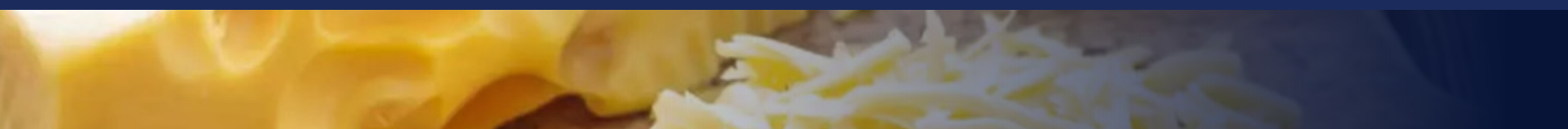




m^olk
Milk South Africa
Melk Suid-Afrika

**ANNUAL
REPORT
2022**





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
Chairman

Macro environment's impact on South Africa

South Africa is experiencing disappointing structural growth after the COVID-19 pandemic, due to international and national disasters such as Russia's invasion in Ukraine, the collapse of local public services and the collapse of Eskom. Severe electricity deficits also disrupted economic activity and affected services and infrastructure such as education and health services and water supply.

According to the World Bank, there were still close to half a million fewer jobs in South Africa at the end of 2022 than at the end of 2019, with poverty at an estimated 63% in 2022 based on the upper-middle-income country poverty line. Socio-economic challenges were further exacerbated by rising fuel and food (bread and cereals) prices, which disproportionately affected the poor. Inflation averaged 6.9% in 2022 but was 8.2% for those at the bottom 20% of the income distribution.

South Africa's relationship with Russia caused the sentiment of its major trade partners towards the country to sour, which is reflected in the exponential weakening of the rand, especially in the past two months.

Private sector's burden

It therefore becomes an increasingly difficult task for the public and private sectors to relief the plight of so many South Africans, of which the population growth is more than one per cent per annum and the life expectancy at birth, is increasing.

I am mentioning the private sector specifically, as Government increasingly fails the citizens in every respect; and as private sector is increasingly assuming Government's responsibilities.

The SA dairy industry already bears the brunt of all this, in terms of significantly weaker product sales and lower production of unprocessed milk since after COVID-19, on the back of an ailing economy. It means that dairy industry players are being tested to their limits to offer products that meet regulatory standards against reasonable prices.

Positioning of industry organisations

This also means that the role of industry organisations such as Milk SA, community organisations and the like have become increasingly relevant, and that they must increasingly position them-

selves as partners - and in some instances extensions - of Government for the optimal benefit of the people of South Africa.

For many years already, Milk South Africa and its projects have increasingly aligned themselves with all relevant public sector structures, which is reinforced through regular personal interaction and mutual understanding. Strategic alliances with other industries and Government such as through the National Animal Health Forum and the Agricultural Trade Forum has also proven to render optimal results. Milk SA has also played leading roles in Government initiated forums such as the Agricultural and Agro-processing Master Plan.

Milk SA's projects impress

The activities and projects of Milk SA serve the collective interest of industry role-players and are essentially aimed at increasing the industry's competitiveness. The Board of Directors of Milk SA approved all the reports and commended the projects on their excellent performance.

The Advisory Committees and other structures gave the necessary guidance and ensured that the projects deliver on their mandates.

The relevance and impact of these projects in the dairy industry are overwhelming, as described in the report of the Board of Directors.

Milk SA's finances and administration sound and solid

The company is proud to announce that it was handed another clean audit report by its external auditors, who are designated by the Auditor-General. Although income was

slightly less than budget in 2022, Milk SA could finance all its activities and retained sufficient operational funds, while excellent debt management was reported.

The Board of Directors considered and approved reports from the Project Advisory Committees, Audit & Risk Committee, Ministerial Inspector, Internal Auditor, External Auditor, the CEO, Statutory Measures Committee, Executive Committee and Human Resources Committee.

The Board has focused a great deal more on risk management in the past year, with emphasis on risks facing the dairy industry. As Milk SA celebrates its 20th anniversary this year, the Board also emphasized the importance of institutional knowledge amongst the directors and members of Milk SA, and the risk of failure in this regard.

Finally

It has been a privilege to be able to lead the Board of Directors for another year of sound and professional interaction at Board level and having dealt with all matters aptly and efficiently. The dairy industry can rest assured that the administration and other business of Milk SA are well-managed and overseen.

I wish to thank every director for their attention to every detail of the sizeable Board packs and their loyalty and commitment to this organization, its projects and other activities.

A word of thanks goes also to the staff of Milk SA for their meticulous handling of the administration of Milk SA, and to the project managers for their continued hard work and success stories.

Dr Bonile Jack-Pama

Chief Executive Officer's Report



Nico Fouché
Chief Executive Officer

Statutory measures

31 December 2022 marked the end of the first year of the regulatory period 2022-2025. 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. The NAMC's observer attended one of the four Board meetings held during the calendar year of 2022.

As designated Administrator, Milk SA is compelled to implement, administer and enforce the three 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 all role-players in default was encouraging, while in some cases, the necessary legal and other actions were taken to ensure compliance.

The "2022-2025" measures were improved in that the volume of raw milk used in the manufacturing of:

- Unsweetened, unflavoured processed milk, is split between:
 - Long-life (UHT) milk and Sterilised milk: Unsweetened and unflavoured; and
 - Fresh milk: Pasteurised and ultra-pasteurised (ESL)
- Milk powder, is split between:
 - Full cream milk powder; and
 - Skimmed milk powder.

Milk SA's collation of this reliable and timely information and publication thereof to all role-players in an free market environment, 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 regularly discussed with and amended by the accountants where appropriate.

The External auditor's report for 2022 was once again positive, with a clean report issued to Milk SA.

A surplus of R3,2 million in respect of the levy accounts was recorded for the financial year of 2022, due to projects that did not utilised all their funds during the year.

Debt reports submitted to the Board are testimony to excellent debt management, as the debtor's days at the end of the financial year was only 5.5, with 87% in the current and 30 days category.

Corporate Governance

All the Board committees and other structures continued to guide the projects with expertise and sound governance. Terms of Reference for most of the committees have been reviewed and approved by the Board.

An independent audit firm, acting as Internal Auditor for Milk SA, completed the following audits in 2022 which were approved by the Board of Directors upon recommendation by the Executive Committee and Audit & Risk Committee:

Date of report	Internal audit executed on
2022.01.26	Corporate Governance by the Office of Milk SA
2022.03.15	Communication by the Office of Milk SA
2022.05.11	Statutory Measures Administration by the Office of Milk SA
2022.07.06	Consumer Education Project
2022.07.23	Customs duties and Market access Project
2022.10.04	Research & Development: Improved wetland and river management Project
2022.11.23	Research & Development: Market Analysis on South Saharan Africa Project
2022.11.23	Skills & Knowledge Development: Primary Industry Project

Risk factors listed in the company's Risk Register received high priority, especially in respect of cyber security and the protection of confidential information. Lately, the Board also flagged the lack of institutional memory amongst Directors and Members of Milk SA as a risk.

Human Resources

Staff skills were continuously developed through in-house and external training.

The following five staff members of Milk SA supported the company in its mandate to deliver on statutory measures administration, financial administration, support to the projects and participation in various forums:

- Chief Executive Officer
- Operations Officer
- Senior Administration Officer
- Clerk
- General Office Assistant

The following three staff members of Milk SA are employed exclusively for the Transformation Programme of Milk SA:

- Transformation Manager
- Transformation Officer
- Transformation Secretary

The Human Resources Policy was reviewed in 2022 by the Human Resources Committee and approved by the Board of Directors.

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 1651** Registration of persons involved in the secondary dairy industry.
- **Notice 1652** Records and returns in respect of milk and other dairy products.
- **Notice 1653** 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 2022 until 31 December 2025.

The industry 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 classifications.

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:

Customs Tariff Classification	Product description	Levy per kilogramme: c/kg (VAT exclusive)			
		2022	2023	2024	2025
04.01	Milk and cream, not concentrated nor containing added sugar or other sweetening matter.	1.71	1.77	1.84	1.92
04.02	Milk and cream, concentrated or containing added sugar or other sweetening matter.	16.38	17.04	17.72	18.43
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.	6.17	6.41	6.67	6.94
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.	4.98	5.19	5.39	5.60
04.05	Butter or other fats and oils derived from milk; dairy spreads.	17.59	18.29	19.03	19.78
04.06	Cheese and curd.	24.54	25.53	26.55	27.61

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, Statutory Measures Committee, Executive Committee and Board of Directors.

The policies on the administration of statutory measures, including debt management, form the basis of sound financial, administrative and operational performance.

Legal action was 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 was correctly reported. Feedback letters were sent to role-players inspected, while the Inspector also supplied Milk SA with detailed monthly and annual status reports.

The National Agricultural Marketing Council (NAMC) was supplied with an annual review on the administration of the statutory measures, financial information and transformation.

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

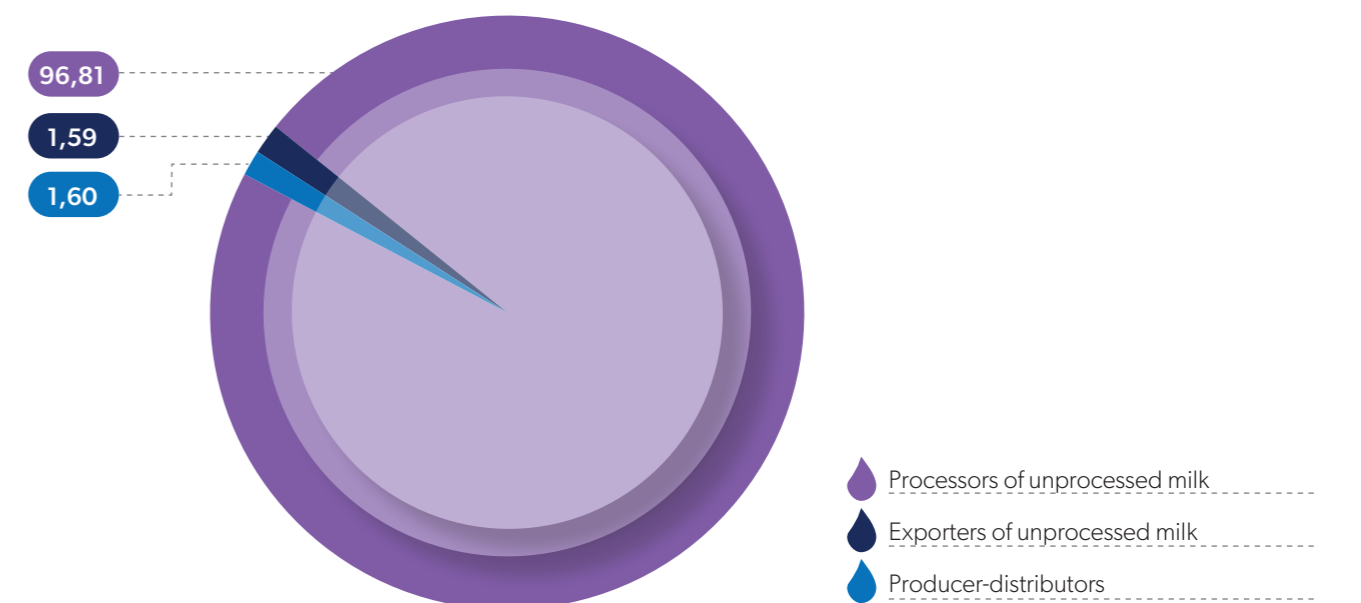
In December 2022, the number of processors made up 42,76% / 130 of the total number of persons/institutions registered with Milk SA, followed by importers of dairy products (36,18% / 110), milk producers¹ (20,72% / 63) and an exporter of raw milk (0,33% / 1).

Contributions to the levies by category were as follows in 2022: Milk processors 88,20%; importers of dairy products 8,89%; milk producers 1,46%; and raw milk exporters 1,45%.

Milk processors contributed 96,81% to the total unprocessed (raw) milk declared to Milk SA, followed by milk producers (producer-distributors) with 1,60% and raw milk exporters with 1,59%.

UNPROCESSED MILK DECLARED BY THE DIFFERENT ROLE-PLAYER CATEGORIES (%)

Total unprocessed milk declared in 2022 = 3,35 billion kg's

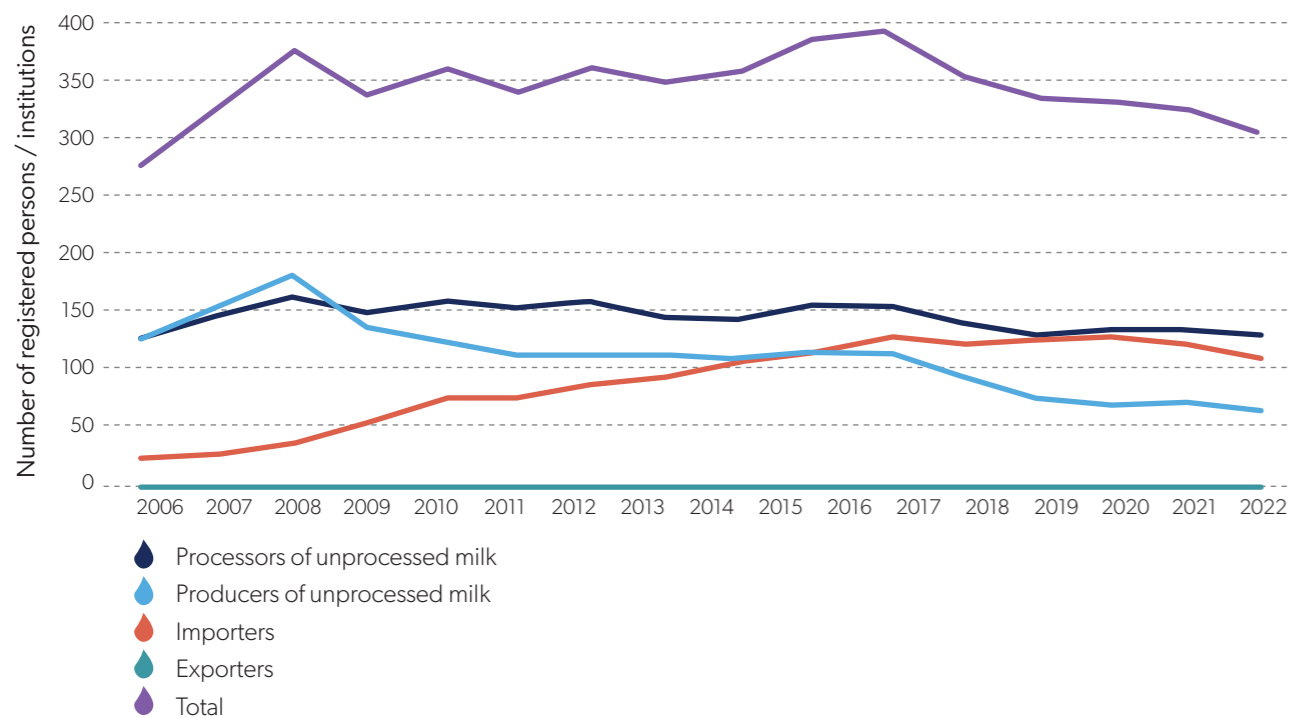


¹ A milk producer is defined in the Government Notices (Statutory Measures) as follows: "A person who produces milk by the milking of cows, goats or sheep". These persons must - in terms of the statutory measures - register with, submit returns and pay levies to Milk SA. Such a legal or natural person is also known as a "producer-distributor", who / which is a producer of unprocessed milk, of which the majority of such milk is sold to the public or retail and/or processed by such person or entity.

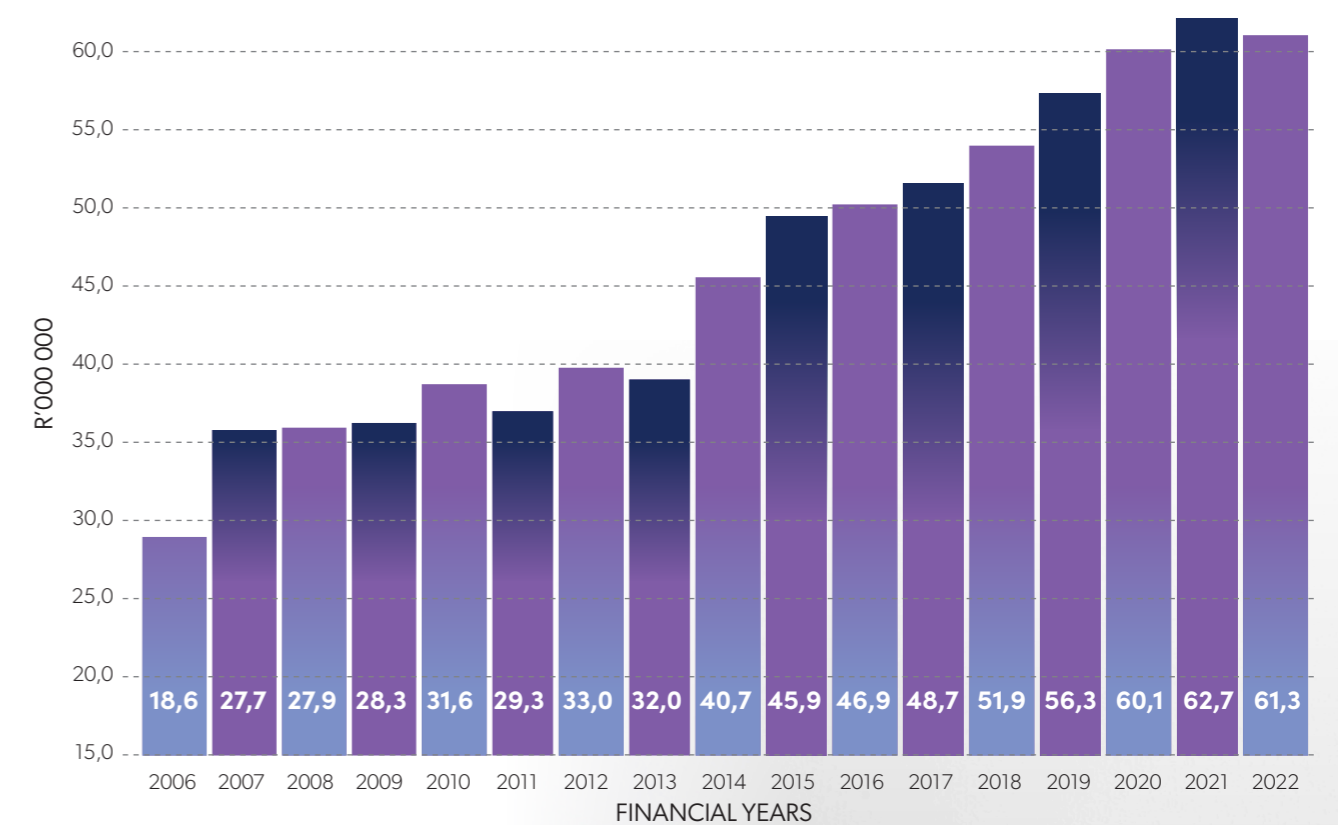
NUMBER OF REGISTERED ROLE-PLAYERS FROM 2006 TO 2022, per registration category as on 31 December of each year

Dec	Processors of unprocessed milk	Importers of dairy products	Producers of unprocessed milk	Exporters of unprocessed 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
2022	130	110	63	1	304

ANNUAL MOVEMENT IN THE NUMBER OF REGISTERED PERSONS in the registration categories: 2006 to 2022 (Dec)



Levy income, 2006 to 2022



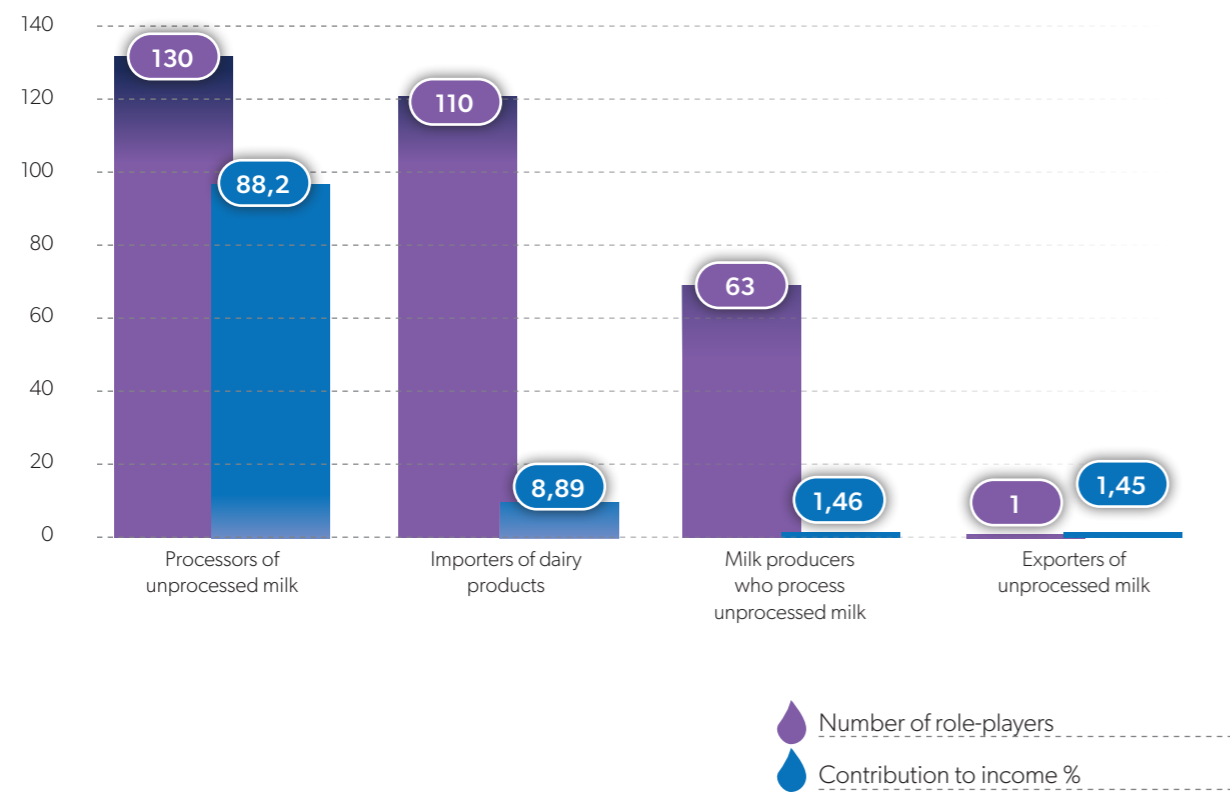
- 2006 to 2013: Levy rate = 1,00 cent / kg of unprocessed milk
- 2014 to 2017: Levy rate = 1,30 cent / kg of unprocessed milk
- 2018: Levy rate = 1,37 cent / kg of unprocessed milk
- 2019: Levy rate = 1,46 cent / kg of unprocessed milk
- 2020: Levy rate = 1,54 cent / kg of unprocessed milk
- 2021: Levy rate = 1,64 cent / kg of unprocessed milk
- 2022: Levy rate = 1,71 cent / kg of unprocessed milk



Percentage contribution of the number of levy payers to the income per category (rounded) - for selected years (2008 to 2022)

	2008	2010	2012	2014	2016	2018	2020	2022
Processors of unprocessed milk	92	91	87	91	88	87	86	88
Importers of dairy products	6	7	12	8	10	11	11	9
Producers of unprocessed milk	2	2	1	1	2	1	1.5	1.5
Exporters of raw milk	n/a	n/a	n/a	0	0	1	1.5	1.5

NO OF REGISTERED ROLE-PLAYERS PER CATEGORY and contribution to levy income, 2022



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)

Messrs Johannes Ferreira and Piet Skhosana were 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.

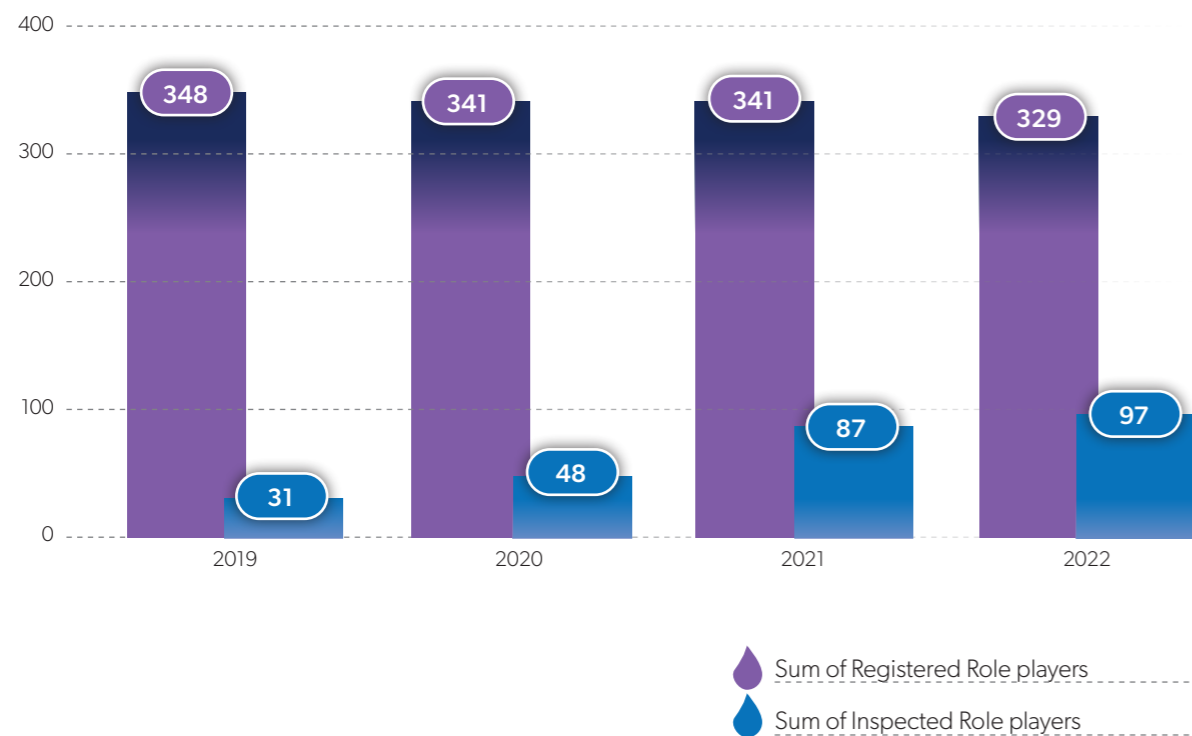
The Inspectors managed to execute all of the 97 planned inspections during 2022 which covered all the relevant provinces and all registration categories.

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 levyable volumes of milk;

- Duplication of unprocessed milk values;
 - Errors in the allocation of unprocessed milk used for the manufacturing/processing of dairy products; and
 - Importers declared incorrect 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);
 - Requested import documents from the importers' clearing agents.
 - Assisted role-players with general queries.

