



MILK SOUTH AFRICA / MELK SUID-AFRIKA

Milk South Africa NPC

# ANNUAL REPORT 2014

1 January to 31 December 2014



## 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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**Prof. Chris Blignaut** | Chairman

# Chairman's Report for 2014

Annual General Meeting | 14 May 2015

The South African dairy industry, amidst a weaker performance of the SA economy, performed quite well when compared to other agricultural and food commodities. The demand for most dairy products is strong, while we have experienced a fairly steep increase in milk procurement as reported to Milk SA.

A slightly amended set of statutory measures was introduced by the end of 2013 (for 2014 to 2017) and Milk SA was delighted to be able to continue with its mandate, namely to support the dairy industry with collectively important functions.

Milk SA continued to support the industry so as to promote the broadening of the dairy market and the industry's competitiveness, and to empower previously disadvantaged individuals.

The Board of Directors held four meetings in 2014 and was informed by its various Advisory Committees and other structures in order to ensure projects' optimal goal achievements. There continued to be active participation in these structures.

The Board also paid special attention to the administration of the statutory measures, which is the backbone of Milk SA's success.



Internal audits were carried out on the administration function and a number of projects, and the Members can rest assured that good corporate governance is at the order of the day.

The Board also paid attention to more effective communication with members, levy payers and other role-players via its website, the *Milk Essay*, industry information products and more direct contact with role-players.

Our financial affairs are still being taken good care of within the structures of the Milk SA Administration Department, External Accountants, Audit and Risk Committee, Internal Audit function and External Auditors. It is reassuring to have noticed from the annual statements that Milk SA has continued to experience a good financial position, thanks to the afore-mentioned and also every role-player who pays the levies.

I wish to thank all who contribute to the success of Milk SA and its projects and in particular, the following:

- Manufacturers of dairy products, producer-distributors and importers who pay the levies to Milk SA.
- The Members of Milk SA, namely the MPO and SAMPRO.
- The Board of Directors.
- The Vice-Chairman.
- Members of the Advisory Committees, Work Groups, Exco and the Audit & Risk Committee.
- Project managers.
- National Agricultural Marketing Council.
- CEO and staff.

**Chris Blignaut**  
Chairman



**Nico Fouché** | CEO

# Chief Executive Officer's Report for 2014

To the Members of Milk South Africa  
at their Annual General Meeting | 14 May 2015

It is a pleasure to deliver a report for another successful year during which we experienced enthusiastic co-operation in Milk South Africa's projects and other activities through the different structures such as the Advisory Committees. The Board of Directors closely monitored the performance of the projects and financial situation and continued to improve on good corporate governance, policies and procedures.

The Office of Milk South Africa gave execution to the decisions taken by the various committees, work groups, the Members and the Board of Directors to the best of its ability; and the Office is constantly aware of the overarching objectives linked to the daily activities.

The administration of statutory measures of this magnitude requires a disciplined approach where the policies need to be practiced and improved upon every day.

## Statutory Measures

In terms of the Marketing of Agricultural Products Act, 1996, (Act No. 47 of 1996) the Minister of Agriculture, Forestry and Fisheries entrusted the implementation, administration and enforcement of the following statutory measures to Milk SA, as published on 20 December 2013:

# CHIEF EXECUTIVE OFFICER'S REPORT



- i. **Notice 1218:** Registration of persons involved in the secondary dairy industry.
- ii. **Notice 1219:** Records and returns in respect of milk and other dairy products.
- iii. **Notice 1220:** Levies on milk and other dairy products.

Notices 1218, 1219 and 1220 of 20 December 2013 were published with quite a few important amendments to the previous statutory measures, as indicated in the table below. The “new” measures have been in place since 1 January 2014 and Milk SA distributed copies of the measures and also communicated the amendments to the levy payers.

Up to 31 December 2013	From 1 January 2014
<ul style="list-style-type: none"> <li>i. Persons, excluding retailers, who bought milk from milk producers with the purpose to sell it as such, or to sell it after processing, or to use it to manufacture other products, had to pay the levy.</li> </ul>	<p>Persons who buy raw (unprocessed) milk <i>from any source</i> for the purpose of processing it or to use it to manufacture other products, or to sell it to persons located outside the RSA, or to move it outside the RSA, must pay the levy.</p>
<ul style="list-style-type: none"> <li>ii. Milk producers who sold raw milk produced by them to retailers or consumers or used such milk to manufacture other products, had to pay the levy.</li> </ul>	<p>Milk producers who sell raw milk that they produce to local consumers or to persons outside the RSA; or who process such raw milk or use it to manufacture other products, must pay the levy.</p> <p>Any person who sells raw (unprocessed) milk to retailers, must pay the levy.</p>
<ul style="list-style-type: none"> <li>iii. Persons who imported dairy products, had to pay the levies.</li> </ul>	<p>Persons who import dairy products must pay the levies.</p>

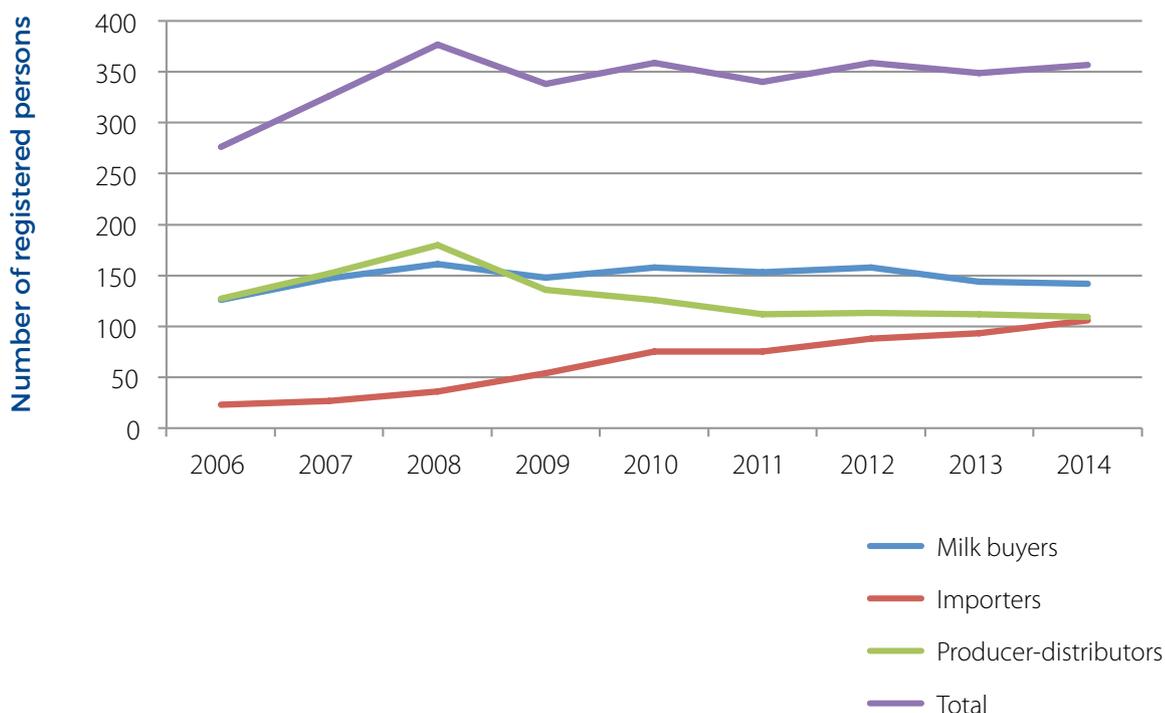
A few practical examples are:

- As from 1 January 2014, a milk trader or any other person who buys and sells raw milk as such<sup>1</sup> within the RSA, does not pay levies on such raw milk. (Not to be confused with the sale of raw milk by milk producers to local consumers or the sale of raw milk by any person to retailers, as contemplated under ii in the table above).
- A milk processor who buys and sells raw milk *as such* to another milk processor, will not pay the levy. (In this example, "Milk processor" can be replaced by any other person, as the focal point is the *raw milk*). The final buyer of the raw milk who processes it or uses it to

manufacture products, or who exports it, will pay the levy.

- If a milk trader or milk processor pasteurizes the raw milk before selling it, s/he is liable for the levy, because the raw milk was processed.
- A milk processor (or any other person such as a raw milk producer) who exports/moves raw milk outside the RSA, will pay the levy.
- If processor X contracts processor Y to process the raw milk on his (processor X's behalf), processor X would be liable for paying the levy, as well as for the declaration of the use of the raw milk in "concentrated" and/or "other" products.

## Annual movement in the number of registered persons in the three registration categories: 2006 to 2014

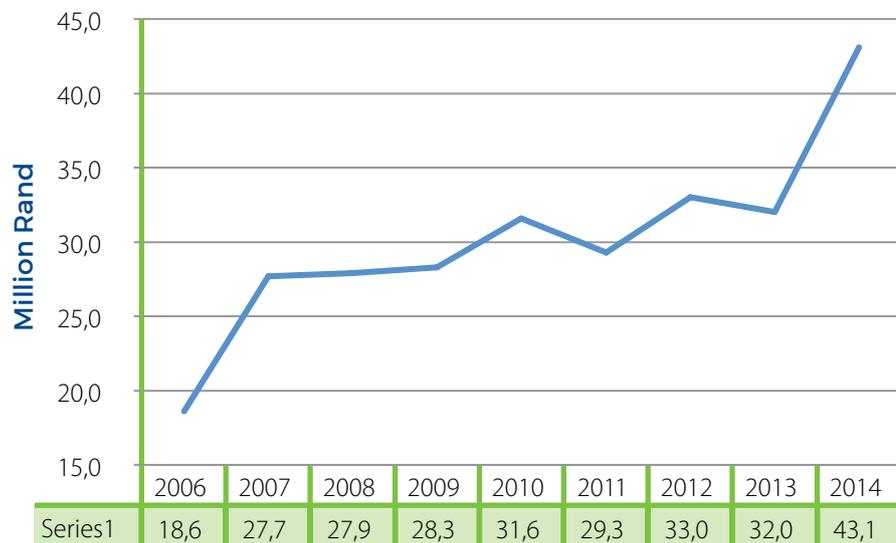


<sup>1</sup> As such means as raw milk.

## Number of registered persons: 2006 to 2014

		Buyers	Importers	Producer-distributors	Total
December	2006	126	23	127	276
	2007	147	27	152	326
	2008	161	36	180	377
	2009	148	54	136	338
	2010	158	75	126	359
	2011	153	75	112	340
	2012	158	88	113	359
	2013	144	93	112	349
	2014	142	106	109	357

## Levy income: 2006 to 2014



**2006 to 2013:** Levy rate = 1,0 cent / kg of milk

**2014:** Levy rate = 1,3 cent / kg of milk

## Percentage contribution of the categories of levy payers to the income in 2008, 2010, 2012 and 2014

	2008	2010	2012	2014
<b>Milk buyers</b>	92	91	87	91
<b>Importers</b>	6	7	12	8
<b>Producer-distributors</b>	2	2	1	1

### The web-based information system

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

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

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

On the request of Milk SA, the Minister of Agriculture appointed two inspectors during the last quarter of 2013, and the Office of Milk SA reports the following:

#### Objectives of the inspections

- The objectives of the inspections of role-players are to establish and report on the level of compliance in terms of the requirements for record keeping and the

accuracy of the returns in terms of the classifications; and the calculation of the levies paid.

- An additional objective is to make role players more aware of their responsibility in this regard, the importance of the returns, the accuracy thereof and the timely payment of levies.

#### Scope and procedures

- Inspections were conducted in the Gauteng region during the months of September and October 2014.
- Eight role-players were visited, which included certain larger, but also some of the smaller role-players.
- The inspections were based on normal audit principles in terms of testing on a sample basis and obtaining appropriate supporting documentation where applicable.
- Audit procedures mostly covered selected months in 2013 and 2014.
- Supporting documentation included daily milk intake records, production records, supplier statements/ payments and import documentation where appropriate.

#### Communication of the inspection findings

- Problems identified during the inspections were pointed out to the Board of Directors in a summary report, and letters with detailed findings and suggested corrective measures were sent to each individual role player.
- Matters with potential impact on statistical data and levy income of Milk South Africa were highlighted in a report to the Board of Directors.

## Observations

- i. In general the majority of the role-players comply with the requirements of the act in that they keep adequate records of imports of dairy products, milk purchases, as well as records to differentiate between milk used for concentrated products and milk used for other purposes.
- ii. Role-players did not in all cases heed the change in statutory measures that came into effect on 1 January 2014. This applies specifically to the inclusion of raw milk bought from other processors and the exclusion of raw milk sold to other processors.
- ii. Certain role-players who did not have adequate systems in place are likely to now implement the appropriate systems. This should have a positive effect on the levy income earned by Milk SA and importantly also on the statistical information of the dairy industry in South Africa.
- iii. A guideline document on the interpretation of the new statutory measures was drafted by the CEO of Milk SA in conjunction with the Inspector and the distribution of this document to all role-players should assist greatly regarding the completeness and accuracy of data collected and levy income received.

## Follow-up procedures

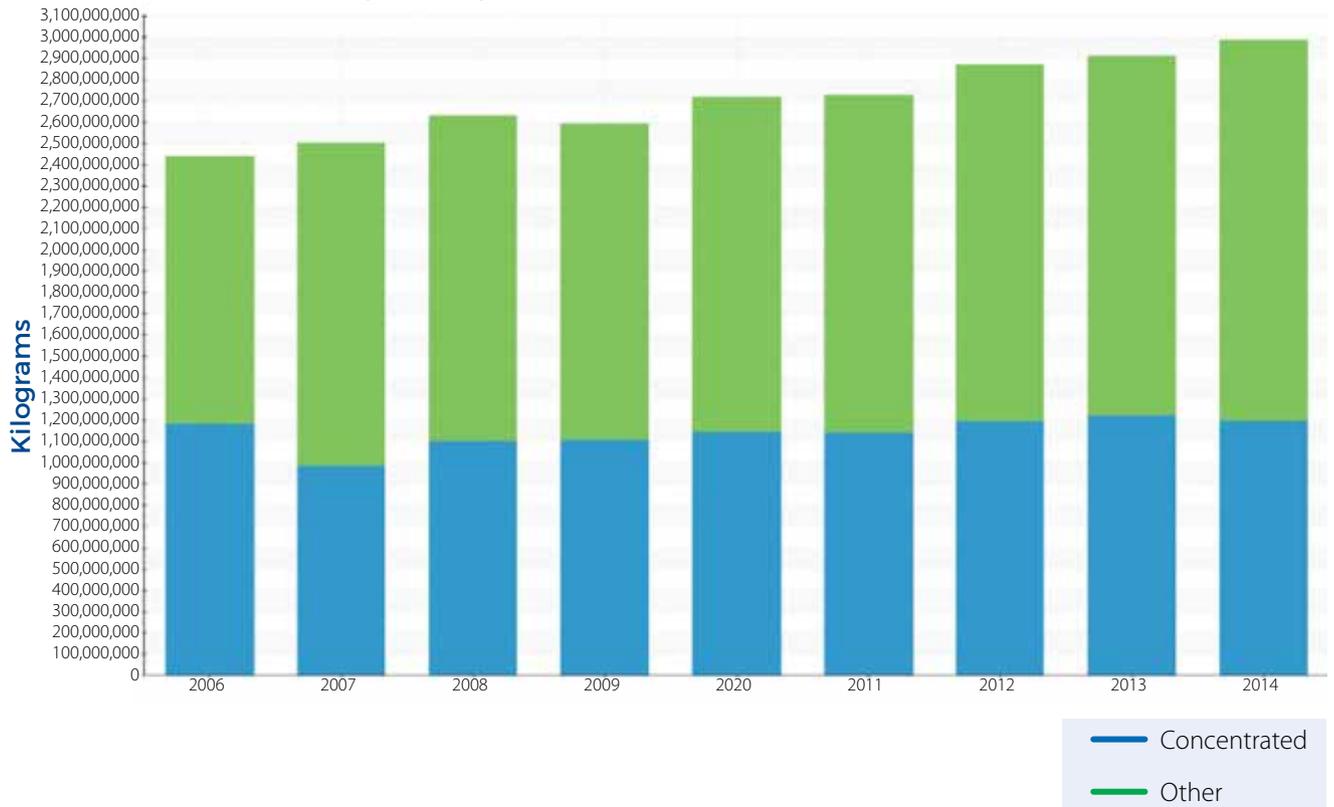
- i. Letters were written to each role-player under the signature of the inspector as well as the CEO of Milk SA, wherein detailed findings were communicated and required follow-up action was set out.
- ii. In certain cases agreements were reached with the role-players in terms of which they would revisit their records to extract the relevant data for completion of revised returns.
- iii. A control schedule was drawn up to enable Milk SA to follow up and keep track of outstanding matters with the relevant role-players.
- iv. Role-players, where significant problems were identified, were scheduled for second audits in order to ensure that appropriate corrections were implemented.

## Conclusion

- i. The inspections that were performed have great value in that role-players in the industry are now aware that they are actually being inspected. Role-players are likely to give more attention to record keeping and the accuracy of the statutory returns in future. This exercise is a great deterrent to deliberate understatement of monthly returns.

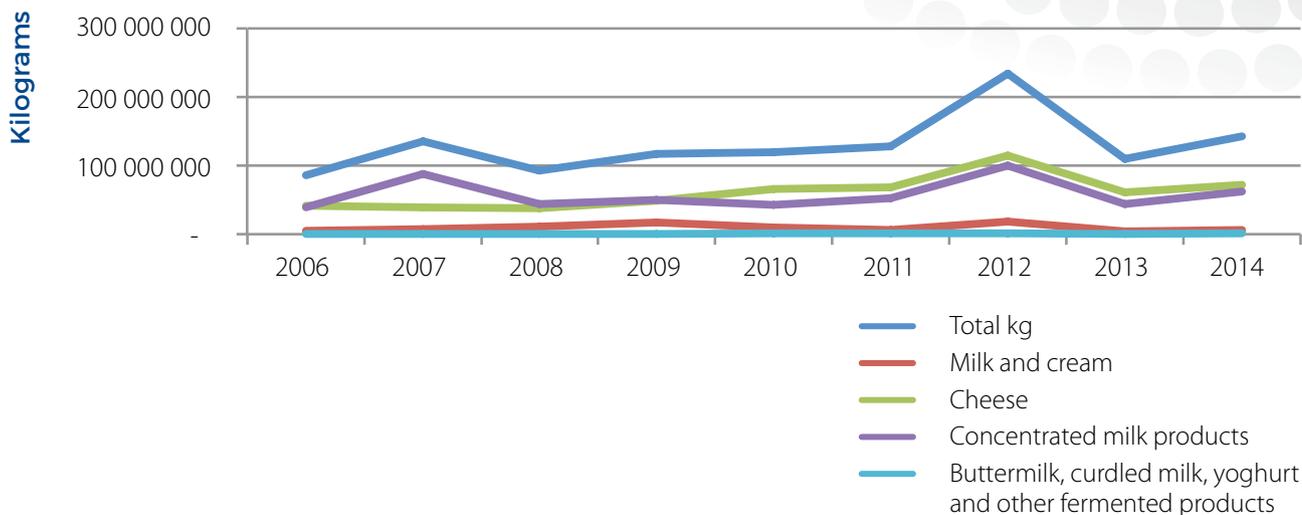


**Processing of milk into concentrated and other products: 2006 to 2014**  
as declared to Milk SA (5.1 / 5.2)



	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Concentrated %</b>	48.4	39.4	41.9	42.6	42.3	41.9	41.6	41.9	40.0
<b>Other %</b>	51.6	60.6	58.1	57.4	57.7	58.1	58.4	58.1	60.0

## Imports of product categories, 2006 to 2014, as reported to Milk SA (Milk equivalent: kilograms)



## Milk equivalent of imported products, 2006 to 2014 ('000 kg)

2006	2007	2008	2009	2010	2011	2012	2013	2014
85 924	135 073	92 821	116 601	119 922	127 896	234 108	109 758	142 143

## Imports per category in 2014 (Kilograms: not milk equivalent)

	Kilograms reported to Milk SA
0401 Milk & Cream, not concentrated	6 695 902
0402 Milk & Cream, concentrated	6 921 369
0403 Buttermilk, curdled milk, yoghurt	890 643
0404 Whey	7 905 741
0405 Butter	4 361 475
0406 Cheese	7 226 368

## The projects of Milk South Africa

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The contents of Milk South Africa's projects are subject to the requirements of the objectives of the statutory measures and the strategic direction as decided by the Members of Milk SA.

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

Milk SA signed contracts with the project managers in accordance with Milk SA's policy on the funding of statutory projects. Quarterly and annual reports for each project were submitted by the project managers.

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

The Board continued to employ an internal auditor to provide independent and objective advice in order to improve Milk South Africa's performance in respect of its administrative and project outputs. During 2014, internal audit reports were issued to the Board of Directors on the following:

- i. Transformation Co-ordination and Facilitation
- ii. Dairy Consumer Education
- iii. Human Resources
- iv. Administration of Statutory Measures

Milk SA's projects are linked to the above-mentioned elements of Milk SA's strategic direction and are also aligned with the relevant legislation and initiatives of government institutions and other external institutions. One example is the Dairy Consumer Education Project, of which the primary objective is to provide education regarding the nutritional and health values of dairy

products, and which links up with a variety of acts and regulations regarding product composition, food safety and metrology administered by national, provincial and local authority institutions.

