**CEO REPORT TO THE BOARD OF DIRECTORS**

**1. Report on decisions taken by the Board on 1 June 2016**

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| 9.1 | That the CEO would calculate the difference in cost related to attending the WDS as a result of the Euro/Rand exchange rate and refer the matter to Exco for a position.  Item 11.1 of this agenda has reference. See item 9.5 of the Exco minutes of 15 June 2016. | CEO |
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| 9.2 | To agree in principle to move the administrative and secretarial services for the R&D portfolio to the MPO; and to refer the matter to Exco for finalization and implementation.  Exco did not have the opportunity yet to consider the matter, as a portfolio of duties was still awaited from the CEO. These minutes are included under item 11.2 of this agenda. | CEO |
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| 9.3 | That the CEO would work towards reducing his time spent on project disciplines to 1%; that Exco would be requested to look at a process to assist the CEO to work according to a feasible time schedule; and that Exco would in future deal with the time spent by the CEO on the various disciplines.  Resolution 5.2 of Exco taken on 21 July 2016 is relevant. | CEO |

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| 10.1.1 | That it would be stated in the Board’s 2015 annual report that Milk SA had done everything in its power to collect all levies; and that the relevant previous decision in this regard be amended accordingly.  The annual report was amended as such by the CEO. | CEO |
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| 10.1.2 | That sentence 1, paragraph 6 on page 3 of the Annual Financial Statements (Directors’ Responsibilities and Approval) would in future be amended to exclude the detailed income statement and annexures setting out the detailed movement in the reserve funds.  The Chairman of the Audit & Risk Committee and the Accountants of Milk SA (PWC) took note of this decision. | CEO |
| 10.1.3 | To accept the 2015 Annual Financial Statements for presentation to the Annual General Meeting on 2 June 2016.  The AFS were adopted by the members at the AGM. | --- |

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| 10.2.1 | To accept the April 2016 Monthly Financial Statements.  Noted. |

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| 10.3.1 | That the Audit & Risk Committee be requested to make a formal proposal, setting out the accounting principles as well as the justification of the current policy regarding income recognition in the Financial Statements.  A formal proposal is included in this agenda pack, for consideration under item 10.3 of the agenda. | CEO |
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| 10.3.2 | That the Audit & Risk Committee draft a brief report to demonstrate the managerial and decision-making value of all financial reports.  The Chairman of the Audit & Risk Committee was aware of the decision and a report will be submitted at the next Board meeting. | CEO |

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| 10.4.1 | That the present format of the Debtors’ profile would be retained; that future months would be added on for purposes of comparison; and that this table would be submitted to the Board quarterly.  The usual report in this regard is not included in this agenda pack. The CEO requested the Chair: Audit & Risk Committee to take responsibility of the report who was currently giving attention to requests of the Executive Committee. Once completed, the draft report will be submitted to the Statutory Measures Committee for consideration, as per Exco decision 6.3.1 of 21 July 2016 and then to Exco for approval. By virtue of decision 6.3.3 of the same minutes, the CEO and Dr Van Dijk will then also consider the graphical outlay of the report. | CEO |
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| 10.4.2 | That in respect of the table listing the most prominent debtors:   * The last column would be revised to provide for more detailed and more recent information regarding legal action taken; * Another column would be added in which the risk value would be indicated; * A bad debt guestimate would be added; * The Debtors’ information in the monthly financial statements would also be included in this report; and * The format would be revised by the CEO in cooperation with the Statutory Measures Committee and the Audit & Risk Committee.   These aspects forms part of the process as described above. | CEO |
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| 10.4.3 | That the minutes of the Statutory Measures Committee would also be made available to the Board.  The minutes of the Statutory Measures Committee dated 7 June and 8 August 2016 respectively, are included in the pack and will be discussed under item 12.1 of this agenda. | CEO |

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| 10.6 | That the draft Policy and Procedure for deregistrations and debt write-offs would be submitted to the Statutory Measures Committee for input - for finalization by Exco.  This was put in process. The document was sent for input by the Statutory Measures Committee (meeting on 8 August 2016). | CEO |

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| 10.8.1 | That the adjusted draft four-year budget and specifically the question of whether provision should be made for internal audits and inspections services would be referred to Exco for a recommendation to the next Board meeting on 23 August 2016.  Exco considered the matter and the directors' attention is drawn to Resolution 6.1.1 of Exco's minutes of 15 June 2016. Discussions in this regard was still to follow between the CEO and the Transformation Manager regarding the allocation of shared costs in the Milk SA Office, which could cause sufficient savings to allow for internal audits and inspection services. | CEO |

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| 10.12.2.1 | That a draft risk policy for Milk SA should be completed before a measuring system could be looked at in any depth.  The CEO has completed a draft Risk Policy, for consideration by the Audit & Risk Committee on 11 August 2016 and advice to the Board. See included under item 10.8 of this agenda. | CEO |

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| 10.13.1.1 | That the decisions of the Advisory Committee and Exco, to approve the overspending of R61 118 for Industry Information for 2015, based on the motivation submitted, be accepted.  A formal letter in this regard had been sent to the MPO and the payment had been made. | CEO |