NUMBER OF ROLE PLAYERS INSPECTED VERSUS REGISTERED ROLE PLAYERS INSPECTED in the four years 2019, 2020, 2021 and 2022



Information supplied by the registered role-players

In terms of the 2022-2025 statutory measures, role-players must - on a monthly basis - provide Milk SA with information regarding unprocessed milk that was used in the manufacturing of:

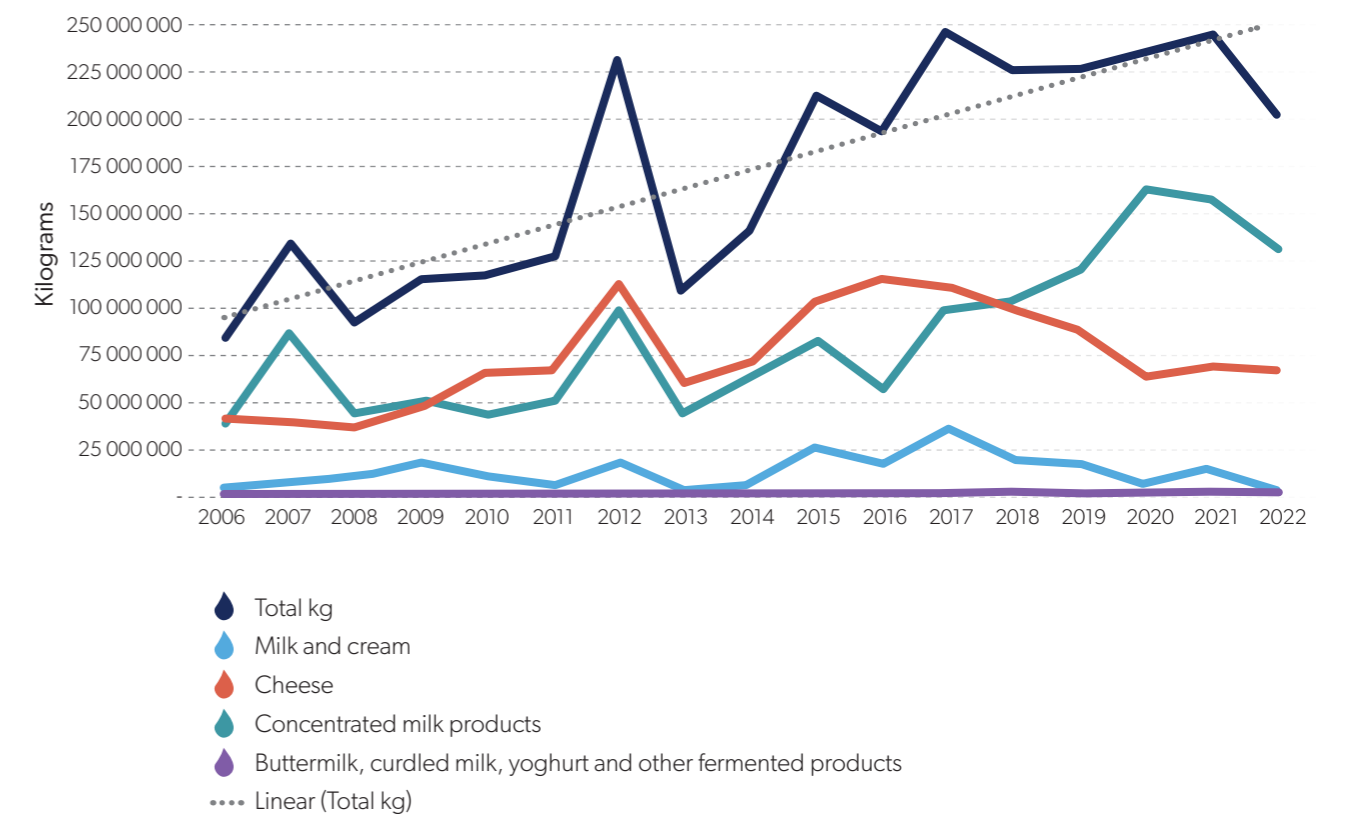
- Long-life (UHT) milk and Sterilised milk: Unsweetened and unflavoured;
- Fresh milk: Pasteurised and ultra-pasteurised;
- Sweetened and/or flavoured and/or coloured milk;
- Fermented products namely maas, yoghurt, kefir and buttermilk;
- Full cream milk powder;

- Skimmed milk powder;
- Cheese, *excluding* cottage cheese and cream cheese; and
- Other products (such as cream, ice cream, cottage cheese, cream cheese, condensed milk, evaporated milk, desserts).

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

- Whey powder manufactured; and
- Butter manufactured.

IMPORTS OF DAIRY PRODUCT CATEGORIES, 2006 TO 2022 • AS REPORTED TO MILK SA (Milk equivalent: kilogrammes) Excluding whey powder and butter



MILK EQUIVALENT OF DAIRY PRODUCTS IMPORTED, from 2006 to 2022 as reported to Milk SA (Excl 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.

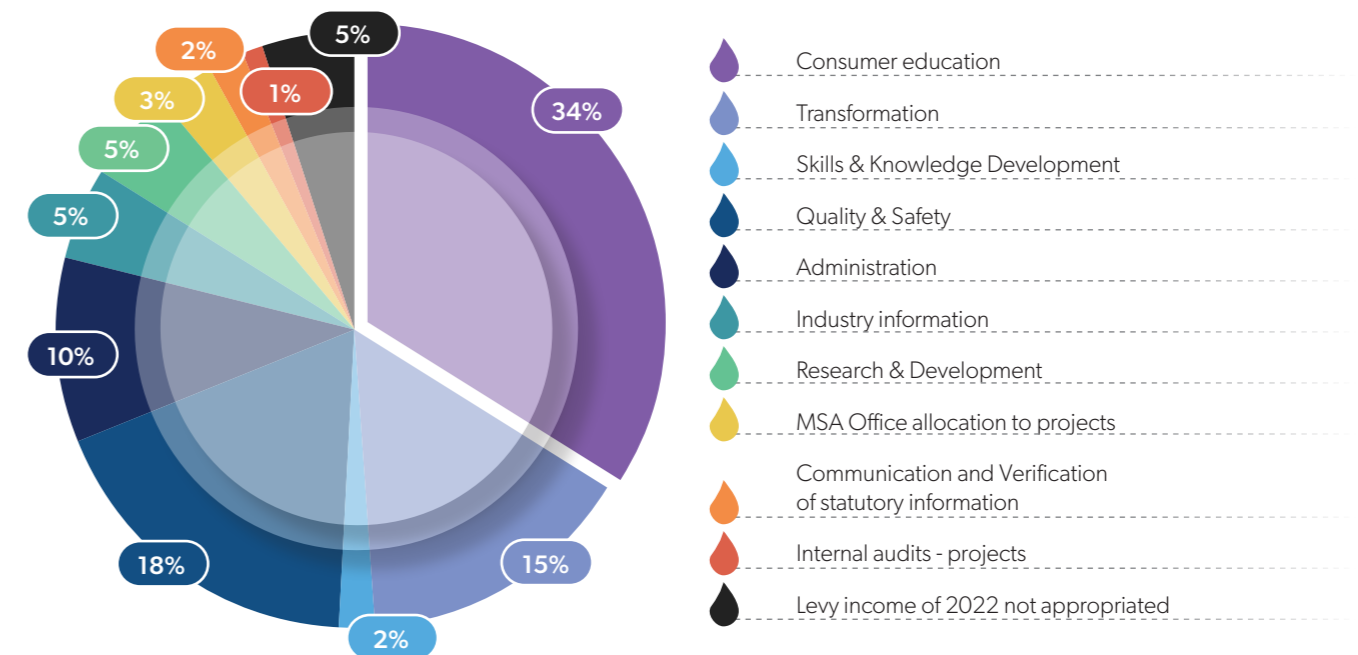
Milk SA signed contracts with the project managers in accordance with Milk SA's policy on the funding of statutory projects. Quarterly and annual reports for each project were submitted by the project managers and published on the Milk SA website, except for Research & Development projects for which 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.

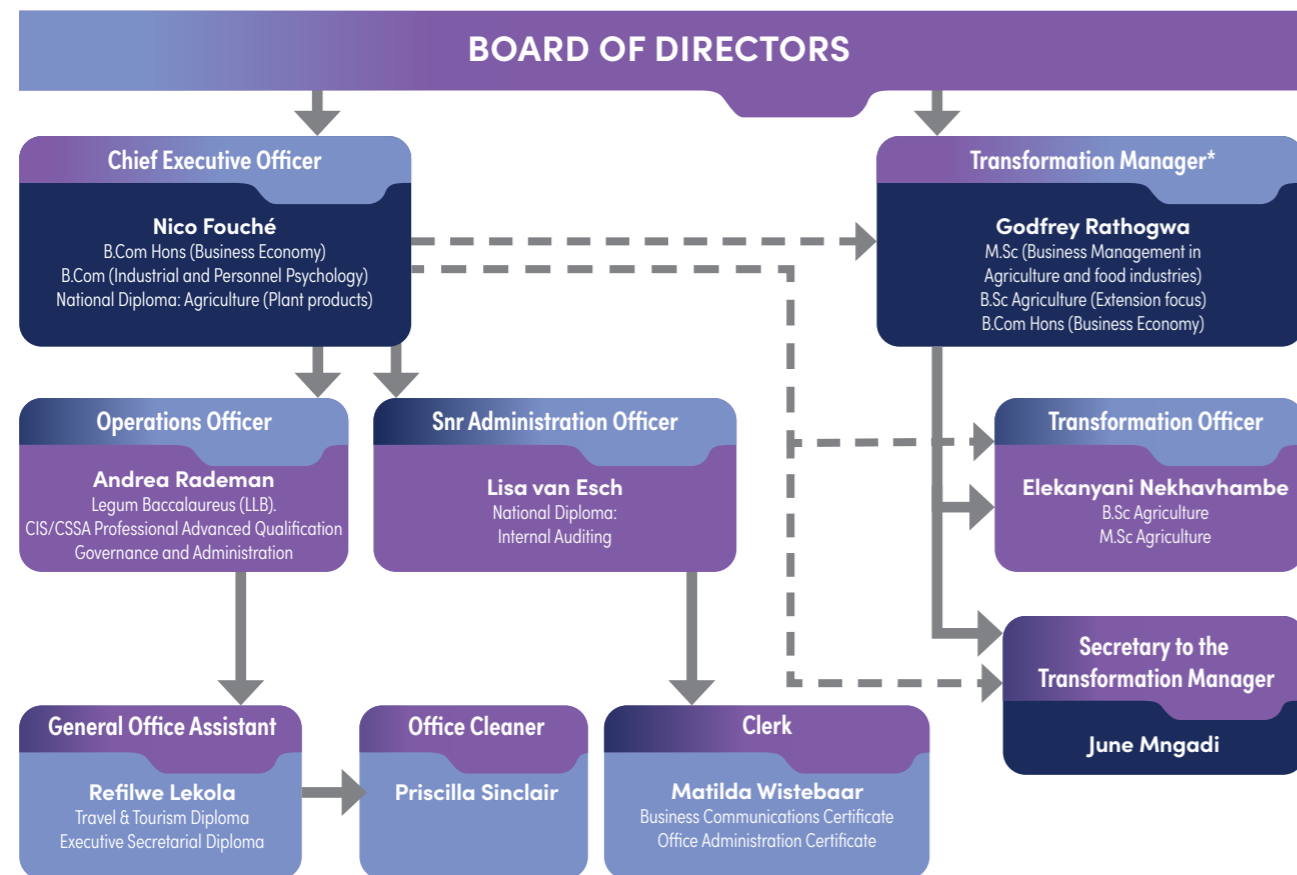
The following graph shows the utilization of levy funds for the different project disciplines and the funds that remained unused in 2022:

DETAILED EXPENDITURE (%) OF NET LEVY INCOME AND SUPLUS: 2022 R63 622 656



Allocation of net levy income in 2022	Per cent	Rand
Consumer education	33.87	21 546 962
Transformation	14.74	9 381 069
Skills & Knowledge Development	2.26	1 440 230
Quality & Safety	17.97	11 434 457
Administration	10.26	6 526 565
Industry information	5.25	3 339 274
Research & Development	5.20	3 309 700
MSA Office allocation to projects	3.07	1 951 565
Communication and Verification of statutory information	2.04	1 298 804
Internal audits - projects	0.37	236 235
Levy income of 2022 not appropriated	4.96	3 157 795
Total	100.00	63 622 656

Staff reporting and external support structure



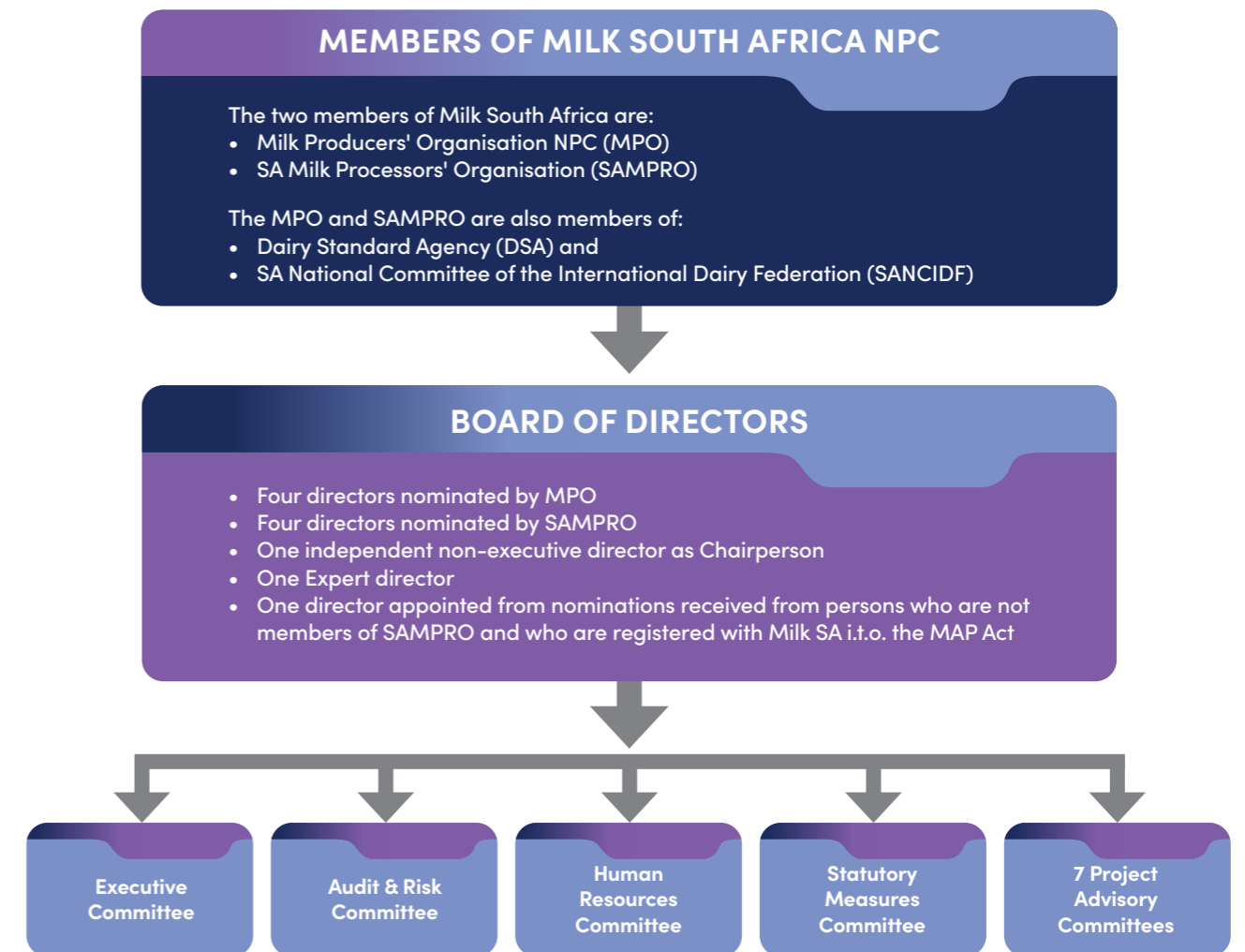
Left to Right, Back: Matilda Wistenaar, Priscilla Sinclair, Andrea Rademan, June Mngadi • Front: Refilwe Lekola, Nico Fouché (CEO), Lisa van Esch, Elekanyani Nekhavhambe

EXTERNAL SUPPORT STRUCTURE

- Attorneys:
 - Burden, Swart & Botha Inc;
 - MacRobert Inc;
- Web-based systems support: Octoplus Information Solutions (Pty) Ltd
- Accountants: PricewaterhouseCoopers Inc
- Internal Auditors: HP Audit Chartered Accountants & Auditors
- Inspectors of Statutory Measures: Messrs Johannes Ferreira & Piet Skhosana
- External Auditors: Fourie & Botha

Solid lines: Line authority
Dashed lines: Administrative authority
 * Mr Rathogwa is also a director of Milk SA

Structure of Milk South Africa and its committees



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.

Persons / institutions contracted by Milk SA in 2022

Contractors	Services and projects for Milk SA
PricewaterhouseCoopers Inc	Accountants
Octoplus Information Solutions (Pty) Ltd	Web-based Management Information Systems and IT support
Internet Solutions (Dimension Data) (Pty) Ltd	Database hosting & security
Fourie & Botha Inc	External Auditors (i.t.o. Companies Act)
Gildenhuis Malatji Inc	Attorneys
MacRobert Inc	Attorneys
Burden, Swart & Botha Inc	Attorneys
HP Audit Chartered Accountants & Auditors	Internal Auditors
Mr Johannes Petrus Ferreira & Mr Piet Skhosana	Inspectors of Statutory Measures
Milk Producers' Organisation NPC	<p>Projects:</p> <ul style="list-style-type: none"> Collection, processing and dissemination of national and international information for the dairy industry of South Africa. Empowerment of previously disadvantaged individuals in the primary dairy sector, through training and skills and knowledge development.
SA Milk Processors' Organisation	<p>Projects:</p> <ul style="list-style-type: none"> Consumer Education. Skills & Knowledge Development, Secondary dairy industry sector. Custom duties and Market access.
Dairy Standard Agency NPC	<p>Projects:</p> <ul style="list-style-type: none"> Improvement of the quality of milk and other dairy products. Dairy Regulations and Standards Project. Impact of Good Agricultural Practice interventions on the South African Dairy Industry PhD studies for Chané Pretorius - Re Regulation 1555 coliform specifications

Contractors	Services and projects for Milk SA
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.
Dr Mark Chimes	Programme Manager: Animal Health & Welfare
Dr Colin Ohlhoff	Programme Manager: Environmental Sustainability
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.
University of Pretoria	<ul style="list-style-type: none"> Investigation of alternative precision recording systems for collection of novel phenomes in the dairy industry Development of probiotic yoghurt with potential anti-candidal and anti-bacterial activity
Institute of Natural Resources	<ul style="list-style-type: none"> The Development of the best practice guidelines for improved wetland and river management on dairy farms A feasibility analysis of low-cost biological wastewater treatment options for dairy farms in South Africa
ASSET Research	<ul style="list-style-type: none"> Application of the system dynamics model to estimate the relative environmental footprint of milk and milk imitations Estimation of the onfarm carbon capture and storage capacity within different dairy production systems: A system dynamics approach
University of KwaZulu-Natal	<ul style="list-style-type: none"> Biological control of the host snails of Fasciola spp. in South Africa Use of NIR to Detect and Quantify Mastitic Bacteria in Cows' Milk
Dr Anthony Davis	Diagnostic investigation of sporidesmin toxicity: Histological study



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 also 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 (the DTIC)
 - 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 (SAM-PRO)

- 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' Report



Seated (L-R): Godfrey Rathogwa, Dr Bonile Jack-Pama (Chairman), Nico Fouché (CEO), Willie Prinsloo
 Standing (L-R): Fanie Ferreira, Vusumisi Sithole (NAMC intern), Matsobane Mpyana (NAMC), Lex Gutsche Inset (L-R): Zola Gebeda, Alwyn Kraamwinkel, Luke Gibbs, Melt Loubser

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 IV, 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 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 2022 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.

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 § in respect of the administration, implementation and enforcement of the statutory measures.

1. PERSONS WHO SERVED ON THE BOARD OF DIRECTORS DURING 2022

Carstens, PH (Ms)		Resigned on 31 December 2022
Ferreira, S (Mr)		Appointed on 1 January 2022
Gebeda, ZM (Mr)		
Gibbs, L (Mr)		Appointed on 1 January 2023
Gutsche, AR (Mr)		Appointed on 1 January 2022
Jack-Pama, BS (Dr)	Chairman	
Kraamwinkel, AP (Mr)		
Loubser, MJ (Mr)		
Neethling, CJ (Mr)		Changed from alternate director on 1 January 2023
Prinsloo, AW (Mr)		
Rathogwa, MG (Mr)		
Wellbeloved, CE (Mr)	Vice-Chairman	Resigned on 8 December 2022

2. BOARD AND GENERAL MEETINGS

In 2022, four Board meetings, one Annual General Meeting and two General Meetings 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	21	• Internal Management Committee: Transformation (Enterpr Development) x 4 • Work Group: Transformation (Enterprise Development) x 17
Skills & Knowledge Development	5	• Subcommittees: Primary & Secondary x 4 • Advisory Committee x 1
Research & Development	8	• Dairy Research & Development Committee (DRDC) x 3 • DRDC Management Committee x 4 • Dairy Research Forum x 1
Dairy Regulations and Standards	2	• Advisory Committee

4. OTHER BOARD COMMITTEES

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

5. REPRESENTATION ON EXTERNAL BODIES

The SA dairy industry was represented by the following persons on the various national and international structures during 2022. 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
1	Agricultural Trade Forum	De Wet Jonker
2	National Animal Health Forum	De Wet Jonker (General Meeting); Fanie Ferreira (Council) Dr Mark Chimes (Animal Science representative)
3	International Trade Administration Commission (ITAC)	De Wet Jonker
4	The International Milk Promotion Group (functioning under the auspices of the IDF Standing Committee on Marketing)	Christine Leighton
5	National Regulator for Compulsory Specifications (NRCS)	Jompie Burger
6	IDF Science and Program Coordinating Committee	Maretha Vermaak
7	IDF Standing Committee on Farm Management	Fanie Ferreira
8	IDF Standing Committee on Animal Health and Welfare	Jompie Burger
9	IDF Standing Committee on Analytical Methods for Dairy Micro-organisms	Prof Elna Buys
10	IDF Standing Committee on Analytical Methods for Additives and Contaminants	Vacant
11	IDF Standing Committee on Analytical Methods for Composition	Vacant
12	IDF Standing Committee on Environmental issues	Dr Colin Ohlhoff Dr Heinz Meissner
13	IDF Standing Committee on Dairy Policies and Economics	Alwyn Kraamwinkel Dr Ndumiso Mazibuko
14	IDF Standing Committee on Microbiological Hygiene	Jompie Burger Prof Elna Buys
15	IDF Standing Committee on Harmonization of Microbiological Standards	Prof Elna Buys
16	IDF Standing Committee on Nutrition and Health	Maretha Vermaak
17	IDF Standing Committee on Marketing	Christine Leighton Alwyn Kraamwinkel
18	IDF Joint Standing Committee on Dairy Policies, Economics and Marketing	Alwyn Kraamwinkel Christine Leighton Dr Ndumiso Mazibuko
19	IDF Standing Committee on Dairy Science and Technology	Vacant
20	IDF Standing Committee on Standards and Labelling	Jompie Burger Niel Erasmus Louise Götsche
21	IDF General Assembly	Fanie Ferreira Maretha Vermaak
22	IDF National Secretaries	Edu Roux
23	IDF National Committees	Maretha Vermaak
24	IDF Task Team on Plant based foods	Maretha Vermaak
25	IDF Action Team on School milk	Maretha Vermaak
26	IDF Action Team on the Dairy Matrix	Maretha Vermaak

	External Body	Persons who represented the organized SA industry
27	Association of Dietetics in South Africa	Maretha Vermaak
28	European Hygienic Engineering and Design Group	Jompie Burger
29	SABS Technical Committee SABS TC 70/SC 4, Legal Metrology - Sale of goods	Jompie Burger
30	SABS Technical Committee SABS TC 034 SC 17, Food products - Hygiene practices in the food industry	Jompie Burger
31	SABS Technical Committee SABS TC 034 SC 05, Milk and Milk products	Jompie Burger
32	Consumer Goods Council of South Africa (CGCSA): Food Safety Initiative	Jompie Burger Christine Leighton
33	South African Association for Food Science and Technology (SAAFoST)	Jompie Burger Christine Leighton
34	South African Auditor & Training Certification (SAATCA)	Jompie Burger
35	South African National Consumer Union (SANCU)	Jompie Burger
36	South African Society for Dairy Technology (SASDT)	Christine Leighton Jompie Burger Dr Colin Ohlhoff
37	Advisory Board: Department of Environmental Health of the Tshwane University of Technology	Jompie Burger
38	Advisory Board: Department of Environmental Health of the Nelson Mandela Metropolitan University	Jompie Burger
39	Department of Health – Food Legislative Advisory Group (FLAG)	Jompie Burger
40	African Organization for Standardization's (ARSO)	Jompie Burger

6. SUMMARY OF PROJECTS AND OTHER FUNCTIONS FUNDED IN 2022

Function	Service provider	Subtotals spent Rand (VAT Excl)	Amount spent Rand (VAT Excl)
Milk SA Administration	Milk South Africa NPC	6 526 565	6 526 565
Transformation			9 381 069
- Enterprise Development (Including Management Control)	Milk South Africa NPC (Transformation Manager)	9 381 069	
Skills & Knowledge Development			1 440 231
- Skills Development in the Primary industry sector	Milk Producers' Organisation NPC	722 143	
- Skills Development in the Secondary industry sector	SA Milk Processors' Organisation	718 088	
Industry Information			3 339 274
- Economies and Markets	Milk Producers' Organisation NPC	872 767	
- Publication of information	The Dairy Mail	280 600	
- Customs duties and Market access	SA Milk Processors' Organisation	692 017	
- Participation of the SA dairy industry in IDF (SANCIDF)	SA National Committee of IDF	980 879	
- Information support systems	Octoplus Information Solutions	513 011	
Research & Development			3 309 700
Non-project costs including Administration		376 114	
R&D Programme Manager remuneration	Dr Heinz Meissner	655 520	
Sustainability Manager remuneration	Dr Colin Ohlhoff	37 650	
Project facilitation - microbiology	Prof Piet Jooste	30 200	
Biological control of the host snails of Fasciola spp. in South Africa	University of KwaZulu-Natal	139 178	
Development of probiotic yoghurt with potential anti-candidal and anti-bacterial activity	University of Pretoria	221 545	
The Development of the best practice guidelines for improved wetland and river management on dairy farms	Institute of Natural Resources	233 383	
A feasibility analysis of low-cost biological wastewater treatment options for dairy farms in South Africa	Institute of Natural Resources	92 052	
Application of the system dynamics model to estimate the relative environmental footprint of milk and milk imitations	ASSET Research	372 893	
The seasonal effect on dairy cow trace mineral status in the Tsitsikamma, Eastern Cape	Chemuniqu	51 577	

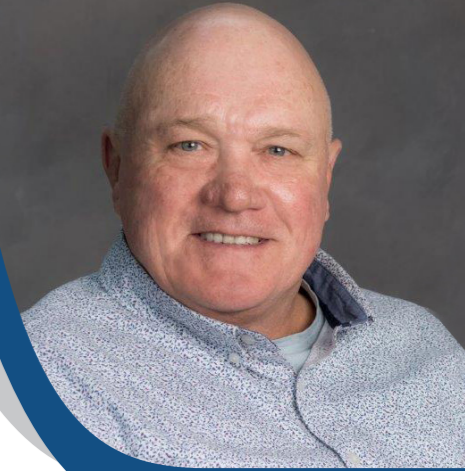
Function	Service provider	Subtotals spent Rand (VAT Excl)	Amount spent Rand (VAT Excl)
Investigation of alternative precision recording systems for collection of novel phenomes in the dairy industry	University of Pretoria	27 943	
Use of Near-Infrared to Detect and Quantify Mastitic Bacteria in Cows' Milk	University of KwaZulu-Natal	337 375	
PhD studies for Chané Pretorius - Re Regulation 1555 coliform specifications	Dairy Standard Agency	237 540	
Impact of Good Agricultural Practice interventions on the South African Dairy Industry	Dairy Standard Agency	0	
Estimation of the on-farm carbon capture and storage capacity within different dairy production systems: A system dynamics approach	ASSET Research	398 248	
The practical implementation of requirements of the SA National Standard SANS 1694: The welfare of dairy cattle validation by using the DSA Audit – The Welfare of Dairy Cattle (2021 project)	Dairy Standard Agency	-7 183	
Student assistance	Matthew Kinghorn	55 000	
Diagnostic investigation of sporidesmin toxicity: Histological study	Dr Anthony Davis	100 633	
Project refunds		-49 968	
Consumer education	SA Milk Processors' Organisation	21 546 962	21 546 962
Dairy regulations, standards, quality and safety		11 434 457	11 434 457
Dairy quality and safety projects	Dairy Standard Agency NPC	10 072 873	
Dairy regulations and standards projects	Dairy Standard Agency NPC	206 020	
DSA Laboratory	Dairy Standard Agency	1 155 564	
Communication, liaison with role-players and verification of statutory information	Milk South Africa NPC	1 298 804	1 298 804
Milk SA staff support to and involvement in projects	Milk South Africa NPC	1 951 565	1 951 565
Project internal audits	HP Audit	236 235	236 235

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 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. Furthermore, it 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 information that enable the "invisible hand" to optimally distribute production factors. The better the information the more optimally the invisible hand van function. During 2022, the project was able to fulfil this goal in various ways:

Dairy Digits was published in 12 monthly issues of The Dairy Mail; January through December 2022. 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, the volume of dairy imports and exports, monthly and cumulative yearly, the volume of dairy exports inclusive of sales to other SACU countries, 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. The digits also include four graphs namely: monthly international dairy product prices (R/T) covering the past 10 years, monthly unprocessed milk purchases covering the current year plus three years previous, monthly cumulative net imports (milk equivalent), current year plus four years previous and the last graph that consists of three indices providing trends of prices in the primary, secondary and tertiary industries.