Through its funding of and involvement in the activities of the SA National Committee of the IDF (SANCIDF), Milk SA and its projects continued to play a significant role in the organised international dairy industry. In 2014, the Rapporteurs of SANCIDF became members of Milk SA Advisory Committees, so as to strengthen the liaison and knowledge base between the local industry and the IDF. The forums on which the SANCIDF rapporteurs were represented, are:

- Standing Committee on Animal Health
- Standing Committee on Analytical Methods for Additives and Contaminants
- Standing Committee on Analytical Methods for Composition
- Standing Committee on Analytical Methods for Dairy Micro-organisms
- Standing Committee on Dairy Science and Technology
- Standing Committee on Food Additives
- Standing Committee on Food Labelling and Terminology
- Standing Committee on Residues and Chemical Contaminants
- Standing Committee on Farm Management
- Standing Committee on Harmonisation of Microbiological Methods
- Standing Committee on Marketing
- Standing Committee on Microbiological Hygiene
- Standing Committee on Nutrition and Health
- Standing Committee on Statistics and Automation
- Standing Committee on Dairy Policies and Economics
- Standing Committee on Environment
- Action Team on Mastitis

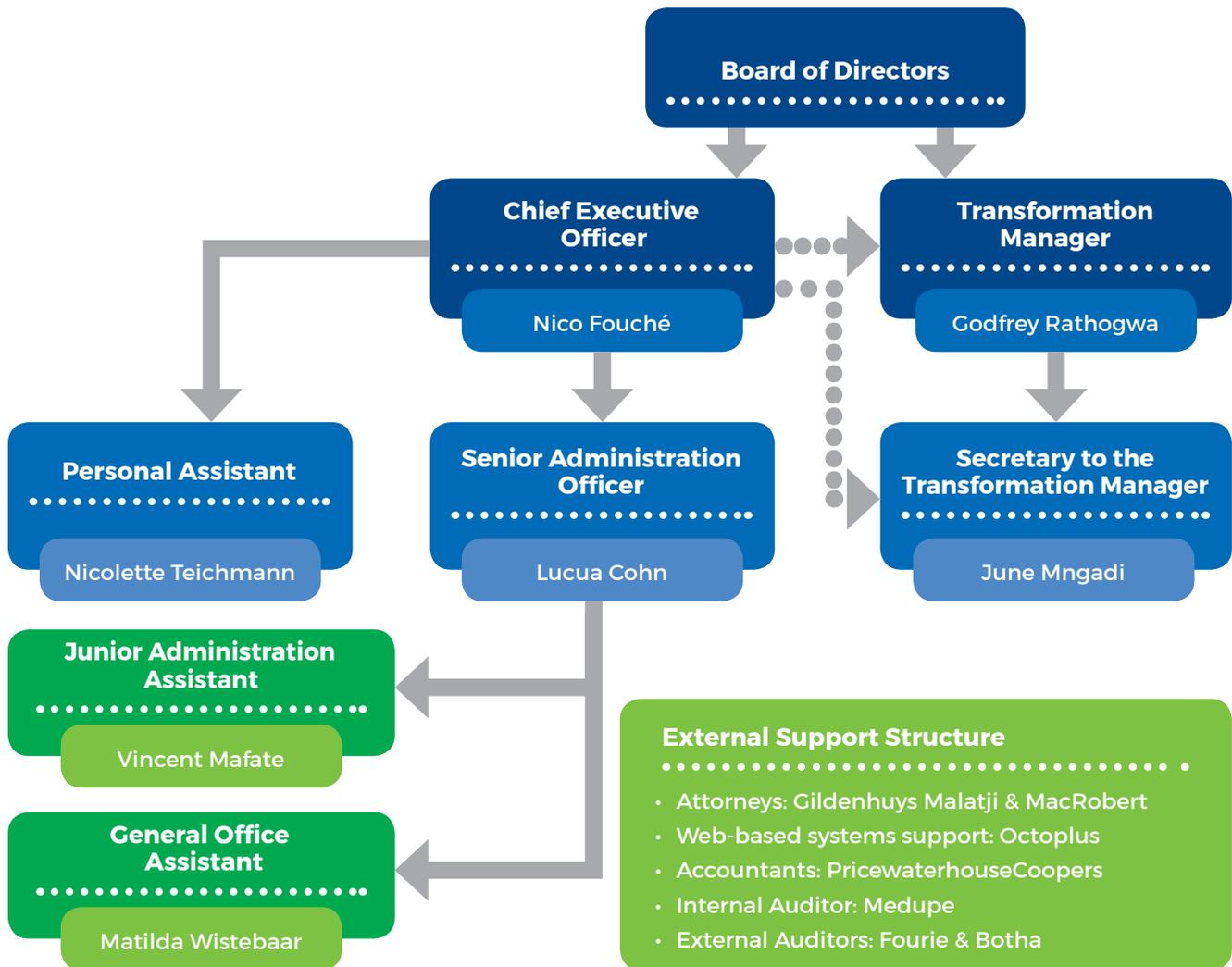
# CHIEF EXECUTIVE OFFICER'S REPORT



**Staff of Milk SA:**

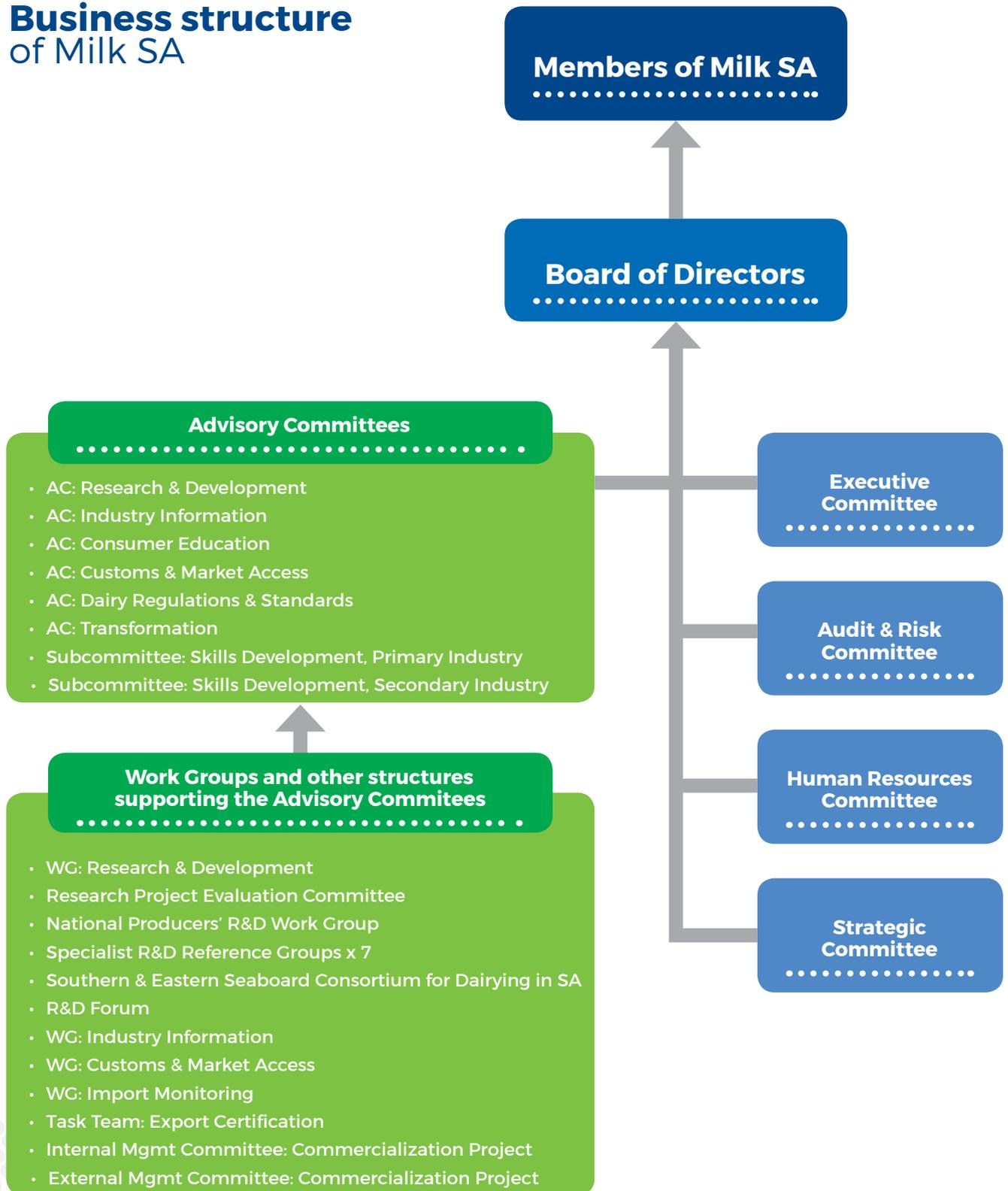
**Back:** Vincent Mafate, Lucua Cohn, Nicolette Teichmann.  
**Front:** Matilda Wistebaar, Nico Fouché, June Mngadi.

## Office structure of Milk SA and external support structure



*Solid lines: Line authority | Dotted lines: Administrative authority*

# Business structure of Milk SA



# CHIEF EXECUTIVE OFFICER'S REPORT

## Advisory Committee: Research & Development

Chairman: Nigel Lok  
Programme Manager: Dr Heinz Meissner

## Advisory Committee: Industry Information

Chairman: Melt Loubser  
Project Manager: Dr Koos Coetzee

## Advisory Committee: Dairy Consumer Education

Chairman: Alwyn Kraamwinkel  
Project Co-ordinator: Christine Leighton

## Advisory Committee: Customs & Market Access

Chairman: Melt Loubser  
Project Manager: Nico Fouché

## Advisory Committee: Dairy Regulations and Standards

Chairman: Alwyn Kraamwinkel  
Project Manager: Jompie Burger

## Advisory Committee: Transformation

Chairman: Willie Prinsloo  
Transformation Manager: Godfrey Rathogwa

## Subcommittee: Skills Development, Primary Industry Sector

Chairman: Nico Fouché  
Project Manager: Helene Pheiffer

## Subcommittee: Skills Development, Secondary Industry Sector

Chairman: Alwyn Kraamwinkel  
Project Manager: Gerhard Venter

## SA National Committee of the IDF

President: Bertus de Jongh  
Secretary: Edu Roux

## Advisory Committee Chairpersons & Project Managers



**Pictured, from left to right:**

**Line 1:** Jompie Burger, Dr Koos Coetzee, Bertus de Jongh, Nico Fouché

**Line 2:** Alwyn Kraamwinkel, Christine Leighton, Nigel Lok

**Line 3:** Melt Loubser, Dr Heinz Meissner, Helene Pheiffer

**Line 4:** Willie Prinsloo, Godfrey Rathogwa, Edu Roux, Gerhard Venter

## Contractors in 2014

i. PricewaterhouseCoopers	Accountants
ii. Octopus	Web-based system support and enhancement
iii. Internet Solutions (Dimension Data)	Web-based systems hosting security
iv. Fourie & Botha	External Accountants (i.t.o. Companies Act)
v. Gildenhuys Malatji Inc	Attorneys
vi. MacRobert Inc	Attorneys
vii. Medupe (Pty) Ltd	Internal Auditor
viii. Milk Producers' Organisation (NPC)	Projects: <ul style="list-style-type: none"> <li>• Industry information</li> <li>• Empowerment of previously disadvantaged individuals in the primary dairy sector, through training and skills development</li> <li>• Mentoring of emerging dairy farmers (Elim)</li> <li>• Dairy Occupational Qualification</li> </ul>
ix. SA Milk Processors' Organisation	Projects: <ul style="list-style-type: none"> <li>• Dairy Consumer Education</li> <li>• Skills development (training)</li> </ul>
x. Dairy Standard Agency	Project: Improvement of dairy quality and safety
xi. University of Pretoria	Project: Characterisation of coliform bacteria and Escherichia coli from fresh milk to determine the prevalence of possible pathogenic types
xii. Veterinary Network (Pty) Ltd	Project: National disease monitoring and extension system for the South African dairy industry
xiii. Dr HH Meissner <sup>2</sup>	Programme Manager: Research and Development: Milk SA
xiv. SA National Committee of the IDF	Statistical and other dairy information
xv. Mr MG Rathogwa <sup>3</sup>	Transformation Manager: Milk SA

**2** Dr Meissner is contracted annually in the position of Programme Manager: Research & Development. He is responsible for the project: "Co-ordination, support and promotion of needs-driven R&D in the South African Dairy Industry".

**3** Mr MG Rathogwa is a Director of Milk SA, and appointed as Transformation Manager on a fixed contract basis. He was contracted on 1 August 2009 following the Minister of Agriculture, Forestry and Fisheries' condition to the publishing of the statutory measures, namely "that the dairy industry appoints a Transformation Manager to drive the empowerment programmes in the industry which are funded by statutory levies."

## Communication and Liaison

- *Milk Essay* was launched in 2010 as a quarterly publication, while the website continued to be updated with project reports, minutes, industry statistics, news and other information.
- Milk SA liaised with the Agricultural Research Council (ARC), Department of Agriculture, Provincial Departments, Department of Health, Department of Trade and Industry, NAMC and other government institutions on a variety of issues which are in the interest of the dairy industry as a whole, such as export certification, industry information, legislation, research and transformation.

## Corporate Governance

Good corporate governance is central to the success of Milk South Africa. The growth in administrative responsibilities, as well as the scope and depth of the projects, urged the need for new and refined policies, procedures and systems. These corporate governance instruments are listed below.

- Corporate Governance and Directors' Duties
- Directors' Disclosure of Interest Policy and Policy for handling of conflicts of interests
- House rules for the Board of Directors
- Duties of Directors (to be signed by directors)
- Role and Responsibilities of the Vice-Chairperson
- Board meeting procedures
- Charter for the Board of Directors
- Charter for the Members of Milk South Africa
- Chart of Authority
- Financial Policy of Milk South Africa
- Depreciation and Maintenance of Assets
- Policy for the financing of statutory projects of Milk South Africa
- Policy for the monitoring of statutory projects to ensure effective use of statutory funds
- Dispute resolution procedure in respect of

- contractual agreements between Milk SA and Service Providers in terms of the statutory measures
- Standard Agreement between Milk SA and Contractor (for projects)
- Policy for Advisory Committees of Milk SA
- Human Resources Policy
- Human Resources Committee: Terms of Reference
- Audit & Risk Committee: Terms of Reference
- Terms of Reference for each Advisory Committee of Milk SA
- Executive Committee: Terms of Reference
- Policy and Procedures for the Administration of the statutory measures administrated by Milk South Africa



**Nico Fouché**  
Chief Executive Officer





# A Report by the Board of Directors

To the Members of Milk South Africa  
at their Annual General Meeting | 14 May 2015

**Pictured above,  
from left to right:**

**Seated:** Frik Grobler,  
Tom Turner (Vice-  
Chairman),  
Prof Chris Blignaut  
(Chairman), Bertus  
de Jongh, Porchia Adams

**Standing:** Willie Prinsloo,  
Godfrey Rathogwa,  
Alwyn Kraamwinkel,  
Melt Loubser, Nigel Lok,  
Jacques van Heerden

## 1 Persons who served on the Board of Directors during 2014

- Blignaut, CS (Prof) *Chairman*
- De Jongh, AJB
- Dowry, JJ \*
- Grobler, FA
- Gutsche, AR *Alternate director*
- Kraamwinkel, AP
- Lok, NJ
- Loubser, MJ
- Prinsloo, AW
- Rathogwa, MG
- Schutte, DPA *Alternate director*
- Turner, TK *Vice-Chairman*
- Van Heerden, J \*\*

\* Passed away on 5 May 2014

\*\* Appointed on 4 June 2014

## 2 Board and General meetings

The Board held four meetings in the year under review.  
Two General meetings and one Annual General meeting were held.

## 3 Project Committees and Work Group meetings:

Number of meetings held in 2014

	Advisory Committees	Work Groups & Other	Notes
Industry Information	2	8	
Customs and Market Access	2	0	
Dairy Regulations and Standards	1	n/a	
Dairy Consumer Education	2	n/a	
Transformation Co-ordination and Facilitation	2	13	<ul style="list-style-type: none"> <li>• Internal Management Committee: Commercialisation Project x7</li> <li>• Work Group: Commercialisation project x 3</li> <li>• External Management Committee: Commercialisation project x 1</li> <li>• Ad hoc meeting on a Transformation Position Document x 1</li> <li>• Ad hoc meeting on Extension services x 1</li> </ul>
Subcommittee: Skills development - Primary Industry	2	n/a	
Subcommittee: Skills development - Secondary Industry	2	n/a	
Research and Development	2	14	<ul style="list-style-type: none"> <li>• Work Group meeting x 1</li> <li>• National Producers Research and Development Work Group x 1</li> <li>• Research Project Evaluation Committee x 5</li> <li>• SESCORDER x 1</li> <li>• Ad hoc meetings x 6</li> </ul>



#### 4 Other Committees:

	Number of meetings held in 2014
Executive Committee	2
Audit and Risk Committee	3
Human Resources Committee	3

#### 5 Representation on other bodies:

During 2014, Milk SA was represented on:

- i. The Agricultural Trade Forum by Dr Koos Coetzee and Mr De Wet Jonker.
- ii. Exco of the SA National Committee of the International Dairy Federation by the CEO.
- iii. Animal Health Forum by Mr De Wet Jonker, Mr Phillip Swart and Dr Danie Odendaal.
- iv. The General Meetings of the Dairy Standard Agency by the CEO, as observer.

#### 6 Detailed summary of expenditure on the functions funded by levies

Function	Institution	Project title	Rand	Sub-totals
<b>Administration</b>	Milk SA	Administration	4 919 871	4 919 870
<b>Statistical and other information regarding the dairy industry</b>	MPO (NPC)	Collection, processing and dissemination of national and international information for the dairy industry of South Africa	758 000	1 789 530
	SANCIDF (Voluntary Ass)	SA National Committee of the International Dairy Federation	599 960	
	Dimension Data and Octopus	Web-based information system: enhancement and support	372 250	
	N/a	Liaison with Government Institutions re Market Access Issues	1 530	
	AC Nielsen and BMI	AC Nielsen and BMI reports	57 790	

# BOARD OF DIRECTORS' REPORT

Function	Institution	Project title	Rand	Sub-totals
<b>Empowerment of previously disadvantaged individuals</b>	MPO (NPC)	Empowerment in the primary industry sector: Training, technology transfer, skills development with mentorship of previously disadvantaged individuals in the primary livestock/dairy sector	2 123 920	5 148 790
	MPO (NPC)	Empowerment in the primary industry sector: Mentoring of developing dairy farmers at Elim	100 000	
	MPO (NPC)	Design and Development of the Curriculum as well as learning material development for a dairy farming occupational qualification	200 000	
	SAMPRO (Voluntary Ass)	Transformation: Secondary Industry Skills Development	2 410 280	
	Milk SA (NPC)	Transformation Co-ordination and Facilitation	114 590	
<b>Research and Development</b>	Veterinary Network (Pty) Ltd	National disease monitoring and extension system for the South African dairy industry	153 690	661 050
	HH Meissner and Milk SA (NPC)	Research and Development Co-ordination and Facilitation	382 360	
	Animal Health Forum (Voluntary Ass)	Animal Health Forum Membership Fees	25 000	
	University of Pretoria	Characterisation of coliform bacteria and Escherichia coli from fresh milk to determine the prevalence of possible pathogenic types	100 000	
<b>Quality and Safety of milk and other dairy products</b>	Dairy Standard Agency (NPC)	Improvement of the quality of milk and other dairy products	5 599 640	5 599 640
<b>Dairy consumer education</b>	SAMPRO (NPC)	Dairy Consumer Education Project of Milk SA	14 531 270	14 531 270
<b>Communication, meeting costs, management relating to projects</b>	Milk SA (NPC)	All disciplines and projects	2 201 242	2 201 242
<b>Total levy expenditure on above functions:</b>				<b>34 851 392</b>

## 7 Project reports

### 7.1 Project title: Co-ordination, support and promotion of needs-driven Research and Development (R&D) in the South African Dairy Industry.

i. **Responsible institution:**

Milk South Africa, under leadership of Dr Heinz Meissner (R&D Programme Manager, Milk SA).

ii. **Background and purpose of the project:**

The Dairy Development Initiative (DDI) of 2000 expressed concern that dairy research and development (R&D) in South Africa appeared unco-ordinated and was not functional with respect to the strategic direction of the industry, which has the following goals:

- Broadening of the market for milk and dairy products.
- Improvement of the international competitiveness of the industry.
- Empowerment of previously disadvantaged individuals and communities.

Since then, Milk SA has been mandated by statutory regulations to address these issues and in addition, to promote the practical application of local and international research by the industry.

