b>CLOSING BALANCE</b>	668 554	668 554	646 866

### 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".

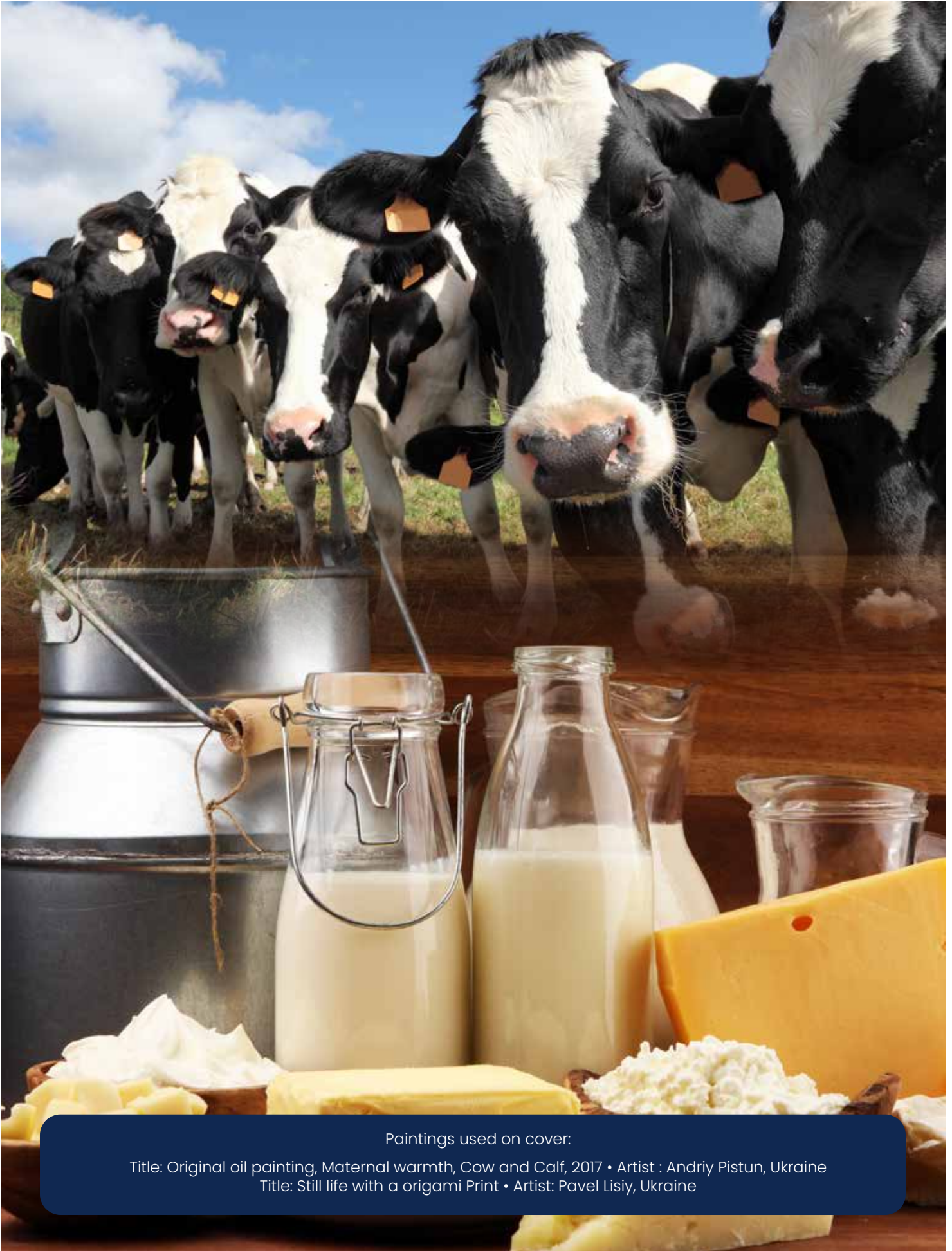
## Reserve Fund: Enterprise Development

	Cumulative 2012-2021 R	2021 R	2020 R
<b>OPENING BALANCE</b>	-	19 023 402	17 879 750
<b>INCOME</b>	33 172 000	766 641	1 147 310
Surplus funds i.r.o. 2006 - 2009 levy period	13 145 739	-	-
Surplus funds i.r.o. 2010 - 2013 levy period	3 842 137	-	-
Surplus funds i.r.o. 2014 - 2017 levy period	9 498 724	-	-
Interest received	6 685 400	766 641	1 147 310
<b>EXPENSES</b>	(398 651)	(1 747)	-
<b>Support Services</b>	(62 871)	-	-
Veterinary Services	(5 648)	-	-
Infrastructure	(123)	-	-
Professional advice	(57 100)	-	-
<b>Administration</b>	(335 780)	(1 747)	(3 738)
Bank charges	(28 070)	(1 747)	(3 738)
Meeting costs	(102 019)	-	-
Travel: Road	(87 870)	-	-
Travel: Air	(47 459)	-	-
Accommodation	(40 386)	-	-
Other	(29 976)	-	-
<b>TRANSFER TO RESERVE - RESEARCH &amp; DEVELOPMENT FUND</b>	(2 152 897)	-	-
<b>TRANSFERS TO RESERVE - PROMOTING SUSTAINABLE COMMERCIALIZATION OF BLACK DAIRY ENTERPRISES</b>	(9 244 398)	1 587 765	-
ACCRUALS	70	63	80
Value Added Tax			
<b>CLOSING BALANCE</b>	21 376 124	21 376 124	19 023 402



## Reserve Fund: Promoting Sustainable Commercialization of Existing Black Dairy Enterprises

	Cumulative 2012–2021 R	2021 R	2020 R
<b>OPENING BALANCE</b>	-	1 588 180	1 679 794
<b>TRANSFERS FROM RESERVE - ENTERPRISE DEVELOPMENT</b>	9 244 398	(1 587 765)	-
<b>INCOME</b>	8 838 058	68	160
Contribution received/(repaid) - Jobs Fund	8 805 732	-	-
Interest received	32 326	68	160
<b>TOTAL EXPENSES</b>	(18 082 390)	(420)	(59 784)
<b>Management Fees</b>	(1 914 914)	-	-
Project Manager	(567 626)	-	-
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)	-	-
Accommodation	(385 208)	-	-
Airfare	(63 288)	-	-
Subsistence	(3 139)	-	-
<b>Training (Consultants)</b>	(975 273)	-	(58 950)
Professional Fees	(934 484)	-	(58 950)
Accommodation & meals	(29 784)	-	-
Capacity building	(11 005)	-	-
<b>Capital Expenditure</b>	(12 150 995)	-	-
Machinery & Equipment	(214 093)	-	-
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>	(6 189)	(420)	(834)
Bank charges	(6 189)	(420)	(834)
<b>ACCRUALS</b>	(66)	(63)	(31 990)
Value Added Tax	(66)	(63)	10
Expenditure incurred but settled after reporting date	-	-	(32 000)
<b>CLOSING BALANCE</b>	-	-	1 588 180



Paintings used on cover:

Title: Original oil painting, Maternal warmth, Cow and Calf, 2017 • Artist : Andriy Pistun, Ukraine  
Title: Still life with a origami Print • Artist: Pavel Lisiy, Ukraine





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