Quarterly Review of the Performance of the Dairy Industry, four quarterly reviews were published in 2022. The review provides a snapshot of selected trends in the dairy industry. These reviews were distributed via email and are available on the Milk SA website. The last quarterly review included the following synopsis regarding the South African dairy industry:

"Gauging by the trend in the FAO Food Price Index and the commodities (meat, dairy, cereal and sugar), food prices on a wide front are reducing. The market is slowly digesting the new levels of uncertainty and risk that were introduced by Covid-19 and the Russian attack. World trade is adjusting to reduce Russian influence.

The Free On Board (FOB) prices for butter, cheddar, full cream milk powder, and skimmed milk powder, as published by the United States Department of Agriculture (USDA) have been reducing since March/April 2022. In USD terms butter reduced from the year-to-date high of 6

644\$/ton (April 2022) to 5 338\$/ton in September, cheese reduced from 6 263\$/ton (April 2022) to 5 156\$/ton in September, skimmed milk powder reduced from 4 588\$/ton (March 2022) to 3 563\$/ton in September and full cream milk powder reduced from 4 638\$/ton (March 2022) to 3 463\$/ton in September. In Rand terms, the reductions are also evident but more subdued due to the Rand depreciating by 17% over the same period.

European Union and New Zealand prices for unprocessed milk are at record levels in the wake of unparalleled increases in the price of many important production inputs.

Sales volumes of the nine dairy products monitored by NielsenIQ for the 12 months period from July 2021 to June 2022 versus the sales in the 12 months from July 2020 to June 2021 are mostly down despite that all of these product prices increased, albeit with less than the Headline inflation rate of 7.4%. Demand for these products within the current marketing mix is down and this filters through to the demand for unprocessed milk.

Cumulative unprocessed milk production, year to date (Jan – Sept), is 0.26% less than over the same period in 2021. The period February to June marks the lowest daily unprocessed milk production for the past four years, but the July production was doing better than previous years with August registering a record daily production level. It could be that unprocessed milk production is leaning towards being more seasonal."

Lacto Data: Lacto Data was completed in April 2022 and published in the May edition of TDM and on the website of Milk SA. The executive summary in May 2022 read:

Rising energy prices are expected to fuel inflation and create upward pressure on a wide front of commodity and product prices. In most countries, central banks will be faced with challenges on both the supply and demand sides. Bottleneck inflation (supply disruption as part of the COVID-19 aftermath and the Russian-Ukraine conflict) will continue affecting supply while wage inflation (demand) as consumers are faced with steep increases in living expenses, will make it difficult for central banks to strike a balance. The risk for increased inflation and higher interest rates with lower-than-expected economic growth is high.

The global dairy sector as a whole showed its resilience through the COVID-19 pandemic, which impacted the world for most of the year and after. Moreover, global milk production broke the 900 million tonnes barrier for the first time in history. The average per capita consumption of dairy products was 116.9 kg in milk equivalent in 2020, which is an increase of 1.7% compared to the previous year.

The dairy value chain in South Africa, starting at input suppliers right through to the retail segment, succeeded in satisfying market demand. Where consumer demand shifted away from some dairy products to other dairy products because of the restriction on human movement, role players downstream from the farmer were nimble and dynamic enough to channel unprocessed milk towards those dairy products. The end result is that all milk was absorbed into the market and utilised for nutrition.

International competitiveness of SA Milk Producers: The report on the International competitiveness of the SA Dairy farmer was completed in January 2022 and published on the Milk SA website. The report is based on the IFCN Dairy Report of 2021.

Report on the IDF World Dairy Situation: The report on the IDF world dairy situation was completed in December 2022 and published on the Milk SA webpage. The summary of the report reads:

In 2021 global per capita consumption increased by 1.4% to 118.2 kg milk equivalents, while the world population grew by 75 million people (1.0%) to 7.87 billion. Global milk production (all species) grew by 2.1% in 2021, down from the average growth of 2.4% per year. The subdued growth was due to the difficult supply situation in the key exporting regions caused by aggressive increases in energy, animal feed and fertiliser prices. The increased costs were a result of worldwide supply chain disruptions and strong economic activity in certain regions that increased demand. Global dairy product output (production) increased strongly for cheese (+2.9%) and whey powder (+2.8%). The output for whole milk powder (WMP) (+1.3%) and butter (+0.9%) were at lower levels, while skimmed milk powder (SMP) fell by 1.5% due to processors favouring cheese and WMP. Global liquid milk production decreased by 0.4% in 2021. International prices for SMP, WMP and cheese ended 2021 at the highest levels since 2014.

Report on the IDF World Dairy Summit: The IDF conference was attended virtually. Severe challenges were experienced regarding connectivity, translation and articulation in the sessions. It was not possible to construct a noteworthy, coherent and value-adding report.

MPO statutory regulations: the letter with the questionnaire was mailed and distributed to dairy farmers in October 2022. These have been followed up with personalised

WhatsApp messages from the different regional managers of the MPO.

Powerpoint presentations to the members of Milk SA: PowerPoint presentations were developed and presented at the Milk SA General Meeting of Members on 15 June and 30 November 2022. Some of the slides from the 30 November presentation are copied below.

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 inter-governmental 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.

Membership of IDF

Due to an advance from Milk SA, the SANCIDF was able to pay the 2022 membership fees of IDF in November 2021. Due to this advance, it was possible to pay the fees without any exchange rate loss but infact a small surplus of R3 347.

Experts

A number of changes were made to SA's representatives on IDF bodies. Mr. Riaan Lombard from Biomerieux took over from Dr. Jan Floor on SC's Analytical Methods for Additives and Contaminants (SCAMAC) and Analytical Methods for

Composition (SCAMC).

Mr. Jompie Burger took over from Dr. Floor as Technical Secretary. Dr. Theo Kotze, Veterinary Consultant, took over from Dr. Martin van der Leek as SA's Primarius representative on SCAHW. Mr. Jompie Burger was also appointed as ordinary member on SC Animal Health and Welfare as well as Dr. Ndumiso Mazibuko from SAMPRO who was added to SC Dairy Policies and Economics.

New Work Items (NWI's)

IDF always proposes their New Work Items (NWI) for the year to their members in the first quarter of each year. For 2022 they proposed the following thirteen NWI's:

- **NWI 22/01:** Determination of Chlorate and Perchlorate in Baby Foods, Infant/Adult Formulas and it's Ingredients
- **NWI 22/02:** ISO 24223|IDF 253:2021 Extension of scope - Guidance on sample preparation for physical and chemical testing
- **NWI 22/03:** Determination of A1 and A2 type beta-casein in infant formula and other dairy products





World Dairy Summit 2022

- **NWI 22/04:** Extension of scope of ISO 22662 | IDF 198 – determination of lactose to dairy permeate powders for adoption by Codex
- **NWI 22/05:** Extension of the scope of ISO 5537|IDF 26 - Dried milk — Determination of moisture content (Reference method) + additional questions in survey
- **NWI 22/06:** Revision of ISO 10932|IDF 223:2010 - Milk and milk products - Determination of the minimal inhibitory concentration (MIC) of antibiotics applicable to bifidobacteria and non-enterococcal lactic acid bacteria (LAB)
- **NWI 22/07:** LCA Methodology Update
- **NWI 22/08:** Considerations on methods for spore counting of butyric acid forming (cheese spoiling) clostridia + additional question in survey
- **NWI 22/09:** Including alternative heat-treatment methods in ISO/TS 27265 | IDF/RM 228 - Dried milk - Enumeration of the specially thermoresistant spores of thermophilic bacteria
- **NWI 22/10:** Revision of ISO/TS 11059|IDF/RM 225:2009 'Milk and milk products - Method for the enumeration of Pseudomonas spp.'
- **NWI 22/11:** School milk as part of school feeding programmes in sustainable food systems
- **NWI 22/12:** ISO 13366-2|IDF 148-2 :2006 Milk- Enumeration of somatic cells-Part 2 Guidance on the operations of fluoro-opto-electronic counters
- **NWI 22/13:** Impact of Environmental labels for dairy
- NWI's 3, 4, 8 and 13 were not of interest for SA and we abstained from voting on them. All 13 NWI's were approved by IDF members and will become the official NWI's for 2022

World Dairy Summit 2022

The Summit in Delhi, India, under the theme “Dairy for

Nutrition and Livelihood” was attended by over 1,500 national and international dairy leaders, experts, farmers, processors and producers.

Twenty-four sessions grouped into various thematic verticals, were presented by speakers and specialists from all over the world. In addition to the in-person delegates, global audiences could participate in the sessions online.

Mr. Fanie Ferreira, Mr. Jompie Burger, Dr. Colin Ohlhoff and Dr. Ndumiso Mazibuko, Mrs. Ms. Christine Leighton, Ms. Maretha Vermaak and Dr. Mark Chimes from SANCIDF attended the Summit in 2022 as well as preceding IDF business meetings.

UN Conference on Climate Change (COP 27)

Most of the attention of IDF in the last quarter of 2022 was focused on the UN Conference on Climate Change (COP27) which took place in Egypt from 7-18 November. Together with the Global Dairy Platform (GDP) and the Republic of Uruguay, they held a side event on the progress made by the global dairy sector's Pathways to Dairy Net Zero initiative.

The IDF President, Piercristiano Brazzale, spoke at the event and IDF expert Sanne Dekker, leader of the LCA Action Team, took part in the Sustainable livestock production for Adaptation, Mitigation and Food Security side event.

Following IDF's participation in COP27, three new documents were published with IDF's views and takeaways of the conference and its outcomes:

- A blog by IDF Director General, Caroline Emond in which she said that despite the fact that sustainable animal foods are necessary to the world, policymakers are:
 - looking for easy solutions,
 - individual actions are overestimated,

- there are beliefs that nutrition and health can be traded off, and
- others believe that they can feed the world without animal derived food.
- A comprehensive technical blog by IDF Action Team on Life-Cycle Analysis leaders Carbon footprinting and mitigation, Carbon removals, Methane etc. See full detail here https://fil-idf.org/news_insights/dairys-commitments-to-climate-action-and-the-methodologies-it-has-developed-to-comply-by-sanne-dekker-and-anna-flysjo/
- IDF – GDP Joint closing statement on COP27 reporting that IDF and GDP representatives spoke at 14 events sharing dairy's commitments to comply with:
 - the goals of the Paris Agreement,
 - the progress underway by the global Pathways to Dairy Net Zero and
 - the P2DNZ initiative.

Dairy's sustainability story was heard at COP27 thanks to the strong participation of farmers, companies and industry organizations.

Analytical week

After 3 years of remote work, since the last IDF/ISO Analytical Week in Prague (CZ) in 2019, participants were able to gather again for the 2022 IDF/ISO Analytical Week in Constance Germany on 25-28 April 2022. About 160 participants attended, with about 90 attending in person and about 70 online participants over the 3 days. The week started with a technical visit to dairy company Omira. The conference then continued with a symposium dedicated to the importance of international collaboration in the development of IDF/ISO standards and how they are implemented into recent changes in German legislation, to ensure the quality and safety of dairy products for the consumers. A few outcomes of business meetings to note:

- New work item proposals will be introduced to review the reference method for somatic cell counting, the creation of a new joint IDF/ICAR group to address the use of data obtained from Infrared analysis and formalize the collaboration with AOAC on phospholipids and urea.
- Several revisions are well underway for microbiological standards under SCHMM and SCAMDM.

- IDF/ISO standards expected to be published next will be the determination of amino acids in infant formula and dairy products as well as the revision of the 3 parts of ISO 22935|IDF 99 on sensory analyses.
- Positions are vacant for deputy chairs for SCAMAC (additives and contaminants), SCAMPAL (processing aids and indicators) and SCHMM (harmonization of microbiological methods). A new chair will also be needed for SCHMM.

Standards

Altogether 4 Standards were received during 2022:

- The determination of the fat content of cheese and processed cheese products, caseins and caseinates.
- Definition and evaluation of the overall accuracy of alternative methods of milk analysis.
- Determination of fat content of milk, dried milk products and cream by the Gravimetric method
- Determination of amino acids in infant and adult / paediatric nutritional formulas and dairy products

Bulletins

IDF published eight Bulletins during the year:

- Update of Inventory of microbial food cultures.
- Guidelines for defining quarter and udder health status and cured, clinical and subclinical mastitis cases.
- Heat treatment of milk.
- Eco-friendly and energy-saving dairy technologies.
- World Dairy Situation Report 2022.
- Carbon Footprint standard for the dairy sector.
- Life cycle assessment guidelines for calculating carbon sequestration in cattle production systems.
- Survey on the Implementation of the CAC General Standard for the Use of Dairy Terms.

Fact Sheets

Two were published in 2022:

- Executive Summary of the IDF Country Update
- Enumeration of butyric acid forming (cheese spoiling) clostridia – methodical considerations

Press Releases and News Briefs

There were altogether 22 press releases issued by IDF announcing WDS 2022 matters, COP 27 experiences and other dairy issues. Information of lesser importance like invitations to webinars, Team Updates, DSF Newsletters etc were made known by IDF with 36 News Briefs.



7.3 PROJECT TITLE:
Customs Duties and Market Access

RESPONSIBLE INSTITUTION:
SA Milk Processors' Organisation

PROJECT MANAGER:
Mr De Wet Jonker

Feedback on the project activities is as follows:

- Bilateral and multilateral trade agreements;
- Trade protection and tariff dispensation;
- Import and export monitoring; and
- Participation in the Animal Health Forum i.r.o. trade related issues.

Bilateral and multilateral trade agreements

- The Agricultural Trade Forum (ATF) of the Department of Agriculture, Land Reform and Rural Development (DALRRD) is the platform where all Agricultural trade negotiations are discussed and protocols are developed. During the last two years there were mainly two Multilateral agreements that were of importance for the dairy industry, namely:
 - The African Continental Free Trade Area (AfCFTA) which includes 55 African Countries; and
 - Southern African Customs Union and Mozambique Economic Partnership Agreement with the United Kingdom (SACUM/UK EPA).
- The SACU trade agreement is one of the oldest trade agreements and in 2022, some aspects that have been outstanding for quite some time, will again come under the spotlight and placed on the agenda for discussions. Infant industry protection will be one of the agenda points up for discussion.
- 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.

- Although the AfCFTA agreement was already implemented in January 2021, none of the member countries could trade under the more favourable conditions of the Continental Free Trade Agreement. Members will only be allowed to start gaining from the lower tariffs once it reaches the stage when 90% of the tariff headings have been included in the list to be scaled down. South Africa's offer stands at 87.5%.
- At this stage, 44 of the 55 countries have complied with their domestic requirements for ratification of the AfCFTA Agreement. One country, Eritrea, has yet to sign the agreement.

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 is the summary of 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 others proposed Change of Tariff Heading (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 the 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

AfCFTA 10th Ministerial meeting



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 South African Government is proposing the VNOM rule (as a middle ground) tied up to the transitional period, after which we would revert to wholly obtained rule.

CHAPTER	HEADINGS/SUB-Headings	PROPOSED OPTIONS
04 (Dairy Products)	0403 (Yogurt)	On 04.03 CTH (Namibia, Mauritius (CTH for a period of 5 – 10 years)
	0406 (Cheese)	On 0406.30
	0406.30 (processed Cheese)	Mauritius prefer a VNOM at 40%, but Namibia prefers a CTH

- It was proposed that the rule of **Value of Non-originating Materials (VNOM)** is accepted for a period of five years which will allow Namibia and Mauritius to import 40% of non-originating materials. After the 5 years the rule will be wholly obtained again. The dairy industry still awaits the outcome of the negotiations.
- Tables 2 and 3 indicate the import utilisation in tons under the SADC- EU – EPA and the SACUM- UK-EPA.

TABLE 2: Import utilisation in tons under the SADC- EU – EPA for the period 01/01/2022 to 31/10/2022

Product	SACU Quota	SA Allocation	Total imports by SA	% Utilisation by SA
Tons				
Cheese	8 300	5 180	3 490	60.1%
Butter > 20kg	500	350	0	-
Ice Cream	150	105	62	58.7%

Source: DALRRD, November 2022

TABLE 3: Import utilisation in tons under the SACUM- UK-EPA for the period 01/01/2022 to 31/10/2022

Product	SACU Quota	SA Allocation	Total imports by SA	% Utilisation by SA
Tons				
Cheese	1 444	1 011	59	5.8%
Butter > 20kg	94	65.8	0	-
Ice Cream	24	16	0	-

Source: DALRRD, November 2022

Trade protection and tariff dispensation

Protection against the import of UHT milk

- The current rate of duty on UHT milk imports has been for almost two decades at a zero rate of duty. Currently, almost all imports of UHT milk originate from Poland. When South Africa started its negotiations in 2000, UHT duties were bound at a zero rate and South Africa cannot increase its normal import duties to curb the influx of UHT imports from Poland. The only measurements to our disposal are, either, **Dumping duties or Safeguard duties** under Article 35 of the EPA agreement. A study undertaken by the local South African processors of UHT milk through their representative organisation SAMPRO, indicated in 2019/2020, that Poland did not dump any UHT milk in the South Africa market at a lower price level than what was available in their own market.
- Informal discussions about Article 35 took place and a formal letter was forwarded to ITAC to get clarity if there are 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.
- After this development, the Department of Agriculture, Land Reform and Rural Development (DALRRD) held several interdepartmental meetings with the Department of Trade and Industry and Competition (DTIC), SARS and the International Trade Administration Commission of South Africa (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 South African negotiators (DTIC and DALRRD) are busy negotiating the guidelines with the EU and we

hope to have a conclusion in 2022. The Department participated in the 8th 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 has 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 has noted the matter raised by the SADC EPA States of recovering the lost time but of the view that the focus by now should be on getting the measure implemented. The EU further stated that the article itself and the footnote does not make any reference to the timeframe for implementation of the measure and does not state any possibility of an extension, therefore there is no time lost and the legal arguments presented by SACU, has no basis.
- In response, SACU indicated that it has put her arguments in writing and therefore would prefer feedback from the EU in writing as well. SACU also indicated that the article is not explicit in terms of the commencement of implementation of the measure.
- The SADC EPA States indicated that they have reached an agreement on the trigger levels of products listed under Annexure (vi) of Article 35 of the EPA agreement. This list will be shared once received from DTIC and DALRRD.
- 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 few years up to 2020. From January to December 2021, 22 491 tons of UHT was imported. In 2022 a mass of only 3 613 tons of UHT milk was imported. See Table 4.

TABLE 4: The mass of imports of UHT milk with a fat content not exceeding 1 percent (tariff sub-heading 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	2022
	Tons					
0401.10.07	3	25	20	43	8 724	356
0401.20.07	38 801	17 145	17 992	5 392	13 767	3 257
Total mass	38 803	17 170	18 012	5 435	22 491	3 613



IMPORT AND EXPORT MONITORING

The Customs Duty and Market Access Project submitted the following monthly import and export tables and quarterly report to Milk SA:

- Monthly January to December 2022
- Quarterly January to September 2022

PARTICIPATION IN THE NATIONAL ANIMAL HEALTH FORUM (NAHF)

- Mr Fanie Ferreira (Representative of Milk SA and CEO of MPO) serves on the NAHF as a council member while Mr De Wet Jonker (Manager of the Customs and Market Access Project of Milk SA) is focussing on international market access issues. Dr Chimes as a representative from Milk SA, is also available to the Forum, as a dairy health expert.

- A decision was taken by Milk SA that, as from 2021, the membership fees for the NAHF will be split 50/50 between the Research and Development Project and the Customs and Market Access Projects of Milk SA. The membership fees for 2022, is R72 000.00.

Foot and Mouth Disease outbreak

- South Africa had several outbreaks of Foot and Mouth disease (FMD) in the last four years. The Vhembe outbreak was early in January 2019, which resulted in losing our free status of FMD and most of South Africa's trading partners have introduced at that time an interim ban on importation of all animal and animal products. All import permits and Veterinary Health Certificates had to be renegotiated.
- In Table 5, the DALRRD indicates a summary of the outbreaks per province as on 31 January 2023.

TABLE 5: Summary of active outbreak by province

Province	Number of open outbreaks	Number of resolved outbreaks	Total number of outbreaks	Last reported outbreak
KwaZulu-Natal	120	2	122	31 January 2023
Limpopo (Previous free zone)	7	1	8	13 June 2022
Northwest	17	2	19	31 January 2023
Gauteng	4	3	7	15 September 2022
Free State	40	2	42	31 October 2022
Mpumalanga	1	0	1	5 August 2022
Total	183	8	199	

Source: DALRRD, Directorate Animal Health, 31 January 2023

- The National Animal Health Forum (NAHF) is in constant consultation with DALRRD, finding solutions and actions to combat Foot and Mouth disease. A Ministerial Technical Committee was established to develop a strategy for FMD. Inputs were received from the livestock industry. Once the report is finalised, it will be distributed to all role-players.
- All the media briefs and press releases were forwarded to the industry by Milk SA and we will continue to do this.

CUSTOMS AN EXCISE ACT, 1964. AMENDMENT OF SCHEDULE NO.1 (NO.1/1682)

Government Gazette No. 45817 • No. R. 1705 • Date: 2022-01-28

In terms of section 48 of the Customs and Excise Act, 1964, Schedule No. 1 to the said Act is hereby amended, with retrospective effect from 1 January 2022, to the extent set out in the Schedule hereto.

DR DAVID MASONDO, DEPUTY MINISTER OF FINANCE

SCHEDULE: By the substitution of Table 1 in paragraph 3.1 to General Note IJ of the following:

HS Code	Description	Quota (ton)	Botswana	Eswatini	Lesotho	Namibia	South Africa
			TRQ allocation in ton	TRQ allocation in ton	TRQ allocation in ton	TRQ allocation in ton	TRQ allocation in ton
02032200	Hams, shoulders and cuts thereof, with bone in	1 500	60	25	25	140	1 250
02032990	Other						
02091000	Pig Fat	200	18	15	3	24	140
04051010	Butter, in immediate packaging of a content of 20 kg or more	500	43	17	10	80	350
04059000	Other						
04061000	Fresh (unripened or uncured) cheese, including whey cheese, and curd	8 300	746.17	415.83	257.30	1 078	5 810
04062000	Grated or powdered cheese, of all kinds						
04063000	Processed cheese, not grated or powdered						
04064000	Blue-veined cheese and other cheese containing veins produced by <i>Penicillium Roqueforti</i>						
04069012	Other						
04069022	Other						
04069099	Other						
10019	Other	300 000	13 300	1 025	10 000	24 180	251 495
100300	Barley	10 000	10	5	15	1 000	8 970
16010020	Mortadella Bologna	100	2	3	2	23	70
19019040	Other, in immediate packaging of a content of 5 kg or more	2 300	296	265	43	86	1 610
2105000	Ice Cream	150	17	6	4	18	105

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 to determine whether amendment is necessary of, for example, the curriculum, learning materials, assessment tools and qualifications, due to factors such as technology development, changing production and manufacturing procedures and requirements set by relevant bodies in the public sector.

MPO on-line training platform

The MPO Training Institute developed an on-line learning platform during 2021. The platform was evaluated by an MPO constituency group in the first quarter whereafter the on-line learning platform was launched in Apr 2022.

Various training modules of the dairy occupational qualification were altered for the online platform. This platform provides opportunity for individual self-study or employee group training, facilitated by the farmer/manager. The online training provides access to learning material, formative and summative assessments, re-assessments, practical and work experience logbooks as well as PowerPoint presentations and videos. Students can access the learning platform via an application which also makes provision for off-line use. The administration of learners will be done through the MPO Training Institute.

Revision of the dairy occupational qualification

MPO Training Institute submitted a proposal via the AgriSeta to the QCTO for the revision of the dairy occupational qualification.

After numerous enquiries, it was discovered the AgriSeta omitted to process the correct documentation to the QCTO. MPO had to re-apply and approval for revision of the qualification was granted in Jan 2023.

The MPO applied for AgriSeta funding for the revision of the qualification. The AgriSeta approved the amount of R189 000,00 for a curriculum development practitioner to facilitate the revision process. The revision will include the adjustment of credit allocation, inclusion of additional modules to the dairy manager qualification, adjustment of the quality assessment standard (QAS) documentation and an update of the external integrated summative assessment database.

Accreditation of the MPO Training Institute as a QCTO Skills Development Facilitator

The QCTO conducted a MPO Training Institute site visit and evaluation on 19 July 2022. On 02 Aug 2022 the MPO Training Institute was accredited as QCTO skills development provider (SDP) - (07-QCTO/SDP280722-7021).

GOAL 2 - Interactions in respect of acts, regulations, policies and procedures regarding knowledge and skills development considering the needs of the dairy industry, with the authoritative bodies in the public sector and representatives of other industries

The following interaction with the AgriSeta took place during 2022:

- **Feb and Mar 2022.** The Primary Skills and Knowledge Development Project Manager attended an on-line





SDF webinar and informed the primary producers of their annual training reports (ATR) and workplace skills plans (WSP) which had to be submitted on the AgriSeta Indicum system before end of Apr 2022. The MPO concluded and submitted several ATR/WSPs.

- **23 Feb 2022.** The MPO conducted a meeting with AgriSeta regarding commodity projects and partnerships. During this meeting internal processes and guidelines were discussed.
- **Mar 2022.** The Primary Skills and Knowledge Development Project Manager conducted an employer survey to determine the following: common skills gaps in the sub-sector, emerging and critical skills, hard to fill vacancies, new emerging occupations, change drivers, economic performance of the sector, as well as the impact of COVID-19 on the sub-sector. The survey was carried out through telephone calls and an on-line questionnaire to dairy producers and role-players.
- **23 Mar 2022.** The Primary Skills and Knowledge Development Project Manager attended a Sub Sector Skills (SSC) meeting. The results of the sub-sector employer survey were discussed for incorporation in the sub-sector skills plan for 2022/23. The committee was also informed about a new Agricultural Sector Student Fund that will provide bursaries for employed and unemployed students. Commodities and private businesses will be approached for participation in bursary funds. This fund aims to support the 10 top priority occupations in the agriculture.
- **Mar 2022.** The MPO concluded an agreement with AgriSeta on a commodity project for primary producers. The project included the presentation of 14 non-credit bearing short courses to dairy farm employees in the various dairy production regions.
- **12 May 2022.** The Primary Skills and Knowledge Development Project Manager had a meeting with AgriSeta to discuss the presentation of the dairy curriculum at tertiary schools. AgriSeta confirmed that Agricultural schools can engage in dairy training as the occupational curriculum forms part of further education and training (FET), which can be instituted from Grade 10 – 12.
- **13 July 2022.** The Primary Skills and Knowledge Development Project Manager attended an AgriSeta Roadshow at the Birchwood Hotel in Boksburg. AgriSeta addressed all stakeholders and reflected on the 2021/22 financial performance, medium to long term strategic focus, annual performance plans, changes in discretionary grants policies, as well as procedures and the discretionary grant funding application window.
- **01 Aug 2022.** The Primary Skills and Knowledge Development Project Manager participated in a research survey commissioned by DALRRD to determine what constitutes the priority skills and occupations in the agricultural sector. The aim of the research was to enable DALRRD to implement actions to address skill shortages.
- **14 Sep 2022.** The Primary Skills and Knowledge Development Project Manager submitted a proposal for discretionary grant funding in 2023. The proposal involved dairy skills development workshops and short courses for dairy farm employees.
- **12 Oct 2022.** The MPO Training Institute attended the AgriSeta AGM that took place in Cape Town. This AGM was the first face-to-face meeting in 2 years due to COVID-19. Dr Blade Nzimande, Minister of Higher Education, Science and Innovation, was a key-

note speaker focusing on opportunities for the youth in agriculture and AgriSeta's role to unlock opportunities with municipalities and traditional authorities. He also commended AgriSeta for its unqualified audit report from the auditor-general, achievement of skills development interventions such as workplace-based learning opportunities of TVET college graduates and mechanisms to support the department's district development model strategies. The Minister also confirmed that he instructed the National Skills Fund (NSF) to prioritise agricultural skills development amid increasing rates of unemployment and urge AgriSeta to directly engage with the NSF to maximise resources available for the provision of skills in agriculture. During this meeting AgriSeta's CEO also report on the performance and achievements for the 2021/2022 financial year. AgriSeta's commitment in ensuring sustainable employment opportunities and continuous recover from Covid-19 economic disruption is evident in the R177,8 million increase in skills development levies from 2020/21 to 2021/22 financial year.