In order to give effect to the mandate, one of the actions was to sign a memorandum of understanding (MoU) with the Agricultural Research Council (ARC) to support capacity building for dairy research and development at this institution; a second was to launch the Dairy Inventory Project. The project objectives were:

- a. To establish an inventory of published national and international research with relevance to the primary and secondary dairy industries.
- b. To record research being done in South Africa in terms of relevance, contents, expertise and infrastructure.

- c. To interpret and prioritise future research and development by utilising the knowledge obtained in Items i. and ii., and the experience of industry leaders and researchers.
- d. To summarise and popularise research and development results with relevance to the South African industry.
- e. To provide guidance to the process of developing R&D structural arrangements to accommodate, fund and legalise R&D project proposals.
- f. To assist with deliberations and negotiations with government organisations to
- g. obtain support and funding for the R&D strategic directives and priorities of the industry.

iii. **Summary of project's performance:**

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**Goal 1: To accumulate existing domestic and international scientific knowledge of applicable and practical value to enhance the industry.**

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- a. Information was updated on the website from the seven most relevant international scientific journals, as previously identified - 632 research titles were captured.
- b. Publications and articles of a popular-scientific nature, which would be of functional value to the South African dairy industry, were listed on the Milk SA website under the title: "Dairy R&D in SA". In 2014, a total of 18 publications was listed and interpreted.
- c. Research results of importance to the industry were sourced from local and international sources and interpreted and popularised on the website on a monthly basis under the heading "The Research Column". A number of fifteen interpretations was achieved.



National Milk Producers R&D Work Group of Milk SA

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**Goal 2: To limit research fragmentation and encourage co-operation between R&D capacities towards achieving the strategic goals of the industry.**

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- a. Communication with R&D institutions in South Africa to promote research and development in line with the strategic direction of Milk SA and to promote appropriate interaction and co-operation between the relevant institutions:

The memorandum of agreement (MoA) arrangement with the Western Cape Department of Agriculture (WCDA) is functioning well. A dairy farmers workgroup planning research initiatives in collaboration with WCDA officials has also been established. A further outcome of the collaboration with the WCDA is that the Programme Manager is a member of their Agricultural Research Forum (WCARF) that meets biennially. A similar MoA arrangement - as with the WCDA - is still being negotiated with the Eastern Cape Department of Rural Affairs and

Agrarian Reform (ECDRA&AR). The MoA with the KwaZulu-Natal (KZN) Department of Agriculture and Rural Development has been finalised and is scheduled to be signed in the presence of the MEC in January 2015.

Although there is still a delay in finalising the MoA with the Eastern Cape Department, the process of achieving the commitment of the three coastal provinces within the network provided by SESCORDER is now complete. This is a tremendous step forward in co-ordinating the R&D requirements and identified projects of the region, and will facilitate the work that needs to be done on both experimental stations and farms. Of importance is that all institutions in the SESCORDER initiative endorse the goals and strategic direction of Milk SA.

- b. Encouragement of Co-operative Research Networks (CRNs) and the development thereof to increase the chance of project funding and to ensure anticipated deliverables and outcomes, as well as to determine how the transformation objectives can best be achieved in so far as R&D can support or add value:

The MoA and SESCOORD arrangements discussed under Task i. serve as two examples of how CRNs are being promoted. A further example of CRN encouragement is the research projects currently in the system and those approved by the Research Project Evaluation Committee of Milk SA (RPEC).

The value of the approach is that the RPEC wants to ensure that the best possible expertise and capacities are involved with the project; secondly, that as many students as possible can be trained to build capacity and serve the interests of transformation; and thirdly, that it will improve the chance of finding external funding if the amount which can be allocated by Milk SA is insufficient.

With regard to the approved projects, contact has been facilitated between the research teams responsible for the liver fluke and mastitis projects. For example, Dr Martin van der Leek of the University of Pretoria (UP), Onderstepoort, who will be the project leader for the mastitis survey and identification of pathogens on farms, accompanied the CEO and the Programme Manager on a visit to the University of KwaZulu-Natal (UKZN) to meet the group of Prof Mark Laing, who will be responsible for finding suitable bacteriophages as natural enemies to the prominent mastitis pathogens.

In this way, a position of trust and a co-operative spirit to support each other have been established, which should benefit the mastitis programme. A further example is that exploratory discussions were arranged

between Dr Danie Odendaal of the National Disease Monitoring project and Dr Japie van der Westhuizen of S.A. Studbook, to establish the possibility of capturing the disease results and recommendations in the Logix Milk management programme. It appears that it may require only an interphase modification at a comparatively low cost, but with substantial additional benefits to the industry.

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**Goal 3: To guide the R&D programme by means of effective structural arrangements, effective administration and the sourcing of funds.**

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- a. The Research Project Evaluation Committee of Milk SA (RPEC): Chairmanship by the Programme Manager.
- b. The RPEC has been very active in the reporting period, with meetings held on 6 February, 31 March, 12 August, 17 September and 20 October 2014, which were often preceded by Work Group meetings.

The Work Group serves as an Executive of the RPEC and deals with R&D structural and project relevant issues in depth, the outcomes and recommendations of which are then relayed to the RPEC meeting.

During 2014, progress was also reported at the R&D Advisory Committee meetings of 12 May and 8 September, the Board meetings of 3 June and 1 December, the Members meetings of 4 June and 2 December and the Producers' Work Group meeting of 18 November.

- c. The administration of R&D requires guidance on structural arrangements, evaluation of project proposals and reports, negotiations on intellectual property (IP), contracts and publication of results.

Changes to the Project Proposal and Progress Report documents were made during the reporting period. The change to the

proposal document facilitated more effective evaluation by the RPEC. Furthermore, in the reporting period much attention was given to communication with the project leaders of the three project proposals recommended by the RPEC for funding. See Task iii. below for details:

- Submission of project proposals will be facilitated by the office of Milk SA; proposals will be evaluated by the RPEC and recommended by the RPEC to the Milk SA Board of Directors for approval and possible financial support.

During the reporting period, the first, second and third progress reports of the "National Disease Monitoring and Extension System" project were evaluated. The third report covered the new contract finalised for the last six months of the financial year. The first report of the "Microbiological Quality of Milk" project was also received.

The three project proposals approved for funding in 2015 with their project leaders (in brackets) are:

- "Fasciola hepatica: Impact on Dairy Production and Sustainable Management on Selected Farms in South Africa."  
(Dr Jan van Wyk, Onderstepoort)
- "Resistance to available antibiotics in lactating cows with mastitis."  
(Dr Martin van der Leek, Onderstepoort)
- "Investigating alternative methods such as bacteriophages and bacteriocins to control mastitis organisms."  
(Prof Mike Laing, UKZN)

In the discussions with the project leaders, they were encouraged to form CRNs, if appropriate. This was accepted, as discussed above.

For example, in Prof Laing's project on mastitis and bacteriophages, they will source mastitis organisms from the selection of the Dairy

Laboratory at Onderstepoort or collaborate with Drs van der Leek and Petzer, in addition to other Departments at UKZN.

Dr van der Leek will work with Ampath Laboratories and the University of Utrecht in the Netherlands. Dr van Wyk will work with several practicing veterinarians in the south-eastern Cape and is negotiating with expertise at a University in Belgium.

With the fourth project proposal, entitled "Prevalence of and reasons for milk flocculation after heat treatment", a different approach was followed. Prof Robin Meeske of WCDA, Outeniqua, who was initially identified as project leader since his group had done some preliminary work, requested a brain-storming session because of the complexity of the problem and the lack of literature on the subject.

Subsequently, a workshop was arranged for 17 September 2014 with several knowledgeable persons and persons with experience of milk flocculation. Broadly, three areas where possible causes for flocculation could originate were identified, namely nutrition of the cow, microbiological contamination (primarily psychrotrophs) and chemical/enzymatic (plasmin, protease) activity with heating in milk. These areas are in the process of being investigated further with the respective conveners, Prof Meeske, Prof Piet Jooste and Dr Koos Myburgh, and project proposals compiled.

Towards the end of 2014, an open invitation to research institutions for new submissions was circulated by the CEO. In addition, a meeting was arranged to establish whether the National Disease Monitoring project could not be linked with the Logix Milk system, as this would add considerable value to the information and management support

system. It does appear that an interface needs to be programmed at little cost. The idea will be pursued early in 2015.

A “Genomics-based Selection Programme” proposal has been submitted by Stud Book and UP for possible funding by the Technology Innovation Agency (an external funder). Milk SA was requested to support the project (no financial implications), which was done, provided that a genomic investigation for possible marker(s) for mastitis control was included. This has been done, and if successful, the project could add a further dimension to the mastitis programme.

- d. R&D institutions were guided through the required processes and contracts had to be concluded with successful applicants.

Several meetings were held with the project leaders of the approved projects with subsequent correspondence to guide the process and the negotiated budgets. These were finalised in terms of the liver fluke and mastitis projects, but the contracts still need to be compiled and signed. It is envisaged that these projects could commence early in 2015. Furthermore, submissions for the milk flocculation programme are expected in January 2015.

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**Goal 4: To participate in the Water Research Commission’s (WRC’s) study on water and wastewater management in the South African Dairy Industry.**

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The first report by UKZN to the WRC was issued on 31 July 2014 during a meeting that was attended by the Programme Manager. One third of the project has been completed.

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**Goal 5: Reporting to and from the International Dairy Federation (IDF) on sustainability and the environment, including the activities of the Standing Committee on the Environment (SCENV) and the South African dairy industry’s commitments to the Global Dairy Agenda for Action (GDAA).**

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- a. Provide South African water footprint data and carbon footprint data obtained from the National R&D Programme on Climate Change to the IDF (in accordance with the IDF-LCA Methodology).

The most accurate South African data based on IPCC and IDF-LCA methodology was published in a special edition of the SA Journal of Animal Science, available from February 2014. The title of the special edition is: “A balanced perspective on animal production, from environment to human health”.

The Programme Manager: R&D is the author and co-author of seven papers, including four on methane emission calculations. The calculated figures on GHG as published in the SA Journal of Animal Science were provided to Dr Delanie Kellon of the International Dairy Federation (IDF) and to the Department of Environmental Affairs as the official South African body. As yet, no response has been obtained from the IDF, but this could be due to Dr Kellon receiving other responsibilities.

The Food and Agriculture Organisation (FAO) of the United Nations, in their calculations in the document “Tackling climate change through livestock”, includes South Africa in sub-Saharan Africa, which provides a skewed view of emissions and efficiency of livestock of the country. The RPEC and the R&D Advisory Committee recommended that the Programme Manager R&D, in consultation with other sectors of the livestock industry, communicate with the FAO and provide the correct figures.

A letter was sent to the FAO, which they politely responded to, stating that elsewhere in the

document the true situation regarding South Africa was clearly shown and therefore they did not think it is necessary to change the figures where South Africa was included in sub-Saharan Africa. They also requested the Programme Manager R&D to review the statistics which they used in their calculations and, if necessary, provide them with more accurate figures, which was done. Water footprint data was not yet available.

- b. Promote mitigation activities in the South African dairy supply chain through communication and supporting articles.

The special issue referred to under Task i. serves as base document to that effect. In the paper "Sustainability of the South African Livestock Sector towards 2050. Part 2: Challenges, changes and required implementations", the Programme Manager (R&D) discusses several issues of mitigation. Sustainability, including water use and carbon emissions, was also dealt with in the February, September and December(2) 2014 issues of The Research Column and heat stress in the October (2) issue. In addition, the 19 October 2014 edition of Dairy R&D in SA deals with water management on farms.

- c. Reports to and from the IDF on R&D and providing input into key documents on GHG emissions and environmental sustainability in the dairy supply chain (ad hoc); IDF related information relating to R&D - including Sustainability and the Environment - will constantly be scrutinised and taken care of as required.

Activities during the report period include:

- The IDF-GDAA's initiative on the Dairy Sustainability Framework (DSF): The Programme Manager (R&D) participated in a webinar on 23 January 2014 where the DSF brochure was explained and input requested. The DSF Management requested dairy institutions to consider membership, which the Programme Manager recommended via the RPEC. This

was referred to the South African National Committee of the International Dairy Federation (SANCIDF) for consideration and membership was taken up.

- The IDF's document on "Sustainable Dairy Nutrients are essential to human health (Version 2/2014)" - the Programme Manager (R&D) was requested to provide inputs/comments.
- The IDF-FAO's High Level Panel of Experts of the Committee on World Food Security (CFS-HLPE) requested comments/inputs to their document on Water and Food Security, which were provided.
- The IDF-FAO's Livestock Environmental Assessment and Performance Partnership (LEAP) requested inputs/comments on three documents, namely:
  - Environmental Performance of Animal Feeds Supply Chains: Guidelines for quantification.
  - Poultry Guidelines.
  - Small Ruminant Guidelines.
- Input was also provided to the documents "IDF Strategic Review: Prioritization of current and future IDF work" and "The framework for action of ICN2 (International Conference on Nutrition)".
- There is still uncertainty as to the best way of calculating the carbon footprint of dairy product manufacturing. The Programme Manager decided to participate in this debate.
- Finally, input was also given to the development of the 2014 FAO, IDF, IFCN document "World mapping of animal feeding systems in the dairy sector", as it applies to the South African situation, and the IDF HLPE Water and Food Security draft document.

## 7.2 Project title: Characterisation of coliform bacteria and *Escherichia coli* from fresh milk to determine the prevalence of possible pathogenic types.

i. **Responsible institution:**

University of Pretoria (Project leader: Prof Elna Buys)

ii. **Background and purpose of the project:**

Raw and pasteurised bulk milk in South Africa (SA) is reported to have very high level counts of *E. coli* and coliforms, which are more than stipulated in the Foodstuff, Cosmetics and Disinfectants Act. High levels of *E. coli* and coliforms in a food sample are an indication of: (1) possible contamination with pathogenic *E. coli* and other forms of pathogens, (2) poor shelf-life and handling, and (3) poor sanitation and hygiene. This research is focused on characterisation and source tracking of *E. coli* in bulk milk sold in the informal market in South Africa. A total of 258 (154 raw and 104 pasteurised) bulk milk samples were collected from purchase points in eight different geographical

regions across South Africa. Sampling of milk from regions was done by DSA from April to May 2013.

iii. **Progress:**

To date, isolation, detection and enumeration of total aerobic counts, coliforms and *E. coli* in the milk samples were done by Lactolab (Agricultural Research Council), Irene, Pretoria. An access database was created for the 258 milk samples and this assisted in extracting information from the DSA's main milk information database.

The information, according to different regions, was used to compute total aerobic counts; coliform counts and *E. coli* counts; prevalent species of the isolated bacteria in both raw and pasteurised milk samples; percentage milk samples which tested



positive for antibiotic residues; and alkaline phosphatase.

Characterisation of *E. coli* and coliforms from the milk was done by the Microbiology Unit, Department of Food Science, University of Pretoria. Proteomic analysis, using the Matrix assisted laser desorption/ionisation time-of-flight mass spectrometry (MALDI-TOF-MS), was carried out for rapid identification of the bacterial isolates.

Potential pathogens and common milk spoilage bacteria were found in the milk samples from all the regions under study. *E. coli* was further characterised for the presence of virulence factors using molecular methods. Antimicrobial susceptibility tests were carried out and a very high percentage of the *E. coli* was found to exhibit multi-drug resistance to fourth

generation antibiotics used in human medicine. Using molecular typing, some of the *E. coli* was found to belong to the O157:H7 serotype and had multi-drug resistance capacity.

Cluster analysis of the isolates was also performed to determine their relationship within and among regions. Identification of the *E. coli* O-serogroup by restriction of the amplified O-antigen gene cluster was carried out. This was confirmed by anti-serum agglutination assay. Presence of enterohemolysin activity in *E. coli* isolates was also elucidated.

**iv. Remaining work:**

Risk Assessment of the impact of pathogenic *E. coli* in bulk milk on public health.

**v. Students involved:**

This research project is carried out by Victor Ntuli, a PhD student in the Department of Food Science, University of Pretoria under the supervision of Professor Elna Buys and Dr Patrick Njage. Post-graduate students in BTech at the Tshwane University of Technology (TUT) and Honours at the University of Pretoria (UP) assisted by tackling some of the objectives in the project. To date, two post-graduate students who were assisting with some of the objectives have successfully completed their projects.

Fanny Baya (BTech, Food Biotechnology, TUT) helped in the isolation, purification and characterisation of *E. coli* and coliforms and Calvin Robertson (BSc Hons, Food Science, UP) helped with phenotypic and molecular characterisation of 19 *shigatoxin* producing *E. coli* isolates. Frankline Mapulta (BTech, Food Biotechnology, TUT) will be completing the objective of molecular serotyping of the *E. coli* isolates in March 2015.



### 7.3 Project title: Empowerment in the primary industry sector: Training, technology transfer, skills development with mentorship of previously disadvantaged individuals in the primary livestock/dairy sector.

i. **Responsible institution:**

Milk Producers' Organisation.

ii. **Objective of the project:**

Skills development of previously disadvantaged individuals (farm workers and emerging milk producers) through training and technology transfer.

iii. **Description of the project:**

The project addresses animal health, udder health, milk production, financial management, milk harvesting, milk quality, milk recording, milk hygiene, vaccines and immunisation, nutrition, breeding, reproduction, animal husbandry, goat farming, productivity and free market system, motivation and work ethics, milk harvesting, training and technology transfer.

Training that addresses cost-effectiveness is indispensable where milk producers are battling high input costs and low margins. Effective dairy management has a direct influence on milk quality and safety.

iv. **Summary of project performance:**

The MPO/IDT presented 42 *5-day* AgriSeta accredited skills development programmes to 551 students and 2 *1-day* courses to 83 students during 2014. A total of 634 students were trained by the Milk SA project. All the students were personnel of commercial dairy farmers.

The IDT budgeted to train 300 students in 1-day courses and 525 students in 5-day courses. Only 83 students were trained in 1-day courses and 551 students in 5-day courses. One-day courses will not be presented in 2015, as this is not according to the new NAMC guidelines.

In total, the IDT trained 909 students during 69 *5-day* courses in 2014. This training includes statistics from Milk SA, AgriSeta and other private training.

During 2014, the Dairy Production Skills Programme was the most sought after, as 42% of the students attended this programme; 22% of the students attended the Socio-economic Empowerment Programme; 21% of the students attended the Tractor Maintenance Programme; and 15% of the students attended the Artificial Insemination Programme.

A total of 88% of the students were issued with certificates of competence, while 12% of the students were not issued with certificates of competence due to failure or non-attendance of the assessments. It is also notable that only 57% of the students, who attended the Artificial Insemination Programme, passed. The practical skills and knowledge requirements for this course are very high. The new Dairy Occupational curriculum does not include artificial insemination on farmworker level, as it is regarded as too technical and specialised for a farmworker.

No training was presented in Mpumalanga, North West and Northern Cape. 40% of the training took place in the Eastern Cape and 19% in Western Cape and Limpopo respectively.

In conclusion: Due to reduced AgriSeta grants to commodity organisations, the IDT did not train the same quantity of students as previous years. The outcomes of the Milk SA 5-day training courses were reached, though fewer students were trained in the 1-day courses. The demand for training remains high.