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| 10.13.2.1 | That the decision of the Subcommittee: Skills Development, Primary Industry and Exco to approve the MPO’s request to utilize unspent funds in 2015 for a project in 2016 be approved.  This was officially conveyed to the MPO, and Milk SA's Office has made provision in its creditors control mechanisms. | CEO |

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| 10.14.1 | That the previous decision approving the utilization of the unused funds of approximately R2 million (of the Dairy Consumer Education Surplus Fund) be amended to approve the spending of the additional amount of R315 000.  This was officially conveyed to SAMPRO, and Milk SA's Office has made provision in its creditors control mechanisms. | CEO |

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| 11.1.1 | That the report on a levy payer (Levy payer A) as presented to the Board – as advised by Exco – be accepted.  The Statutory Measures Committee has approved a letter that was sent to Levy payer A. | CEO |

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| 112.2.1 | To accept the RPEC’s decision recommending Prof Jooste’s greater involvement in R&D, namely to act as facilitator for projects within his field of expertise and that he should be paid R400 per hour for the number of hours spent per project.  The agreement - as approved by Exco - had been signed by the CEO and Prof Jooste. | CEO |

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| 12.1.1. | To thank the CEO for drafting anEmployment Equity Plan and Mr Du Preez for offering further assistance in this regard.  The CEO and Mr Jacques van Heerden still had to meet. | CEO |

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| 12.2.1 | That the content and viability of possible harmonization of human resources policies of the MPO, SAMPRO and Milk SA be the topic of discussion between the three Chairpersons in order to decide on a potential framework – bearing in mind that the intention was to move closer and avoid duplication - and that this framework then be handed to the CEOs for refinement and finalization.  The CEO will ensure that this issue be put on the agenda for the next Human Resources Committee meeting. | Chair: Milk SA Board |

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| 13.1.1.1.1 | To accept the 2015 Annual Report for the project titled “Promoting sustainable commercialization of existing black dairy farmers.”  Noted. |

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| 13.1.1.2.1 | That the CEO, Transformation Manager and Chairman of the Advisory Committee meet to decide on an appropriate means of reporting to the Board and the General Meeting on the Commercialization project.  Such a meeting was still due. However, the CEO will as a rule include the latest minutes of the Internal Management Committee on Transformation as well as the latest report that the Transformation Manager had submitted to the National Treasury. Item 14.1.1.1 of this agenda deals with the issue. | CEO |

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| 13.2.1.1.1 | To accept Dr Coetzee’s presentation with minor amendments.  The report was adjusted by Dr Coetzee and presented to the Members on 2 June 2016. |

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| 13.2.2.2.1 | That a copy of a presentation on the IDF’s aims and activities be distributed at the General Meeting the following day (2 June 2016).  It is unknown if this was made available to the members and guests on 2 June 2016. | Dr Van Dijk |

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| 13.2.3.1.1 | To accept the proposed structure of the envisaged customs duty and market access project (Annexure C in the agenda pack).  SAMPRO was officially notified in this regard. |

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| 13.3.2.2.1 | That the linkage between Milk SA projects and the AHF be discussed in the R&D Committee.  This appears on the agenda of the newly established Dairy R&D Committee, of 1 September 2016. | CEO |

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| 13.4.3.1 | To approve the proposal for a new approach to the management of Dairy Regulations and Standards included in the agenda pack.  This was officially conveyed to the Dairy Standard Agency. | CEO |

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| 14.1.1 | That in order to explore the possibility of coordinating meetings with the SASDT symposium, Mr Kraamwinkel would discuss the viability of scheduling a MPO Board meeting with Dr Van Dijk and a SAMPRO meeting with Mr Loubser; and that Exco would be tasked to interact with the SASDT to explore how the SASDT and the organized dairy industry could have a closer relationship.  This decision was brought under attention of both Mr Kraamwinkel and Dr Van Dijk, while Exco would discuss this at its next meeting. | Mr Kraamwinkel |
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| 14.1.2 | That Milk SA’s participation in the Large Herds Conference would be referred to Exco for consideration.  Exco will discuss this at its next meeting. | CEO |

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| 14.3.1 | To re-appoint Mr Van Heerden as a director from 4 June to 30 November 2016.  Nominations were requested from non-SAMPRO members and Mr Van Heerden was the only nominated person. The CEO suggests that Mr Van Heerden be considered as Director until 31 December 2018. Item 15.2 of this agenda has reference. | CEO |

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| 14.4.1 | To accept Mr Gebeda’s appointment as alternate director for the MPO.  Mr Gebeda was notified by the Office and his appointment had been registered with CIPRO. | CEO |

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| 15.1 | To accept the annual report of the Board as an accurate reflection of 2015’s activities.  Noted. |

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| 16.1 | To accept the agendas for the General Meeting and Annual General Meeting of 2 June 2016 – for presentation to the AGM on 2 June 2016.  Noted. |

**3. Activity report**

It was decided by the Board of Directors on 25 November 2015, as follows:

"To request the CEO to limit his report on the main activities to the graph depicting time spent which was included in the agenda pack, unless otherwise required."

The relevant report is included, based on detailed daily records of the CEO's activities (since January 2013).