- **22 Nov 2022.** The MPO Training Institute attend a Sector Skills Committee meeting in Johannesburg, where AgriSeta provided feedback, solicit feedback and endorsement for the Sub-Sector Skills Plan for 2023/24. AgriSeta values the input from the Sub-sector Skills Committee to ensure that all interventions for skills development meet the relevant scarce and critical skills needed for training in the agricultural sector. AgriSeta also informed the committee on matters concerning Mandatory and Discretionary Grants, QCTO accreditation and the AgriSeta budget.
- **7 Dec 2022.** The MPO Institute approached the QCTO directly regarding the outstanding registration of the Dairy Farmworker Part Qualification. The MPO Institute send communication to both AgriSeta and the QCTO, whereafter the QCTO requested an urgent meeting with the AgriSeta. On 15 Dec 2022 the QCTO insured the MPO Training Institute that the matter will receive priority as AgriSeta has also been requested to provide feedback in Jan 2023.

The following meetings with Milk SA took place during 2022:

- **Feb 2022.** The MPO signed the Milk SA Primary Industry Skills and Knowledge Development project contract.

- **07 Feb 2022.** The MPO and Primary Skills and Knowledge Development Project Manager concluded a meeting with Milk SA CEO to discuss the primary skills and knowledge development project budget. Milk SA agreed to the MPO's financial management approach.
- **25 Feb 2022.** The Primary Skills and Knowledge Development Project Manager submitted the 2021 Annual report for the Primary Industry Skills and Knowledge Development project.
- **22 Mar 2022.** The MPO and Primary Skills and Knowledge Development Project Manager provided inputs and prepared for the first MSA Primary Industry Skills and Knowledge Development meeting that will take place on 06 Apr 2021.
- **06 Apr 2022:** The MPO and Primary Skills and Knowledge Development Project Manager attended the Milk SA Primary Industry Skills and Knowledge Development meeting.
- **25 Apr 2022:** The MPO and Primary Skills and Knowledge Development Project Manager attended the Milk SA Advisory committee meeting on Skills and Knowledge Development.
- **03 Aug 2022.** The MPO and Primary Skills and Knowledge Development Project Manager attended the Milk SA Primary Industry Skills and Knowledge Development meeting. During this meeting feedback was provided on skills and knowledge development in the primary industry, funded by Milk SA.
- **26 Aug 2022.** The MPO and Primary Skills and Knowledge Development Project Manager attended the Milk SA Advisory committee meeting. During this meeting the MPO provided feedback on skills and knowledge development in the primary industry as well as the new project proposal for 2023.
- **09 Nov 2022.** The Milk SA Primary Industry Skills and Knowledge Development project for 2021 was audited by Milk SA auditors.
- **30 Nov 2022.** The Primary Skills and Knowledge Development Project Manager Institute attended the Milk SA AGM and provided feedback on the Milk SA Primary Industry Skills and Knowledge Development project activities.

GOAL 3 - Guidance in respect of skills and knowledge development to members of the dairy industry and promotion of it

The MPO Institute attended several meetings in our capacity as dairy skills and knowledge development provider of the MPO. During these sessions promotion and guidance in respect dairy skills and knowledge development were encouraged:

- **1 Feb 2022:** The MPO Training Institute had a meeting with the Western Cape Government's Agricultural Skills Development team to discuss future cooperation possibilities.
- **11 Feb 2022:** The MPO Training Institute attended the MPO KZN Central Committee Meeting and informed the members on MPO training initiatives for KZN as well as the new on-line bookstore and training initiative.
- **14 Feb 2022:** The MPO commenced discussions with the Dairy Standard Agency (DSA) on training for dairy producers on the new updated DSA *Dairy Code of Practice for Milk Producers*. The intention is that the MPO will organise 1 hour training sessions on the Code of Practice through milk buyers. DSA will seek assistance from Milk SA to distribute course advertisements to the different milk buyers. Several follow-up meetings between the MPO and DSA took place in order to commence with this initiative.
- **17 Feb 2022:** The MPO attended an IFR webinar on a research report concerning the future of work in agriculture.
- **23 Feb 2022:** MPO Training Institute attended work session with the MPO board members in Pretoria.
- **26 Feb 2022:** The MPO Training Institute attended a meeting with Ms Judy Steward from Future Farmers on future cooperation with the MPO concerning work integrated learning for graduates and school leavers as well as training initiatives for dairy developing farmers and farm employees.
- **4 Mar 2022:** The MPO attended an External Database Site meeting hosted by Western Cape Department of Agriculture in George. The purpose of the meeting was to register the MPO Training Institute as a training provider on the Western Cape Government Supplier Evidence Bank database.
- **18 Mar 2022:** The MPO concluded a meeting with the CEO of the Zimbabwean Association of Dairy Farmers (ZADF). Dairy training and assistance on a dairy training curriculum as well as opportunities for training of the trainer were discussed.
- **18 Mar 2022:** The MPO had several informal discussions with Nico Malan Secondary School regarding the presentation of the Dairy occupational qualification as an elective curriculum for the scholars. On 18 Mar 2022 the MPO conducted an on-line meeting with Nico Malan Secondary School, Grasslands Dairy and MPO representatives. Due to the MPO's pending SDF status (during that time), the MPO advised Nico Malan Secondary School to register as an SDF at the QCTO. The MPO will provide the material and guidance for the implementation of the curriculum unless the school considers non-accredited training through the MPO. The use of the online portal is also an option for the school. Consultation with Nico Malan is continued throughout 2023.
- **25 Mar 2022:** MPO Training Institute participated in a studio recorded interview for the Livestock Report episode 19 to broadcast the launching of the on-line training system.
- **31 Mar 2022:** The MPO attended the first meeting of the regional dairy platform of the Southern African Confederation of Agricultural Union (SACAU). The webinar focused on the importance of feed and feed production in a dairy operation. All the countries involved shared perspectives on sustainable feed production and options to deal with the food crises in the region.
- **01 Apr 2022:** Attended an Agbiz webinar on Private Public Partnerships.
- **16 and 17 May 2022:** The MPO Training Institute visited two Agricultural secondary schools in the Eastern Cape to explain the methodology and components of the Dairy Curriculum.
- **5-6 June 2022:** The MPO Training Institute attended the Large Herds Conference in KZN, which provided a good opportunity for networking with industry stakeholders.
- **23 June 2022:** The MPO Training Institute concluded an on-line meeting with an agricultural school to discuss practical and work experience scope, timeframe, and methodology of the MPO dairy curriculum.
- **01 July 2022:** The MPO Training Institute attended the MPO KZN Central Committee meeting via Zoom. The meeting took place at Cedara, KZN.
- **14 July 2022:** The MPO Training Institute had a meeting with another SDP who also applied for accreditation for the dairy occupational qualification. Training methodologies and possibilities of future cooperation between the MPO Training Institute and the SDP were discussed.
- **25 – 29 July 2022:** The MPO Training Institute hosted the Dairy School in collaboration with the UP Veterinary Faculty at Onderstepoort. The event was successfully completed with 180 attendees and 18 industry professionals who presented various dairy relevant topics. This event served as an ideal opportunity to promote dairy and a dairy career to students, industry professionals, extension personnel and dairy managers.
- **11-12 Aug 2022:** The MPO Training Institute visited the Nico Malan High School in the Eastern Cape to do a presentation on the dairy occupational qualification to students and their parents. The MPO Training Institute also visited farmers to discuss the MOU pertaining mentorship of students in practical learning and work experience of the dairy occupational qualification on supervisor level.
- **22 Aug 2022:** The MPO Training Institute attended a MPO webinar on "Raw milk, Being a dairy ambassador and Legislation".
- **24 Aug 2022:** The MPO Training Institute had a meeting with Mr J. Burger from the Dairy Standard Agency (DSA) to discuss cooperation, methodology and marketing of the *Code of Practice for Dairy Producers* project. The project aims to involve both milk buyers and dairy producers and will be rolled out after the SLA between the MPO Training Institute and DSA is concluded.
- **30 Aug 2022:** The MPO Training Institute attended a meeting at the UP-dairy farm to discuss upgrading and the utilization of the farm for training and research.
- **18 Oct 2022:** The MPO Training Institute was invited by the Dalum Agricultural Academy in Denmark to attend a brainstorming session at the Danish Embassy on agricultural training and private sector involvement. An open discussion involved existing agricultural education and skills development needs, and as collaboration opportunities with Dalum and private sector driven education. No specific conclusions were made from the session, though there is consensus that further development/interaction is needed to unlock potential of such a forum.
- **30 Nov 2022:** MPO Training Institute attended the MPO Stewardship Awards that took place in Pretoria. Dairy employee training is one of the judging categories of the Stewardship Awards. The competing finalists acknowledge training in their management programmes and participate in MPO training initiatives.
- **06 and 13 Dec 2022:** The MPO Training Institute participated in the production of short dairy training videos that will be utilised for both training facilitation and on-line learning. The videos compliment dairy skills programmes as well as the modules of the dairy occupational qualification. The production of the videos is not financed by Milk SA, though the initiative forms part of interaction between parties to address the skills needs in the dairy sector.
- **07 Dec 2022:** The MPO Training Institute held a strategic session to discuss and plan the way forward regarding training in the primary dairy industry.
- The MPO Training Institute implemented AgriSeta commodity discretionary grants programs which included short non-credit bearing courses to dairy farm employees throughout 2022.
- The MPO Training Institute used the MPO Milk Bulletin, MPO social media and the Dairy Mail to promote skills and knowledge development in the primary sector during 2022.



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 act, regulations, policies and procedures regarding skills and knowledge development in light of the needs of the dairy industry, with the authoritative bodies in the public sector

- A list of endeavours emanating from achievements and lack of achievements in the 2021 financial year was compiled and discussed via a virtual meeting launched from SAMPRO's offices in February 2022. The list was unanimously approved and submitted to both SAMPRO and Milk SA. This list was submitted in reworked format to the first Dairy Chamber meeting of FoodBev SETA.
- Following the reasonable momentum built up in the first quarter, the project and all members of the assembled 'Task Team' can only report frustration at the end of the second quarter. The Management document regarding the project's ENDEAVOURS submitted to the SETA and their undertaking to populate the columns requiring 'Primary Rapporteur' and 'Feedback Interval' was not populated. There is no doubt that the SETA has taken note of our drive and requirements, but seemingly a number of non-activities (believed to be the result of under-staffing at the SETA and the superiority approach by QCTO) has thus far led to 'nothing new' to report for the second quarter.
- In the third quarter a reasonable measure of regaining of the momentum referred to as built up in the first quarter was experienced. It was reported from the FoodBev SETA that the learnership funding policy has been finalised and the registration of qualifications as learnerships by QCTO had commenced. In this regard five of the ten Dairyman specialisation qualifications was reported as registered learnerships (unfortunately only three of the

six active 'learnerships' were amongst those). Whilst the registration numbers were outstanding (which makes no sense, seemingly that a decision is made to register the programme, but the allocation of a number which makes it official, remains outstanding for months), it was noted that the remaining five specialisations have been submitted for registration. Near the end of the quarter, a well-attended (in-person and virtual) meeting of the Advisory Sub-committee (SD) of Milk SA was held at the SAMPRO offices, in which a staff member of FBS (Mr Llewellyn van Zyl) made a well-received presentation of recent developments as contained in our 'endeavours' and matters discussed above. This was viewed as very positive.

- With regards to this Goal the fourth quarter again did not deliver the goods as expected after the regaining of momentum in the third quarter, especially as pertains to Skills Development Provider (SDP) accreditation. We did have an undertaking that some accreditation visits will be performed in the week of 23 January 2023.
- It was a year of start-stop-start-stop in respect of this goal, outside of the project's control.

GOAL 2: Continuous evaluation so that, depending on the factors like technology development, changing production and manufacturing procedures and requirements set by relevant bodies in the public sector, to determine whether amendment is necessary of, for example, the curriculum, learning materials, assessment tools and qualifications

- An improving relationship has been established directly with QCTO and activities have been jointly launched between the project (embodied in the Project Manager

personally) and QCTO. This is especially invaluable with respect to the accreditation process, which is being established firmly in that it was now known that two processes are involved: Skills Development Provider (SDP) and Learning and Assessment Centre (for workplace sites).

- Two meetings were held to gain inputs from all 'Task Team' members on changes required (titles of modules and the construct of Part-qualifications within the registered Dairyman specialization qualifications) and one in which the QCTO official would join (and the first of two which are compulsory to be attended by QCTO). The meeting with the QCTO official was called to an end early by the QCTO official, as it seemed that the QDF did not follow some procedure or submitted inadequate reports. This will only be repeated in August.
- The project does not control these meetings and only attend them to supply subject matter expertise on the qualification design and content. This is extremely frustrating.
- Two more meetings were held to gain inputs from all 'Task Team' members on changes required (titles of modules and the construct of Part-qualifications within the registered Dairyman specialization qualifications). In the two work meetings between the QDF and Task Team, finalisation of titles, part-qualification designs and limited review of credits were done.
- One meeting was held by the Qualification Development Facilitator which could only be attended by two Private Training Provider employees and two recently nominated Dairy Experts, but not the Project Manager (as result of Eskom load shedding, rendering wifi useless and not being able to connect via MSTeams). Nevertheless, the Project Manager was constantly informed of discussions during the meeting via social media and even offers of advice could be made in this way. At least an outcome was scheduled as meeting to confirm revision and part-qualification designs as composed by the Task Team, for February 2023, WITH QCTO to attend.
- The QDF appointed by the SETA conducted the meetings for the year in a very repetitive fashion, where the same topics and revisions and designs were covered, without discernible progress. This frustrated the Task Team members.

GOAL 3: Promotion of skills and knowledge development in the dairy industry and guidance in respect of it to members of the dairy industry

- Work by and with the Qualification Development Facilitator on skills programmes for Dairyman, Milk Reception and Dairy Laboratory Analysis have not progressed since her wedding and disease spell in September 2021. This forms part of the list of endeavours compiled and approved as alluded to in (2) above. She made contact again to resume, only days after the quarter ended and planning is underway for meetings. It can be concluded that a number of forward steps have been made since the start of 2022.
- A question was posed to the Project Manager on why nothing was as yet communicated to industry on the available products from the dispensation and FoodBev SETA. In the view of the Project Manager it was stated that there would be no sense in communicating the lack of progress (which the Project deemed to be looming) to the potential end-users. Goals 1 and 2 impact heavily on the message in Goal 3 regarding the effectiveness and efficiency of the system and products to which the project allocates resources. The second quarter has not delivered any useful results that can be communicated in good faith.
- An information document reflecting industry's endeavours and activities was compiled and presented to Milk SA for distribution in the third quarter. It must also be taken into account that the truly active workplace



training providers (that perform more than 80% of the training recorded by the SETA), are members of our Task Team, Dairy Chamber at FBS and of the Milk SA sub-committee on Secondary Industry skills development and the main Advisory Committee on Skills Development. Those that are outside the 'inner circle' are involved by the services rendered by the Training Provider who is part of the Task Team. The avenues that currently exist cover most, if not all, of the active training workplace providers.

- Following the above third quarter report in respect of this goal, nothing further has been achieved that could be reported on. There are topics which the project would dearly like to report such as:
 - SDP accreditation
 - Training and Assessment Centre accreditations (workplace sites)
 - Learnership Grant Funding policy



AC Skills Meeting

- Recognition of Prior Learning moderations by the SETA and awarding of certificates
- All in all and encompassing all three goals the project can report mediocre progress, but a definite noting of industry's endeavours regarding skills and knowledge development and the improvement drive on administrative processes to make the dispensation highly operational and user-friendly, as expressed by industry's endeavours.

7.6 PROJECT TITLE: Enterprise Development

RESPONSIBLE INSTITUTION: Milk SA

PROJECT MANAGER:
Mr Godfrey Rathogwa (Transformation Manager of Milk SA)

GOAL 1 - Monitor existing Milk SA approved small holder black dairy commercialization enterprises.

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.

On average over the period, there were eight hundred twenty-seven (827) cows in milk. Farmers supplied 2 909 000 kilogrammes of milk to processors or consumers. Compared to 2021, the number of cows in milk increased by 0.21%, resulting in an increase of 1% in milk volume.

During the year under review, 15 beneficiaries were visited at Delareyville, Dewetsdorp, Dundee, Harrismith, Indwe, Matatiele, Senekal, Tweespruit, Vereeniging, Welkom, and Wepener. The visits were undertaken to assess the circumstances of each enterprise, particularly the fodder flow situation. There were thirteen farmers out of nineteen who planted maize for silage ranging from five to fifty-eight hectares. During the visit, farmers complained about too much rain preventing them from entering their fields which affected the flow of feed to their farms during the year. However, the majority of farmers (17) planted oats and Japanese radish.

There were about 120 mature cows that died from diseases such as lumpy skin, red water, and gall sickness during the year under review. Furthermore, a farmer lost around 36 cows that were stolen and never found. It was strongly recommended that beneficiaries consult their local veterinarians for information regarding vaccination programmes and dairy herd disease management programmes. Beneficiaries would have been able to manage their farms' mortality rate with the implementation of total dairy herd health management. Various measures have been recommended to minimize animal theft around farms, such as electric fences and cameras. Further, beneficiaries were encouraged during regular monitoring and evaluation meetings to consider live-stock insurance that will cover loss due to theft and disease.

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

- Adverse weather conditions of either too much heat or waterlogging adversely affected the planting and / or harvesting of crops planted for either silage or winter pastures. This adversely affected both the quality and availability of fodder.
- Access to veterinary services remains a challenge due to the shortage of state veterinarians and the high cost of private veterinarians. This was worsened by poor road conditions and a lack of transportation and equipment among state veterinarians.
- Load shedding negatively affects the quality of milk for farmers who do not have a backup power supply.
- The lack of farm machinery such as tractors negatively affected farm operations. This is because some farmers could not plant in time or plant at all due to a shortage of private ploughing services.
- Cow mortality was high due to diseases such as lumpy skin and red water
- Breeding was a serious problem on some farms because bulls were either old or infertile.
- Stock theft and vandalism of farm property were still rampant where beneficiaries are running their dairy businesses.
- Fire outbreaks on two farms of beneficiaries burned the grazing land and left farms without fodder. As reported previously, management of cooperative enterprises still remained 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.

GOAL 2 - Deliver pregnant heifers to new and existing black dairy enterprises depending on compliance with milk sa criteria and beneficiary counter performance. This expenditure includes veterinary services

In the year under review, 305 pregnant heifers were delivered to nine out of 21 beneficiaries.

This delivery was 268% higher than a total of 80 pregnant heifers delivered in 2021. Sixty-five (65) of 305 pregnant heifers were shared by four Milk SA recipients as part of the accelerated development plan, and 9 were given to a new beneficiary. Six of the above-mentioned eight beneficiaries received 150 heifers on a 25:75% cost-sharing basis between them and Milk SA.

The remaining 79 heifers were delivered to three of the eight beneficiaries on a cost-sharing basis of 40:60% between each beneficiary and Milk SA. Additionally, Milk SA delivered four bulls to two of these eight beneficiaries at a cost-sharing ratio of 25:75% between them and Milk SA respectively.

GOAL 3 - Fodder flow improvement on farms to ensure properly fed animals, good milk production, regular breeding and effective calf rearing

Adequate fodder flow is very 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 shortage of fodder on farms, the plan is to assist farmers to establish permanent pasture, on a cost sharing basis.

During the year under review, no permanent pasture was established on a cost-sharing basis because most farms lacked underground water for irrigating pastures but seven beneficiaries received assistance with soil analysis and recommendations on the suitability of specific pasture or maize silage planting.

A total of 721.5 tonnes of lucerne was delivered to sixteen beneficiaries during the year under review. The quantity delivered per farmer ranged from 5 tonnes to 40 tonnes per farmer. Most of the beneficiaries (56% of 16 out of 21 project participants) who bought lucerne saw an increase in milk volume, compared to those who did not take advantage of the Milk SA lucerne subsidy. Of the total lucerne delivered, 260 tonnes were on a 30%:70% cost sharing basis with Milk SA, 381.5 tonnes were on a 25%:75% cost sharing basis, and 80 tonnes were on a grant basis to two beneficiaries whose grazing farm camps were destroyed by fire. The total amount of lucerne delivered during the year under review was 85% higher than that of 2021.

A total of 598.28 tonnes of dairy meal concentrate were also delivered to fourteen of the 21 beneficiaries. Depending on the farmer, the quantity delivered ranged from 8 tonnes to 87 tonnes. A total of 95 tonnes, 105 tonnes, and 368,28 tonnes of the dairy meal were delivered under a cost sharing arrangement between the beneficiary and Milk SA at a ratio of 40%:60%, 30%:70%, and 25%:75%, respectively. Due to fire outbreaks, 30 tonnes were granted to two beneficiaries whose grazing lands were destroyed. We insist on cost sharing to promote an entrepreneurial mind-set and to protect Milk SA's scarce resources against misuse without accountability.

GOAL 4 - Supply critical enterprise on-farm infrastructure and affordable processing equipment

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 100% born by Milk SA has been offered. Actual support of infrastructure is also dependent on the available funds as Milk SA resources are very limited.

During the year under review, a cow-holding pen and workers' accommodation with a kitchen and ablution

facility were constructed for one beneficiary on a 25%:75% cost sharing basis between the beneficiary and Milk SA. Moreover, the same beneficiary was assisted in switching from a windmill to a solar energy pump. Construction on workers' accommodation for another beneficiary began towards the end of 2022 quarter 4 and should be completed by 2023 quarter 1.

Permanent pasture establishment under irrigation could not be implemented pending financial support approval by development financial institutions. Also, most farms lacked underground water for irrigating pastures. Experts on irrigation infrastructure were engaged and recommended conducting water assessments on farmers before investing in irrigation infrastructure such as centre pivots on farms. One beneficiary whose farm is nearby the river was advised to engage the local department of agriculture regarding the issue of water rights. Another beneficiary had a water assessment expert to be informed on the suitability of a specific irrigation infrastructure on the farm.

GOAL 5 - Capacitate new and existing black dairy entrepreneurs and their workers in critical dairy enterprise / business competencies and dairy processing- milk sa resources and external professionals. All costs included

During the year under review, a total of nine Enterprise Development meetings were held with project beneficiaries in Bloemfontein, Harrismith, and Senekal. Meetings in Bloemfontein were attended by farmers from Dewestdorp, Tweespruit, and Wepener with a total of twelve attendees.

Meetings at Harrismith were attended by farmers from Harrismith, Dundee, Swartberg, and Indwe, with a total number of eighty-two (82) attendees. Meetings at Senekal were attended by farmers from, Senekal and Welkom with seven (7) attendees.

The meetings covered the following aspects:

- Historical milk production
- Fodder flow
- Artificial insemination training
- Milk SA special support on a 25%:75% cost sharing basis
- Private veterinary services support by Milk SA
- Soil sampling and testing

- Nestlé SA sustainability programme
- Free State DALRRD applications for farmers support
- Dairy business support: letters to their respective banks
- Blended funding.

During the year under review, there was no formal workshop convened with external professionals, but seven project beneficiaries including the Milk SA Transformation Department attended a conference on Dairy Farming in SA for Sustainability & Profitability, convened by KPR conferences and Trading (Pty) Ltd. During this conference, the Transformation Manager made a presentation regarding the background of the transformation of the dairy industry in South Africa.

The following aspects were covered by experts during the conference:

- Participation of youth in agriculture
- Funding opportunities
- The economic aspect of dairy farming
- Purchasing a dairy farm and the aspects to consider
- Calves rearing
- Feeding and fodder management
- Reproduction system of the dairy cow and bull
- Artificial insemination vs natural breeding
- Bull selection, genetic aspects, and genetic improvements
- Diseases
- Fodder flow and pasture management
- The importance of soil testing and analysis
- Milking parlour, cold chain requirements and management programmes;
- Dairy hygiene

GOAL 6 - Coordinate and liaise with government at all levels -agrib-ee council meetings, marketing forum and provincial officers and all private stakeholders

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.

National Agricultural Marketing Council (NAMC)

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

A team of two personnel from the National Agricultural Marketing Council (NAMC) was taken to see Milk SA's project beneficiaries at Dewetsdorp, Harrismith, Senekal, Tweespruit, Vereeniging, Welkom, and Wepener to assess performance and challenges which were being experienced by beneficiaries. This was done in order to advise the Minister of Agriculture on Milk SA's progress on transformation and to assess the opportunity of promoting agro-processing activities amongst black-owned dairy enterprises.

A webinar convened by the NAMC on Agricultural and Food Systems Resilience: Increasing Capacity & Advising Policy (AFRICAP) policy dialogue was attended by both the Transformation Manager and Transformation Officer. The experts recommended that farmers be well-trained in all the skills that are necessary for climate-smart and sustainable agriculture development in order to minimize and cope with the effects of climate change. The importance of environmental conservation in agricultural practices was highlighted as being both an influential factor in protecting the environment and reducing the impact of climate change on agricultural systems as well as the contribution of agricultural practices to greenhouse gas emissions by using sustainable land management.

The NAMC questionnaire regarding the Milk SA transformation project was completed and submitted. The purpose of the questionnaire was to gather information for monitoring and evaluating the status of the Milk SA transformation project to ensure the transformation funds yield the intended benefits for the targeted beneficiaries. This exercise is performed annually and the NAMC Transformation status report will be produced based on the information provided.

As reported during quarter 4 of 2021, Milk SA was advised to submit its skills development proposal for its transformation beneficiaries to the NAMC. The NAMC will match rand to rand with Milk SA for the cost of developing entrepreneur skills related to climate-smart agricultural practices, marketing and distribution, agro-processing, and



entrepreneurship skills amongst transformation project beneficiaries.

During the year under review, the NAMC and Milk SA have been engaging each other on amendments to the memorandum of understanding (MOU) regarding Agri-SETA skills funds. The MOU will be signed as soon as both parties are happy with proposed amendments to the MOU; which MOU has already been signed between Agri-SETA and the NAMC.

Another meeting took place between Milk SA and NAMC during the year under review to discuss Milk SA's transformation initiative progress and to share challenges experienced by current beneficiaries. One of the major challenges facing the dairy industry is the lack of provision of veterinary services and an effective breeding programme. In order to address some of the challenges facing the dairy industry transformation initiatives, the NAMC facilitated engagement between ARC and Milk SA.

The meeting eventually took place among the ARC, Milk SA and the NAMC to enhance the existing partnership between Milk SA and ARC towards supporting the South African dairy industry transformation programme. During the meeting, Milk SA expressed its desire for an effective breeding programme to ensure that at all times at least 80% of mature cows are in milk. However, there were challenges relating to the breeding programme and the unavailability of veterinarians.

The meeting resolved that Milk SA and the ARC should engage further in the future to share more specific information on the challenges that needed to be resolved. Efforts are currently being made to engage ARC on the way forward. The NAMC further expressed their desire to visit some project beneficiaries to expose their new Transformation Review Committee members. A visit will be scheduled as soon as NAMC confirms its availability during the course of 2023.

Agricultural Research Council (ARC)

Agricultural Research Council (ARC) Smallholder Empowerment Promotion (SHEP) approach webinar hosted by ARC in collaboration with DALRRD, NAMC, and the Japan International Cooperation Agency (JICA) was attended by both the Transformation Manager and the Transformation Officer. It was learned that SHEP approach was geared towards assisting smallholder producers to increase their income by means of capacitating them to better manage group dynamics and improving production through various techniques, such as knowing the market requirement before they start to produce.

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

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

A meeting took place between Milk SA and DALRRD to discuss the following aspects: the transformation of the South African dairy industry, partnership of stakeholders involved in dairy development, state veterinary services for black-owned dairy enterprises, and land reform dairy farms. It was learned that there was a lack of partnership between provincial departments and Milk SA towards supporting dairy enterprises due to their complexity and capital intensity. However, the DALRRD agreed that they would co-ordinate the provision of agricultural extension services throughout the provinces including the areas where Milk SA's transformation projects are located.

Another meeting took place between Milk SA and DALRRD during the year under review. The purpose of the meeting was to discuss Service Level Agreement between Milk SA and DALRRD for supporting new potential dairy projects.

The DALRRD would like to form a strategic partnership with Milk SA to support the development of six potential projects on their database. Milk SA had expressed its interest to conduct a situational analysis of any projects to be shared by DALRRD in order to make an informed decision on whether to intervene in the development of these projects or not. Milk SA is waiting for DALRRD communication regarding the above-mentioned six projects.