# BOARD OF DIRECTORS' REPORT

## Milk SA summary of courses presented in 2014

Course 5 Day	Students					Courses				
	Term 1	Term 2	Term 3	Term 4	Total	Term 1	Term 2	Term 3	Term 4	Total
Dairy Production	64	118	37	11	<b>230</b>	5	8	3	1	<b>17</b>
Animal Husbandry	0	0	0	0	<b>0</b>	0	0	0	0	<b>0</b>
Artificial Insemination	58	15	9	0	<b>82</b>	5	2	1	0	<b>8</b>
Tractor Maintenance	38	32	34	14	<b>118</b>	2	4	2	1	<b>9</b>
Socio-economic Empowerment	57	64	0	0	<b>121</b>	4	4	0	0	<b>8</b>
Basic business skills	0	0	0	0	<b>0</b>	0	0	0	0	<b>0</b>
OHS and Dairy Code of Practice	0	0	0	0	<b>0</b>	0	0	0	0	<b>0</b>
<b>Totals</b>	<b>217</b>	<b>229</b>	<b>80</b>	<b>25</b>	<b>551</b>	<b>16</b>	<b>18</b>	<b>6</b>	<b>2</b>	<b>42</b>

<b>Budget</b>	525 students
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Course 1 Day	Students			
	Term 1	Term 2	Term 3	Total
Animal Husbandry	36	0	0	<b>36</b>
Tractor Maintenance	47	0	0	<b>47</b>
<b>Totals</b>				<b>83</b>

<b>Budget</b>	300 students
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Course	Province									
	Gauteng	Kwazulu-Natal	Mpumalanga	Limpopo	North-West	Eastern Cape	Western Cape	Northern Cape	Free State	
Dairy Production	1	1	0	2	0	8	4	0	1	
Animal Husbandry	0	0	0	0	0	0	0	0	0	
Artificial Insemination	0	2	0	2	0	0	2	0	2	
Tractor Maintenance	0	0	0	1	0	6	1	0	1	
Socio-economic Empowerment	0	0	0	3	0	3	1	0	1	
Basic business skills	0	0	0	0	0	0	0	0	0	
OHS and Dairy Code of Practice	0	0	0	0	0	0	0	0	0	
<b>Totals</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>17</b>	<b>8</b>	<b>0</b>	<b>5</b>	

## 7.4 Project title: Empowerment in the primary industry sector: mentoring of developing dairy farmers in the primary sector.

i. **Responsible institution:**

Milk Producers' Organisation (MPO).

ii. **Objective of the project:**

To assist Elim Dairy with mentorship in order to become a fully-fledged commercial enterprise.

iii. **Description of the project:**

a. Responsible institution:

Milk Producers' Organisation (MPO).

b. General information

- The Elim Dairy Project started in September 2007 when 47 cows were donated by the Western Cape Department of Agriculture from its Outeniqua research farm in George. Milk SA became involved in mentorship during the same year.
- Elim is situated near Bredasdorp and is an old missionary town and home to some 2 000 residents. The Moravian Church owns most of the town and plays a pivotal role in the community. Among others, it is responsible for the Elim Home, an institution for mentally and physically disabled children, a crèche and an old-age home. In support of the Elim Dairy Project, the church is leasing land to the dairy.
- Despite obstacles, such as land limitations imposed by the Heritage Foundation, the dairy has been growing. The Western Cape Government, through the Community Project Assessment Committee (CPAC), supported Elim as an emerging dairy project and has donated funds for implements, irrigation, cows, electricity, a pump house and fertiliser. Support from the Western Cape Government continued until February 2014.
- The dairy covers more than 100ha dry land and 45ha irrigated land. At present, there are 168 cows in milk, which deliver an average volume of 16ℓ per cow.
- Elim dairy is managed by a technical committee, which reports to the dairy's board of directors. The technical committee convenes monthly and manages day-to-day dairy farming activities and responsibilities. The technical committees also use external role players to contribute to the success of the project. These role players include input providers and government personnel from Outeniqua Research Station and Elsenburg. Input providers for pasture seed, washing detergents, feeding, etc. are selected through price criteria and possible participation in the project. Epol Feed and Parmalat's contributions to the project are invaluable.
- The positive effect of the mentorship funded by Milk SA is evident by the growth of Elim dairy throughout



Calf-rearing  
at Elim  
(Western Cape)

the past years. The number of cows in milk as well as average litre per cow has increased, an irrigation pasture was extended and there are plans for further extension in future. The financial situation of Elim dairy is sound and they are functioning without any government funding.

- Statistics 2007 - 2014:

Calendar year	Cows in milk at the end of each year	Total herd size (cows and heifers)	Average milk production: litres per cow per day	Pastures (irrigated land)
2007	47	47	14,0	23 ha
2008	83	128	17,5	23 ha
2009	95	161	13,3	23 ha
2010	93	111	13,9	23 ha
2011	92	117	12,7	23 ha
2012	115	133	12,3	23 ha
2013	149	337	14,0	44 ha
2014	168	333	16,0	45 ha



Mentoring of developing dairy farmers in the primary sector

## 7.5 Project title: Empowerment in the primary industry sector: Design and Development of the Curriculum as well as Learning Material Development for a Dairy Farming Occupational Qualification.

### i. Responsible institution:

SA Milk Producers' Organisation.

### ii. Objective of the project:

The Minister of Higher Education and Training (HET) launched the Quality Council for Trades and Occupations (QCTO) in February 2010. With this launch, South Africa entered a new dispensation for the development of occupational qualifications. A new structure (the QCTO) and a new model for qualification development were established.

The implication of this is that the School Governing Body (SGB) generated qualifications currently registered on the NQF (National Qualifications

Framework) will need to be replaced, as they will become redundant at the expiry dates. Therefore, currently registered qualifications need to be replaced according to the QCTO model. The development process prescribed by the QCTO deviates quite substantially from the previous SAQA model in order to address the needs of the workplace in a more specified manner.

The AgriSeta and QCTO concluded an agreement with the Milk Producers' Organisation (MPO) in 2012 to design the Dairy Occupational Curriculum. The design of the curriculum took place in 2012 and was funded by AgriSeta. Milk SA has funded the development of the content of the design since 2013.

iii. **Outcomes of the project:**

The dairy occupational qualification comprises three levels: the Dairy Farm Worker, Dairy Farm Supervisor and Dairy Herd Manager. The content of this qualification, including learning material, knowledge assessments, practical learning assessments and work experience outline (logbook), was completed in 2014.

iv. **Project piloting:**

The Independent Development Trust (IDT) envisaged piloting the Dairy Farm Worker programme in October 2014 with AgriSeta funding. The application and approval process of AgriSeta was delayed and piloting will hopefully commence in the second term of 2015.

v. **Registration of the Qualification:**

The QCTO is still in the process of registering all sector qualifications. The MPO will, however, continue with development and implementation of the qualification programme.

vi. **Details of project achievements:**

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**Goal 1: Finalise the development and evaluation of the learning material aligned to the knowledge module specification for the Dairy Farm Worker, Dairy Farm Supervisor and Dairy Farm Herd Manager.**

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The following knowledge modules for the Dairy Farm Worker, Dairy Farm Supervisor and Dairy Farm Herd Manager have been completed and verified:

**Dairy Farm Worker and Dairy Farm Supervisor**

• **Module 1: South African dairy farming environment**

1. Introduction to the South African dairy industry
2. Dairy breeds
3. Basic dairy farming business concepts

• **Module 2: Dairy calf and heifer rearing, feeding and health care**

1. Introduction to dairy calf and heifer health care
2. Calf rearing systems
3. Hygiene and care
4. Calf feeding concepts
5. Awareness of dairy calf diseases
6. Calf and heifer care and production concepts

• **Module 3: Dairy animal health care**

1. Diagrammatic illustrations and basic functions of the anatomical system
2. General dairy livestock health
3. Awareness of causes of disease in dairy animals
4. Health assessment
5. Parasites and basic lifecycles
6. Farm bio-security and risk prevention (including zoonotic diseases)

• **Module 4: Dairy animal production**

1. Animal herding and handling practices
2. Dairy animal breeding concepts
3. Water supply systems on dairy farms
4. Fencing on a dairy farm

• **Module 5: Dairy livestock feeding**

1. Dairy feed types and feeding practices
2. Feeding of heifers
3. Feeding of cows in milk
4. Feeding of dry cows
5. Feeding facilities and equipment

• **Module 6: Milk harvesting and in-parlour processing**

1. Milk harvesting facilities
2. Udder health
3. The milk harvesting process
4. Dairy parlour equipment and systems
5. Dairy parlour hygiene
6. Essential production records
7. Composition of milk and quality indicators
8. In-parlour processing and quality control concepts

• **Module 7: Team leadership**

1. Introductory supervision concepts
2. Performance standards concepts

3. Motivation and team leadership concepts
4. Interpersonal relations
5. First line discipline
6. Work efficiency and effectiveness

## Dairy Farm Herd Manager

### • Module 8: Dairy farm production management

1. Dairy farm design concepts
2. Dairy animal breeding
3. Dairy animal nutrition
4. Dairy animal health management

### • Module 9: Farm business management

1. Farm business management
2. Farm labour management
3. Financial and stock management
4. Natural resource management
5. Introductory overview of dairy farming related legislation
6. An extra module, based on the Dairy Standard Agency's (DSA's) Code of Practice for Milk Producers, which includes acts, regulations and guidelines applicable to the safety and quality of raw milk, were also developed.

### • Module 10: Occupational health and safety - code of practice for milk producers

1. Introduction to the Code of Practice for Milk Producers
2. Structural requirements and machine maintenance
3. Good milking practices
4. Animal health and welfare
5. Hygiene
6. Documentation
7. Standards and quality control for raw milk

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## Goal 2: Finalise the internal assessment instruments for the knowledge module specification for the Dairy Farm Worker, Dairy Farm Supervisor and Dairy Farm Herd Manager

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Internal assessment instruments for the knowledge module specification for the Dairy Farm Worker, Dairy Farm Supervisor and Dairy Farm Herd Manager have been completed:

- Module 1: The South African dairy farming environment
- Module 2: Dairy calf and heifer rearing, feeding and health care
- Module 3: Dairy animal health care
- Module 4: Dairy animal production
- Module 5: Dairy livestock feeding
- Module 6: Milk harvesting and in-parlour processing
- Module 7: Team leadership
- Module 8: Dairy farm production management
- Module 9: Farm business
- Module 10: Occupational Health and Safety - Code of Practice for Milk Producers

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## Goal 3: Finalise the practical learning exercises and required resources aligned with the practical modules for the Dairy Farm Worker, Dairy Farm Supervisor and Dairy Farm Herd Manager achievements.

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The practical learning exercises (logbook), which are aligned with the practical modules for the Dairy Farm Worker, Dairy Farm Supervisor and Dairy Farm Herd Manager, have been completed.

Practical learning exercises include:

1. Perform calf rearing, production and health care practices
2. Perform animal production and health care practices
3. Prepare feed and feed cows in milk
4. Harvest milk, attend to milk parlour hygiene and equipment
5. Attend to dairy parlour water treatment and waste water
6. Lead and direct work teams
7. Initiate and maintain first-line discipline
8. Keep dairy farm records

The material was submitted to AgriSeta for verification and approval. Changes and adaptations were made after several consultation sessions.

## 7.6 Project title: Empowerment in the secondary industry sector.

- i. **Responsible institution:**  
SA Milk Processors' Organisation.
- ii. **Objective of the project:**  
Skills development of previously disadvantaged individuals in the secondary dairy industry sector through training.
- iii. **Outcomes of the project:**

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### **Goal 1: Empower the secondary industry with regard to products, services and management tools for workplace-based skills development.**

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**Activity 1** - Routine maintenance of all updated, unit standards-based learning materials on the training website, including replacing such if and when damaged.

This was completed in terms of technical contents.

**Activity 2** - Routine maintenance of all updated In-Company Coaching Manuals on the training website, including replacing such if and when damaged.

This was also completed in terms of technical contents.

**Activity 3** - Investigation of the accuracy and currency of information on the training website, and replacing of dated or adding more current information to improve the marketability of products available for skills development.

Communication with the host occurred at the end of the 4th quarter. The host undertook to correct this in first quarter of 2015.

**Activity 4** - Marketing of all learning materials available in context to their utilities by means of exhibitions, newsletters and personal disseminations.

An exhibition was held at the SASDT symposium, and a presentation was given on the Dairyman curriculum. Two newsletters were published during the year, the second being electronic via Milk SA's email system due to the Post Office strike.

**Activity 5** - Designing, circulating and approving a generic learning career pathway for dairy technical employees, indicating learning interventions available in relation to responsibilities and, if necessary, identifying gaps in the availability of learning interventions.

A generic learning pathway, indicating the 'family' of qualifications serving as a frame of reference, was completed and presented at the September meeting of the Advisory sub-committee.

**Activity 6** - Conducting an ongoing (mainly but not exclusively) office-based advisory service in respect of skills development (this may include, as the need



Khanyiswa Mbekeni flanked by Melt Loubser (CEO: Fair Cape Holdings), and Johan Boshoff (Operations Director at Fair Cape Holdings).

With a bursary from Milk SA, administered by SAMPRO, Khanyiswa obtained a qualification from the Cape Peninsula University of Technology (CPUT). She did her internship at Fair Cape.

arises, advice on manufacturing practices during on-site activities, by discussion with relevant supervisors at said factories, after approval by the operations manager or executive).

This activity is ongoing. On average, approximately five such enquiries are routed to and handled by this office per week. This includes enquiries from the DSA and CEP.

**Activity 7** - Completing the guidance to and final assessment of as many as possible of the original participants on the Dairyman curriculum pilot study – a number of 30 learners were planned for.

No activity was undertaken as a result of budget constraints after repayment of excess funds from 2013. This has been postponed to 2015 (to be included in planning). Instead, a revision workshop was conducted for 14 learners from the original pilot study of 2011/2012, covering the three generic theory subjects, including internal assessment. Subject 3 (for specialisation) was outstanding and indicated self-study or participation in 2015 workshops. Enterprises are to indicate their intentions with the remaining (up to) 19 learners.

**Activity 8** - Completing the development of the Quality Management System (QMS) for the management of the Dairyman curriculum, in alignment with the expectation of the FoodBev SETA which is to be embodied in the envisaged Service Level Agreement (SLA) between the SETA and SAMPRO for this purpose.

- In this regard the SLA will be a joint endeavour, the design and development of which SAMPRO will play an active role (not unilateral).
- The QMS will summarise the full implementation of the curriculum by both SAMPRO and private enterprises in an abridged but step-by-step manner, to avoid confusion when done at the workplace and not via central provision by SAMPRO.

The final SLA with FoodBev SETA was received for signature at the beginning of December 2014 (SAMPRO

was satisfied with the amended contents). The QMS was completed and submitted to the ETQA Manager of FoodBev SETA for approval/amendments.

**Activity 9** - Development of all additional assessment tools for the Dairyman curriculum (as prescribed by QCTO) for accommodation on a specific, dedicated page on the current website.

This activity has been completed, but not yet published on the three required websites.

**Activity 10** - Central provision of one round of workshops for the Dairyman curriculum (in four stages, amounting to a total of 13 workshops – three workshops for the generic theory subjects and ten further workshops for the ten specialisations of subject three) in the first semester's second quarter. A number of 35 learners are being planned for, of which 20 will not be tutored by SAMPRO, although learning materials will be supplied.

As reported in the previous quarter, feedback from industry on potential participation (and high costs) resulted in re-planning the workshops. Instead of 13 SAMPRO office-based workshops, 16 workshops were presented, of which only two were held at SAMPRO's office.

The project manager travelled extensively across the country for the presentations from the beginning of April to the end of August. Positive buy-in was received from industry for 35 participants, of whom 34 are still active (the other one was disengaged by the enterprise). They all attended the SAMPRO-presented workshops, as no workshops were presented by industry itself during 2014. One more was withdrawn from the workshops due to low foundational competency and news was received that one more had resigned; thus 32 participants are active).

More than 130 assessments were performed, with 40% re-assessments in the third quarter. Some learners had to do second re-writes. Total assessments exceeded 200 for this group. A revision workshop for the 30-odd learners from 2011/2012 workshops was also held and 14 learners attended this. This did not include subject 3 (which could be done by self-study or in 2015's second semester). A further 50 assessments were also done.

**Activity 11** - Conversion of the current unit standards-based NQF2 qualification (Raw Milk and Cream Handling and Storing) to a curriculum model qualification, inter alia by:

- Convening a Constituent Group to consider and approve the various products of the analysis and design stages of the curriculum (which would entail at least one day as full-time workshop, after which electronic communication could be effective), namely:
  - Occupational Profile
  - Analysis of theoretical, practical and workplace experience training needs
  - Qualification document (overview and international comparability)
  - Curriculum document (theoretical and practical learning standards)
  - Qualification Assessment Specifications
- Repackaging of existing learning materials for the NQF2 qualification, with possible additional developments, to align with the analysed products stated above.
- Process management was handed over to FoodBev SETA (FBS) at their request. They have accepted it, following a workshop of the abridged CEP which determined that SAMPRO's original draft design and project plan aligns 100% with the envisaged 'Process Machine Operator' design. FBS will convene the Constituency Group (membership as advised by SAMPRO). Up to end of the 4th quarter, this has, however, not happened and will be addressed in 2015.

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## **Goal 2: Support skills development for unemployed learners, through the continuation of the matriculant project.**

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**Activity 12** - Support the currently selected private provider of learning interventions for the NQF2: Raw milk and cream handling and storing; NQF3: Dairy Primary Processing and NQF4: Dairy Manufacturing Technologies learnerships (whichever chosen by participating enterprises) with:

- a budgeted training fee subsidy for a number of learners not exceeding 55; and by
- providing the required learning materials for a number of learners not exceeding 55.

A contract was entered into with the provider previously used for this endeavour, in alignment with SAMPRO's management criteria for this sub-project. 49 of the intended 51 learners were recruited by participating enterprises (based on 2013 grants). All three instalments of the training fee were disbursed to the provider and training materials were supplied according to the printing schedule.

**Activity 13** - Obtaining progress reports from the training provider as required in the approved management prescriptions for the disbursement of budgetary allocations.

A progress report was received and is attached to this report. In essence, all 'matriculants' have completed their learning programmes, been assessed and only exit moderation is awaited (for SETA to arrange and the request is already ageing).

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## **Goal 3: Support high level education and training through continuation of the bursary scheme for tertiary learners.**

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**Activity 14** - Recruiting a total of four students by signed bursary agreements from tertiary institutions of which two must be studying at final year level and two at honours level. In terms of the decision of the Advisory sub-committee, two of the recruited

beneficiaries should be from one or more technical universities, and the other two preferably from a university that presents a dedicated course in Dairy Science, as part of the overall curriculum.

Four bursaries were awarded as planned, based on the recommendations and approval of the Advisory Committee.

**Activity 15** - Disbursing the budgeted funds in two instalments as per the bursary agreement.

Both instalments of bursaries were disbursed to the successful students.

**Activity 16** - Obtaining the required information on a periodic basis to determine the progress of the beneficiaries.

This was received at the end of the first semester and reminders were despatched to beneficiaries for final reports by year-end. All four of the beneficiaries are continuing their studies and have not been employed.

**Activity 17** - Assisting beneficiaries with contact details of dairy enterprises in order for them to attempt to obtain employment in the dairy industry.

Marketing the beneficiaries to all enterprises in the dairy industry was done via both newsletters and circulated to Advisory sub-committee members, some of which are Human Resources functionaries. Contact details of dairy processors were also supplied to bursary beneficiaries in order for them to attempt to gain employment.



## **Goal 4: Support high level education and training by supporting students to attend the SASDT Symposium.**

**Activity 17** - Supporting eight tertiary students financially to attend the SASDT symposium by paying for:

- their registration fees;
- accommodation fees;
- an equitable portion or travel fees to attend; and
- (iv) their justified meals during the symposium when such is not part of the attendance package.

Eleven students have been supported in terms of planned expenditures as listed above, within budgetary constraints. All attended the SASDT symposium, some of whom did presentations and others received student merit awards.

**Goal 5: Render subject-matter, expertise-based services to industry by serving on selected forums.**

The following inputs were made:

<b>Advisory sub-committee: Transformation - Secondary Industry Skills Development</b>	Two meetings were attended, where reports were presented and accepted by the Advisory sub-committee.
<b>Advisory sub-committee: Transformation - Primary Industry Skills Development</b>	Attended second meeting of the year.
<b>Advisory Committee: Transformation (main committee)</b>	Attended second meeting for the year.
<b>Advisory Committee: Research and Development</b>	Attended second meeting for the year.
<b>Technical Committee: SAMPRO</b>	Newest comments on R2581 compiled and forwarded to DAFF, resulting from extensive communication with Committee members and the convenor, as well as DSA.
<b>Technical Committee: Dairy Standard Agency (DSA)</b>	Attended scheduled meeting on Code of Conduct/Practice for secondary industry.
<b>FoodBev SETA Dairy Chamber</b>	<ul style="list-style-type: none"> <li>• Attended scheduled meeting. Assisted Chamber Chairman with constructing the agenda as well as inputs in support of agenda. Working intimately with Chamber on various inputs that form part of this project of Milk SA, e.g.</li> <li>• Dairyman curriculum</li> <li>• Milk Reception Operator curriculum</li> <li>• Sector Skills Plan and Scarce Skills</li> <li>• Internship for academic university graduates</li> </ul>
<b>Re-convened Constituency Group for Curriculum Development (Milk Reception Operator)</b>	None - did not happen in 2014, as it was not under SAMPRO's control.



## 7.7 Project title: Empowerment / Transformation: Co-ordination

### Members of the Commercialization Project's Internal Management Committee visiting the Qwa Qwa milk producers.

Nico Fouché, Alwyn Kraamwinkel, Johannes Makoele (milk producer), Godfrey Rathogwa, Willie Prinsloo, Nigel Lok and Dawie Prinsloo (Nestlé).



#### i. **Responsible institution:**

Milk South Africa under leadership of Mr M Godfrey Rathogwa (Transformation Manager and Director of Milk SA).

#### ii. **Mandate given by the Minister of Agriculture to Milk SA:**

The statutory regulations were approved subject to certain conditions, of which one is to appoint a Transformation Manager to drive the empowerment programmes in the dairy industry which are funded by statutory levies. The Board of Directors appointed Mr M Godfrey Rathogwa in this position in August 2009.

#### iii. **Project outcomes:**

##### **Goal 1: Implementation of sustainable commercialisation dairy programme.**

#### a. Electrification of farms:

During the year under review electricity was brought to six farmers, of which four were already using it. The highlight of this is that those farmers who were already using electricity were making a saving of at least 50% of the cost they used to incur while using diesel and generators.

#### b. Supply for heifers:

The supply of heifers largely depends on the farmer's preparedness to receive them in terms of fodder flow situations and the availability of preferred heifers. To ensure that farmers receive heifers of acceptable quality, Milk SA used an independent livestock broker and independent expert dairy advisor to ensure value for money. During the year under review, 73 heifers were delivered to five farmers.

#### c. Milking machines:

Eight milking machines, which were supposed to have been upgraded during the period under review, were not upgraded due to unavailability of parts locally. Hopefully this will be done during the second quarter of 2015, as the supplier indicated that parts could be available at the end of the first quarter or beginning of the second quarter of 2015.

#### d. Pasture establishment:

This project intends to establish at least ten hectares of permanent pasture to support the optimal flow of fodder all year round. Farmers were advised to plough their land by December at the latest to ensure that planting happens during rainy seasons. Due to their late planting seasons and

unavailability of tractors, no pastures have been planted. The future plan is to outsource the work to ensure that pastures are planted not later than December 2015.

- e. Volume of milk delivered to buyers:  
Six farmers have delivered 559 211 litres of milk during the period under review. Three of the six farmers supplied for six months only, as recording of their milk started when they received heifers from Milk SA. Two major influences on cow productivity are feeding and handling of cows. Farmers will be given more training on these aspects during 2015 to ensure that cows produce optimally.
- f. Veterinary services:  
Farmers continued to receive veterinary services from a private veterinary company. They were advised on the fertility of their cows, feeding, vaccination against proclaimed diseases and culling of the cows based on their performance. This service is very critical to the farmers and the idea is that it must be paid for by Milk SA for one year, after which it must be reviewed.

At the end of 2014, five of twenty potential beneficiaries were visited to assess their circumstances in order to write a report for the Internal Management Committee to make a decision. Four of the farmers visited were in the Swartberg/ Kokstad area in KwaZulu-Natal, while the other was in Matatiele in the Eastern Cape Province.

Plans are in progress to assist both potential farmers in KwaZulu-Natal and Eastern Cape Province during 2015. During the year under review, the National Agricultural Marketing Council visited the project and concluded that the project truly addresses transformation and expressed the wish that the approach could be adopted by other industries.

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## **Goal 2: Transformation Strategic Plan (Develop a strategic plan that is shared by all stakeholders)**

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Milk SA has no resources to implement a national transformation strategy. While a draft plan had been drafted, it needed buy-in from other stakeholders, mainly government institutions. The draft plan has been discussed with the National Agricultural Marketing Council (NAMC) and the person responsible for implementing Agri-BBBEE codes at the Department of Agriculture, Forestry and Fisheries (DAFF), but there was no decision taken on the draft strategy as the person directly responsible for livestock development could not attend the meeting. Nonetheless, the message given to the dairy industry was that compliance with the Agri-BBBEE codes was going to be checked and non-compliance could result in denial of application for statutory levies in the future.

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## **Goal 3: Emerging dairy entrepreneur database (Ensure availability of reliable data on aspirant dairy entrepreneurs)**

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Data on black dairy entrepreneurs has been maintained. The matter has also been discussed with the NAMC and it was agreed that it was not only Milk SA's responsibility to keep and provide data on black dairy enterprises. Consequently a questionnaire was developed jointly and sent to the provincial HODs of Agriculture in order to collect data on black dairy enterprises in their respective provinces. Provinces will be visited in 2015 to verify the provided data.

In the meantime, a draft data governance charter has been developed and is still being attended to by the Internal Management Committee on the Sustainable Commercialisation Project.

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## **Goal 4: Competency development (Develop business competency of aspirant dairy entrepreneurs)**

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Two sessions of training totalling six days were held. The first session was attended by six farmers while the second session was attended by three farmers. The focus was on business mission, vision, strategic objectives and milestones towards set objectives, record keeping and business planning in general, and feeding of animals. Attendance

during the second session was poor because some farmers were attending AFASA's AGM in Bloemfontein.

Both UNISA and MPO have been approached for content for a farm manager training course. UNISA indicated that they offer a long-distance learning course over a period of six months at a cost of about R2 000.00. However, they did not respond to the request to use some of their course content to train farmers. The main challenge is that the window for farmer availability is very limited.

## Goal 5: General liaison (Establish and maintain positive relations with other stakeholders)

### a. The DTI Workshop on Amended Codes of Good Practice and B-BBEE Amendment Act 46 of 2013.

B-BBEE Current Qualification - New Qualification:

<b>Level One Contributor</b>	100 points on the Generic Scorecard ≥100 points on the Generic Scorecard
<b>Level Two Contributor</b>	≥85 but <100 points on the Generic Scorecard ≥95 but <100 on the Generic Scorecard
<b>Level Three Contributor</b>	≥75 but <85 points on the Generic Scorecard ≥90 but <95 points on the Generic Scorecard
<b>Level Four Contributor</b>	≥65 but <75 points on the Generic Scorecard ≥80 but <90 on the Generic Scorecard
<b>Level Five Contributor</b>	≥55 but <65 points on the Generic Scorecard ≥ 75 but <80 points on the Generic Scorecard
<b>Level Six Contributor</b>	≥45 but <55 points on the Generic Scorecard ≥70 but <75 points on the Generic Scorecard
<b>Level Seven Contributor</b>	≥40 but <45 points on the Generic Scorecard ≥55 but <70 points on the Generic Scorecard
<b>Level Eight Contributor</b>	≥30 but <40 points on the Generic Scorecard ≥40 but <55 points on the Generic Scorecard
<b>Non- Compliant Contributor</b>	<30 points on the Generic Scorecard <30 points on the Generic Scorecard

The objectives of the B-BBEE Amendment Act 46 of 2013 are to:

- align the Act with other legislation impacting on the B-BBEE and with other codes of good practice;
- establish a B-BBEE Commission to monitor and evaluate B-BBEE;
- deal with non-compliance and circumvention;
- give effect to government policy aimed at reducing inequality defeating poverty; and
- create employment.

### b. National Agricultural Marketing Council (NAMC) workshop on the utilisation of 20% of levy on transformation.

A workshop was held to discuss the administration and utilisation of the 20% portion of the levy funds meant for transformation and to improve transparency and communication between commodity organisations and the NAMC. Two options regarding the administration and utilisation of funds were presented at the meeting, as follows:

**Option 1:** That levy administrators on an annual basis, three months before the start of their financial year, submit a business plan regarding their transformation activities envisaged for that financial year, to the NAMC for comments and inputs. As part of their annual business plan, levy administrators should compile customised guidelines with key measurable outcomes for transformation. Within six months after a specific financial year, levy administrators should report on its actual activities, by comparing their activities with their budget for that financial year.

**Option 2:** That levy administrators transfer the 20% portion of their statutory levy income, earmarked for transformation, to an independent third party. To ensure that some of the existing transformation projects could continue, levy administrators will be

allowed to apply to the established independent third party for funds to pay for these activities.

Dr MA Mokwena from DAFF also gave a presentation on the seven elements of empowerment. He indicated that although the elements were not enforceable, those who would like to do business with the state would have to comply with them. The elements of empowerment are:

- i. **Equity (Land) Ownership** – Measures the EFFECTIVE ownership of enterprises by black people.
- ii. **Management Control** – Measures the EFFECTIVE control of enterprises by black people.
- iii. **Employment Equity** – Measures the INITIATIVES intended to achieve EQUITY in the work place under the Act, and the Employment Equity Act.
- iv. **Skills Development** – Measures the EXTENT to which employers carry out INITIATIVES designed to develop the competencies of black employees.
- v. **Preferential Procurement** – Measures the EXTENT to which enterprises buy goods and services from suppliers with STRONG B-BBEE Procurement Recognition levels.
- vi. **Enterprise Development** – Measures the EXTENT to which enterprises carry out INITIATIVES intended to assist and accelerate the development and sustainability of other enterprises.
- vii. **Socio-Economic Development** – Measures the EXTENT to which enterprises carry out INITIATIVES that contribute towards socio-economic development or sector-specific initiatives that promote access to the economy for black people. At the end of the workshop Option 1 was preferred, although it needed improvement before implementation. NAMC would engage with levy administrators in order to finalise Option 1 and establish guidelines for the use of transformation funds. It was also proposed that the NAMC establish a Transformation Audit Committee to:
  - monitor and advise levy administrators on how statutory funds available for transformation should be spent;
  - review the transformation business plan proposed by levy administrators; and

- review the actual expenditure on the transformation as reported by levy administrators after the end of each financial year.

c. **African Farmers Association of South Africa (AFASA):**

A meeting was held with AFASA and the utilisation of the 20% of levy funds meant for transformation in the dairy industry was explained to the National Executive Committee.

d. **Eastern Cape Economic Development:**

Two meetings were held with the Eastern Cape Economic Development Department regarding the formation of a partnership to develop the dairy industry in the Eastern Cape over the next three years. This potential partnership will be followed up during 2015 and will involve Eastern Cape Agriculture as well.

e. **KwaZulu-Natal Dairy Value Chain meeting:**

A stakeholder meeting discussing the dairy chain in the Amajuba District was attended in Newcastle. The purpose of the meeting was to inform stakeholders about large dairy enterprises which were to be started in order to supply an envisaged UHT plant with milk for processing.

f. **Old Mutual:**

Discussions were held with Old Mutual Masisizane regarding potential dairy projects at Qamata, Eastern Cape and at Motswedi, North West Province. Old Mutual was also given the names of potential consultants to assist them and was grateful to Milk SA for its assistance. Furthermore, three QwaQwa farmers whose applications for loans were being considered could not be finalised due to the resignation of the area manager.

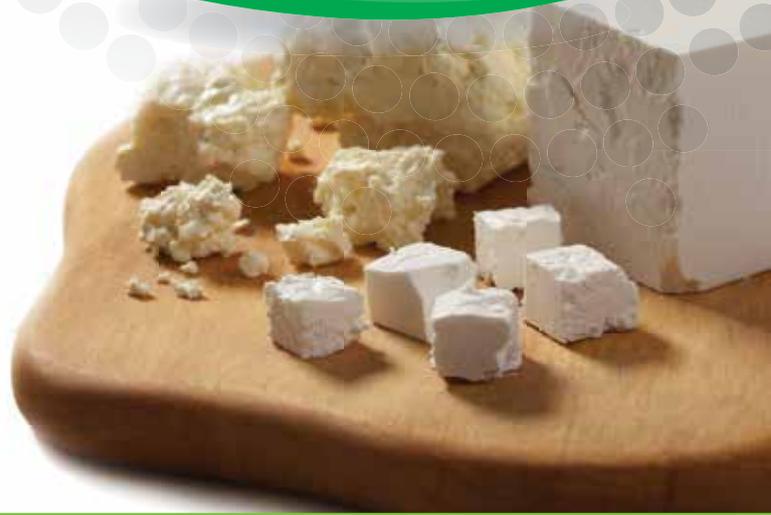
g. **Department of Rural Development and Land Reform:**

Four meetings were held with the Department of Rural Development and Land Reform. The meetings

focused on the partnership in the so-called value chain programme, which intends to supply five cows per family or farmer; the strategic plan for the next five years and the possibility of signing a memorandum of understanding, which will be followed up during 2015.

**h. Tshepathudi Agri Industries (Pty) Ltd:**

Discussions were held with the CEO of Tshepathudi Agri Industries (Pty) Ltd regarding animal feed production units that produce between 1 and 20 tons per day. The matter was also referred to Old Mutual for their possible assistance to farmers.



## 7.8 Project title: Dairy Consumer Education

**i. Responsible Institution:**

SA Milk Processors' Organisation.

**ii. Objective of the project:**

In terms of Regulation 1218 of 2013 issued in terms of the Agricultural Marketing Act (47 of 1996), part of the income from the levies on dairy products should be spent by Milk SA on consumer education. This 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."

Messages of a general nature regarding the health and nutritional advantages of dairy products

are conveyed to consumers and proactive and reactive messages regarding the health and nutritional advantages of dairy products are also conveyed to selected target groups that are opinion formers in South African society.

**iii. Nature of the project:**

The communication campaign consists of two elements, namely:

- a. General Communication, which conveys messages of a general nature to consumers regarding the health and nutritional advantages of dairy products; and
- b. Specialised Communication, which conveys pro-active and reactive messages regarding the health and nutritional advantages of dairy products to selected target groups which are opinion formers in the South African society.

- iv. The target market for the General Communication element is LSM 6-10, as determined by the Advisory Committee. The target market for the Specialised Communication element is health professionals, namely doctors, nurses, dietitians and nutritionists.

## v. Summary of the project's performance:

### General Communication, Namely Messages Of A General Nature Regarding The Health And Nutritional Advantages Of Dairy Products, Conveyed To Consumers

#### MESSAGES

Six communication messages were determined by the Advisory Committee in light of the Markinor research and the scientific information regarding nutrition and health applicable to dairy products, as set out below:

- Bone strength
- Muscle strength
- Growth, especially for children
- Fat content – dairy is lower in fat than you think
- Weight loss – dairy as part of a low-fat diet
- Nutrient-rich dairy contains proteins, vitamins and minerals, especially calcium
- The 3-A-Day™ dairy, 'rediscoverdairy' logo and website as well as the 'Dairy gives you go' website details are indicated on all promotional material.

#### TELEVISION

Development of new television adverts in 2012/13

Strategic and creative planning in 2012 of the new television advertisements took the requirements of Regulation 146 into consideration and important aspects of the communication approach were identified as opportunities for the new television advertisements.



The Extended Management Committee spent a considerable amount of time and effort on the formulation of the TV briefs in 2012. The briefs for the television advertisements were considered through a comprehensive process, which provided for an in-depth consideration of the relevant issues, including workshops and various meetings. The essence of the outcome of the Extended Management Committee's deliberations was that television should focus on teenagers (13-19 yrs) with the main considerations being:

- Teenagers have a strongly growing purchasing power in terms of own 'income' and influence on parents' purchasing decisions.
- Teenagers are more open to advertising messages than older target groups if we communicate with them in the right way – relevance is key.
- The teenagers of today are the parents of tomorrow.

Although TV will be aimed at teenagers, it should not be deduced that other targets will not be reached. A meaningful spill-over will reach targets such as mothers of teenagers.

The slogan for the television campaign is: *Dairy gives you go*. The slogan is carried through to television, the microsite (mini website) and the mobisite (designed for cell phones) in conjunction with the overarching slogan *Rediscoverdairy*. Both these slogans have been trademarked.

As part of the planning of the project, the storyboards were assessed with the target audience prior to production. Two concepts were approved and the *Dusty* and *Stix* advertisements were developed. The two TV ads were broadcast in four bursts in 2013.

## Dusty and Stix advertisements

The two TV ads were broadcast in April, July and October 2014.

TV Channel	Burst 1 29 March - 9 April 2014	Burst 2 1 - 20 July 2014	Burst 3 4 - 15 October 2014
ETV	17	65	7
SABC 1	40	30	35
SABC 2	14	27	21
SABC 3	15	28	4
Mzansi	2	-	3
MNet	5	-	-
DSTV & Viacom	1 week package (11 channels)	2 week package (14 channels)	10 day package 8 channels)

## Post-campaign analysis:

### Burst 1: 29 March - 9 April 2014

The performance of the campaign during the first burst in 2014 achieved the planned targets for the burst. Since the planning for this burst was done against the primary market (LSM 6-8 teens), the performance was very good with ARs coming in 7% higher than anticipated. Performance was as expected against LSM 9-10 teens where at least 40% rub-off was anticipated. Performance exceeded expectations in respect of LSM 6-8 mothers where the project achieved 13% more ARs than anticipated. The table below indicates the target markets, reach and frequency of this burst.

Target		Reach	Frequency
<b>Age 25-45/ Mums/ LSM 9-10</b>	Actual	45%	3.7
	Planned	45%	4.2
<b>Age 25-45/ Mums/ LSM 6-8</b>	Actual	64%	5.2
	Planned	60%	4.9
<b>Age 13-19/ LSM 9-10</b>	Actual	46%	2.9
	Planned	36%	3.3
<b>Age 13-19/ LSM 6-8</b>	Actual	58%	5.3
	Planned	61%	4.7

## Burst 2: 1 - 20 July 2014

A conservative approach to the unknown effects of the schedule changed due to the FIFA World Cup and resulted in the project over-achieving against all markets.

Since the project was off the air from early April, this burst did an excellent job of re-establishing the message in the minds of the target market. Performance against mothers was even better than the performance in the teen market despite high levels of 'Youth' and off-peak programming, as seen in the following table.

Target		Reach	Frequency
<b>Age 25-45/ Mums/LSM 9-10</b>	Actual	53%	5
	Planned	48%	4.1
<b>Age 25-45/ Mums/LSM 6-8</b>	Actual	76%	7.9
	Planned	71%	6.2
<b>Age 13-19/ LSM 9-10</b>	Actual	47%	4.5
	Planned	42%	3.4
<b>Age 13-19/ LSM 6-8</b>	Actual	66%	7.3
	Planned	65%	5.4

## Burst 3: 4 - 15 October 2014

This burst performed well. The July burst was exceptionally strong and the October burst served as a strong reminder burst. Performance against mothers was even better than the performance in the teen market despite high levels of 'Youth' and off-peak programming.

The TV ads can be viewed on YouTube by accessing from microsite and the number of visits for the period was as follows:

- *Dusty 45"* = 110 219 (Feb 2013 – Dec 2014, with media support)
- *Stix 45"* = 128 164 (Feb 2013 – Dec 2014, with media support)
- *Dusty 120"* = 2 782 views (12 months, no media support)
- *Stix 120"* = 2 336 views (12 months, no media support)

Target		Reach %	Frequency
<b>Age 25-45/ Mums/LSM 9-10</b>	Actual	49	3.2
	Planned	45	3.7
<b>Age 25-45/ Mums/LSM 6-8</b>	Actual	66	5.1
	Planned	66	4.9
<b>Age 13-19/ LSM 9-10</b>	Actual	38	2.9
	Planned	43	2.8
<b>Age 13-19/ LSM 6-8</b>	Actual	62	4.8
	Planned	62	4.9

were tested with the target audience in June 2014 (see research). The new television advertisement was developed in September and October 2014.

## Development of a television advertisement in 2014

The development of one new television advertisement was planned for 2014. Two concepts were presented and the storyboards

## Television advertisement awards

Previously, the TV ads were awarded by the organised advertising industry of South Africa as follows:

- In 2008, the *Milk* (petrol station) and the *Cheese* (Diner) were advertisements of the month.

- In 2009, the *Hen, Whale and Tortoise* were advertisements of the month.
- In 2010/11, the *Settler and Zulu* advertisements were winners of the IDF Innovations award.

In 2013, the TV advertisements were awarded as follows:

- The advertisement of the month in March 2013.
- One of the 18 finalists at the Cannes film festival in France.
- One of the three finalists in the International Dairy Promotions Trophy awards along with the USA and Canada.
- No additional awards were achieved in 2014.

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## MICROSITE (MINI WEBSITE): WWW.DAIRYGIVESYOUGO.CO.ZA

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A microsite (mini website) was developed for the project to enhance the impact of the TV advertisements and also create an area on the internet dedicated to the product, i.e. the role of dairy in the diet / lifestyle of the teenager. The microsite is appropriately linked to the 'rediscoverdairy' website.

- The purpose of the microsite is to convey the health benefits of dairy to the target market in the format of an infographic, which is a graphic presentation of the information.
- The microsite consists of four themes, namely Sport, Everyday, Strength and Beach body.
- Each theme consists of five infographics relevant to each with an option for the viewer to find out more about a certain topic.
- The microsite is also adapted for viewing on a cellphone.
- The website address is : [www.dairygivesyougo.co.za](http://www.dairygivesyougo.co.za)
- The microsite was launched in December 2012.

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### Monitoring of the microsite

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In order to enhance the performance of the site, an advanced tracking and analytical tool

on the **dairygivesyougo.co.za** microsite was implemented in February 2014 in order to fully understand the behaviour of the individuals visiting the website.

- In addition to being able to track the success of campaigns that drive traffic to the site, the project now also has the ability to go into more detail as to user experience. This has allowed the project to make tactical changes that should drive the messaging more effectively.
- The results of the analytical tool presented a variety of general observations and screen capture observations. Action points have been identified and these are implemented as high, medium and low priority. The first improvement was focused specifically on the navigational operations of the site.
- The microsite was optimised for MXIT on mobile phones.
- A health quiz on the microsite ensures that teenagers are familiarised with the health and nutritional benefits of dairy.

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### DIGITAL ADVERTISEMENTS

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A digital advertising campaign was developed to carry the messages of the campaign and to support the microsite. Advertising banners were developed that convey the health benefits of dairy while also directing viewers to the microsite and the mobile site. The banners appeared on social media sites visited by teenagers, such as YouTube, Facebook, MXIT, 24.com. The quiz that appears on the microsite was advertised on the banners to increase traffic to the microsite. There were three bursts planned for 2014.

Bursts	Date of bursts
1	29 March - 9 April 2014
2	28 June - 11 July 2014
3	4 - 15 October 2014

## Post-campaign analysis of [www.dairygivesyougo.co.za](http://www.dairygivesyougo.co.za)

The microsite was introduced in December 2012. During the period 1 December 2012-31 December 2013, three digital advertising bursts were active.

For the period 1 December 2013-31 August 2014, the site was visited 18 864 times by 16 328 users. The average time spent on the site was 1.2 minutes.

- The health quiz, which has been active continuously, was supported during September and October by an incentive to win a gym contract for one year with Planet Fitness, with the purpose to spike the number of visits and the time spent on the site and ultimately to create an opportunity for learning.
- The two winners were announced and the prize of a year's gym contract was presented to each.