The Agri-BEE Fund Directorate also met with Milk SA to discuss funding opportunities. A site visit was then conducted to one of the Milk SA transformation beneficiaries in the Free State Province. The visit was conducted to assess the potential of the project for support of agro-processing by the DALRRD's Agri-BEE Fund Directorate. The site visit was also attended by Absa Bank, Capital Unlocked, and the Provincial Department of Agriculture. During the site visit, all stakeholders took the following resolution to support the project:

- Milk SA, Absa, and Capital Unlocked would be involved in the project to support raw milk production
- DALRRD's Agri-BEE Fund and Fencorp would be involved in funding/supplying agro-processing facility and equipment; and
- Milk SA would obtain a business plan from SprayCo for forwarding to the Agri-BEE Fund directorate for their consideration

Dairy Standard Agency webinar

In the year under review, both the Transformation Manager and Officer attended two of the Dairy Standard Agency webinars. The first webinar was focused on Foot and Mouth Disease (FMD). It was learned that it is the responsibility of every member of the industry to report any suspected FMD cases and put in place proactive measures to mitigate the risk of spreading FMD around the country.

The second webinar shared information on some of the significant aspects of the microbiology, epidemiology, and host-pathogen interactions of E. coli in animals from a One Health perspective addressing animal and environmental reservoirs and proposing interventions targeted at pathways of transmission to optimize effective prevention and control measures. In both webinars, quality hygiene and vaccination of animals were mentioned as crucial elements to ensure total dairy herd health management.

Marketing Forum

In the year under review, both the Transformation Manager and Officer participated in three marketing forum meetings through Microsoft Teams. Several issues such as the following were discussed at these meetings:

SA-GAP performance report

The main goal of the SA-GAP Certification Programme is to assist smallholder producers of fresh produce to access both local and international markets by producing premium quality products that comply with food safety and quality standards as required by the market. The DALRRD is trying to assist as many farmers as possible to obtain SAGAP certificates. This will enable them the opportunity to sell high-quality products that meet global standards on local and international markets. PPEECB reported on the progress of SAGAP certification across provinces during all of these meetings.

Capacity building

DALRRD has a capacity-building program that aims to build agribusiness competencies through workshops that provide market information regarding specific agricultural commodities. This program is run across all provinces. During the marketing forum meetings, all developments related to their capacity-building programme were reported on constantly.

Agri-BEE Fund

The Agri-BEE fund was still being discussed during the marketing forum meetings, and farmers were still invited to apply.

Free State Agri-BEE Council

One meeting was attended to in Bloemfontein and the council was assisted to develop a questionnaire to promote objectivity in dealing with agricultural transformation issues. Furthermore, a conference on small business development was also attended and the emphasis on supporting true entrepreneurs was made. Two of our project beneficiaries were introduced to the department of economics, small business development, tourism, and environmental affairs (DESTEA). These two beneficiaries are now getting attention for support from DESTEA.

FANRPAN

A meeting of the Transforming Irrigation in Southern Africa (TISA) Climate Smart Agriculture Policy Dialogue was attended by both the Transformation Manager and the Transformation Officer. The meeting discussed the preliminary program for the 2023 FANRPAN TISA dialogue. A goal of this dialogue is to collect evidence of CSA's importance in fostering resilient farming communities so government policies and multilateral climate change initiatives can be informed. Milk SA was requested to communicate with FANRPAN on whether they would be able to participate in the dialogue. In addition, they were requested to share their dairy industry experiences regarding climate change in agriculture.

Private Veterinary Services

A meeting was held between Milk SA and a private veterinarian at Harrismith. It was intended to discuss Milk SA's needs for a private vet to provide veterinary services to Milk SA beneficiaries at Harrismith after a request for one was made. The private veterinarian acknowledged Milk SA's request for assistance and expressed willingness to assist. The vet also advised Milk SA to secure a community compulsory services veterinarian, and further requested a list of farmers, their contact details and their locations in order to start familiarizing herself with the farmers.

National Treasury: Jobs Fund webinar

A webinar hosted by Jobs Fund was attended by both the Transformation Manager and Officer. The webinar was primarily focused on sharing the success and impact of the Jobs Fund on capacitating the South African primary health-care sector through social franchising.

Family Net Group Milk Needs

A meeting was held between Family Net Group and Milk SA. The Family Net Group was looking for raw milk suppliers so that they could resell it to their customers. The Family Net Group was informed that most of the Milk SA dairy farmers were committed to their milk buyers. As a result, Milk SA offered to connect the Family Net Group with any upcoming farmer without a market for raw milk.

Nedbank

A meeting took place between Nedbank and Milk SA. The purpose of the meeting was to discuss and share common interests between Nedbank and Milk SA regarding the empowerment of black-owned enterprises in the dairy industry. The two personnel from the Nedbank have highlighted that the Nedbank has agricultural empowerment solutions and that they would like to partner with industry associations and stakeholders for them to gain better insight into the industry and challenges facing, and can, therefore, provide information and solutions that could help to address identified challenges and optimise opportunities. Nedbank would like to support growth in the agricultural sector and to support black farmers to be sustainable.

NAMPO 2022

NAMPO Harvest Day 2022 was attended by both Transformation Manager and Transformation Officer. The purpose of the visit was to engage with Nedbank as invited, and meet some of the project beneficiaries together with some suppliers of moveable agricultural farming inputs which farmers were planning to buy with Milk SA support'. One of the positive outcomes of the visit is that one of the honest suppliers of irrigation equipment advised us that centre pivot could not be bought unless there is a certainty of water volume. They had an opportunity to meet and engage with various exhibitors and other role players in the agricultural industry to learn about the latest technology and products on offer in the farming industry, not only in South Africa but around the world.

Milk buyer

A meeting with a milk buyer at Dundee area, KwaZulu-Natal Province also took place to discuss one of Milk SA's transformation beneficiaries' milk production performance, challenges experienced, and possible solutions to improve enterprise performance. The milk buyer indicated that they would like to see an improvement in milk quality and volume from the beneficiary. The main challenge of the beneficiary was the lack of fodder flow as they could not cut maize that was planted for silage due to waterlogging. They were planning to buy maize silage from another farmer at Ladysmith but the price was out of affordability.

UMzinyathi District Development Agency

A meeting took place between UMzinyathi District Development Agency (UDA) in KZN and Milk SA to discuss the empowerment programme that UDA has for black-owned dairy enterprises in UMzinyathi District, KwaZulu-Natal Province. It was learned that the UDA had already assisted one farmer who is part of Milk SA's sustainable commercialisation smallholder dairy enterprises programme by taking over the project from the initial funder. The UDA would like to form a partnership with Milk SA in order to support the current project and other dairy farms that would emerge around UMzinyathi District in the future.

6.15 Irrigation infrastructure supplier. In an effort to assist farmers to establish permanent pasture on their farms, a meeting took place between Milk SA and the supplier of the centre pivot irrigation system to get more information. It was learned that a centre pivot irrigation system requires a farmer to have sufficient water around the farm. It was also advised that farm assessment regarding the suitability of the centre pivot irrigation needs to be done by an expert before centre pivot irrigation infrastructure is installed on the farms.

Potential new beneficiaries

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

- Another potential project at Sedibeng District Municipality in the Gauteng Province was also met twice during the year under review. The farmer was advised to secure an economically viable farm size before any final decision could be taken on whether to recommend him to be part of the Milk SA transformation programme because he was operating on about five hectares. The farmer indicated that he had already started looking for economically viable land size and would notify Milk SA as soon as the land is found and secured.
- Other three meetings were held at Giyani, Mokopane, and Smithfield respectively and each farmer was advised either to go to development financial institutions.
- Another potential farmer in the Eastern Cape was advised to look for quotations for his enterprise needs pending consideration of his participation in the Milk SA Transformation programme by the Internal Management Committee.

Parliamentary questions

The Transformation Manager was approached to assist regarding the parliamentary question below: -

"What steps has she and/or her department taken to support South African milk producers by ensuring that:

- Rising costs in the sector do not contribute to food insecurity in the Republic and (b) milk remains affordable for the poorest in society?"
- The dairy industry, like many other industries, is under pressure due to cost increases which are to a large extent, the result of developments in the international market;
- The dairy industry, like many other industries, is hamstrung by the slow economic growth in South Africa, and the Government is given high priority to actions aimed at promoting economic growth;
 - The dairy industry is one of the most demanding and complex industries, as its production processes are continuous (24 hours a day, 365 days a year) and due to the huge number of different scientific fields, which are relevant;
 - The dairy industry participates in the Agricultural and Agro-Processing Masterplan initiative. In terms of this initiative, various actions to improve the competitiveness and growth of the dairy industry and other industries were identified and are attended to; and
 - Through regulation implemented by the Minister, in terms of the Marketing of Agricultural Products Act and which is administered by Milk SA, of which the members are MPO and SAMPRO, a variety of actions are taken to improve the competitiveness and development of the dairy industry. These actions are in respect of issues such as:
 - Consumer education;
 - Promotion of the quality of dairy products;
 - Research especially aimed at resolving theoretical challenges;
 - Market signals to promote the effective working of markets;
 - Support for small black enterprises in the dairy industry;
 - Food safety and compositional standards; and
 - International trade and international trade agreements.



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

Introduction

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

The DSA¹ serves as an objective organisation, which acts according to scientific information and functions independent of commercial interests that may affect the organisation's actions. The DSA as organisation:

- Has a Board of Directors consisting of members who have no interest in any commercial enterprise in the primary or secondary dairy industry;
- DSA membership consists of the 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);
- Has an established technical committee comprising of scientists who are specialists in the matters handled by the DSA; and
- Has an established enterprise risk management programme that is maintained through its Risk Committee to ensure alignment of DSA project activities with the company as well as Milk SA objectives and strategies.

The DSA strategic approach for 2022 was accepted by the DSA Board and members and was the result of a comprehensive consultation process. This strategic approach contributed in a significant manner by limiting sub-

standard milk and other dairy in the retail and was realised through the progressive implementation and maintenance of the DSA statutory and non-statutory projects.

The DSA mandate is stipulated in its Memorandum of Incorporation (MOI), that was taken under review during 2022, to ensure that the company's goals are still aligned with the strategic objectives of Milk SA.

The DSA MOI provides for eight members and five directors. Due structural changes in the primary sector the DSA members participating in meetings were 6.

The DSA permanent staff complement for 2022 comprised of nine employees remunerated from statutory income and two from non-statutory income. The services of three external contractors were used in the execution of project orientated activities. Due to the size of the company, blended role activities and dual responsibilities remained a common phenomenon. The outsourcing of non-core functions such as financial services were done by means of contractual agreement. Adherence to generally accepted corporate governance was accomplished through effective communication with the chairman of the DSA Audit Committee and the DSA Board.

To assist the DSA in executing its mandate in a scientific and objective manner, the DSA Technical Advisory Committee members contributed on an ad hoc basis. This committee consisted of a panel of experts that provide valuable scientific and legal knowledge to the DSA regarding microbiological and chemical product specifications and related matters.

Dairy Standard Agency Organisational Structure



¹ The DSA's existence is the direct result of the acceptance of a strategic approach by the organised dairy industry (Milk SA, SAMPRO and the MPO). The approach is aimed at increasing the market for milk and other dairy products, the improvement of international competitiveness of the South African dairy industry and the empowerment of previously disadvantaged people.

DSA and transformation in the dairy industry

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

The DSA acknowledges the commercialisation of black dairy farmers as well as at secondary (processing/manufacturing) level, as stakeholders in the South African dairy industry. 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 and further processing is well recognised and to this effect the DSA actively work in close collaboration with the Transformation Project as well as other projects of Milk SA. The collaborative work and recommendations mainly dealt with aspects relating to an advisory in respect of compliance with the relevant health legislation as well as guidelines e.g., the DSA Code of Practice for Milk Producers.

DSA 2022 Projects

According to the approved 2022 project plan, Dairy Standard Agency (DSA) activities were grouped into specific programs and projects under the titles "Milk SA" (statutory) and "User Pay" (non-statutory). A total of 17 goals/projects were managed of which 10 are statutory funded.

To successfully continue in 2022, activities within projects of the DSA were prioritised on a first and second level basis. This prioritisation process coincided with the DSA Audit Committee's role in terms of risk analysis, which is reviewed on an annual basis. DSA statutory and non-statutory activities are included as in the level of priorities in view of the company's balanced approach to achieve its main objectives.

2022 Projects/Goals funded by Milk SA (statutory)

Project No	Item
1	National monitoring of milk and other dairy products in collaboration with Health Authorities
2	Investigations regarding quality problems in respect of product-compliance with legal standards
3	Special investigations
4	Milk and other dairy product risk identification
5	Remedial action programs with the processors and distributors
6	Communication with the authorities and other organisations
7	Liaison on legislation with authorities and other organisations
8	Information and education
9	Media communication
10	Development of guideline documentation

Project 1: National milk monitoring program in collaboration with health authorities

The quarterly sample runs for 2022 were successfully completed as per predetermined schedules. Based on four cycles an average of 7 metropolitan municipalities, 12 district municipalities and 45 local municipalities participated in the sampling runs, representing all provinces. As per procedure, results of all milk and other dairy products were benchmarked against food safety, compositional and trade metrology standards as per regulation. DSA, in terms of its project protocol and relationships with the relevant authorities, continuously worked with the law enforcement bodies and provided support through dairy technical information, workshops and guideline documents to limit the sale of non-conforming product.

The annual sample run activities (cycle 79 to 82) were completed as per schedule and the number of samples per product for 2022 were 1961.

The product scope for the different cycles was as follow:

- Cycle 79: Milk (raw and pasteurised), fermented products: cultured milk/Amasi, cultured buttermilk, yoghurt (plain & with added foodstuffs), drinking yoghurt and dairy snacks.
- Cycle 80: Milk (raw and pasteurised), butter and cream.
- Cycle 81: Milk (raw and pasteurised), cream cheese, cottage cheese, cheese and cheese with added foodstuffs, processed cheese and cheese spreads.
- Cycle 82: Milk (raw and pasteurised), ultra-high pasteurised (UHT) milk, sterilised milk, flavoured milk, sweetened condensed milk, evaporated milk, dairy powder, dairy dessert.

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 which 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 matters were attended to and investigated by the DSA office:

- UHT samples were sent for analyses to determine possible adulteration by means of addition of

reconstituted milk (addition of milk powder and whey powder).

- Labelling and composition of dairy products sold in Northwest Province.
- Off-taste in fresh milk and extended shelf life (ESL) milk sold nationally. Testing for the possible addition of preservatives to milk were done, followed up by root cause analyses and confirmation tests.
- Possible adulteration of UHT milk sold in the Eastern Cape. Sampling and analyses were completed, and the processor was informed of non-conformances.
- Labelling of non-dairy products were assessed in terms of current agricultural and health legislation.
- Compositional non-compliance of the fresh milk sold in Gauteng. Five (5) brands of different compositional classes were investigated. Investigation was completed and reports communicated to applicable processors.

Project 3: Special Investigations

Aflatoxin M1

National screening during all four quarters for the presence of *Aflatoxin M₁*, in fresh milk sold in South Africa during 2022 took place to determine levels of compliance.

A total of 874 milk samples in the retail industry were analysed, which revealed positive screening results of concern. These results were communicated to the respective health authorities as well as processors to implement remedial action. Sample results were also used for further research relating to the nature, prevalence and impact on human health.



Psychrotrophic bacteria in milk destined for human consumption.

To deal with the problems caused by psychrotrophic bacteria and the rapid detection in milk, the project namely: "Evaluation and validation of methods for the detection of psychrotrophic bacteria and proteolytic enzymes in milk" was established. The project was commissioned during the second quarter of 2022. Assistance was rendered to DSA by the Milk SA Research and Development Project (Milk SA R&D) to develop a rapid test method for detection of psychrotrophic organisms in raw milk, of which work was done by the University of the Free State. The project is scheduled for completion during the second quarter of 2023. A test method was developed, and DSA Laboratory Services are in the process of sourcing equipment and the establishment of the method as part of the ongoing effort limit the effect of Psychrotrophic bacteria in the dairy value chain and to broaden the services provided to the industry by DSA and the projects of Milk SA.

Addition of milk powder to various types of milk (Pasteurised, ESL, UHT and sterilised milk)

Work on this project has been initiated in 2019 and outsourced to an external specialist laboratory to develop the analytical method currently not in existence. The work was supported by conducting internal trials using upgraded adulteration detection software installed on the Milkoscan equipment, to detect the addition of various types of milk powder to different types of milk. Data analyses and interpretation thereof will be finalised during the first half of 2023. The research is still in process.

Establishment of a suitable sterility test for UHT and sterile product

The first equipment was obtained for experimental purposes in 2021 and later replaced with more advanced equipment on a trial basis. Tests were successfully conducted in 2022 and the analytical is to continue in 2023 before final commissioning.

Project 4: Risk identification through statistical analysis

The DSA national dairy monitoring program provides for the sampling of milk categories namely packed pasteurised and unpasteurised milk and retail bulk pasteur-

ised and unpasteurised milk as well as other dairy products. Relevant information regarding food safety and compositional standards for milk, and other dairy products were communicated to the relevant dairy industry members as tests were completed.

Reporting

Reports on non-conforming results were forwarded to the respective law enforcement 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 2022 were 353.

Management information system (MIS) upgrading

Continuous upgrading of the DSA management information system (MIS) is critical to the operations and effective service delivery of the DSA and continued during 2022.

National and international food safety and recall monitoring

National and international food safety alerts during 2022 were monitored. On average 20 national and international websites were monitored on a weekly basis for possible food safety risks relating to dairy during this year, that could have a public health impact on South African consumers. The DSA was prepared to communicate to the Department of Health, The International Food Safety Authorities Network (INFOSAN) which is a global voluntary network of national authorities with a role in food safety, and the Rapid Alert System for Food and Feed (RASFF) is a system for reporting food safety issues within the European Union. No further actions were required based on the monitoring activities.

Other relevant information regarding food safety and compositional standards for milk and other dairy products were communicated to the dairy industry and other organisations.

Project 5: Remedial action programmes with producer-distributors (PD's) and distributors

The perishability of most dairy products requires prompt action regarding follow-up of non-conforming products as to ensure appropriate action by the parties involved. The data obtained

from Project 1, were used and effectively communicated to industry members. Environmental health practitioners (EHP) were also formally requested to communicate all test results to relevant stakeholders in a confidential manner.

The DSA technical personnel visited the respective processors, producer/distributors and retailers (milk shops) to discuss the test results (already received) and to assist with possible causes of the non-conformances and give recommendations to rectify the non-conformances.

In case of no non-conformances, courtesy visits were paid to establish and build the role of DSA in a supporting function.

During 2022, 161 visits were paid to processors, PD's and milk shops in 7 provinces.

DSA technical personnel also visited the associated EHPs from the respective government departments of the processors, producers/distributors and retailers (milk shops) to give support and guidance in the execution of Project 1.

As part of the remedial action program, assistance was given to processors on the verification of compliance of product labels against national standards. Sixty-one company's dairy product labels were reviewed and comprehensive feedback reports on each label were communicated to processors. The updated labelling website was promoted during the visits.

Project 6: Communication with authorities and other organisations

Department of Health: Directorate Food Control

As a continuous activity, DSA in a support role, participated 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, nutritional labelling, sale of raw milk received attention.

Technical consultation with the directorate in respect of Codex Alimentarius matters relating processing aids, food additives, preservatives, front-of-pack labelling on dairy products and current regulations relating to labelling of foodstuff were on-going.

Municipal health authorities

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

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 (in terms of the DSA mandate) were restricted to communication with the Directorate: Food Safety and Quality Assurance considering the judgement by the High Court in the case between Woodlands Dairy and Milk SA and the DALRRD respondents and revocation of the appointed under the Agricultural Product Standard Act by the Minister.

Following the revocation of the appointment of the assignee, a meeting was held between the Directorates Inspectorate and Food Safety Quality Assurance to revive the previous arrangement whereby DSA provided all non-compliant results to designated personnel for appropriate action against contraveners of the act and standards. This meeting took place in December 2022 and was successful.

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

Directorate: Food Safety and Quality Assurance (FSQA)

Communication with Food Safety and Quality Assurance (FSQA) regarding dairy product compositional matters and the interpretation of the regulations relating to dairy and imitation dairy products continued. Formal communication with the FSQA continued regarding the revision of the latest R1510 of 2019 - Regulations relating to dairy and imitation dairy products, the industry process to review R1510/2019, requirements for the marketing of A2 milk, the Agricultural Product Standards Amendment Bill, Codex Standards relating to dairy as well as the economic partnership agreements (EPAs) on geographical indicators with specific reference to Feta.

National Regulator for Compulsory Specifications (NRCS): Legal Metrology

Standard procedure provides for quarterly reports regarding metrology infringements to the Senior Manager, Inspections: Legal Metrology of NRCS. No formal complaints based on routine product testing were lodged with NRCS during 2022.

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

South African Bureau of Standards (SABS)

DSA continued participation in the review and development of a draft SANS standards regarding the handling of chilled and frozen foods as well as SABS TC 034/SC 17 annual meeting. Liaison for the supply of discounted copies of SANS standards on behalf of the industry was successful, with a consignment of 70 and 110 SANS 1694 delivered to milk buyers farmer organisations in the Eastern Cape and Western Cape respectively.

Also, during this report year, the managing director of DSA was re-elected as chairman of the SABS TC 034/SC 05: Milk and milk products.

Milk SA, Milk Producers' Organisation (MPO) and the South African Milk Processors' Organisation (SAMPRO)

DSA interacted on a regular basis with the project managers of the Milk SA's Consumer Education Project, SAMPRO, MPO, Coordinating Committee of Milk SA (DSA, CEP and R&D project of Milk SA). The Milk SA Dairy Research & Development Committee (DRDC) and management committee meeting were attended, and also the Sub-committee: Sustainability in respect of animal welfare.

Detail of these interactions:

- Milk SA matters were attended to in respect of industry queries as well as dairy technical issues relating to amendment to the Milk SA Guide to Dairy Farming in South Africa. The Milk SA coordinating committee meeting was attended during the last quarter of 2022.
- SAMPRO – DSA support services were regularly rendered to SAMPRO members as was the case with all Milk SA levy payers.

- MPO – participation in the assessment of dairy farms as part of the Nedbank/MPO Stewardship programme.
- MPO – discussions with the Institute of Dairy Technology and completion of a service level agreement to collaborate, regarding food safety management training, took place as well as discussions with MPO management regarding the revision of R1510 of 2019 during 2022.
- Milk SA Research and Development – The management committee and general meetings were attended during the report year as well as participation in strategic planning sessions relating to the Dairy Research and Development Committee (DRDC) research projects in conjunction with the DRDC project manager.

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

DSA as member of the Food Safety Initiative (FSI) interacted on a regular basis with the management of FSI regarding matters relating to:

- Agricultural Product Standards Act (APS) and the amendment bill;
- The assignees appointed under the APS Act;
- Foodstuffs, Cosmetics and Disinfectants Act (developments regarding the front-of-pack labelling and healthy food options programme);
- Health promotion levies;
- Food loss and waste program (3 meetings were attended during 2022); and
- Milk SA Consumer Education Project.

The front-of-pack labelling initiative continued 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 and liaised with EHEDG regarding webinar participation by industry in 2022.

International Dairy Federation (IDF)

DSA's 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 and the technical secretary of SANCIDF. Electronic meetings and engagements included:

- SCSIL (Standards for identity and labelling) mid-year meeting, 2 June 2022
- SCAHW (Animal Health and Welfare), 10 May 2022
- SCMAC (Standing Committee on Analytical Methods for Composition)
- SCMh (Standing Committee on Microbial Hygiene)

Related electronic webinars of the IDF were attended where possible, as well as commenting on documents relating to Codex Alimentarius such as CCFA (Food Additives) and CCFH (Food Hygiene).

DSA's managing director also attended the business meetings of the IDF as well as the World Dairy Summit (WDS) during September 2022 in Greater Noida, Delhi. Since the WDS, a significant amount of work via the action teams of the respective standing committees were actioned, leading to the increase in correspondence and comments. Participation continues in the various action teams with specific reference to front-of-pack nutritional labelling, good agricultural practices, food additives and draft comments on Codex papers. Electronic meetings were attended where possible as well as participation as member in the standing committee animal welfare's new work item: "guidelines for a novel approach to manage milk quality on farms".

South African Society of Dairy Technology (SASDT)

DSA's managing director and staff members serve on the management committees of the Northern and Western regions and participated in the SASDT management and national strategic planning meetings during 2022 as well as a SASDT webinar and student evening. DSA members presented at the SASDT National Symposium on 24 March 2022.

South Africa National Consumer Union (SANCU)

DSA is a member of SANCU and presented during 2022 at the SANCU's annual general meeting on the topic "A regulatory perspective on plant-based products".

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 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). Physical meetings and workshops took place as indicated under project 8 and the project manager attended the meeting of the Academic Advisory Committee for Environmental Health in August 2022.

Project 7: Liaison on legislation with authorities

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

Department of Health: Directorate: Food Control

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

- Revision of the regulations relating to milk and dairy products (R1555/1997). The revision work is still in progress because of the priority work of the Milk SA workgroup finalising the regulations relating to product composition of DALRRD as well as other related regulatory work.
- Publication of the draft regulations relating to the labelling and advertising of foodstuffs.

Department of Agriculture Land Reform and Rural Development (DALRRD) Agricultural Product Standards Act, 1990 (Act 119 of 1990)

Revision of the 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). The draft was forwarded to the industry in April 2022 and the period for comments extended until July 2022. After comments received from industry, same were collated and dealt with by the technical work group. The second draft was forwarded to the industry with the closing date for comments in October 2022 following, of which the Milk SA working group collated the final work prior to further communication to industry and DALRRD. A formal meeting with officials of DALRRD took place in December 2022 regarding the draft and to discuss regulatory discrepancies to consider.

Liaison with DALRRD continued in respect of violations of geographical indications relating to Feta by South African manufacturers as well as the establishment of an effective

working relationship following the revocation of the appointment of the assignee.

South African National Standards (SABS) and African Standardisation Organisation (ARSO)

The committee meeting of SABS TC 034/SC 17, *Hygiene practices in the food industry: SANS 10156: 202X-Ed2 Handling of chilled and frozen foods* was attended in May 2022.

The managing director of DSA was re-elected as chairperson of the SABS TC 034/SC 05 regarding milk and milk products. As chairperson of the TC 034/SC 05, DSA's managing director was appointed on behalf of the SABS and industry on the African Organisation for Standardisation (ARSO), TC 04, Milk and milk products and attended the ARSO workgroups 1, 2 and 3 as well plenary meetings with the assistance of the DSA appointed contractor.

International Dairy Federation (IDF), Codex Alimentarius and International Organization for Standardization (ISO) and European Union (EU)

As representative of the SANCIDF, the managing director of DSA participated in the IDF communication and commented where applicable on standing committee activities.

The Codex requests in preparation of the 2022 meetings were and shared in the Regulations and Standards Project of Milk SA as well the SA Codex Contact Point for South Africa, situated at the office of the Department of Health.

DSA attended the EU Seminar on standards for agri-food products in Johannesburg in May 2022. Sessions attended mainly dealt with geographical indicators.

As previously indicated, the DSA's managing director attended the IDF World Dairy Summit and business meeting during which substantial information was gained on Codex as well proposed EU regulations relating to dairy.

Dairy Standard Agency Technical Committee (DSA TC)

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) as well as R1555 of 1997 that took place in 2021 continued in 2022. This work also supports the project work of the Regulations and Standards Project of Milk SA.

One main area of focus includes a new project application to Milk SA, namely proposed establishment of validated test methods for the accelerated determination of numbers and activities of psychrotrophic bacteria in milk. This project work supports in particular the early detection of high psychrotrophic in raw milk prior to processing.

Project 8: Information and education project

DSA presents information sessions based on the DSA Codes of Practice and related guideline materials to professional environmental health practitioners (EHPs) as well as student EHPs, and other professions such as veterinary and BSc Agric students. In 2021 the project operations have been amended to engage with the institutions more through electronic communication, however, upon request the information sessions in 2022 again were presented as interactive classroom sessions.

Dairy information sessions for student EHPs, veterinary, BSc Agric students and municipal environmental health practitioners were scheduled with the respective tertiary institutions/municipalities with the sessions been conducted at tertiary and government institutions.

With the webinars presented in in 2021 the scope of the audiences was widened to cover other interested parties and due to the positive rating of the webinars and on popular demand another 10 webinars were lined up for 2022.

Effectively the project reached 663 people on dairy technical information matters via formal platforms. Recordings of all the webinars on the Dairy Standard Agency's website are useful to re-cap or for interested parties not able to attend the webinars.