## FACEBOOK: DAIRY GIVES YOU GO (DGYG)

The DGYG Facebook page was launched in June 2014. Four new posts are placed on the page per week. The posted information uses the microsite as focus area for the educational messages. The digital advertising campaign serves as support to create traffic to the Facebook page. Total likes on the Facebook page from 1 June - 31 December were 13 878. The competition to win a year's membership with Planet Fitness was promoted on Facebook to encourage more traffic to the microsite.

## CONSUMER PRINT

### Consumer promotional articles:

The contents of these articles expand on the six key messages and inform consumers why it is important to include dairy in their daily diet and the rationale for the consumption of three portions of dairy per day. The target audience for this activity is mothers with children up to teenage

years. Twelve insertions were planned and placed in 2014 as follows:

Advertorial title	Magazine	Issue date
1. Dairy meets your needs	You	27 March
2. Suiwel voldoen aan jou behoeftes	Huisgenoot	27 March
3. Milk and sport: a winning combination	Move	30 April
4. Fuel up with flavoured milk	Move	14 May
5. Smart snacking with dairy	Move	28 May
6. Dairy and breakfast: a winning combination	Move	11 June
7. Meer suiwel in die dieet voeg belangrike nutriente	Huisgenoot	6 November
8. More dairy in your diet adds essential nutrients	You	6 November
9. Lactose intolerance: enjoy dairy	You	13 November
10. Laktose intoleransie: geniet suiwel	Huisgenoot	13 November
11. Versorg jou kinders met suiwelprodukte	Intiem	December
12. Take care of your children with dairy	Intiem English	December

## Editorial information for consumer publications

The project provides editorial information to publications for editors' own discretionary use. The following editorial information was provided to Move magazine:

Benefits of dairy as part of a healthy diet – published by Move as *Delicious and nutritious dairy* – 14 May 2014 (Double-page spread)

## Consumer leaflets

There are four different leaflets. These are intended to communicate health and nutrition messages to consumers. The leaflets are valuable to members of the industry to be used in their communication to consumers, namely:

- *Dairy: The whole story – what's in the milk aisle?*
- *Bones: Remember to take care of your bones.*
- *Sport Nutrition: Give athletes a boost with dairy.*
- *The process of heat-treating milk.*

## Leaflet for the dairy industry

A leaflet, *Know your product and present it with pride*, was developed for the dairy industry. The intention of the leaflet is to educate individuals who work within the industry and make them proud ambassadors of dairy.

## MEDIA LIAISON ACTIVITY

The essence of the activity is to make information on the nutrition and health benefits of dairy available to journalists who then communicate the information to the target markets, as it serves the interests of both the reporter and the media. Relevant information published in the media on dairy is monitored by NewsClip, an independent firm that specialises in such work. Updates are received daily in electronic format. The following table shows the print coverage achieved in this regard (at no cost to the project):

Press Coverage January – December 2014	Number of articles published	Rand value
<b>Consumer magazines</b>	67	R 2 689 114.12
<b>National newspapers</b>	15	R 391 836.26
<b>Regional press</b>	43	R 439 110.33
<b>Trade press</b>	10	R 217 593.25
<b>Online coverage</b>	Not monitored	
<b>TOTAL COVERAGE</b>	<b>135</b>	<b>R 3 737 653.96</b>

## Press releases developed and distributed by the project

Press releases	Date
<i>World Milk Day</i>	May 2014
<i>Dairy products help prevent type 2 diabetes</i>	September 2014
<i>Milk combats sarcopenia – fight the effect of aging with dairy</i>	September 2014

## Radio interviews

Topics of interviews	Radio station	Date of broadcast
Overview of the Consumer Education Project of Milk SA	Veepos on Radio Sonder Grense (RSG)	6 June 2014
The seminars presented by the Consumer Education Project	Landbousake on RSG	5 August 2014

The interviews can be listened to on the RSG website: [www.rsglandbou.co.za](http://www.rsglandbou.co.za)

## Television interviews

Topics of interviews	TV channel	Date of broadcast
Overview of the Project	Doctor's orders on SABC 3. Fridays at 3pm	1 August 2014
Podcast: Interaction with Clinics	Available on <a href="http://www.rediscoverdairy.com">www.rediscoverdairy</a> website	

## Trade publications

Trade publications such as *Dairy Mail*, *Farm Link*, *Food and Beverage Reporter*, and *Milk Essay* are used as vehicles to communicate with the dairy industry and the food industry respectively. Informative articles on the project and other relevant topics are published. The table below shows the articles published during 2014.

Publication	Title	Month 2014
The Dairy Mail	Dairy and sport	January
The Dairy Mail	Dairy gives you go	February
The Dairy Mail	Have milk, maas and yoghurt daily	April
The Dairy Mail	The end of the line	April
The Dairy Mail	Lactose intolerance: Myths and Facts	July
The Dairy Mail	CEP reaches out to consumers at clinics	August
The Dairy Mail	Communicating the nutritional benefits of dairy to consumers	October
The Dairy Mail	Dairy products help prevent type 2 diabetes	November
The Dairy Mail	Milk combats sarcopenia – fight the effect of aging with dairy	December

## Media liaison in respect of the role of dairy in sport

The communication on the role of dairy in the sports arena has created awareness of dairy and its role in the diet of people who participate in sport, especially for rehydration and muscle recovery. The Consumer Education Project (CEP) developed promotional material which highlights the benefits of dairy for athletes participating in events such as mountain bike races, distance and trail running, soccer or rugby. These are available to members of the dairy industry involved in organising promotional and awareness events.

Nicki de Villiers of the Health Performance Centre at the University of Pretoria liaises with sports people and coaches on an ongoing basis and distributes the booklet to relevant people:

- April 2014: A Sports Nutrition Symposium was held at the Nelson Mandela Metropolitan University South campus auditorium. 350 copies of the booklet were distributed. Speakers were Karlien Smit and Dr Konrad von Hagen.
- 10 June 2014: Presentation to cricket academy by Nicki de Villiers. Distributed 50 booklets.
- 5 September 2014: Gauteng North figure skating interprovincial championships. Leaflets were inserted in the goodie-bags of the athletes.
- 3-7 October 2014: KFC Point U/19 Cricket Festival. Mosselbay. Leaflets were provided for the goodie-bags of the participants/athletes.

## Liaison with Health Professional media

An article published in the British Medical Journal, *Milk intake and risk of mortality and fractures in women and men: cohort studies*. Michaëlsson, K., Wolk, A. et al., was picked up by the press in the UK, France, Belgium and South Africa. The project responded by requesting the Technical Advisory Committee (TAC) to draft comments for the IDF. The Sunday Independent newspaper was provided with the article as prepared by the TAC, which was then published on 16 November 2014.

## SCHOOL CURRICULUM

The school curriculum project is aimed at grades 1-7. It consists of two main themes, namely:

- A guide to healthy eating
- 'From farm to fridge'

This sub-project provides teacher guides, posters and fact sheets under both themes. The fact sheets are available in Afrikaans, English, Zulu and Sesotho.

The worksheets have been listed with EClassroom, which is an independent website that carries worksheets for primary school teachers and learners. The website has been endorsed by the Department of Basic Education.

It is estimated that each worksheet downloaded from the EClassroom website is used by at least thirty learners or teachers. During 2014 the worksheets were downloaded 11 700 times.

January	1 237
February	1 156
March	1 310
April	1 225
May	1 535
June	1 866
July	683
August	806
September	516
October	422
November	682
December	262

New worksheets developed in 2014 and placed on the website and EClassroom website include:

### Worksheets developed for January - December 2014

- From the farm to the fridge
- Van die plaas na die yskas
- Ho tloha polasing ho ya sehatsetsing
- Kusukela eplazini kuze kuyofika efrijini
- My daily food diary
- Guidelines for healthy eating
- Riglyne vir gesonde eetgewoontes
- Dikeletso tsa ho jella bophelo bo botle
- Izindlela okuyizona zokudla ukudla okunempilo

### Rediscoverdairy dairy kids website

All the material related to the school project is available on this website and all the posters, teacher

guides, fact sheets and worksheets can be downloaded from the site.

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## NATIONAL NUTRITION WEEK

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The National Nutrition Week (NNW) is an annual calendar event of the Department of Health (DOH). The event reaches out to the whole population, including low socio-economic groups. The project participates in the event every year as it provides an opportunity to network with the DOH and reach lower LSM groups across the country.

The theme for the National Nutrition Week 2014 was: *Eat less! Choose your portion with caution.* (The theme was repeated from 2013) The associated messages were:

- Choose a variety of foods from different food groups and eat recommended amounts.
- Make portion control a daily way of life.
- Use salt and foods high in salt sparingly.

The target group for the National Nutrition Week (NNW) 2014's *Choose your portion with caution* campaign was the general public, reached via interpersonal communication and media. Messages for health workers were communicated via the Department of Health and through targeted publications.

The project contributed to the NNW promotional material in terms of general input on the information presented to the public.

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### Media coverage

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A public relations agency was contracted to manage the PR activities around the NNW. A press release and snippets were compiled and distributed to all relevant short-lead media nationally. Media motivations with the key messages of the National Nutrition Week 2014 campaign were compiled and sent to all relevant

electronic media, which led to the radio and TV interviews.

National Nutrition Week 2014 received good media exposure, which resulted in an AVE of R1.6m

- 10 radio and one television interviews, as well as exposure in various print and online publications, highlighted this year's message to the public.
- One television interview was secured on SABC Kids News. The dietitian of the Continued Education Project (CEP) was interviewed.

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## WELLNESS ACTIVITY

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Wellness activity is one of the communication channels used to reach the target market of primarily LSM 3-7.

This sub-project of the CEP targets the low socio-economic population of South Africa and aims to convey information about the health and nutritional benefits of the inclusion of dairy products in the daily diet. In 2013, educational TV in the waiting rooms of Gauteng provincial government clinics was used as a vehicle to reach this target.

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### Interaction at Clinics 2014: *Have milk, maas or yoghurt every day*

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The 'Interaction at Clinics' project for 2014 was aligned with the Department of Health's food-based dietary guideline urging consumers to 'have milk, maas or yoghurt every day'. The project entailed an educational event that demonstrated not only the importance of dairy in the diet, but also how dairy can easily be added to daily meals for extra goodness within a balanced diet.

A leaflet and a poster that advocate the goodness of adding dairy to the daily diet were developed

for this project. All the materials were designed to meet the requirements of the target audience. The leaflet is available in English, Afrikaans, isiZulu and Sesotho and served as a hand-out to consumers during the show. Copies of the poster were given to each clinic to keep for future use during educational activities.

List of promotional material developed by the project:

- Leaflet in four languages
- Poster with main message - *Have milk, maas and yoghurt every day*
- Banners with the main message
- Tear-drop banners with the *Dairy gives you go* logo

To ensure successful uptake of the messages, CEP contracted Awuzwe Health Promotions, which is

100% BEE compliant and has a level 3 contributor status, to present the health messages at clinics and hospitals in the vernacular language of the local community. The dietitian driving the clinic project trained the Awuzwe health promoters on the key message 'Have milk, maas or yoghurt every day' and the associated nutritional and health benefits of dairy. This empowered the field workers to present the information with confidence. Each promoter was subsequently equipped with a lesson plan and visual aids, which enhanced the learning experience at the clinics.

This project was implemented in five provinces, reaching a total of 380 clinics and 29 hospitals (to date). The table below presents the regions and number of clinics and hospitals visited during this period, where the educational presentation was presented:

	Clinics	Hospitals	Family Health Edushows	Community Events
<b>Gauteng</b>	57	11	5	5
<b>Mpumalanga</b>	42	7	1	0
<b>KwaZulu-Natal</b>	263	0	3	0
<b>Eastern Cape</b>	18	11	2	0
<b>TOTAL</b>	<b>380</b>	<b>29</b>	<b>11</b>	<b>5</b>

## Education of nutrition advisors in KwaZulu-Natal

KwaZulu-Natal, however, required a different training approach in that trained nutrition advisors are available in government clinics. This presented a unique opportunity for CEP to promote dairy awareness amongst the advisors, who could, in turn, educate the patients and visitors on an ongoing basis at their respective clinics. The nutrition advisors were also equipped with a set of educational tools for use during their presentations. The KwaZulu-Natal implementation can therefore be considered a long-term investment.

It is estimated that up to 180 people were reached at each clinic during this roll-out. Overall, the CEP will reach approximately 100 000 people of the target audience with this message (including KwaZulu-Natal) when completed.

The following 263 nutrition advisors were trained in KwaZulu-Natal during this period:

Date	Name of clinic/ region	Venue	Number of clinics represented
13 May 2014	Ilembe district	Amatigulu training centre	109
14 May 2014	Ilembe district	Amatigulu training centre	
20 May 2014	Ethekwini district	Inkosi Albert Luthuli Hospital	
21 May 2014	Ethekwini district	Inkosi Albert Luthuli Hospital	
22 May 2014	Ethekwini district	Inkosi Albert Luthuli Hospital	
3 & 4 June	KZN: Ugu district	Murchison Hospital	55
30 July 2014	Zululand district	KwaNongoma Hospital and Ulundi Municipal offices	53
9 & 10 Sept	uMgungundlovo district	uMgungundlovo district offices	46

A podcast was developed which captures this project. It can be viewed on the [www.rediscoverdairy.co.za](http://www.rediscoverdairy.co.za) website, under 'News snippets'. The table above lists the number of clinics that have been visited during this quarter: The 'Interaction at Clinics' sub-project commenced in February 2014 and continued until September 2014.

### CONSUMER GOODS COUNCIL OF SOUTH AFRICA (CGCSA)

The project and CGCSA attended a meeting on 19 August 2014 with the Director-General: Health, Beverage South Africa (BevSA), regarding "Healthy Food options industry engagement". Further industry meetings were held with the CGCSA-FSI on 22 and 23 October 2014. The aim of the engagement was to discuss a request from the Department of Health to consider initiatives specific to food and non-alcoholic beverage industries to support a national strategic plan for prevention and control of Non-Communicable Diseases (NCDs) in South Africa.

### REGULATION 429: REGULATION RELATING TO THE LABELLING AND ADVERTISING OF FOODS: AMENDMENT

Regulation 146 on advertising and food labelling that was implemented in March 2012 has been amended. R429 of May 2014 will be implemented in 2015. The project attended workshops presented by the SA Association of Food (SAAFOST) and continuously updates existing promotional material to be in line with the regulations. All newly developed promotional articles conform to the regulation.

### SPECIALISED COMMUNICATION

#### • Overview

The target market for Specialised Communication includes health professionals, namely doctors, dietitians, nutritionists and nurses. The messages communicated are based on the latest scientific information on dairy nutrition and health. The project makes use of a Technical Advisory Committee which works independently from the project and whose members are specialists in the field of nutrition.

Communication channels include:

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

## • Scientific advertorial placements

Scientific advertorials are written by experts in their field. All advertorials are evaluated by the CEP Technical Advisory Committee. New research in the field of dairy nutrition and health are monitored through various sources such as the IDF, Global Dairy Platform and by monitoring other international dairy and health websites.

These are published in various health journals in order to inform health professionals and to promote the awareness of the role of dairy products in respect of health and nutrition. For each advertorial, a full review article is written (see 3.2 for nutrition reviews), which elaborates on the topic. This is loaded on the website at the same time as when the advertorial is published. Seven placements were published in 2014:

Advertorial title	Magazine	Issue month
1. Can dairy products lower high blood pressure?	Nursing Update	February 2014
2. Dairy allergies and lactose intolerance	Nursing Update	March 2014
3. Milk protein: new insights into functions and quality	SA Journal of Clinical Nutrition (SAJCN)	May/June 2014
4. Milk protein: new insights into functions and quality	SA Medical Journal (SAMJ)	Aug 2014
5. The role of dairy consumption in the prevention of Type 2 Diabetes	SAMJ	Aug 2014
6. Maintaining muscle mass and preventing sarcopenia in the elderly: important benefits of dairy protein	SAJCN	Aug/Sept 2014
7. Maintaining muscle mass and preventing sarcopenia in the elderly: important benefits of dairy protein	SAMJ	September 2014

## • Nutrition review articles

Nutrition reviews explore any new topics in respect of dairy health and nutrition that warrant further investigation. The nutrition review allows for extensive and detailed information without a limitation to the number of words used. The nutrition reviews are posted on the *rediscoverdairy* website, under the nutrition review menu item. Health professionals are informed via email when a new review has been placed on the web. Three nutrition reviews were completed during 2014:

### Title of nutrition review

- Milk Protein: New insights into quality and function.
- Maintaining muscle mass and preventing sarcopenia in the elderly: important benefits of dairy protein.
- The role of dairy consumption in the prevention of Type 2 Diabetes.

### • MilkSplat

The 'MilkSplat' was created for the *rediscoverdairy* website. The purpose for the menu item is to summarise recent research on a dairy nutrition (nutrition review) related topic and place a summary on the web. The summary is also mailed to health professionals and they are encouraged to read the summary and contact the project for the peer-reviewed article. This further creates an opportunity for the project to build a database of health professionals and monitor the success. The summary articles highlight the scientific integrity of the project. Three 'MilkSplats' were developed in 2014.

### • Educational material for health professionals

#### Teaching Aid File/ Dairy-based nutrition USB (Universal Serial Bus) tool:

The teaching aid file that was reviewed, updated and produced in electronic format (a USB memory stick) is now referred to as the Dairy-Based Nutrition USB tool. As part of the communication activities with dietitians, the revised USB tool was distributed to 2<sup>nd</sup> and 4<sup>th</sup> year dietetics students at all the universities in the country that offer the degree. The memory stick carries all the scientific information regarding dairy health and nutrition as developed by the project. Included on the memory stick are the sports booklet, advertorials, nutrition reviews and an overview of the project.

The project co-ordinator and the dietitian of the project visited the universities and presented the USB tools to the students after giving a lecture on the overview of the CEP. The Dairy Based Nutrition booklet was also printed for distribution at Provincial Training Hospitals.

At these events, the reaction of the recipients was very positive and in most cases more material such as posters, fact sheets and booklets were requested. These were then distributed by the project, upon request, to the different institutions.

#### Educational tool

The A3 Educational tool was developed for dietitians in provincial hospitals and clinics for use to educate patients on certain life stages. The project's dietitian visits each hospital (as listed below) and presents the tool to the dietitians on an ongoing basis.



The following universities/hospitals were visited in 2014:

Name of institution	Number of students/ dietitians	USB Memory sticks distributed	Educational tools distributed
University of Stellenbosch	20 +2	22	0
University of Western Cape	14 +10	24	0
University of Cape Town	20 + 5	25	0
New Somerset Hospital	3	3	3
Groote Schuur Hospital	8 +2	10	3
Red Cross Children's Hospital	7	1	4
Tygerberg Hospital	13 + 4	7	5
Nelson Mandela University	24 + 2	26	0
University of KwaZulu-Natal	32 + 4	36	0
University of Pretoria	24 + 6	30	0
Universitas Hospital	0	0	5
Pelanomi Hospital	0	0	3
Nasionale Hospitaal Bloemfontein	0	0	3
Military Hospital Bloemfontein	0	0	4
University of the Free State	63 + 8	71	1

## • Continuing Professional Development (CPD)

The CPD activity provides the project with an opportunity to communicate directly with one of the health professional target markets, namely dietitians and nutritionists, who, in turn, gain from the activity as Continuous Education Units are earned by participating in the activity. There were two CPD events planned for 2014:

- Nutrition Solutions. 11 April 2014. Johannesburg Country Club. This event was a joint venture with ADSA (Association for Dietetics in SA):
  - The project's dietitian presented a short introduction of the CEP.
  - Prof Walsh presented "Not all proteins are equal" on behalf of the project.
  - A peer reviewed article was provided for the dietitians as part of their CPD accreditation, which was managed by the project's dietitian.
  - The leaflets were inserted in the delegate hand-outs.

- Theme: Superheroes - On a mission for optimal nutrition. 26 June 2014. University of the Free State.
  - Prof Walsh presented "Not all proteins are equal" on behalf of the project.
  - 70 dietitians attended the CDP event.
  - USB tools were distributed to all the delegates.

The article provided as CPD activity was: Friede Wenhold, PhD RD, (SA), Department Human Nutrition, Faculty of Health Sciences, University of Pretoria. 2013. "Milk protein: new insights into quality and function". Nutrition Review. [www.rediscoverdairy.co.za](http://www.rediscoverdairy.co.za)

## • Technical Advisory Committee (TAC)

The Technical Advisory Committee (TAC) was established to ensure that all communication messages developed and published by the project are scientifically sound. The TAC consists of experts in the field of dietetics, dairy science and technology.

Among others, an annual meeting is held with the TAC to present the progress of the project and to identify concerns and trends in dairy nutrition. This meeting was held on 7 April 2014.

The TAC was requested to respond to the controversial article published in the British Medical Journal (refer 2.7.6)

- **Website: [www.rediscoverdairy.co.za](http://www.rediscoverdairy.co.za)**

The website provides scientific information for health professionals on dairy health and nutrition under the 'Dairy-Based Nutrition' section.

It is constantly upgraded and monitored and also forms an integral part of the media liaison activity in that relevant information for editors of different publications can be obtained on the web. It also serves as an important communication channel for the project with consumers, health professionals, members of Milk SA, MPO and SAMPRO.

- **Rediscoverdairy dairy kids website**

All material related to the school curriculum project is available on the website and the website serves as support for the 'E-classroom' website, which carries all the worksheets developed for the school project in the member's log-in section

A section on the website has been created for Members of Milk SA, SAMPRO and MPO. This section will contain all the reports and presentations presented by the project at different meetings or events. The login-in details are the same for all members, namely: username: members and password: agendas

- **Research**

The project monitors the performance of each element in order to ensure that the investment meets the objectives of the project, namely education on the health and nutritional benefits of dairy. Therefore, where possible, each activity is measured by using the most appropriate research methodology.

- **Literature review on lactose intolerance and vitamin D intake in South Africa.**

Two summary reports were completed:

- Research into the incidence of milk intolerance in the South African population.
- Research into vitamin D intake and deficiencies in the South African population.

- **Consumer insights research**

Extensive meetings and investigations regarding the need and profile of consumer research were held during the first quarter of 2014 and a proposal was developed which was presented to the Advisory Committee in April 2014.

- **Survey on selected products usage 2007-2012.**

The Bureau of Market Research, UNISA conducted a desktop survey on selected dairy product usage as provided by the SAARF AMPS data base (All Media Products Survey) and the outcome was presented to the Advisory Committee in April 2014.

- **Mystery observer study: Interaction at clinics**

Throughout the implementation period of the Interaction and clinics sub-project, CEP conducted a mystery-observer study to determine the impact of the project as an indication of effective return on investment. This field-based research technique involves independent, trained fieldworkers posing as consumers to gather specific information about a product and service delivery as well as to experience how it feels to be a consumer of a specific company or product. The research will include research conducted at 10 clinics; 4 hospitals; 2 Edushows and interviews with 75 consumers. Results will be presented on completion of the project.

- **Storyboard research**

The overall aim of the study is to provide strategic insight into consumer reactions to the two concept television advertisement messages proposed for the 2014 *Dairy-gives-you-go* campaign. Feeling-related reactions associated with the two concepts as well as message takeout needed to be established.

The exploratory nature of this research does not lend itself to the formulation of hypotheses. However, the following research questions were posed to investigate the emotive response to two concept advertisements:

Are emotive differences evident in response to the two concepts respectively?

- Does the envisaged target market for the concept advertisements respond favourably to the advertising format and message?
- Are differences apparent between younger and older teenagers?
- Are differences apparent between male and female teenagers?

The research to test the storyboards of the new television concepts was conducted on 4 June 2014 with 103 consumers of the target audience. One concept was approved, which will be taken forward for development of a television advertisement. The report of the research results is available on the website under the member's log in sections.

#### • Dairy Consumer Education (DCE) Project industry seminars

Seminars for the industry, i.e. members of Milk SA, SAMPRO and MPO, were held in August and September 2014. The purpose of the workshop was to share information regarding the project and especially the communication products of the project in order to promote communicating the health and nutritional benefits of dairy to the South African society. The leaflet *Know your product* was distributed to all delegates and each was provided with copies to hand out at their places of work.

The dates for the workshops were as follows:

Region	Dates 2014	Venue	Number of attendees
Gauteng	14 August	Shere Wood Lodge, Pretoria	41
KwaZulu-Natal	21 August	Fern Hill Hotel, Howick	38
Eastern Cape/ Port Elizabeth	3 September	Slipperfields, Port Elizabeth	25
Western Cape	4 September	Durbanville Hills, Durbanville	35

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## CONFERENCES AND PRESENTATIONS

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The CEP personnel identified seminars and conferences relevant to the project. The following seven events were identified and participated in:

- The project co-ordinator, dietitian and consumer scientist of the project attended the first CNE (Continuing Nutrition Education) seminar: 11 April 2014, Johannesburg Country Club.
- The project's dietitian presented a short introduction of the CEP and Prof Walsh presented "Not all proteins are equal" on behalf of the project:
- SA Society of Dairy Technology, 47th Annual AGM & Symposium 2014 DAIRY SYMPOSIUM, 22, 23, 24 APRIL 2014. Lagoon Beach Hotel, Milnerton, Cape Town. The project co-ordinator presented "Connecting the consumer with dairy" at this symposium.
- Continuing Nutrition Education (CNE), Main Auditorium, CPUT, (Cape Peninsula University of Technology), 28-29 May 2014. The project's dietitian attended the conference.

- International Milk Promotion (IMP) and Global Dairy Platform (GDP) mid-year meetings. 21-27 June 2014. CNIel, Paris. The project co-ordinator presented the clinic project as one of the Trophy awards entries.
- 25th Nutrition Congress of the Nutrition Society of South Africa and the 13th Congress of the Association for Dietetics in South Africa. 16-19 September 2014. Birchwood Hotel and Conference Centre, Johannesburg. The project co-ordinator, the dietitian and consumer scientist attended the congress. Dr Frieda Wenholdt delivered a paper on behalf of the project, namely "Dairy for optimal nutrition of all South Africans: Current evidence, challenges and opportunities".
- NMMU (Nelson Mandela Metropolitan University): Student event, 1 October 2014. Second-year dietetic students, Food and Nutrition, final exam restaurant cooking.
- The project dietitian presented a talk on the importance of dairy for the elderly. Dairy products were used throughout the menu.

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## GLOBAL DAIRY PLATFORM (GDP) AND INTERNATIONAL MILK PROMOTION OF THE INTERNATIONAL DAIRY FEDERATION (IMP/IDF)

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Communication with the Global Dairy Platform (GDP) is ongoing and all new information received from the GDP is acknowledged by the project and consulted where applicable.

The mid-year workshop that was held in Paris, France, was attended by the project co-ordinator. These workshops are held for the dairy industry and countries with generic health promotion campaigns. As part of the workshops, delegates are afforded the opportunity to present a country report, enter into the International Milk Promotion (IMP) trophy competition and present a case study. The Interaction at the Clinics project was entered in the IMP trophy competition and this element of the campaign was presented by the project co-ordinator. The meetings provide an opportunity for the project to network on an international basis.



## 7.9 Project title: Improvement of Dairy Quality

### i. Institution responsible for the project:

Dairy Standard Agency (DSA).

### ii. Purpose of the project:

The main objective is the promotion of compliance of milk and other dairy products with product composition, food safety and metrology standards.

### iii. Project outcomes:

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#### **Goal 1: National milk monitoring in collaboration with health authorities.**

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The quarterly sample runs for 2014 were successfully completed as per predetermined schedules. A total of 1 568 milk samples in the predetermined categories (packed pasteurised and unpasteurised and pasteurised and unpasteurised retail bulk milk), 116 cultured milk, 14 buttermilk, 64 cream, 74 UHT milk, 142 yoghurt (various class designations), 36 butter, 230 cheese, 9 sterile milk, 6 condensed milk, 47 custard and 11 milk powder samples were analysed in order to determine compliance to regulatory specifications.

On average seven metropolitan municipalities, 19 district municipalities and 63 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 respectively gazetted under the Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972), Agricultural Product Standards Act, 1990 (Act 119 of 1990) and where applicable, the Trade Metrology Act, 1973, (Act 77 of 1973).

As per protocol, sample results were emailed and/or faxed to participating authorities and contact details were updated. The collection of contact information of processing facilities is considered

an ongoing process and requests for the purpose of updating contact details have been communicated to all processors.

Non-conforming results obtained were assessed and communicated to all the respective processors and manufacturers identified. Non-conformance reports of continued sub-standard results were generated and forwarded to the relevant authorities as official complaints. These included separate reports reflecting the following non-conformances:

- >2% added water
- Inhibitory substance positive
- Phosphatase positive
- E.coli positive

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#### **Goal 2: Investigations of complaints in respect of product compliance with legal standards.**

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Achievements are investigations of complaints relating to:

- Composition of ice cream
- Inhibitory substances to milk
- Foreign objects in custard
- Organoleptic defects in milkshake
- Organoleptic defects in UHT milk
- The use of food colorant in Amazi
- Composition of butter

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#### **Goal 3: Special investigations.**

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An investigation was launched by the Dairy Standard Agency (DSA) on a selection of UHT milk samples suspected of flocculation, foul taste and extreme foaming reaction when heated. The investigation followed a complaint received of which the outcome revealed significantly increased values of protease activity in some of the samples. In view of the complexity of the problem, work done was also brought to the attention of the Milk SA: Research and Development Advisory Committee.

Subsequent analytical work was also undertaken (as per DSA's request) by the University of the Free State's Department of Microbial Biochemical and Food Biotechnology on the samples submitted in order to determine the possibility of other contributors to the phenomenon of flocculation.

A special investigation regarding addition of stabilisers and colourants to plain fermented milk (maas) was initiated in August 2014.

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#### **Goal 4: Milk and other dairy product risk identification.**

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

The following websites and web feeds (Rich Site Summary) were monitored on a weekly basis for possible food scares that might affect the local dairy industry:

- [www.foodproductiondaily.com](http://www.foodproductiondaily.com)
- [www.dairyreporter.com](http://www.dairyreporter.com)
- FSA newsletters and alerts
- Dairy Markets monthly newsletter
- [www.fda.gov/Safety/Recalls/](http://www.fda.gov/Safety/Recalls/)
- [www.foodqualitynews.com/...Alerts/](http://www.foodqualitynews.com/...Alerts/)
- [www.foodqualitynews.com/Food-Alerts/New-evidence-calms](http://www.foodqualitynews.com/Food-Alerts/New-evidence-calms)
- [www.dairysafe.vic.gov.au/](http://www.dairysafe.vic.gov.au/)
- [www.foodsafety.gov](http://www.foodsafety.gov)
- [www.thefoodsafetynetwork](http://www.thefoodsafetynetwork)
- International Food Safety Authorities Network (INFOSAN)
- European Union Rapid Alert System for Food and Feed (RASFF) – newsletters
- Google Alert - food poisoning; Food Production Daily
- [www.foodpoisonjournal.com](http://www.foodpoisonjournal.com);

- [www.foodsafetynews.com](http://www.foodsafetynews.com);
- [www.recalls.gov.au](http://www.recalls.gov.au); [efoodalert.net](http://efoodalert.net);
- [www.fastmoving.co.za](http://www.fastmoving.co.za)

Recorded international food safety (dairy) risks mainly related to the presence of pathogens such as *Listeria* in final products which are manufactured from unpasteurised milk. The DSA is a member of the National Department of Health Food Safety Alert Team. No national and international incidents that had a direct impact on the South African industry and consumer were recorded during 2014.

National milk and other dairy product monitoring programmes in collaboration with health authorities were conducted.

The presence of high *E. coli* positive results identified during quarterly cycle runs remained a persistent problem. As a result of the interaction with the municipal health authorities, an increase in retail bulk samples taken was noted. This was mainly due to continuous difficulties experienced with the level of non-compliance (food safety and product composition) of packed unpasteurised and retail bulk milk and follow-up samples by the health authorities based on risk.

Non-compliances were communicated to the owners of the relevant businesses and health authorities. DSA procedures were followed to ensure that follow-up work was done according to the project relating to remedial action with producer/distributors and processors.

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#### **Goal 5: Remedial action programmes with processors and distributors.**

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All non-conforming results obtained through analysis of samples submitted by Environmental Health Practitioners (EHPs) were communicated to processors and Producer-distributors (PDs) by post

or email as well as via EHPs in cases where contact details were not available on the system.

The scheduled visits of the DSA to non-complying facilities were considered to be very successful, as the interaction on a one-on-one basis has proven to produce positive outcomes in terms of compliance.

DSA guideline documentation was extensively used during visits and consultative sessions relating to trouble shooting. It was noted that since the implementation of this project, a significant number of small to medium dairy enterprises not linked to the normal communication network of the organised dairy industry started to network.

The relationships between the DSA and the respective authorities are of great importance in terms of this project, as in certain cases statutory measures to facilitate immediate remedial action are required.

Expansion of the activities of this project is considered a priority in terms of the DSA 2015 strategic approach, as the role of the DSA as industry self-regulatory initiative is increasingly being acknowledged by the government departments and other stakeholders.

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## Goal 6: Communication with authorities and other organisations.

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### a. Department of Health: Directorate Food Control

The DSA participated in the Food Legislative Advisory Group (Directorate Food Control) meetings for 2014.

The DSA also actively participated in the joint industry and government initiatives to reduce the prevalence of non-communicable

diseases in South Africa. DSA participation is a result of these initiatives' impact on formulation of government policies and legislative matters, for example the use of sweeteners and salt as well as other additives in dairy foodstuffs.

### b. Municipal Health Authorities

Communications with the municipal health authorities, based on information obtained from project 1, were completed with reference to category A infringements relating to inhibitory substances, *E.coli* and phosphatase positive results. Facilitation of remedial action regarding the sale of sub-standard milk and other dairy products was followed up with strategic meetings at district municipality level.

The matter was also raised as discussion point at the South African Local Government Association annual general meeting for Municipal Health Managers, where DSA presented on the role of the DSA and proposed intervention strategies to address continual non-conformances.

### c. Department of Agriculture, Forestry and Fisheries (DAFF):

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

DSA's relationship with DAFF led to the Managing Director serving as chairman of an appeal board of DAFF during a hearing regarding R2581-related matters. Cycle results regarding infringements in terms of the Regulations relating to dairy and imitation dairy products (relating to the DSA national monitoring programme) were communicated to the Guardian Manager for the Agricultural Products Standards Task Team of the Directorate.

Misleading claims, incorrect composition and labelling of dairy products continued to serve as priority. Imitation dairy products and the composition of cheese offered for sale in the hospitality industry were once again prioritised and followed up with the Directorate. Liaison in this regard continued into the final quarter of 2014.

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

Communication with FSQA included dairy product composition queries, requests for dispensations, the draft regulations relating to dairy and imitation dairy products and formalising an amended standard operating procedure for the export of dairy products in conjunction with the Perishable Products Export Control Board (PPECB) and SAMPRO.

### **Directorate Animal Health**

DSA participated in the process of reviewing the Veterinary Procedural Notice (VPN) 20 due to changes in legislation. Inputs to the reviewed VPN were forwarded to the Directorate Animal Health. This work was not completed, as final feedback from DAFF was still awaited. Positive results relating to inhibitory substances detected during the cycle runs were communicated to the Department as part of collaboration on chemical residue control.

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

The DSA regularly liaised with the Senior Manager, Inspections: Legal Metrology. Quarterly reports regarding metrology infringements were forwarded to the NRCS in terms of a standard agreement.

#### **e. Perishable Products Export Control Board (PPECB)**

DSA contributed to the facilitation process between PPECB and stakeholders in the dairy industry with the purpose to review existing standard operating procedures for the export of dairy products. These procedures were to be reconsidered with the latest draft regulations relating to the import and export of dairy products, to be published in 2015.

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

DSA served on the Technical Committee 1038: Dairy Standards, Sub-Committee 70D: Legal Metrology - sale of goods as well as giving inputs in the technical committee 1025: Hygiene practises in the food industry. DSA also participated in the SABS TC 1094: Livestock welfare, developing SANS 1694: Standards relating to the welfare of dairy cattle. The

relationship between DSA and the SABS has been further strengthened whereby SABS representation was established on the development of DSA guideline documentation working groups.

#### **g. Department of Trade and Industry (DTI)**

DSA participated in the in-depth study on the dairy value chain and subsequently commented on the draft report.

#### **h. Department of Basic Education (DEB)**

DSA liaised with the Department regarding the supply of safe milk and other dairy products in terms of the National School Nutrition Programme.

#### **i. Communication with other organisations**

DSA attended, where possible, Milk SA Advisory Committee meetings on which it serves, and also interacted on a regular basis with the project managers of the Milk SA Consumer Education Project (CEP) and SAMPRO Training.

DSA also rendered services to the Milk SA Transformation project by conducting milk shed assessments as part of the Commercialisation of Black Farmers project. Regular assistance to SAMPRO and MPO members regarding food safety and product compositional standards was ongoing.

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

Food Safety Initiative scheduled meetings with the newly appointed manager of the Food Safety Initiative regarding the proposed retail food safety audit (Global Market System) and the position and role of the DSA in the context of the proposed system continued. DSA personnel attended the training sessions of the CGCSA: FSI Global Market Capacity Building Programme. DSA also delivered a presentation at the CGCSA: National Symposium in July 2014, namely "Integrated chain management for food safety in the dairy industry: The role of the CGCSA: FSI GMCBP".

### **International Dairy Federation (IDF)**

DSA, as member of the Standing Committee: Food labelling and Terminology, attended and provided



The Dairy Standard Agency presents refresher courses for Environmental Health Practitioners across the country.

Here, Mr Jompie Burger, DSA MD (middle, back) is seen with EHP's from the Elim District Municipality.

inputs at the South African National Committee of the International Dairy Federation (SANCIDF) meeting, together with the representative of the Department of Agriculture, Forestry and Fisheries (DAFF).

#### **Livestock Health and Production Group (LHPG)**

DSA engaged in talks with the management of the Livestock Health Advisory Group to assist rural veterinary surgeons to better understand the promotion of the improvement of raw milk and herd health with the view on export certification. DSA also presented talks to rural veterinary surgeons regarding the role and function of the DSA in terms of food safety management at milk production level, as well as possible avenues to collaborate on promoting the improvement of raw milk and herd health.

South African Association for Food Science and Technology (SAAFoST) – DSA attends the general meetings of SAAFoST on an *ad hoc* basis, subject to agenda discussions.

#### **South African Institute of Environmental Health (SAIEH)**

DSA attended the national congress of the SA Institute for Environmental Health and presented on the important contribution of the organised dairy

industry in terms of self-regulation, in terms of dairy food safety and product composition and effective collaboration with law enforcement bodies to ensure improvement of compliance with legal standards.

SA National Consumer Union (SANCU) - DSA communicated with SANCU regarding dairy food safety and quality related issues as and when required.

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

DSA, as elected member of the management of SASDT Northern division, participated in the planning and presented at the 2014 SASDT National Symposium.

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### **Goal 7: Liaison with authorities and legislation**

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DSA liaised with the authorities regarding the following legislation and standards:

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

DSA actively participated in the Food Legislative Advisory Group and departmental meetings

regarding dairy-related matters in terms of the abovementioned (Act 54 of 1972), namely: Regulations Governing General and Hygiene Requirements for Food Premises and the Transport of Food (R962/2012).

- Regulations relating to milking sheds and the transport of milk (R961/2012).
- Regulations relating to Foodstuffs for Infants and Young Children (R991/2012).
- Regulations relating to the reduction of sodium in certain foodstuffs and related matters (R214 of 20 March 2013).
- Regulations relating to milk and dairy products (R1555/1997).
- Regulations relating to the labelling and advertising of foodstuffs (R146 phase 2).

#### **Agricultural Product Standard Act, 1990 (Act 119 of 1990)**

- Regulations relating to dairy products and imitation dairy products (R2581/1987).
- Regulations regarding the classification, packing and marking of edible ices.
- intended for sale in the Republic of South Africa (R78 of 8 February 2013).
- Draft regulations relating to the import and export of dairy and imitation dairy products.
- DSA participated in a meeting with DTI (Department of Trade & Industry) regarding matters affecting the dairy industry in terms of geographical names, with specific reference to cheese.
- DSA participated in discussions with DAFF on 10 July 2013 regarding the issue of a dispensation on the labelling of packed cheese. A dispensation had been granted to the packers/distributors and retailers of cheese in view of difficulties experienced with final marking of containers.

#### **Non-compulsory South African National Standards - SABS**

- SANS 10049:2012 – Edition 4: Food safety management- requirements for prerequisite programmes (PRPs).

- SANS 1694 - Standards relating to the welfare of dairy cattle.

#### **Compulsory South African National Standards - SABS**

- SANS 289:2012 – Edition 1.4: Labelling requirements for prepackaged products (prepackages) and general requirements for the sale of goods subject to legal metrology control.
- All relevant information relating to legislative matters were communicated to the Milk SA Advisory Committee on Dairy Standards and Regulations for communication and discussion purposes.

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### **Goal 8: Information and Education**

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Successful environmental health practitioner (EHP) information sessions were held on 9 April 2014 at the Ekurhuleni Food Safety Forum and on 8 May 2014 in Moorreesburg with professional EHPs of the West Coast District Municipality. DSA also presented dairy technical information and regulatory matters at the Ethekewini Stakeholder workshop, which was attended by the retail sector and health officials. DSA information sessions, based on DSA guideline documentation, were successfully presented to 231 student EHPs at the following six tertiary institutions:

- **Cape Peninsula University of Technology(CPUT):**  
14 May 2014, 33 students
- **University of Johannesburg (UJ):**  
21 May 2014, 52 students
- **Mangosuthu University of Technology(MUT):**  
27 May 2014, 36 students
- **Durban University of Technology(DUT):** 28 May 2014, 30 students
- **Nelson Mandela Metropolitan University(NMMU):**  
30 May 2014, 36 students
- **Central University of Technology, Free State (CUT):**  
05 Aug 2014, 44 students
- **Tshwane University of Technology (TUT)**  
Session postponed until further notice due to student unrest

DSA exhibited and presented at the South African Institute for Environmental Health which was attended by 360 delegates in Port Elizabeth. The topic was "The role of the Environmental Health Practitioner ensuring integrated chain management for food safety in the dairy industry".