Project 9: Media communication

DSA signed contractual agreements with Agri Connect and Plaas Media as well as Food and Beverage Reporter. Fourteen advertorials/advertisements and two articles relating to animal welfare and DSA Laboratory Services were published in the Dairy Mail and Plaas Media during 2022. Three radio interviews and one TV recording on two national broadcasting station were conducted during the report year.

DSA advertising was also done through the 10 annual scheduled webinars and the DSA website.

Project 10: Development of guideline documentation

Following the successful implementation of the Code of Practice for Milk Producers (COP) in March 2022, the work

on the development of a generic documentation system for milk producers, required for the successful implementation of a good agricultural practice (GAP) system on farms and aligned with the COP (focussing on food safety, animal welfare, environmental sustainability, and biosecurity) was initiated. The target date for completion of the draft was reached by the end the third quarter of 2022. Completion of the project was postponed to the first quarter of 2023 due to the increase of workload of related projects.

7.8 PROJECT TITLE: Dairy Regulations and Standards

RESPONSIBLE INSTITUTION:
Dairy Standard Agency NPC

PROJECT MANAGER:
Mr Jompie Burger

The organised dairy industry acknowledges the importance of compliance with the law and related standards (national and international) as it pertains to the dairy value chain. The regulatory landscape relating to milk and other dairy products is of multi-dimensional nature and involves regulations relating to product composition, food safety, animal health and welfare, animal feed, milking parlours, and the transportation of milk, processing plants, storage and related matters such as environmental management and export requirements. Publication of voluntary standards known as South African National Standards compiled by the South African Bureau of Standards (SABS) are subject to public participation and are also considered as an integral part of the function of this Project. Participation in the African Organization for Standardization (ARSO) technical committee which is subject to standards harmonisation work is the ARSO/TC 04, Milk and milk products were also dealt with under this project via the South African Bureau of Standards (SABS) TC 034/SC05, Milk and Milk Products.

Effective communication of regulations and standards and aspects relating to the enforcement thereof is essential, as the dairy industry is required to be fully conversant of current and proposed changes to legislation and voluntary standards. To assist in this regard, the activities of the project were executed according to its Project Plan which

is subject to review on an annual basis.

It is important to note that this project is not a duplication of the DSA Project goal 7, Title: Liaison on legislation with authorities and other organisations, as the fundamental difference of Goal 7 relates to the relationship and involvement of DSA in terms of its mandate namely promoting the improvement of compliance with national regulations and with government structures and interpretation and implementation of the relevant laws and regulations.

The Regulations and Standards Project of Milk SA actively participated in formalizing draft regulations and standards and comments on regulatory matters, legal consultation as well as communication through Milk SA in the interest of the dairy industry and other stakeholders.

The project management of the Regulations and Standards Project (R&D) of Milk SA regularly consulted during the report year with the organised dairy industry and other stakeholders with specific reference to the following:

- Interaction on a regular basis with the project managers of the Milk SA's Consumer Education Project (CEP),



South African Milk Processors' Organization (SAMPRO), Milk Producers Organisation (MPO) as well as the Project Coordinating Committee of Milk SA (DSA, CEP and Dairy Research and Development Committee (DRDC).

- The DRDC and management committee meetings were attended, and subsequent contributions were made towards regulatory matters regarding sustainability with specific reference to environmental management and animal welfare.
- Joint interaction on International Dairy Federation (IDF) matters, as well as with the Consumer Goods Council of South Africa (CGCSA) continued to ensure comprehensive reports, based on science to the respective regulatory bodies.

The following matters received priority attention during 2022:

DEPARTMENT OF HEALTH – FOODSTUFFS, COSMETICS AND DISINFECTANTS ACT

Front-of-pack nutrition labelling and the draft Regulations relating to the Labelling and Advertising of Foodstuffs

Front-of-pack nutritional labelling (FOPNL) refers to a nutrition labelling system that is presented on the front of food packages with the aim of supporting consumers to make healthier food choices at the point of purchase by delivering simplified and at-a-glance nutritional information.

Previously falling under the Directorate Food Control of the Department of Health (DoH), front of pack labelling is now administrated under the Directorate Nutrition of the same department, which proposes a warning sign on the front of processed food packaging, that warns the consumer if the product is high in fat, salt and/or sugar. These are the nutrients that are associated with increased health risks. The revision of the R146 of 2010 resulted in draft regulations designed by DoH of which the final draft was expected during 2022. The draft is expected early 2023.

In principle the organised dairy industry has no reason not to support the overarching goal of improving the health of South Africans, subject to an objective scientific based approach on FOPNL and provided that any developed FOPNL warning system by DoH will not harm the undisputable contribution of the nutritional value of milk and other dairy products as part of an overall healthy lifestyle.

In the participation process, the Regulations and Standards Project and Consumer Education Project of Milk SA collaborated with the CGCSA, with the aim to support a unified approach on FOPNL to assist companies to provide consumers with accurate, transparent, and holistic nutrition information, based on sound science. The collaboration by the Regulations and Standards Project and Consumer Education Project of Milk SA took place through a working group referred to as the Milk SA Task Team, which aims to strengthen the position of the dairy industry, with specific reference to the unique nutritional composition of dairy.

The Milk SA Task Team was supported by a team of experts to formulate the scientific arguments for a submission to DoH under the umbrella of the Regulations and Standards Project of Milk SA. The intention of the task team is to develop an evidence-based submission so that the DoH would:

- Consider excluding lactose as intrinsic sugar in dairy products in the calculation of total sugars for the purpose of FOPNL;
- To consider an argument for dairy fats in FOPNL, taking into account emerging research results on the health benefits of dairy towards cardiovascular disease and the overall lowering of risks of non-communicable diseases; and

- To propose reasonable cut-off values for intrinsic sugars and saturated fats for consideration by the DoH.

The framework for the development of a submission to the DoH was completed by the Milk SA Task Team and the final document will be submitted once the formal draft regulation has been published in 2023.

Matters relating to R1555 of November 1997, Regulations relating to milk and dairy products under the Foodstuffs, Cosmetics and Disinfectants Act

A document on "Proposed Microbiological Criteria for Revision" was completed with the assistance of a Milk SA Technical Workgroup (TWG) which firstly dealt with scientific issues followed all the other restrictive issues and prohibitions in the draft regulation. In support of the dairy food safety standards in the latest proposed draft, consensus was achieved for a scientifically driven guideline document for the purpose of interpretation of proposed standards. The work of this project has been delayed due to the amount of time vested in amongst other related regulatory activities including the proposed draft regulation relating to dairy and imitation dairy products under the Agricultural Product Standards Act and will continue in 2023.

DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT - AGRICULTURAL PRODUCTS STANDARD ACT

Review of dairy and imitation dairy product regulations

The Regulation and Standards Project of Milk SA continued to liaise with industry through the Milk SA established Technical Workgroup (TWG). The first meeting was held in March 2022 and a draft proposal was forwarded to industry end of April 2022 for comments.

The Milk SA TWG convened during the second quarter following which another proposal was compiled as well as comments on the first draft and circulated for comments in July 2022. Comments were collated by the Milk SA Technical Workgroup and a second draft was circulated to industry for comment with the closing date 21 October



2022. The information was collated for the purpose of discussion by the TWG which convened, and a scheduled meeting took place with DALRRD, Directorate Food safety and Quality during December 2022 to present and resolve principal issues presented in the proposed draft. Work on the proposed draft is to continue during 2023.

Matters relating the Border Management Authority Act, 2020

The Border Management Authority Act of 2020 was communicated to the members of the Regulations and Standards Committee noting that the Border Management Authority (BMA) was intended to take charge in the border control area, which effectively meant that it would replace the roles of the Departments of Health and Department of Agriculture, Land Reform and Rural Development and the South African Revenue Service at imports and exports. Monitoring continued during the fourth quarter of 2022 with specific reference to border control and services to be rendered by the Directorate: Inspection Services under the Agricultural Product Standards Act. It is expected that once the 2022/2023 National Budget has been approved, that the role out of the processes will be implemented.

It was noted that the Border Management Authority is an organ of state and that competencies and funding would be drawn from the current departments to assist in putting this authority together; and that the industry would be informed once there was more information.



Draft regulations relating to the protection of geographical indications (GIs) used on agricultural products intended for sale in the Republic of South Africa

A Department of Agriculture, Land Reform and Rural Development (DALRRD) meeting was held on 7 June 2022 to discuss the third draft amendment regulations for geographical indications (GIs) together with the industry members.

During the meeting it was resolved that:

- The following regulations in the third draft amendment document will be revisited by the DALRRD:
 - The regulations to include applications for registration of a trans-border GI or trans-border designation of origin that is not yet registered in the bordering country.
 - Certain regulations be simplified and clarified the intention and interpretation, as well as to avoid confusion.
- The definition for "agricultural product" is to be further deliberated upon, bilaterally.
- The draft regulations for GIs will be circulated to stakeholders for further comments after accommodating the changes as agreed upon during the meeting.

The fourth draft amendment regulations for GIs and designation of origin will be circulated for comments as soon as all the agreed upon changes have been accommodated. It is expected that the regulation will be published in 2023.

DALRRD AND THE APPOINTED ASSIGNEE: NEJAHMOGUL TECHNOLOGIES AND AGRIC SERVICES

The management committee of the Regulation and Standards Project of Milk SA regularly consulted with the Milk SA attorney, regarding the situation of the assignee being in business rescue, the change of business rescue practitioner during 2021 without notification to Milk SA as affected party and the order to pay legal costs as per the ruling of Judge Swanepoel during the high court case of 22 February 2021.

The notice relating to the revocation of the Nejahmogul as appointed assignee, as published in the Government

Gazette was circulated to industry. A formal meeting was scheduled with DALRRD, Directorates Food Safety and Quality Assurance, Inspection Services as well the office of the Executive Officer in December 2022. The meeting was meaningful in the sense that proper communication channels were established through which the DSA will in future correspond test results to designated persons in DALRRD Directorate Inspection Services to render inspection services where remedial action on non-conformances in terms of the Act and regulations are required.

With the disappearance of the assignee's business rescue practitioner Regulation and Standards Project of Milk SA regularly consulted with the Milk SA attorney, regarding the order to pay legal costs as per the ruling of Judge Swanepoel during the high court case of 22 February 2021. The matter was taken under review with the decision to hold the DALRRD responsible for payment of legal costs to Milk SA and Woodlands Dairy. The matter is to be further pursued in 2023.

INCREASE IN HEALTH PROMOTION LEVIES (NATIONAL BUDGET 2022)

In the National Budget of 2022 on page 50 under Table 4.7, titled "Increase in health promotion levy", which stated that "the health promotion levy for beverages with more than 4g of sugar content per 100ml were increased from 2.21c/g to 2.31c/g from 1 April 2022". Consultations were also initiated to consider lowering the 4g threshold and extending the levy to fruit juices. This implied that fruit juices, previously exempted would be affected and that clarity was needed, clarity on whether the dispensation on the issue of tariff codes still stood, or how would it be addressed in terms of dairy. In terms of the industry objections raised, a media statement was issued by SARS, stating that the idea of addressing the health promotion levy on sugar would stand over for consultation until 1 April 2023.

AGRICULTURAL PRODUCT STANDARDS AMENDMENT BILL

The Bill upon which comments were rendered since 2016 was taken under review. Response was awaited from DALRRD following industry comments rendered to the Portfolio Committee on Agriculture, Land Reform and Rural

Development following a submission that was made by Milk SA in conjunction with the Consumer Council of SA on 29 September 2022. Approval of the Bill is expected in 2023.

FORMAL ACTION AGAINST THE DALRRD IN FAILURE TO EXECUTE THE AGRICULTURAL PRODUCT STANDARDS ACT

The failure by the executive officer (EO) of the Agricultural Product Standards Act (APS) to take appropriate legal action against the misuse of the name "plant butter" as well as allowing the contravention to continue in terms of the section 6 of the APS resulted in action by Milk SA. This action includes the right of Milk SA to proceed with legal action against the executive officer of the DALRRD.

The response of the executive officer was noted and follow up action is to be considered according to the failure to uphold subsequent commitments by the EO. Actions were prepared to continue in the first quarter of 2023.

FORMAL OPPOSITION BY MILK SA AGAINST SIQALO FOODS USING PLANT BUTTER TRADE NAMES IN CONTRADICTING WITH THE APS ACT

The Regulation and Standards Project of Milk SA formally objected to the applications for trade mark registrations upon which the manufacturer indicated that it would appeal. The tribunal of the Registrar of Trade Marks of RSA in terms of the Trade Marks Act of 1993, in the matter relating to Trade Mark Application No. 2020/271321 FLORA PLANT BUTTER in class 29, between MILK SOUTH AFRICA NPC (Opponent) and SIQALO FOODS (PTY) LTD (Respondent and Trade Mark Applicant) will continue in 2023.

SABS AND AFRICAN ORGANIZATION FOR STANDARDIZATION

The project manager attended the relevant meetings of the SABS and fulfilled the role as SABS representative together with appointed expert at the African Standards Organisation on the Standing Committee for Milk and Dairy products.

The African Organization for Standardization's (ARSO) ambition is to have a minimum of 75 different standards for dairy products developed for the African continent in support of its strategic objective, which is to harmonize trade in Africa in the next four years. Three workgroups for milk and milk products (TC 05) exist that meets monthly as well as one plenary session during which progress is discussed. The Milk SA project manager with the assistance of a contracted expert attended the monthly meetings and convened workgroup one, making contributions to the development of the standards.

OTHER

The review of the VPN 20 (Veterinary Procedural Notice for the registration of a veterinary approved dairy establishment for export) was finalised during 2021 and submitted to DALRRD: Veterinary Services for comment. No feedback has been received from the department and it will be followed up during 2023.

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 the Dairy Standard Agency and the Regulations and Standards Project were reviewed and communicated to the organised dairy industry. Requests from IDF for comments on Codex related matters e.g., general standards for food additives, front-of-pack labelling were attended and where applicable, shared with the Codex Contact Point is South Africa (DoH). The DSA managing director has been nominated as the technical secretariat/convenor of SANCIDF as replacement of Dr Jan Floor who has retired.



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 1653 dated 31 December 2021 and similar regulations implemented previously, promulgated in terms of the Marketing of Agricultural Products Act (No. 47 of 1996), part of the income from the levies on dairy products must be spent by Milk SA on consumer education. The Regulation states the following:

“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 project

The CEP's communication campaign consists of two integrated elements, namely:

- **General communication**, i.e. messages of a general nature about the health and nutritional advantages of dairy products, conveyed to consumers.
- **Specialised communication**, i.e. proactive and reactive messages about the health and nutritional advantages of dairy products conveyed to selected target groups that are opinion formers in the South African society.

Target markets

- The target market of the general communication element is consumers, LSM (living standards measure)

6–8, with a meaningful spill-over to LSM 9–10 and LSM 4–5 as agreed to by the Advisory Committee of the CEP.

- For the purpose of buying media for television, it is estimated that LSM 6–7 households have an income of approximately R5 000 to R9 999 per month. Those in LSM 8–10 may have an income greater than R19 999 per month. The LSM indicators are used to determine target audiences for the different elements of the CEP.
- The Socio-Economic Measurement (SEM) segmentation tool is a socio-economic measure that differentiates how people live. It represents a spectrum of low to high socio-economic living standards, based on where they live, the kind of structure they live in and to what they have access in and near their homes (BFAP 2019–2028). LSM segmentation was discontinued in 2015 and it is not possible to connect LSM data with current data for SEM segments. However, for the purpose of the CEP, SEM segments 4–7, which make up 40% of the total adult market, and SEM segments 8–10, which make up 20% of the total adult market, represented the bulk of the target audience of the CEP.
- The target market of the specialised communication element is health professionals, namely doctors, nurses, dietitians, nutritionists, nutrition advisers, health promoters, and community health workers.

Communication channels

Using different communication channels is necessary to convey messages effectively to the target markets. There are numerous communication opportunities in the marketplace, hence the CEP must be highly disciplined in selecting the most effective communication channels and ensuring that they are used in a balanced and integrated way to convey its messages to the different target markets.

The CEP chose the following communication channels:

- Television
- Promotional articles (advertorials) in consumer magazines, scientific articles in journals aimed at health professionals and 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
- Academic institutions
- School programmes

TELEVISION AND SOCIAL MEDIA

Television broadcast schedule

Three bursts were planned for 2022:

- March–April
- July
- October

The current television advert, which was introduced in January 2021, was broadcast until the end of 2022.

During the third and fourth quarters, new television adverts were planned with the CEP's agency. The storyboards were finalised and tested on the target audience by the Bureau of Market Research of Unisa, using neuroscience and accredited research methods. The results were used to make minor adjustments to the TV adverts, which will be produced in 2023.

Post-campaign results

The core market consisted of young people in the 13–19 age group and the post-campaign results for this group are reflected in the report. Mothers aged 25–45 were not targeted directly, and therefore no media space was bought pertaining to them, but solid performance was nevertheless achieved against this target group as well.

The thirty-second 'Dairy Gives You Whatever Go You Need' television advertisements were broadcast three times in 2023. When the July burst was planned, it was anticipated that the analogue switch-off at the end of June would result in reduced amps ratings (ARs). As a precaution, a pay TV filter was used for the July burst and its results could therefore not be included in the annual overview, as the target audience differed. The results for the March and October bursts and

The nutrients in amasi support:

**GUT HEALTH
IMMUNE SUPPORT
MUSCLE RECOVERY**



the July burst are presented separately.

Results for the household income R5 999 to R19 999 per month group

Post-campaign results for youth (13–19 years) in 2022

	Amps ratings	Reach %	Frequency
	Actual	Actual	Actual
Bursts March and October	786	66	11,9
Burst: Pay TV July	1 148	81	14,3

Post-campaign results for mothers (25–45 years) in 2022

	Amps ratings	Reach %	Frequency
	Actual	Actual	Actual
Burst March and October	948	76	12,4
Burst: Pay TV/July	1 234	84	14,6

- Amps ratings (ARs): a time-weighted measurement that looks at the potential reach of a programme against a specified target audience.
- Reach: The number of people within the defined target market who are potentially exposed to the message at least once. ARs are calculated by reach x frequency
- Frequency: The number of times on average that a person within the target market is supposed to have been exposed to the advertiser's message.



Dairy Gives You Go social media campaigns for 2022

Two main (hero) campaigns were planned for the year in the second and fourth quarters, with ongoing monthly schedules, to educate and engage with the target audience.

Social media pages analytics for 2022

The analytics of the interaction of visitors with the information posted on the Dairy Gives You Go (DGYG) social media pages were collected systematically. Monthly targets and budgets were set and a monthly digital report was also generated. The social media performance was closely monitored against the set targets and either met or exceeded the set targets.

The DGYG Facebook page currently has 52 414 followers, and the Instagram platform has 3 925 followers.

Campaign 1: #Imgoingplaces, June 2022

The first campaign ran during the second quarter. The #Imgoingplaces social media campaign asked teens to showcase their consumption moments with dairy in their everyday life. Four challenges were promoted, which showcased breakfast, hot beverage, lunch with cheese and custard in desserts. The campaign used three micro-influencers² to showcase the different challenges and strengthen their reach and engagement. Teenagers were invited to recreate the consumption occasions shown by the micro-influencers and share their videos/pictures on Facebook, Instagram or Twitter, as part of the awareness campaign. An incentive was used to entice participation.

The campaign was a success in terms of the influencers chosen, the quality and content they produced, and the

reach and engagement they received on Facebook, Twitter and Instagram. Altogether, 527 entries were received.

Campaign 2: #StepUpYourGo

During the third and fourth quarters, the #StepUpYourGo social media hero campaign used four different micro-influencers to boost the campaign's reach and encourage consumers to use dairy. The hero campaign ran from 1 September to 8 December 2022, with the objective of increasing the platform reach and average engagement in the target group.

The focus of #StepUpYourGo was to increase reach, which was reflected in the video plays (Instagram and TikTok) as well as the overall reach. A total number of 1 060 005 video plays and an overall reach of 1 211 391 was achieved, with a cross-channel net audience growth of 318. The influencers' content was positively received, and greatly contributed to reaching the targeted group.

Dairy gives you go website

The DGYG website (www.dairygivesyougo.co.za) is aimed at teenagers and describes the health and nutritional benefits of dairy in an infographic format. The DGYG website was continually monitored and updated when required.

There were three themes on the website:

- Every day: the role of dairy
- Sport and dairy
- Strength: the benefits of dairy
- In addition, all the TV advertisements, consumption videos and Tasty Treat videos can be viewed on the DGYG website, together with the television adverts.

- Links:
 - Facebook: www.facebook.com/dairygivesyougo
 - Instagram: www.instagram.com/dairygivesyougo/?hl=en
 - Twitter: twitter.com/dairygivesyougo?lang=en

REDISCOVER DAIRY COMMUNICATION ACTIVITIES

The Rediscover Dairy communication elements included:

- Social media pages: Facebook, Instagram and Twitter
- Media releases
- Influencers
- Consumer print and digital media

Rediscover dairy on Facebook and Instagram

The Rediscover Dairy (RDD) Facebook page was introduced on 21 October 2019 and is aimed at the modern mom (ages 25–55).

The purpose of the RDD Facebook page is to be a portal to trusted nutritional information on dairy. It primarily used existing content from the RDD website together with newly developed content disseminated through direct posts and established bloggers. The content focussed on the nutritional importance and role of milk and other dairy products in the diet. The information was posted on the platform at least three times per week.

Content was planned a month in advance. In addition to the 'always on' content, media releases were developed and used as content for the RDD on Facebook and in the digital media. Where possible, radio interviews were arranged, which strengthened the message and increased the reach of the information.

The RDD Facebook had 22 000 followers and Instagram 2 846.

MEDIA RELEASES

Five media releases were planned for 2022. Media releases focus on specific health benefits of dairy and expand on the topic. The media releases were distributed to digital publications.

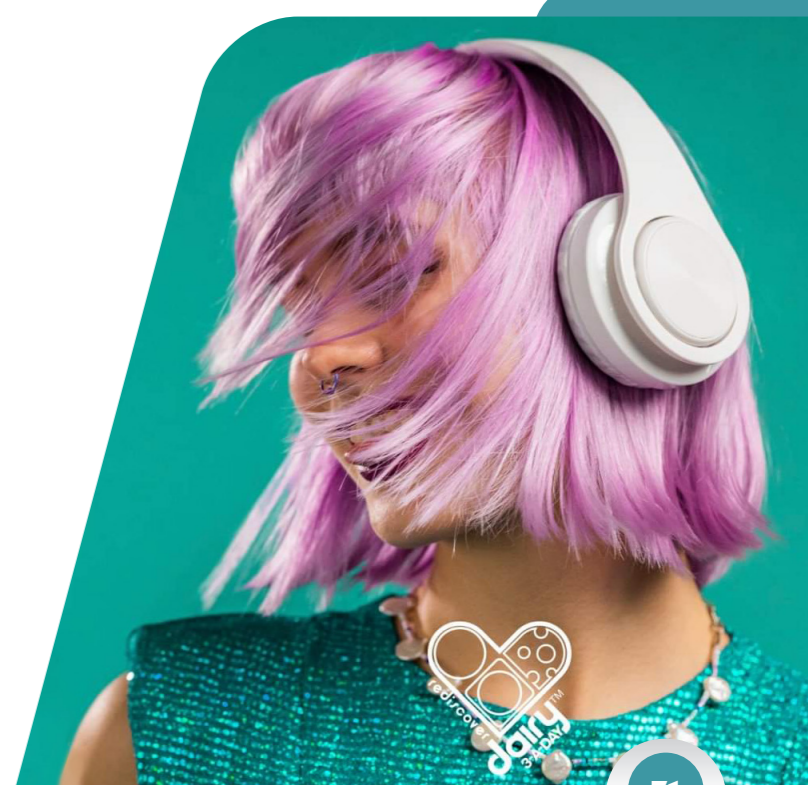
The content is boosted by means of established bloggers who post the relevant content on their own social media pages and link it to the RDD Facebook page.

The topics were:

- March 2022: Affordable, dairy-based recovery strategies for lifestyle athletes
- May/June 2022: World Milk Day communication: How dairy helps you find the weekday balance between nutrient-rich and portion limits
- June 2022: World Milk Day communication: How dairy helps you to provide affordable, nutrient-rich lunchboxes for kids
- August/September 2022: Cooking with dairy: Less waste, more goodness
- October 2022: Fermented Food Frenzy
- December 2022: Cheese, star of this summer's platters, pairings and picnics
 - Links: www.rediscoverdairy.co.za/latest-news-2/media-information/

Influencers used in Rediscover Dairy social media

The CEP contracted seven micro-influencers in 2022 on an ad hoc basis. Such micro-influencers are used to increase reach and awareness across social media pages. The influencers used



² Influencers are non-affiliated consumers that have a dedicated fan-based following. Their influence enhances the awareness and reach of dairy among the target group.

messages approved by the CEP to help build relationships with consumers and followers of the Rediscover Dairy social pages and thereby increase exposure.

The influencers consisted of:

- Four 'mommy' influencers (who have their own children)
- A fitness blogger
- Two dietitian influencers

The seven micro-influencers created content that addressed health and nutrition with dairy. Thirty posts and ten reels were developed, which over a period of 7 months, generated an average reach of 41 446, with 661 comments, 733 shares and 8 587 likes. The outcome was an average engagement rate of 3,8%, which is well above the average benchmark of 0,32% according to the 2022 Top 100 Health Food Brands rankings.

It is significant that reels obtained a much better engagement rate than static posts. Reels consist of short-form video content that is only viewable for 24 hours. They are preferred engagement drivers as they are situated at the top of the feed. The higher engagement and interactive nature of reels play a very important role in driving community engagement and increasing viewer reach. People access reels to participate in cultural trends, collaborate with the community and discover new ideas.

The global engagement benchmarks for Instagram are:

- for all posts: 0,68%
- plus photo: 0,70%
- plus video: 0,47%
- plus carousel: 0,85%
- Links:
 - Facebook: <https://www.facebook.com/RediscoverDAIRY>
 - Instagram: <https://www.instagram.com/rediscoverdairy/?hl=en>
 - Twitter: <https://twitter.com/search?q=%23RediscoverDairy>

CONSUMER PRINT CAMPAIGN

Promotional articles

Consumer Print includes promotional articles written for consumer publications to expand on the CEP's key dairy nutrition and health messages by creatively engaging with

consumers. The consumer communication campaign is aimed at mothers aged 25 to 55 years, with children living at home. The activities include print, digital, social media and lifestyle television; nine insertions were planned and achieved in 2022. Articles were published in *Sarie*, *True Love*, *Huisgenoot* (digital), *You*, *Modern Mom*, and *Drum* (digital).

Online consumption videos

The CEP developed five online 30-second videos and a three-a day video to showcase dairy consumption using milk, yoghurt, cheese, and amasi. These are available for use by the dairy sector and can be found at <https://www.dairy-givesyougo.co.za/videos/>

Dairy matrix video

The Dairy Matrix video is an educational tool that explains the dairy matrix. These videos are complete and available for use by the industry. The Dairy Matrix educational tools include:

- Video: 2.36 minutes
- Three short videos per product: 30 seconds each
- Social media: banner and posts per product
- Supportive material is available on the website.
 - Link: www.rediscoverdairy.co.za/evidence-based-reviews/health-benefits-of-dairy-2019/dairy-the-matrix-matters/

Recipe portal on website

Twenty recipes and five recipe videos were developed for the website and used in social media communication to increase traffic to the Rediscover Dairy www.rediscoverdairy.co.za website. Each recipe includes the nutritional analysis of the recipe. The recipes are a popular search item and can be found at <https://www.rediscoverdairy.co.za/resources-and-tools-2/recipes/>

REDISCOVER DAIRY NEWSLETTER

Three newsletters were developed in 2022. Their aim was to capture some of the outputs of the CEP and share it with industry and health professionals on the continuing professional development (CPD) database. The third 2022 newsletter was carried over to the end of January 2023.

- LINK: www.rediscoverdairy.co.za/latest-news-2/newsletter/

MEDIA LIAISON

Commercial publications

Commercial publications such as *The Dairy Mail*, *Farm Link* and *Milk Essay* are vehicles for communicating with the dairy industry and the food industry. Seven informative articles on the CEP and other relevant topics were published in *The Dairy Mail* in 2022 and another five articles appeared in *Milk Essay*.

Media liaison monitoring

The CEP's media liaison seeks to make information on nutrition and health benefits of dairy available to journalists, who then communicate the information to the target markets, serving the interests of the reporters and the media concerned. Print coverage and consumer awareness are generated at no additional cost to the CEP.

Relevant information on dairy published in the media was monitored by Newsclip, an independent specialist firm. Updates are produced daily in electronic format. General media were monitored on different platforms, i.e. print, digital, television and radio. Over the reporting period of 12 months, the Newsclip monitor captured at least 1 025 articles that mentioned dairy health and/or nutrition, translating to an advertising value equivalent of R6,2 million. In addition, the print or digital advertorial media releases by the CEP that were published by various media companies generated an average advertising equivalent of R6 million.

Caxton and Ramsay/Highbury media, two major publishing houses, published recipes developed by the CEP in various digital and press media at no cost to the CEP. The additional coverage amounted to R1 4m and reached 271 258 readers.

Frequent media topics

Topics that refer to dairy and appear frequently in the media and/or are of particular interest to the initiatives of the CEP are monitored. In 2022 the following topics recurred frequently in the media: child nutrition, lactose intolerance, gut health, World Milk Day (WMD), hormones, allergies, and plant-based drinks.



World milk day (WMD)

WMD communication consisted of media releases, radio interviews and interaction with the Global Dairy Platform. Fifty-two articles were observed in the media; the CEP provided nine additional articles that generated mentions. The WMD celebrations held by the Western Cape Department of Agriculture featured largely.

According to the report by the Global Dairy Platform (GDP), South Africa has been a relevant participant since 2019 and was again ranked under the top 10 participating countries. The GDP Report is available at <https://world-milkday.exposure.co/world-milk-day-2022>

SCHOOL EDUCATION PROGRAMME

General

The school education programme is aimed at grades R to 7. It consists of two main themes:

- 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 theme is packaged as a teacher's guide, class posters, a fact sheet, and worksheets on each topic.

All posters and worksheets are available in English and Afrikaans. The school education programme and learning materials are available on the Dairykids website (www.dairykids.co.za).

The CEP expanded its school education programme, following on from the existing teacher support material

developed for the Foundation Phase and Intermediate Phase. The Consumer Studies curriculum of the Further Education and Training (FET/grades 10–12) curriculum was identified as an appropriate target, as the consumer messages developed by the CEP align well with the content covered in the food and nutrition section of the curriculum. All the content was developed for each grade and is available on the Dairykids website.

Worksheets for website and e-classroom website

The teacher's guide and accompanying worksheets that were developed by the 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. The website has been endorsed by the Department of Basic Education (DBE) for the e-learning section of the DBE's website.

E-Classroom is a dedicated platform used by educators. It hosts topic-specific educational material per grade and assist educators with lesson plans. The CEP extended its school material by several additional worksheets aimed specifically at the subject, literature, to supplement its addition worksheets. The material has since enjoyed a favourable download rate from the E-Classroom platform, where teachers and learners downloaded it 9 304 times in 2022.

E-Classroom has an active community social media page, targeted at educators and parents with children. It hosts short information pieces, and competitions to drive engagement. It also develops original content that is used by various organisations to promote and advance education in SA. The E-Classroom page is a long-standing and trusted influencer that has successfully improved the CEP's reach.

World school milk day

World School Milk Day (WSMD) is celebrated on the last Wednesday in September. In 2022, the WSMD theme was 'Dairy gives you GO for a healthy me and healthy environment!', which focussed on how dairy makes a difference in the health status of school learners by involving learners and teachers through a school-driven campaign. The CEP developed a WSMD challenge that emphasised the unique combination of nutrients in each dairy product that work together in building a healthy body and immune system.

In addition, the important role that communities play in the health of the environment was also highlighted. Learners were challenged to collect empty dairy containers to reuse them for creating a work of art.

Working with the DBE National School Nutrition Programme, the challenge was distributed online to schools nationwide. The WSMD challenge ran throughout September in various public and private schools. The winners will only be announced in 2023.

On 28 September, the CEP participated in the celebrations at Nkululekweni Primary School in Stilfontein in North West. The CEP also distributed learning materials such as teacher guides, class posters and fact sheets to 25 schools in rural areas, reaching 8 700 learners. Various dairy processors participated by giving milk or dairy samples. Of the 25 schools, 15 schools received a sample of dairy for each learner.

DAIRYKIDS WEBSITE

All the communication products related to the WSMD school project are also available on the Dairykids website (www.dairykids.co.za). Posters, teacher's guides, fact sheets and worksheets can be downloaded from the site. The website is also linked to the DGYG and Rediscover Dairy websites. The educational material is aligned with the curriculum of the DBE and guides teachers on how to include information about dairy in their lessons. During 2022, the Dairykids page was viewed 3 700 times.

REDISCOVER DAIRY WEBSITE

The RDD website gives information on the health and nutritional benefits of dairy and all educational material developed by the CEP is available on the website. The website is appropriately linked with other relevant organisations such as Milk SA, the Milk Producers Organisation, the International Dairy Federation (IDF) and GDP. The website was maintained and new information uploaded regularly. The Rediscover Dairy website was viewed 32 765 times. The most frequently viewed items were CPD articles, information for health professionals, recipes, and information about maas and buttermilk.

Ask Dairy

The Ask Dairy online tool was developed in consultation with members of the Technical Advisory Committee. The Ask Dairy menu consists of 100 questions and answers on dairy-related matters. Ask Dairy was hosted on the DGYG website but has since been moved to the Rediscover Dairy website. The navigation of the tool was improved and a search function included. Ask Dairy was viewed 200 times in 2022.

WELLNESS PROGRAMME

The wellness programme entails training in community work at public clinics of the Department of Health (DoH) for nutrition advisers, health promoters, community health workers and nursing sisters. It is geared at providing educational information sessions for the upliftment of local communities. Eight educational information sessions were planned for 2022, covering eight districts in KwaZulu-Natal (KZN). In total, 949 health promoters received training from the CEP in 2022.

A recording of the training session presentation was produced this year. The recording can be used when 'in-person' presentations are not possible in some regions, or where a safety threat due to possible unrest situation, exists. It will also enable the CEP to expand to areas previously not reached or address larger groups. The recording consists of two sessions of 10 and 34 minutes respectively and covers the full training module.

As part of the clinic training to the various district clinics in KZN, the KZN DoH requested the CEP to test participants' knowledge before and after the training events. The test was applied in four training sessions and the questionnaire was completed by 360 participants. The data that was collected was evaluated by the Dr Jane Muchiri – a part-time lecturer at the University of Pretoria. The first report included all presentation opportunities from October 2021 to April 2022 and the results of the research are available on request from the CEP office.

The results showed that the participants benefited from the training events in that their knowledge of dairy health and nutrition increased. General comments about the research included a high

level of satisfaction with the content, presenters and training material provided.

The results of the second phase of the research will be released during the course of the first quarter of 2023.

SPECIALISED COMMUNICATION

Overview

The CEP's specialised communication is intended for health professionals, i.e., doctors, dietitians, nutritionists and nurses. The messages are based on the latest scientific information on dairy nutrition and health. The CEP is guided by an independent technical advisory committee that comprises specialists in the field of nutrition and health.

Communication channels include:

- Scientific advertorials and nutrition reviews (print and digital)
- Education material for dietitians, nutritionists and nutrition advisers
- Education material for dietetic students at universities and dietitians at tertiary training hospitals
- Direct liaison with health professionals through CPD events, seminars and conferences
- Exposure on the Association for Dietetics in South Africa (ADSA) website
- A comprehensive website, www.rediscoverdairy.co.za, with specific reference to the section on dairy-based nutrition





Health profession print media

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 summarised into an advertorial and submitted to 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 to the number of words used. The nutrition reviews are posted on the RDD website, under the Dairy-based Nutrition menu item.

One evidence-based review was published on the website, namely *The effect of dairy products on inflammatory biomarkers*, available at https://www.rediscoverdairy.co.za/evidence-based_reviews/health-benefits-of-dairy-2019/dairy-and-inflammation/

The CEP publishes its dairy-based-nutrition (DBN) reviews in the *SA Journal of Clinical Nutrition*. In 2022, the DBN on dairy and inflammation was published, together with the notification of the Continuing Nutrition Education (CNE) event, on the Dairy Matrix in the *SAJCN*.

Presentations and handouts at Association for Dietetics in South Africa events

As part of the health professional print campaign, the CEP creates awareness on the ADSA (www.adsa.org.za) website, especially 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. The CEP also presents on the CEP/dairy health and nutrition, at the ADSA regional meetings. The CEP is asked to deliver presentations on specific topics. In 2022, the ADSA portal was used to notify dietitians of the CPD activity on the website, the CNE events and the DBN on dairy and inflammation.

CLINICS: EDUCATIONAL PRESENTATIONS AND MATERIAL FOR HEALTH PROFESSIONALS

Dairy-based nutrition tool

As part of the communication activities with dietitians, the CEP communicates with the third- and fourth-year dietetics students at all the universities in the country that offer a degree in dietetics. The CEP's dietitian visits these universities and addresses third and/or fourth-year students on all aspects of the work of the CEP. New science and nutrition developments in the field of nutrition and dietetics are then discussed.

The CEP visits the tertiary hospitals where graduate dietitians do their community service. Such hospitals also offer several public clinics that present nutrition education. The purpose of the visit is to inform the dietitians in this work environment about the work and activities of the CEP and at the same time, provide them with the educational tool known as 'Healthy eating for the whole family – covering the importance of dairy in the diet of South African families throughout all life stages'. During 2022, three universities and two hospitals were visited and 109 students attended the presentations by the CEP.

As part of the CEP's liaison with the universities, it awards an annual prize for the best dietetic student in Community Nutrition at specific universities. In 2022 these prizes were awarded to students at Stellenbosch University, the University of the Free State, North-West University and the Nelson Mandela University. As part of their prize, each winner also received various educational materials and tools for dietitians developed by the CEP.

Continuing professional development

CPD Articles

The CPD activity enables the CEP 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 on the www.rediscoverdairy.co.za website, has proven to be very successful in reaching dietitians and nutritionists.

Twelve peer-reviewed articles were made available to dietitians and health professionals from 1 April 2022 on the Rediscover Dairy website. Health professionals (dietitians and nutritionists) could earn 25 clinical continuing educational units (CEU) and 5 ethical units by completing the CPD articles on the Rediscover Dairy website, free of charge. This amounts to the total number of units needed in a year by dietitians and nutritionists.

The CNE menu was available to dietitians until 31 December 2022. Health professionals were notified of the availability of the 2022 CPD activity of the CEP by various means: the website and Facebook page of the ADSA; the Nutrition Society of South Africa newsletter; the Dietitians in Practice Facebook page; and direct emails to the database of the CEP, which consists of participating dietitians and nutritionists. Newsletters and notifications can be sent to all dietitians registered on the portal. Currently, 2 169 users are registered on the portal, of which 293 were added in 2022.

A fully integrated automated online system for registration, submission of articles and generation of the CPD certificates was developed to simplify the process for the CEP and participating dietitians. In 2022, a total of 3 298 answer sheets from the different articles were completed.

Continuing Nutrition Education (CNE) for dietitian and nutritionists

In 2022, the CEP presented two CNE events and participated in the CNE event presented by the IDF's Standing Committee Nutrition and Health.

First CNE: March 2022

The CEP presented its first CNE event on 3 March 2022 at Avianto in Muldersdrift. The theme of the day was:

'Sustainable diets: the complicated truth'. Experts in nutrition and sustainable diets presented papers at the event. The speakers were:

- Prof. Frank Mitloehner – University of California Davis: 'Global greenhouse gas emissions'
- Prof. Alice Stanton – RCSI University of Medicine and Health Sciences: 'The role of animal protein as part of sustainable nutrition'
- Dr Mieke Faber – Medical Research Council, South Africa: 'Food Security'
- Craig Wilkinson – Motivational speaker: 'Operating with excellence'
- Claire Julsing-Strydom – 'Nutrition and inflammation'

The event was attended by 90 delegates, limited to dietitians and nutritionists only, and they could obtain 4 CEUs for attendance. Speakers were awarded an extra unit for presenting their specific topic.

Link: <https://www.rediscoverdairy.co.za/cne-for-dietitians-nutritionists/dairy-day-cne/>

IDF May 2022

The CEP participated in the CNE presented by the IDF, Standing Committee of Nutrition and Health on 12 May 2022. The theme was 'Nutrition, dairy and health across the life course'. Prof. Lisanne du Plessis of Stellenbosch University delivered a paper on 'The role of dairy as part of the Paediatric Food-based Dietary guidelines of South Africa'. As an incentive for attendance, the CEP applied for CPD points for dietitians. In total, 250 South Africans registered for this event and obtained 3 CPD points. In addition, the presentation was also attended by 30 students in the field of nutrition and food technology.

Dairy Matrix, November 2022

On 9 November 2022, the CEP hosted its second CPD event in the form of a webinar on the latest research on what the dairy matrix – the unique combination of nutrients in dairy and the way they work together – means for heart health.

This online event was moderated by Prof. Corinna Walsh. Two esteemed nutrition experts, Prof. Arne Astrup of the Novo Nordisk Foundation in Denmark and Prof. Renée Blaauw from Stellenbosch University in South Africa, unpacked the science behind saturated fat as found in dairy and its implications for cardiovascular disease.

The event was accredited for three CPD points. One point was for attendance of the webinar, while the CEP also provided a CPD article on the topic, worth an additional two CPD points. The CPD article was made available to doctors, dietitians and nutritionists.

The CPD event was attended by 235 dietitians, 9 nutritionists and 63 doctors. Of these, 61 participants were from other fields, such as academia or the dairy industry. A total of 534 people registered and some listened to the recording afterwards, which was available on the Rediscover Dairy website and the Food Focus portal.

The recordings of the event can be accessed here:
Link: <http://cne.foodfocus.co.za/>

Summer school

On 12 July the CEP's dietitian addressed the students of Wageningen University's Summer School in the Netherlands online. The topic of the presentation was 'The role of milk and dairy in the diet – from an African perspective'.

CONSUMER RESEARCH

The CEP embarked on a consumer research project in conjunction with the Bureau for Food and Agriculture

Policy (BFAP), titled 'Changes in consumer behaviour and consumption of dairy products in South Africa and reasons for it'.

The BFAP conducted the research and captured data in the second quarter of 2022. The results of the research were presented to the Advisory Committee of the CEP on 23 August 2022. A full report is available on the Rediscover Dairy website.

Link: <https://www.rediscoverdairy.co.za/home2015/members-section/presentations-clips-and-research/>

INDUSTRY-RELATED MATTERS

Advisory Committee

The Advisory Committee meetings of the CEP were held on 14 April and 23 August 2022.

Consumer Goods Council of South Africa

The CEP is a member of the Food Safety Initiative and Health Foods Options Industry Initiative of the Consumer Goods Council of South Africa (CGCSA). The DoH requested CGCSA's support for their Health Food Options Industry Initiative (HFOII). The CEP contributed to the HFOII national strategic plan for the prevention and control of noncommunicable diseases in South Africa. The initiative gives high prominence to food products containing added sugar.

Front-of-pack labelling (FOPL) has been discussed extensively with the CGCSA and industry. Many industry meetings and consultations hosted by the CGCSA were attended and the CEP, together with the Regulations and Standards Project of Milk SA, participated in this discussion on behalf of the organised dairy industry. All retail sectors were given the opportunity to voice their requirements in this regard. The CEP completed an industry survey on FOPL in conjunction with the Dairy Standard Agency (DSA), at

the request of the CGCSA. The CEP aligned itself with the guidelines provided by the IDF for FOPL. The industry is awaiting a response from the DoH in this regard.

Front-of-Pack labelling working group

The information received from the CGCSA about the proposed thresholds for added sugar and saturated fats has made it clear that certain dairy products could be negatively impacted if intrinsic sugars are calculated as part of total sugars and are not recognised as a beneficial nutrient contributing to the overall nutrient and health benefits of dairy products.

To mitigate the impact of warning labels, a Milk SA task team has been formed consisting of the CEP, DSA, the Regulations and Standards Project of Milk SA, two industry representatives, and Prof. Friede Wenhold, to formulate the requirements for a submission to DoH under the umbrella of the Regulations and Standards Project of Milk SA. The intention of the task team was to develop evidence-based submission so that the DoH would:

- Consider excluding lactose as an intrinsic sugar in dairy products in the calculation of total sugars for the purpose of FOPL;
- To consider an argument for dairy fats in FOPL, taking into account emerging research results on the health benefits of dairy towards mitigating cardiovascular disease and the overall lowering of risks of noncommunicable diseases;
- To propose reasonable cut-off values for intrinsic sugars and saturated fats for consideration by the DoH.

Milk SA Task team progress

- The framework of the submission to the DoH was completed and accepted by the Milk SA task team.
- A separate and independent expert team was formed to develop the different science support documents required for the submission. These are:
 - Prof. Mieke Faber: Nutrition landscape in South Africa with specific reference to the role of dairy
 - Prof. Corinna Walsh: Dairy sugars
 - Prof. Renée Blaauw: Fats in dairy with special emphasis on saturated fatty acids
 - Prof. Friede Wenhold: Management of development of the scientific reviews and liaisons with the

Milk SA task team. She will also assist the Milk SA task team in drafting the final submission for the DoH.

- The science report developed by the expert team was submitted for review by the Milk SA team in September 2022 and returned to the independent expert team. The revised review was received from the expert team in December 2022.
- The next step is to finalised editing of the report and plan a communication strategy to inform the industry.

South African Society of Dairy Technology

The Project Manager is the president of the South African Society of Dairy Technology (SASDT) and was tasked to organise the symposium 'A bright future for dairy'. The symposium was held at Lanzerac in Stellenbosch on 24 March 2022 and was attended by 97 delegates. A line-up of 14 speakers presented papers on four different focus areas:

- Consumer insights in sustainable eating, with local insights
- Environmental management and animal welfare
- The future of packaging
- Future-proofing the dairy industry/consumer behaviour change

The presentations and recordings can be viewed at: <https://sasdt.foodfocus.co.za/>

The SASDT held a strategy meeting on 20 September 2022 at the Crownfoods head office. A strategist led the day and the management committee participated in developing a new strategy for the SASDT that would guide the way forward.

A symposium is planned for 17 and 18 April 2023 and will be held at Fordoun Hotel in KZN, Midlands. The theme of the symposium is 'Dairy: The next decade: Opportunities and Challenges'.

Milk SA technical working group meeting: Dairy products and the use of dairy terms

The meeting reviewed Regulation 1510 on dairy terms used in imitation dairy products such as plant-based beverages. The *Bulletin of the IDF on the Codex General Standard for the Use of Dairy Terms: Its nature, intent, and implications*



was used for this discussion. The Regulation and Standards Project of Milk SA bears the primary responsibility in this area. Several meetings have been facilitated by the DSA. The draft review was be circulated to industry for review.

Coordinating Committee of the Dairy Standard Agency, Consumer Education Project, and Research Project of Milk SA

The Coordinating Committee of the DSA, the CEP, and the Research Project of Milk SA met on 17 March, 26 July and 4 November 2022. These meetings were extremely useful for discussing overlapping events and challenges.

MILK SA RESEARCH FORUM

The Project Manager participated in the Milk SA research forum meeting which was held on in 2022.

WORK RELATED TO THE INTERNATIONAL DAIRY FEDERATION

The work related to the IDF is ongoing. The IDF World Dairy Summit (WDS) was held in New Delhi in India in September 2022. The Project Manager participated virtually and the CEP's dietitian attended in person.

Participation in the WDS 2022

In summary, participation in the IDF WDS included attending the following business meetings:

Project Manager

- Standing Committee Marketing (SCM)
- SCM and SCM/SC Dairy Politics and Economic – joint meeting
- Subcommittee on Environment
- International Milk Promotion Group meetings

CEP Dietitian

- IDF National Committees
- New members' meeting (presented on behalf of IDF head office)
- Task Force on Plant-based Beverages
- Joint meeting: Subcommittee on Nutrition and Health and Subcommittee on Standard of Identity and Labelling
- Subcommittee on Nutrition and Health
- IDF General Assembly

- Subcommittees on Marketing and Nutrition and Health
- IDF Chairs and Deputy Chairs as representative of Science and Programme Coordination Committee (SPCC)
- Action Team: Sugar-sweetened dairy
- Food scientist and communication officer of the CEP
- Observer: Subcommittee Standards, Information and Labelling
- Observer: Subcommittee Environment

The GDP invited the CEP to present the food-based dietary guidelines (FBDG) for South Africa on 7 June 2022 (virtual event). This presentation was part of the GDP's drive to discuss the place of milk and dairy as part of the FBDGs worldwide and the possible inclusion of environmental sustainability. Eight countries reported on the process of establishing their own FBDGs, where milk and dairy fitted in and how much dairy was recommended.

Science and programme coordinating committee

The CEP's dietitian attended all monthly meetings of the SPCC. The focus of 2022 was to update and complete a new IDF strategy and work plan and this work was finalised at the end of January 2022.

In 2022, the SPCC members reviewed 15 proposals for priority New Work Items. Six items were selected as priority work items for 2022:

- SCFA: Alignment of food additives provisions between dairy standards and the Codex General Standard for Food Additives
- SCRCC: Knowledge platform on Contaminants – IDF Guidance on detergents and disinfectants
- SCENV: Update of the IDF Guide on Carbon footprint (LCA)
- SCMH: IDF guidelines and IDF input to CCFH guidelines on use and reuse of water
- SCNH: School milk as part of school feeding programmes in sustainable food systems
- SCSIL: Impact of environmental labels for dairy

Plant-based literature search

The IDF task team on plant-based products requested the CEP to conduct a literature search to identify and

review published research work in the areas of nutrition, environment, processing, and consumer insights of plant-based dairy analogues.

The food scientist of the CEP conducted an internet search and a meeting was held with the IDF task team leader on 15 December 2022 to report on progress.

Global Dairy Nutrition Network

The CEP is a member of a global network of nutrition experts within the dairy community. The network shares gained knowledge, perspectives, resources and 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. Each meeting has a specific discussion topic and the CEP reported on work done in this regard.

SOUTH AFRICAN NATIONAL COMMITTEE OF IDF

The annual South African National Committee of the IDF meeting was held on 28 March 2022. The Project Manager reported on the activities of the Standing Committee on Marketing and the International Milk Promotion Group, and the CEP dietitian reported on the Standing Committee on Nutrition and Health and Science and Programme Coordination Committee activities for 2021/2022.

LIST OF ABBREVIATIONS

- ADSA Association for Dietetics in South Africa
- AR Amps ratings
- BFAP Bureau for Food and Agriculture Policy
- CEP Consumer Education Project
- CEU Continuing educational units
- CGCSA Consumer Goods Council of South Africa
- CNE Continuing Nutrition Education
- CPD Continuing professional development
- DBE Department of Basic Education
- DBN Dairy-based-nutrition
- DGYG Dairy Gives You Go
- DoH Department of Health
- DSA Dairy Standard Agency
- FBDG Food-based dietary guidelines
- FOPL Front-of-pack labelling
- GDP Global Dairy Platform
- HFOII Health Food Options Industry Initiative
- IDF International Dairy Federation
- KZN KwaZulu-Natal
- LSM Living standards measure
- NSNP National School Nutrition Programme
- SASDT South African Society of Dairy Technology
- SEM Socio-Economic Measurement
- SPCC Science and Programme Coordination Committee
- WDS World Dairy Summit
- WMD World Milk Day
- WSMD World School Milk Day



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

The Project Manager R&D and CEO again communicated all procedures of project application to service providers and sharpened the discipline associated to ensure timely contract signing, research progress reporting and completion of projects. To that effect the Project Manager is now personally involved with some of the projects either in an advisory capacity or even as co-leader, or co-supervisor of post-graduate students who work on the projects: It is foreseen that this approach should further enhance limitation of research fragmentation and alignment to the strategic goals of the industry. In addition to the procedural documents, all policy documents associated with R & D, with the exception of the policy on Intellectual Property (IP), have been reviewed during the year. The IP document has been interpreted by a knowledgeable legal firm. They have come up with meaningful suggestions which will be considered by the Project Manager, the CEO and the Operational Officer of Milk SA which will be important as the projects envisaged for 2023 will probably have IP implications.

Following from the above, the Project Manager to varying degrees is involved with a number of projects or in the planning phase. These include further projects of the Systems Dynamic Approach on Application of the system dynamics model to estimate the relative environmental footprint of milk and milk imitations, a carbon sequestration project on Milk Production Farms, Sporidism toxicity (Facial Eczema) in the Eastern Cape and development of a new vaccine against Brucellosis (see below). In the sporide-

smen project, actions were re-prioritized: what will first be done is the prevalence survey and blood and liver analysis investigation by PhD student Anthony Davis and a study of the fungus causing the toxicity, where after other initiatives will follow. To that effect researchers of FABI at UP have been brought into the project.

A project proposal with the eventual aim of developing a new vaccine against Bovine Brucellosis, using mRNA technology, has been submitted by UP. A number of researchers will participate, including international. The project also received support from the Red Meat Industry and the National Animal Health Forum (NAHF), and it is envisaged that a MoA will be negotiated with them as well as joint funding due to costs envisaged. The initiative has also been discussed with the DARDALR, the FAO and the OIE, who are positive.

GOAL 2 - To guide the R&D program by means of effective structural arrangements, administration and fund sourcing.

Four MANCOM and DRDC Meetings were respectively held during the year. Some prominent actions and decisions taken were:

- The DRDC appointed Mr. Johan Boshoff from Fair Cape Dairies as replacement of Mr. Stiaan Bester on the Committee;
- Dr Meissner compiles at least one article on the R&D programme for publication in every Milk Essay;
- Dr. Van der Westhuizen of SA Stud Book be asked to produce a draft article addressing the variations available within the two dominant breeds (Holstein and Jersey). This followed upon a visit of the Project Manager

- R & D and Dr van der Westhuizen to the Eastern Cape to investigate why certain farmers prefer crossbreeding (the article was published in the Milk Essay);
- MPO and SAMPRO be asked if they agree in principle to commit the SA dairy industry to Dairy Nett Zero and that the declaration itself, the areas on which the R&D programme are already active as well as a motivation that the commitment be supported rather than to face carbon tax, accompany this request (the institutions have concurred);
- Meaningful research results be sent to Milk SA members and the SASDT from time to time for them to share at their member meetings;
- Concern was expressed that so few people in the industry are aware of what is being done in the Milk SA R & D programme as well as the forthcoming results, and that special attention should be given to inform the industry;
- It was decided that the annual reports on the sub-projects Animal Health, Animal Welfare and Environment should be submitted at the end of 2022 and that at the same time planning, objectives and budgets must be submitted for 2023 against which quarterly and annual reports could be submitted;
- Mr Fanie Ferreira was nominated as the Milk SA representative on the NAHF and Dr Mark Chimes as DRDC Animal Health specialist and as such made available to the NAHF if required (the nominations were accepted by the NAHF);
- The Food Loss initiative by the Consumer Goods Council has been supported and is driven by a team including the Project Manager under the leadership of Dr Colin Ohlhoff;
- The Dairy Water and Waste Water project by UCT as commissioned by the WRC is to be supported and the researchers to that effect met in Cape Town on 24 November;

- The amended DRDC T.o.R. has been approved;
- The creation of a R & D website by the Milk SA office was met with approval;
- The communication of scientific information from the R & D Programme, the SASDT, DSA and the CEP should as far as possible happen in a coordinated way, but without restrictions to any of them, and
- Due to the increase in CA, an information document should be drawn up for farmers to understand preventative measures (this has been done).

The Project Manager brought the Board up to date on R & D principles, philosophy and progress by means of a power point presentation on 30 November at the annual meeting.

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

THE RESEARCH COLUMN and DAIRY R & D IN SA: The target of respectively scientific articles sourced from the international literature and SA scientific articles to be entered on the Milk SA website is two per month, i.e. 24 for the year. The target was met. The articles are also available from the Project Manager R & D. Some of the articles are published in the Dairy Mail under the regular Research Column of the author. Some of the articles are: Antibiotic transfer to agricultural soils; Cow performance differs from

Milk SA signs Memorandum of Understanding with the Forestry and Agricultural Biotechnology Institute (FABI)





Dairy Research and Development Committee

Dr Heinz Meissner, Edu Roux, Alwyn Kraamwinkel, Chris Fourie, Prof Theuns Erasmus, Hannes Neethling, Nico Fouché.

pasture to pasture; How to save a calf, and Making sense of the numbers: which trace mineral is best?

In addition, a number of articles were also prepared for the Milk Essay and further distributed. The titles are: The effect of nitrogen fertilization on pastures in the south-eastern seaboard; Tests and methodologies to support control of mastitis; Beneficial manure application, and What does mastitis cost the dairy farmer? In addition an article by Meissner, Blignaut, Smith and Du Toit was made available to Milk SA and Sampro for distribution. The title is: "The global impact of cattle: A socio-economic, food security and environmental perspective".

Furthermore, the Project Manager R & D every two years compiles an inventory of dairy research done in South Africa. This was done in 2022.

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

The scientific article mentioned under Goal 3 and titled: "The global impact of cattle: A socio-economic, food security and environmental perspective", has major implications to the way we understand the role of cattle in carbon emissions and sequestration and why it will be the wrong decision to decrease global cattle numbers. It also provides information which can help in arguments to refute the popular perspective of negative influences of cattle on global warming, biodiversity, land degradation, human health and the socio-economy.

The Project Manager in this regard was invited to convey these messages to the 2022 RuVASA Congress in May and the Congress of the Veterinary Association in September, the title of the presentation being: "Are all the arguments

against livestock justifiable?" The contents have also attracted much interest from elsewhere, Red Meat being one example, with extracts of it also presented to the NAU in Windhoek in June, using the title: "Carbon footprint, regenerative grazing and associated aspects". The scientific equivalent of the paper with the title: "The broad-based eco-economic impact of beef and dairy production: a global review in the face of growing animosity", was submitted to the SA Journal of Animal Science for publication. This initiative is considered of strategic importance, over and above the fact that it provides scientific evidence and assists the Industry to formulate a position. In addition, the PP presentation on: "Research and Development Initiative of the Organised Dairy Industry", mentioned under Goal 3, may provide pointers to the Milk SA Board as to how R & D should be strategized and emphasized in order to take the Industry forward. In addition, the PP presentation by the Project Manager to the Board and also to the Annual Congress of the SA Veterinary Association on: "Are all Arguments against Livestock justifiable?", may be useful to develop a position. The latter to some extent reflects the contents of the article mentioned above.

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.

It has been decided that the topics of Environment, Animal Health and Animal welfare will be dealt with as sub-projects of the Project of the Project Manager R & D. In the sub-projects particular objectives and targets will be defined which will be reported against in the quarterly reports.

The document: "Sustainability in the SA Dairy Industry" has been updated in August, the authors being Dr Colin Ohlhoff and the Project Manager R & D. This document is critical as it conveys the position of the Industry on the issues listed in Goal 5, and regularly provides updates on new developments and research results to that effect. Another initiative resulting from the DSF and the IDF is commitment of member countries to "Dairy Nett Zero". This was approved by the MPO and SAMPRO.

The Project Manager is a member of the committee which gave input into the Animal Welfare audit document of the DSA and participates in such activities.

A research project by the Institute of Natural Resources commissioned by the DRDC commenced in the reporting period, the title being: "A feasibility analysis of low cost biological wastewater treatment options for dairy farms in South Africa". In terms of GHG reduction, the results of the R & D project by Asset Research showed promising results

to assist farmers in calculating their own on-farm emissions. The follow-up project on carbon sequestration is in progress and the DRDC took a decision that this should be completed before an APP is developed, in order for farmers to calculate both emissions and sequestration and obtain the nett result.

The PowerPoint Presentations and article mentioned under Goal 4 also provide information on international and local approaches to sustainability, which could be relevant as advisory material. Important also is that projects of the Milk SA R & D Programme are listed which investigate GHG reduction and sequestration, pasture N fertilization efficiency, waste and effluent treatment, ecosystem protection and animal welfare. Evidence is also provided to indicate that livestock is actually positive to the global environment if well-managed, and not negative as many media communications would lead us to believe.



Audit and Risk Committee Report



Left to Right: Don Fürstenburg, Danie du Plessis, Jaco Kruger, Nico Fouché (CEO), Philip Potgieter (Internal Auditor)
Audit 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 South African Companies Act of 2008, to the members for the financial year ended 31 December 2022.

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 of:

- 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		9/2/2022	19/4/2022	30/8/2022	26/10/2022
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	Apology		
Mr J Kruger	Nominated by MPO			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.

There were no reportable irregularities brought to the attention of the Committee.

External auditor

The Committee nominated and recommended the re-appointment of the External auditor, Fourie & Botha, to the members in compliance with the Companies Act and the appointment of Mr WM Fourie as designated auditor for the 2022 financial year.

The Committee can report that the Fourie & Botha is an accredited institution and that the audit firm was independent from 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, agreed to the engagement letter, terms, audit plan and budgeted audit fees.

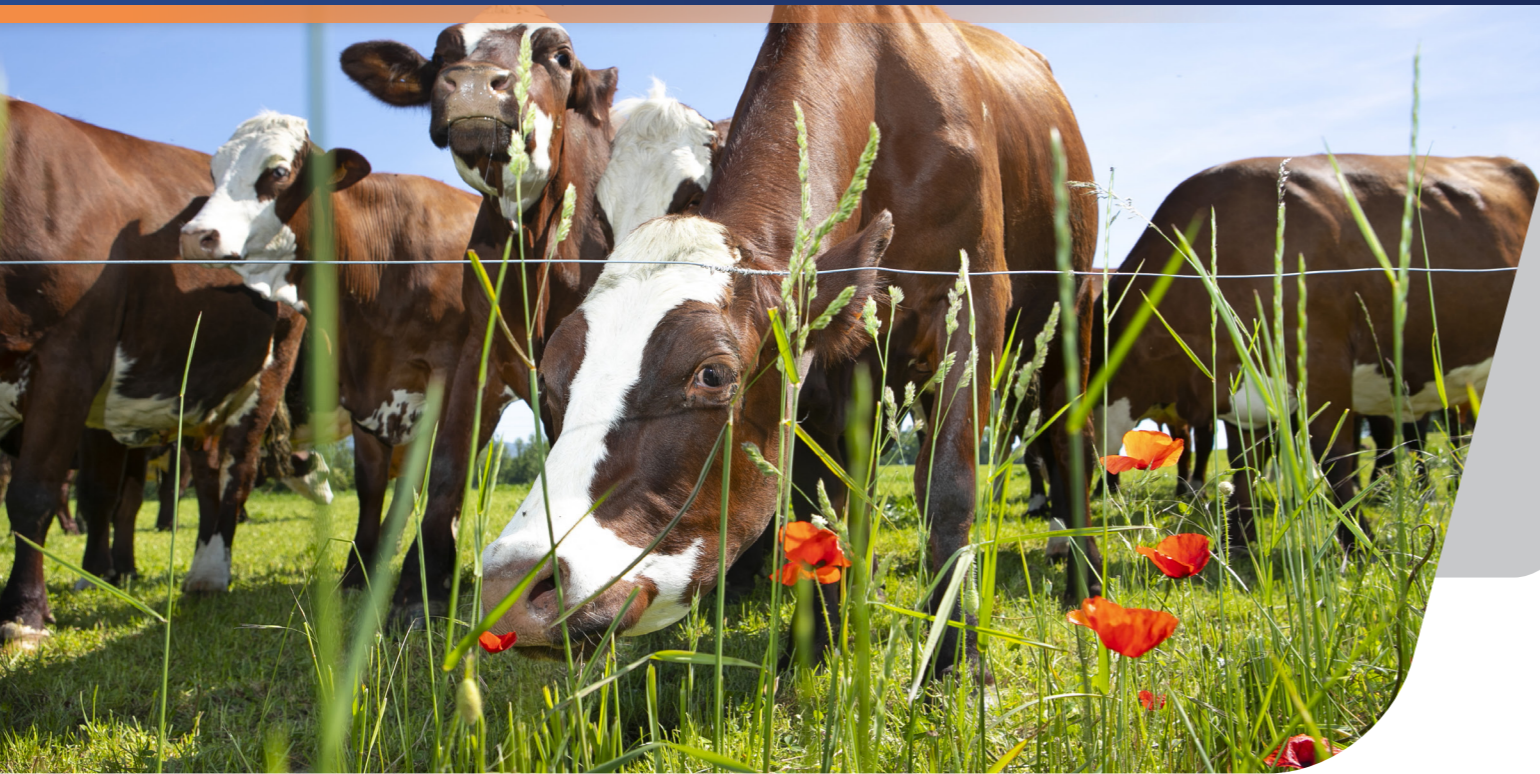
The Committee has the responsibility to recommend the appointment of the External auditor and to oversee the external audit process and in this regard the Committee must:

- 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 is satisfied 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 deems 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 the 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.

Corporate Governance

The Committee considered the Internal Audit reports as well as the Management report of the External Auditors. Taking into account the size of the organization, 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 2022, for approval by the Board.

On behalf of the Committee

DH du Plessis
Chairman



Annual Financial Report

for the year ended
31 December 2022
Milk South Africa NPC

(Registration number
2002/032020/08)



General Information

Country of incorporation and domicile Republic of South Africa

Nature of business and principal activities 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.

Current directors

- Ferreira S Mr
- Gebeda ZM Mr
- Gibbs L Mr
- Gutsche AR Mr
- Jack-Pama BS Dr (Chairman)
- Kraamwinkel AP Mr
- Loubser MJ Mr
- Neethling CJ Mr
- Prinsloo AW Mr
- Rathogwa MG Mr

Alternate directors

- Lubbe H Mr
- Cilliers H Mr

Members

- Milk Producers' Organisation NPC
- SA Milk Processors' Organisation

Auditors Fourie & Botha Registered Auditors (Auditors ito the Companies Act)

Secretary Fouché N Mr

Company registration number 2002/032020/08

Level of assurance These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa, 71 of 2008

Preparer The annual financial statements were independently compiled by:
Claassens L Mrs CA (SA)
PricewaterhouseCoopers Inc ("PwC")

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

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Directors' Responsibilities and Approval

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

Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

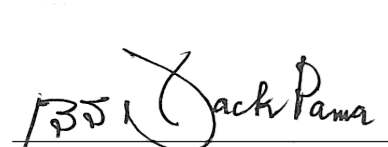
The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the company's cash flow forecast for the year to 31 December 2023 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 94 to 103 which have been prepared on the going concern basis, were approved by the board of directors on 24 May 2023 and were signed on its behalf by:


Director


Director


Chief Executive Officer

2de Vloer, Kings Highway 476
Lynnwood, Pretoria 0081
Posbus 74960
Lynnwoodrif 0040
Tel: (012) 361 1172/3, 348 8184
Faks: (012) 348 9162
E-Pos: admin1@fouriebotha.co.za

2nd Floor, 476 Kings Highway
Lynnwood, Pretoria 0081
PO Box 74960
Lynnwood Ridge 0040
Tel: (012) 361 1172/3, 348 8184
Fax: (012) 348 9162
E-Mail: admin1@fouriebotha.co.za



Independent Auditor's Report To the members of Milk South Africa NPC

Qualified Opinion

We have audited the annual financial statements of Milk South Africa NPC as set out on pages 8 to 22, which comprise the statement of financial position as at 31 December 2022, 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 2022 and its cash flows for the year then ended, in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and in the manner required by the Companies Act of South Africa, 71 of 2008.

Basis for Qualified Opinion

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

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report.

We are independent of the company in accordance with the Independent Regulatory Board for 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.

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.

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.

Directors' Report

The directors submit their report for the year ended 31 December 2022.

1. Review of activities

Main business and operations

The company collects levies from role-players in terms of Regulation 1653 of 31 December 2021 in order to finance projects relating to the collection and distribution of industry information, the promotion of dairy quality, research and development, the education of consumers and transformation.

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 deficit for the year was R 1,231,353 (2021: surplus R 3,570,947).

2. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors are satisfied that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

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	Resigned on 31 December 2022
• Ferreira S Mr	Appointed on 1 January 2022
• Gebeda ZM Mr	
• Gibbs L Mr	Appointed on 1 January 2023
• Gutsche AR Mr	Appointed on 1 January 2022
• Jack-Pama BS Dr (Chairman)	
• Kraamwinkel AP Mr	
• Loubser MJ Mr	
• Neethling CJ Mr	Changed from alternate director on 1 January 2023
• Prinsloo AW Mr	
• Rathogwa MG Mr	
• Wellbeloved CE Mr (Vice-Chairman)	Resigned on 8 December 2022

The alternate directors of the company are as follows:

• Cilliers H Mr	Appointed on 1 January 2023
• Lubbe H Mr	Appointed 1 January 2022
• Neethling CJ Mr	Appointed 26 May 2022 and changed to director on 1 January 2023

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 1651, 1652 and 1653 on 31 December 2021 ("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 2025. 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 2022

	Notes	2022 R	2021 R
Assets			
Current Assets			
Trade and other receivables	3	15,544,999	17,384,947
Cash and cash equivalents	4	45,589,144	44,392,334
		61,134,143	61,777,281
Non-Current Assets			
Property, plant and equipment	5	157,906	164,857
		61,292,049	61,942,138
Total Assets			
Equity and Liabilities			
Liabilities			
Current Liabilities			
Trade and other payables	6	2,969,662	2,388,398
Equity			
Reserves		37,831,332	22,044,678
Unutilised funds		20,491,055	37,509,062
		58,322,387	59,553,740
		61,292,049	61,942,138
Total Equity and Liabilities			

Statement of Comprehensive Income

	Notes	2022 R	2021 R
Revenue	7	61,293,766	62,739,378
Project expenses	8	(60,246,243)	(53,212,535)
		1,047,523	9,526,843
Gross surplus			
Other income	9	2,168,584	349,992
Operating expenses		(6,526,565)	(7,612,331)
		(3,310,458)	2,264,504
Operating (deficit) / surplus			
Finance income	11	2,079,201	1,306,483
Finance costs	12	(96)	(40)
		(1,231,353)	3,570,947
Net (deficit) / surplus for the year			
Other comprehensive income		-	-
		(1,231,353)	3,570,947
Total comprehensive (deficit) / surplus for the year			

Statement of Changes in Equity

	2006 - 2009	2006 - 2017	2006 - 2009	2006 - 2017	2006 - 2009	2006 - 2017	2006 - 2009	2006 - 2017
	R	R	R	R	R	R	R	R
Balance at 1 January 2021	646,866	19,023,402	1,588,180	21,376,124	668,554	21,258,448	55,982,793	59,553,740
Changes in equity	-	-	-	-	-	-	3,570,947	(1,231,353)
Total comprehensive surplus for the year	-	-	(1,587,765)	1,587,765	-	-	3,570,947	(1,231,353)
Transfer between reserves	-	1,587,765	(1,587,765)	-	-	-	-	(20,175,712)
Transfer utilised / (utilisation of) funds	21,688	764,957	(415)	786,230	-	786,230	(786,230)	4,389,058
Total changes	21,688	2,352,722	(1,588,180)	2,352,722	21,688	786,230	2,784,717	(17,018,007)
Balance at 1 January 2022	668,554	21,376,124	-	22,044,678	668,554	22,044,678	37,509,062	20,491,055
Changes in equity	-	-	-	-	-	-	(1,231,353)	(1,231,353)
Total comprehensive deficit for the year	-	-	-	-	-	-	(1,231,353)	(1,231,353)
Transfers between reserves	-	20,175,712	-	20,175,712	-	20,175,712	(20,175,712)	-
Transfer utilised / (utilisation of) funds	39,810	(4,428,868)	-	(4,389,058)	-	(4,389,058)	4,389,058	-
Total changes	39,810	15,746,844	-	15,746,844	39,810	15,786,654	(17,018,007)	(1,231,353)
Balance at 31 December 2022	708,364	37,122,968	-	37,831,332	708,364	37,831,332	20,491,055	58,322,387

Statement of Cash Flows

	Notes	2022 R	2021 R
Cash flows from operating activities			
Cash receipts from industry participants and grantors		64,472,049	60,106,484
Cash paid to suppliers and employees		(65,290,543)	(57,030,189)
Cash generated from / (used in) operations	13	(818,494)	3,076,295
Finance income	11	2,079,201	1,306,483
Finance costs	12	(96)	(40)
Net cash generated from operating activities		1,260,611	4,382,738
Cash flows from investing activities			
Additions to property, plant and equipment	5	(63,801)	(67,572)
Net increase in cash and cash equivalents for the year		1,196,810	4,315,166
Cash and cash equivalents at the beginning of the year		44,392,334	40,077,168
Cash and cash equivalents at end of the year	4	45,589,144	44,392,334

Accounting Policies

1. Presentation of annual financial statements

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Impairment of property, plant and equipment

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

Depreciation

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

Impairment of levy debtors

The company assesses its trade and other receivables, more in particular its levy debtors, for impairment at each reporting

period date. Significant financial difficulties of levy debtors, probability that a levy debtor will enter bankruptcy or financial reorganisation, and default in payments are all considered to be indicators that the trade receivable is impaired.

1.2 Property, plant and equipment

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

The expected useful lives are as follows:

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

Clause15(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. 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.

Inspectors, designated by the Minister of Agriculture, Land Reform and Rural Development in terms of the MAP Act, verify compliance by levy-paying industry role players with the compulsory statutory measures 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

	2022 R	2021 R
Accrued levy income	6,709,612	7,029,836
Levy debtors	1,103,162	4,104,938
Provision for impairment of trade receivables	(723,134)	(2,520,714)
Deposits	100,833	100,833
Project advances - operating expenditure	1,281,246	1,083,033
Project advances - capital expenditure	5,336,929	6,711,125
Accrued interest - Reserve funds	983,807	158,396
Prepayments	752,544	717,500
	15,544,999	17,384,947

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022 R	2021 R
Reserve Funds	32,156,450	21,886,281
- First National Bank: Term deposit accounts	11,158,035	10,665,294
- ABSA Bank: Savings accounts	958,649	25,755
- ABSA Bank: Term deposit accounts	20,035,431	11,190,159
- First National Bank: Savings accounts	4,335	5,073
Levy Funds	13,432,694	22,506,053
- ABSA Bank: Current accounts	11,384,359	16,520,487
- ABSA Bank: Savings accounts	2,047,732	3,139,148
- First National Bank: Current accounts	-	2,846,217
- Petty cash	603	201
	45,589,144	44,392,334

Notes to the Annual Financial Statements (continued)

5. Property, plant and equipment

	2022		2021			
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	219,557	(187,208)	32,349	227,363	(175,597)	51,766
IT equipment	376,816	(251,260)	125,556	313,015	(199,931)	113,084
Computer software	-	-	-	11,697	(11,691)	6
Leasehold improvements	25,735	(25,734)	1	25,735	(25,734)	1
Total	622,108	(464,202)	157,906	577,810	(412,953)	164,857

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	51,766	-	(1)	(19,417)	32,348
IT equipment	113,084	63,801	-	(51,328)	125,557
Computer software	6	-	(6)	-	-
Leasehold improvements	1	-	-	-	1
	164,857	63,801	(7)	(70,745)	157,906

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
	176,702	67,572	(79,417)	164,857

Notes to the Annual Financial Statements (continued)

	2022 R	2021 R
6. Trade and other payables		
Trade payables	640,556	869,340
Provision for leave	280,955	204,027
South African Revenue Service - VAT	1,129,477	1,036,905
Accruals	695,774	-
Sundry creditors	-	25,500
Debtors with credit balances	222,372	251,706
Credit card balances	528	920
	2,969,662	2,388,398
7. Revenue		
Levies in terms of Notice 1653 dated 3 1 December 2021 (2021: Notice 1398 of 15 December 2017)	61,293,766	62,739,378
8. Project expenses		
Consumer Education	21,546,962	21,901,728
Research and development	3,309,700	4,833,251
Industry Information	3,339,274	3,251,186
Dairy Quality and Safety	11,434,457	12,207,439
Transformation	9,381,069	6,969,352
Milk SA staff remuneration	1,951,565	1,582,333
Communication	1,298,804	880,855
Skills and Knowledge development	1,440,230	1,381,213
Project audits	236,235	203,011
Utilisation of reserve funds	6,307,947	2,167
	60,246,243	53,212,535
9. Other income		
Administration recovery from Enterprise Development	371,004	349,992
Reversal of provision for doubtful debts	1,797,580	-
	2,168,584	349,992

Notes to the Annual Financial Statements (continued)

	2022 R	2021 R
10. Operating and project expenses		
Accounting fees	1,071,313	1,032,534
Bad debts written off	32,920	66,962
Depreciation	70,745	79,417
Employee costs	1,951,564	1,582,333
Legal expenses	354,065	327,985
Meeting costs	1,218,007	908,552
Office rent	1,028,137	955,015
Provision for doubtful debts	-	1,856,169
Other administrative expenses	799,814	803,634
Operating expenses	6,526,565	7,612,331
Project expenses (note 8)	60,246,243	53,212,535
	66,772,808	60,824,866
11. Finance income		
Interest revenue		
Bank	46,758	277,348
Interest received - trade and other receivables	113,548	240,738
Interest received - reserve funds	1,918,895	788,397
	2,079,201	1,306,483
12. Finance costs		
Bank - credit cards	96	40

Notes to the Annual Financial Statements (continued)

13. Cash (used in) generated from operations

	2022 R	2021 R
Surplus for the year	(1,231,353)	3,570,947
Adjustments for:		
Depreciation and amortisation	70,745	79,417
Interest received	(2,079,201)	(1,306,483)
Finance costs	96	40
Changes in working capital:		
Trade and other receivables	1,839,949	259,500
Trade and other payables	581,270	472,874
	(818,494)	3,076,295
14. Auditor's remuneration		
Audit fees	107,000	103,000

15. Taxation

No provision has been made for 2022 tax as the company is exempt from income tax in terms of Section 10(1)(cN) of the Income Tax Act.

16. Related parties

Related party transactions

Project expenses paid to related parties for the execution of the projects of Milk SA

Milk Producers Organisation NPC	1,582,396	1,846,075
SA Milk Processors Organisation	23,165,604	24,101,921
Compensation to the Chief Executive Officer	1,862,940	1,691,673
Compensation to the Transformation Manager	1,685,573	1,537,399

Notes to the Annual Financial Statements (continued)

17. Financial instruments by category

Reconciliation of financial instruments by category - 2022

	Financial assets at amortised cost R	Financial liabilities at amortised cost R	Total R
Trade and other receivables	15,544,999	-	15,544,999
Cash and cash equivalents	45,589,144	-	45,589,144
Trade and other payables (excluding VAT and provision for leave)	-	(1,559,229)	(1,559,229)
	61,134,143	(1,559,229)	59,574,914

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)
	61,777,281	(1,147,466)	60,629,815

Notes to the Annual Financial Statements (continued)**18. Directors' remuneration**

	2022 R	2021 R
Carstens PH Ms	32,476	24,500
Gebeda ZM Mr	25,756	15,099
Gutsche AR	21,507	8,050
Jack-Pama BS Dr (Chairman)	90,099	73,667
Kraamwinkel AP Mr*	-	-
Loubser MJ Mr (Vice-Chairman)	43,541	21,000
Lubbe H Mr*	-	-
Prinsloo AW Mr	120,448	85,244
Rathogwa MG Mr	44,225	38,500
Wellbeloved C Mr	33,755	22,575
Van Dijk CJ Dr*	-	-
	411,807	288,635

* 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 directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors are satisfied that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are also not aware of any material

non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

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	2022 R	2021 R
Revenue				
Levies	61 293 766	-	61 293 766	62 739 378
Project Expenses				
Project expenses	(53 938 296)	(6 307 947)	(60 246 243)	(53 212 535)
Gross surplus / (deficit)	7 355 470	(6 307 947)	1 047 523	9 526 843
Other income				
Administration recovery from Enterprise Development	371 004	-	371 004	349 992
Provision for doubtful debts	1 797 580	-	1 797 580	-
Finance income	160 306	1 918 895	2 079 201	1 306 483
	2 328 890	1 918 895	4 247 785	1 656 475
Operating expenses (Refer to page 24)	(6 526 565)	-	(6 526 565)	(7 612 331)
Operating surplus / (deficit)	3 157 795	(4 389 052)	(1 231 257)	3 570 987
Finance costs	(96)	-	(96)	(40)
Net surplus for the year	3 157 699	(4 389 052)	(1 231 353)	3 570 947

Operating Expenses

	Note(s)	2022 R	2021 R
Accounting fees		(1,071,313)	(1,032,534)
Auditor's remuneration	14	(107,000)	(103,000)
Bad debts written off		(32,920)	(66,962)
Bank charges		(17,923)	(16,916)
Consumables		(21,723)	(21,395)
Depreciation		(70,745)	(79,417)
Employee costs		(1,951,564)	(1,582,333)
Inspection and Investigation		(236,125)	(197,653)
Insurance		(104,311)	(93,804)
Internal audits		(60,919)	(66,467)
Legal expenses		(354,065)	(327,985)
Meeting costs		(1,218,007)	(908,552)
Office rent		(1,028,137)	(955,015)
Postage		(583)	(576)
Printing and stationery		(160,806)	(172,703)
Provision for doubtful debts		-	(1,856,169)
Repairs and maintenance		(33,884)	(43,793)
Security		(8,063)	(6,824)
Small assets		(15,252)	(48,383)
Subscriptions		(30,350)	(15,295)
Telephone		(2,056)	(3,143)
Travel - personnel		(819)	(13,412)
		(6,526,565)	(7,612,331)

Reserve Fund: Research & Development

	Cumulative 2012 - 2022 R	2022 R	2021 R
OPENING BALANCE	-	668 554	646 866
INCOME	815 310	39 810	21 688
Interest received	815 310	39 810	21 688
EXPENSES	(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)	-	-
TRANSFERS FROM RESERVE - ENTERPRISE DEVELOPMENT	2 152 897	-	-
CLOSING BALANCE	708 364	708 364	668 554

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 - 2022	2022	2021
	R	R	R
OPENING BALANCE	-	21 376 124	19 023 402
INCOME	55 226 793	22 054 793	766 641
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	-	-
Surplus funds i.r.o. 2018 - 2021 levy period	20 175 712	20 175 712	-
Interest received	8 564 481	1 879 081	766 641
EXPENSES	(6 706 600)	(6 307 949)	-
Support Services	(6 231 397)	(6 168 526)	-
Veterinary Services	(5 648)	-	-
Infrastructure	(123)	-	-
Professional advice	(57 100)	-	-
Heifers to beneficiaries	(1 645 725)	(1 645 725)	-
Critical dairy infrastructure and processing assistance	(434 307)	(434 307)	-
Fodder and concentrates	(3 986 598)	(3 986 598)	-
Socio-economic development	(101 896)	(101 896)	-
Administration	(475 203)	(139 423)	(1 747)
Bank charges	(167 493)	(139 423)	(1 747)
Meeting costs	(102 019)	-	-
Travel: Road	(87 870)	-	-
Travel: Air	(47 459)	-	-
Accommodation	(40 386)	-	-
Other	(29 976)	-	-
TRANSFER TO RESERVE - RESEARCH & DEVELOPMENT FUND	(2 152 897)	-	-
TRANSFERS TO RESERVE - PROMOTING SUSTAINABLE COMMERCIALIZATION OF BLACK DAIRY ENTERPRISES	(9 244 398)	-	1 587 765
ACCRUALS	70	-	63
Value Added Tax	-	-	-
CLOSING BALANCE	37 122 968	37 122 968	21 376 124

Reserve Fund: Promoting Sustainable Commercialization of Existing Black Dairy Enterprises

	Cumulative 2012 - 2022	2022	2021
	R	R	R
OPENING BALANCE	-	-	1 588 180
TRANSFERS FROM RESERVE - ENTERPRISE DEVELOPMENT	9 244 398	-	(1 587 765)
INCOME	8 838 058	-	68
Contribution received/(repaid) - Jobs Fund	8 805 732	-	-
Interest received	32 326	-	68
TOTAL EXPENSES	(18 082 390)	-	(420)
Management Fees	(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)	-	-
Training (Consultants)	(975 273)	-	-
Professional Fees	(934 484)	-	-
Accommodation & meals	(29 784)	-	-
Capacity building	(11 005)	-	-
Capital Expenditure	(12 150 995)	-	-
Machinery & Equipment	(214 093)	-	-
Procurement of cows	(8 168 682)	-	-
Pasture Establishment	(378 689)	-	-
Capital transfers (Capital expenditure)	(3 389 531)	-	-
Infrastructure costs (Eskom power)	(3 035 019)	-	-
Administration	(6 189)	-	(420)
Bank charges	(6 189)	-	(420)
ACCRUALS	(66)	-	(63)
Value Added Tax	(66)	-	(63)
Expenditure incurred but settled after reporting date	-	-	-
CLOSING BALANCE	-	-	-





m^olk
Milk South Africa
Melk Suid-Afrika

Milk South Africa NPC
Brooklyn Court Building, Block B, 361 Veale Street,
Nieuw Muckleneuk, Pretoria, South Africa
PO Box 1961, Brooklyn Square, 0075
www.milksa.co.za