DSA serves as a member of the Tshwane University of Technology: Academic Advisory Committee for Environmental Health, whose function, amongst others, is to assist with the development of appropriate and relevant syllabus material for the new bachelor degree in Environmental Health Services.

## Goal 9: Media communication

Advertorials and articles relating to dairy technical information were published in *The Dairy Mail*, *Veeplaas* and *Stockfarm* magazines on a monthly basis as per contractual agreements. Three broadcasts on dairy technical information and promoting food safety took place on national radio.

## Goal 10: Development of Guideline documentation

DSA continued with the development of the DSA Code of Practice for the secondary industry through its Technical Advisory Committee. The process of revision of the DSA Code of Practice (2006 edition) was, however, prolonged as a result of amendment of legislation and it is projected that this project will be completed in the second quarter of 2015.

The new DSA's guide to dairy product labelling in South Africa was completed and launched at the SASDT National Symposium in Cape Town. The new guideline was well received by industry and serves as a valuable tool to assist dairy processors and manufacturers with compliance to current labelling legislation. The guideline, as well as other guideline documentation, were also made available on the DSA website.



## 7.10 Project title: Industry Information (Project leader: MPO)

### i. Responsible institution:

Milk Producers' Organisation.

### ii. Purpose of the project:

The main goal of the industry information project is to ensure that role players in the dairy industry receive timely, unbiased information on important trends in the local and international dairy industry.

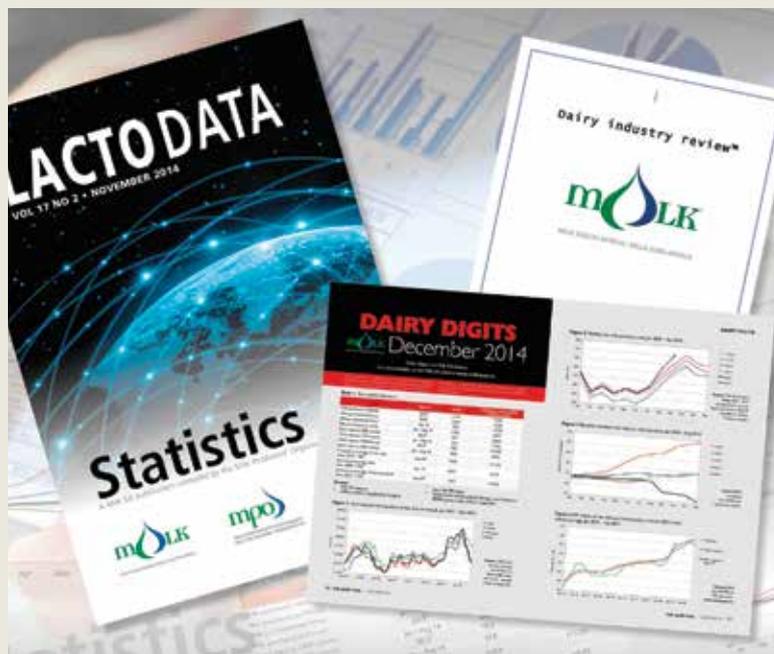
### iii. Summary of project performance:

- *Dairy Digits* was published monthly in *The Dairy Mail* and provides latest information on milk production, imports and exports as well as local and international price trends. It is also published on the Milk SA and *The Dairy Mail* websites and disseminated electronically to, amongst others, all persons registered with Milk South Africa.
- *Lacto Data* is a comprehensive survey of the dairy industry and was published in April

and November in *The Dairy Mail* and disseminated to, amongst others, all persons registered with Milk South Africa.

- The *Dairy Industry Review* was published three times during 2014 in *The Dairy Mail* and the above-mentioned websites. It was also disseminated to all persons who paid levies to Milk South Africa.
- A Summary Report on the IDF publication "*The World Dairy Situation 2014*" was published in February 2015.
- A report on International Benchmarking by the International Farm Comparison Network was published in March 2015.
- Milk SA financed the administration of statutory regulations (Regulations 196 and 197 of 9 March 2012) for which the Milk Producers' Organisation (MPO) was responsible. The MPO has completed a data analysis, following which a report regarding 2014 will be issued in 2015.
- The project leader presented reports at Milk SA Directors and Members meetings.

- Regular meetings of the Industry Information Workgroup and the Advisory Committee were held to ensure that the information is correct, unbiased and that methodologies are constantly evaluated and updated.
- Milk SA collated statutory industry information in terms of Regulations 1218, 1219 and 1220 of 20 December 2013, of which non-confidential information was provided to the project leader for publication in the above-mentioned products.
- The Work Group created an inventory of variables for each of Milk SA's publications and reports, indicating the titles, specifications, source and formula or method applied. The inventory will be updated on a continuous basis.



## 7.11 Project title: Milk SA's participation in the SA National Committee of the International Dairy Federation (SANCIDF)

### i. **Responsible Institution:**

SA National Committee of the International Dairy Federation (SANCIDF).

### ii. **Purpose of the project:**

To promote and enhance the production, trade, consumption and image of milk and milk products in South Africa by contributing scientific, technical and economic information to the International Dairy Federation (IDF) and after dissemination and compilation by the IDF Standing Committees, provide usable information to the local industry.

### iii. **Summary of project performance:**

Although press releases and newsletters about the World Dairy Summit (WDS) 2014 were circulated to the industry and articles were written in *The Dairy Mail* earlier in the year, the event was cancelled in August 2014 due to unrest in the region. After the cancellation, the SANCIDF Executive Committee was offered a sponsorship by a SA dairy company for South Africa to host WDS 2014. IDF was informed of this possibility, but after careful consideration by the Executive Committee, the risks outweighed the benefits and IDF was informed accordingly.

After searching for a couple of months to find a replacement for Prof Cheryl McCrindle, the Executive Committee appointed Prof Martin van der Leek on 1 October 2014 as South Africa's member on the Standing Committee for Animal Health.

The following eight questionnaires and a request for comments on food safety objectives were received during the year and replies to all but the last one were completed and returned to IDF:

- a. Quest 0114/SC AMC: Milk - Determination of protein nitrogen content and true protein calculation.
- b. Quest 0214/SPCC - Decision regarding a sector-specific method vs a horizontal ISO method for the determination of nitrogen according to the Dumas principle.
- c. Quest 0314/SC AMAC - Strategy for the detection of antibiotic residues in milk: guidance on the application of screening and confirmatory methods.
- d. Request for comments concerning Guidelines to Meet Food Safety Objectives for Aflatoxin in Dairy Products Across the Supply Chain.
- e. Questionnaire: World Dairy Situation.
- f. Quest 0414: Endorsement of Dairy Sustainability Framework.
- g. Quest 0514 IDF Strategic Review: Prioritization of Current and Future IDF Work.
- h. Quest 0614/SCAMPAL: Milk and milk products - Determination of alkaline phosphatase activity: Part 2: Fluorometric method for cheese.
- i. Quest 0714/SCAMDM: Fermented milk products - Quantification of lactic acid bacteria: Flow cytometry method.
- j. Quest 0814/SC AMAC: Milk and cheese - Determination of hen's egg white lysozyme content by high performance liquid chromatography.

In order to bring Bulletins and Standards published by IDF to the attention of the industry, six articles about seven publications were published in *The Dairy Mail* and an article on four publications was published in *Milk Essay*. All Bulletins and Standards were also sent to SANCIDF member representatives and the Milk SA CEO. A short summary of all Bulletins and Standards received during the year were also published on the Milk SA website and can be viewed and ordered from there.

The following articles were published in *The Dairy Mail*:

- **April 2014 issue:**  
Standard 20-1/ISO8968 (Standard was received in the previous quarter).
- **July 2014 issue:**  
Bulletin 471/2014: Detection of inhibitors and antimicrobial residues in milk and dairy products by screening methods - Guidance on preparation of the test portion.
- **August 2014 issue:**  
Standard 087/\*ISO17758 (2014): "Instant dried milk - Determination of dispersability and wettability".
- **November 2014 issue:**  
Bulletin 474/2014: "Detecting antibiotic residues in milk - Guidance on the application of screening and confirmatory methods in integrated dairy chain management"
- **December 2014 issue:**  
Bulletin 475/2014 - "Proceedings of the 4th ParaTB Forum"
- **February 2015 issue:**  
Bulletins 476/2014 - "World Dairy Situation 2014"  
477/2014 - "Determination of hens' egg white lysozyme in milk and cheese - Interlaboratory collaborative study"

A report on the following Bulletins have been submitted to *Milk Essay* for publication in their February 2015 issue:

- **474/2014:** "Detecting antibiotic residues in milk - Guidance on the application of screening and confirmatory methods in integrated dairy chain management".
- **475/2014:** "Proceedings of the 4th ParaTB Forum".
- **476/2014:** "World Dairy Situation 2014".
- **477/2014:** "Determination of hens' egg white lysozyme in milk and cheese - Interlaboratory collaborative study".

Twenty-two newsbriefs and five press releases by IDF were received during this year. All were sent to representatives of processors and milk producers as well as to all SA representatives on Standing Committees and associate members of SANCIDF. These documents can also be viewed on the Milk SA website.

The following actions were taken to bring important matters to the attention of IDF:

After a decision by the Executive Committee, a letter was addressed to them regarding procedures during the General Assembly and World Dairy Leaders Forum at the annual World Dairy Summits. Information was also supplied on Government and farmer involvement in SANCIDF and comments were made on the IDF Strategy Refresh.

At the AGM held on 25 March 2014, eight written and seven oral reports were tabled by Standing Committee members. These reports are available from the SANCIDF office.

The following newsbriefs and press releases received during this year, were all sent to representatives of processors and milk producers as well as to all SA representatives on Standing Committees and associate members of SANCIDF:

#### • Newsbriefs

1. The release of a fact sheet on the interpretation of Protein Quality Methodology
2. IDF/ISO Analytical Week 2014
3. 7th IDF International Symposium on Sheep, Goat and other non-cow milk
4. Newsbrief No 99
5. Early registration deadline for WDS 2014
6. IDF/ISO and ICAR/Interbull Berlin analytical week 2014: Main programme booklet online
7. What's on offer at the 7th IDF International Symposium on Sheep, Goat and other non-Cow Milk
8. New promotional video for IDF World Dairy Summit 2014
9. 5th Newsletter from the IDF/ICAR Project Group on Reference System for Somatic Cell Counting
10. IDF/ISO Analytical Week 2014:
  - First Issue of the I4 Conference Newsletter
  - Second Issue of the I4 Conference Newsletter
  - Final Issue of the I4 Conference Newsletter
11. May 30 Abstract submission deadline for WDS 2014

12. Abstract submission is now open for IDF 7th International Symposium on Sheep, Goat and other non-Cow Milk
13. IDF Newsbrief - Issue 101 - July 2014
14. Deadline extension for abstract submissions of Poster/Oral Presentation - 7th IDF International Symposium on Sheep, Goat and other non-Cow Milk
15. A Message from the IDF President: Cancellation of IDF World Dairy Summit 2014
16. Registration is now open for the 7th IDF International Symposium on Sheep, Goat and other non-Cow Milk
17. IDF Newsbrief - Issue 102 - October 2014
18. New IDF Publication: The World Dairy Situation 2014 is now available
19. The IDF Dairy Science & Technology Symposia 2016
20. IDF/ISO Analytical Week 2015 : The website [www.namur2015.be](http://www.namur2015.be) is now available!
21. IDF NEWSBRIEF - Issue 103 - December 2014
22. IDF World Dairy Summit 2015

#### • Press releases

1. WDS 2014
2. New Standard Method for protein measurement
3. IDF/FAO/IFCN Map the World's Dairy Feeding Systems
4. IDF and Livestock Sector Partners Committed to Addressing Hunger and Malnutrition
5. New guidelines to harmonize studies on heat resistance of bacteria





**Willie Lubbe**  
Chairman: Audit and Risk Committee

# Audit and Risk Committee Annual Report for the year ended 31 December 2014

presented to the members of Milk South Africa  
at their Annual General Meeting | 14 May 2015

## 1 Composition

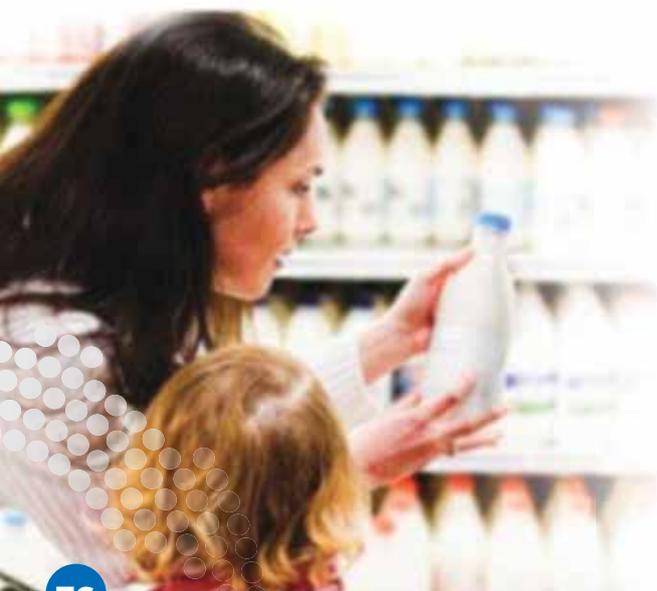
- 1.1 The Audit and Risk Committee is composed as follows:
- One person nominated by the MPO.
  - One person nominated by SAMPRO.
  - One independent person with expertise, who shall be the Chairperson.

- 1.2 During 2014, the committee consisted of the following persons:

Lubbe, WP (CA)SA	Independent Chairman	Whole year
Du Plessis, H	SAMPRO	Whole year
Pienaar, JA	MPO	Term ended 30 June 2014
Strydom, J	MPO	From 1 July 2014

- 1.3 The alternate members for the latter two members were the following:

Gush, O	SAMPRO	Whole year
Hartman, W	MPO	From 1 July 2014
Pretorius, HJ	MPO	1 January to 30 June 2014





## 2 Terms of office

- 2.1 A committee member is appointed for a term of three years.
- 2.2 After completion of a three-year term, the committee member is eligible for re-appointment.
- 2.3 The three-year terms of the members nominated by the MPO and SAMPRO overlap with one year.
- 2.4 When a committee member resigns or moves out of the position for any other reason before the expiry of the fixed three-year term of office, his/her replacing member is appointed for the remaining period of the three-year term of office.
- 2.5 The maximum period for which a committee member may serve is three terms.
- 2.6 During 2014 the positions were filled as follows:

Position and committee member	Fixed three years for the term in respect of the member's position	Period served by the committee member during the 2014 financial year as well as an indication of the term for which the member served
<b>Independent Chairman</b> (Lubbe, WP)	July 2013 to June 2016	January to December 2014 Third term
<b>MPO</b> (Pienaar, JA)	July 2011 to June 2014	January to June 2014 Third term
<b>MPO</b> (Strydom, J)	July 2014 to June 2017	July to December 2014 First term
<b>SAMPRO</b> (Du Plessis, HJ)	September 2012 to June 2015	January to December 2014 First term

## 3 Meetings

- 3.1 Meetings of the Audit and Risk Committee were held on the following dates:
- 26 February 2014
  - 1 August 2014
  - 5 November 2014
- 3.2 All the members attended each meeting, whether in person or via Skype. The CEO also attended all the meetings in this manner.
- 3.3 Mr Wicus van der Merwe from Medupe (Pty) Ltd - the internal auditor - attended all the meetings.

## 4 Responsibility of the Audit and Risk Committee

The Audit and Risk Committee reports that:

- 4.1 appropriate and formal terms of reference were adopted as a charter;
- 4.2 the affairs of the committee were regulated in compliance with the charter; and
- 4.3 all its responsibilities were discharged accordingly.

## 5 Activities

The following aspects were addressed by the committee:

- 5.1 Administrative legislation.
- 5.2 INS (Inspection Report) 01/2013 in terms of the MAP Act.
- 5.3 Report on Transformation Co-ordination.
- 5.4 Perusal of monthly internal audit status reports.
- 5.5 Internal Audit Planning for 2014
- Internal Audit Report (IAR) March 2013, January 2014, February 2014, March 2014, April 2014 and May 2014
  - Monthly management statements
  - Budget for 2014

- Income tax compliance
- The Audit and Risk Committee's report for 2013
- Risk matters
- Revised Terms of Reference of the Audit & Risk Committee
- Letter from the NAMC dated 14 January 2014
- Re-appointment of inspectors
- 2013 Annual Financial Statements
- DBSA Commercialisation Project and associated risk
- Procedure for deregistrations and writing off of bad debts
- Milk SA structures – size of Advisory Committees
- Memorandum of Incorporation (MOI)
- Budget for 2015
- Personnel costs and handling of leave
- Cash flow projection
- Planning for 2015 regarding Inspection services
- Planning for 2015 regarding Internal audits
- Risk assessment system for Milk SA
- Employment Equity Amendment Act

The finding of the Committee is that the independence of neither of the two Audit firms (Fourie & Botha and the Auditor-General) is under suspicion.

## 6 Tasks undertaken by the chairman

- 6.1 Discussions with the CEO on 21 January 2014, 25 February 2014, 22 November 2014 and 11 December 2014.
- 6.2 Perused the minutes of the General meetings.
- 6.3 Perused monthly financial statements and commented.
- 6.4 Lodged the 2014 annual return with the CIPC.
- 6.5 Compiled Audit and Risk Committee report for 2013.
- 6.6 Discussed 2013 draft statements with the CEO and PricewaterhouseCoopers (PwC).
- 6.7 Studied Statutory notices 1218, 1219 and 1220.
- 6.8 Perused monthly internal auditor's reports.
- 6.9 Perused ToR and ToO of the ARC.

- 6.10 Perused 2013 financial statements.
- 6.11 Perused MOI and commented.
- 6.12 Perused draft inspection policy.
- 6.13 Recommended an auditor for the "Commercialisation" project.
- 6.14 Consulted with PwC regarding VAT and Tax compliance.
- 6.15 Discussions with the Chairman on 2 and 4 September 2014 and 5 November 2014.
- 6.16 Commented on unspent project funds.
- 6.17 Calculated cash position from time to time.
- 6.18 Perused Board minutes and commented.
- 6.19 Attended the Board meetings of 3 March 2014, 3 June 2014, 30 September 2014 and 1 December 2014.
- 6.20 Prepared abridged 2013 statements.
- 6.21 Perused 2013 Audit report.
- 6.22 Perused internal audit reports of 1/2013, 3/2013, 1/2014, 2/2014, 3/2014, 4.2014 and 5/2014.
- 6.23 Commented on sale of assets.
- 6.24 Attended Annual General Meeting of 30 May 2013.
- 6.25 Compiled levy analyses.
- 6.26 Consultation with MPO regarding IAR.
- 6.27 Attended the Members meetings 4 June 2014.
- 6.28 Perused INS 01/2014.
- 6.29 Calculated debtors' days.

## 7 Role of the Audit and Risk Committee

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

- 7.1 Safeguarding the assets of the company**  
In 2006, the Committee insisted that the company take out insurance.
- 7.2 Keeping sufficient accounting records**  
The firm PricewaterhouseCoopers was contracted to perform this function.

## 7.3 Developing and maintaining an effective internal control system

- i. Here you are referred to the document "Corporate Governance in Practice – 2009.05.25", which was distributed to members.
- ii. The control system was designed to ensure that assets are safeguarded cost-effectively and that liabilities and working capital are efficiently managed.
- iii. The Audit and Risk Committee is of the opinion that the internal controls are appropriate and cost-effective.

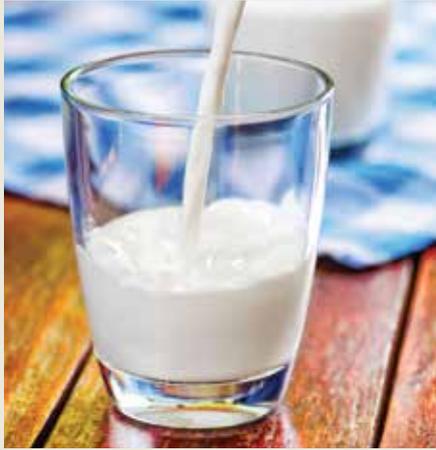
## 8 Evaluation of Annual Financial Statements

The Audit and Risk Committee has reviewed and discussed the Annual Financial Statements to be included in the Annual Report with the Auditor-General.

Signed in Pretoria on 28 April 2015 on behalf of the Audit and Risk Committee.



Lubbe WP – CA(SA)



# Annual Financial Statements

for the year ended 31 December 2014

**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 voluntary, non-profit company representing the organized dairy industry of South Africa in terms of the industry challenges which concern the industry as a whole. Milk SA was appointed by the Minister of Agriculture, Forestry and Fisheries as Administrator of Regulations which were published i.t.o. the Marketing of Agricultural Products Act, no 47 of 1996.

### Current directors

- PH Adams
  - CS Blignaut (Chairman)
  - AJB De Jongh
  - FA Grobler
  - AP Kraamwinkel
  - NJ Lok
  - MJ Loubser
  - AW Prinsloo
  - MG Rathogwa
  - TK Turner (Vice-Chairman)
  - J van Heerden
  - AR Gutsche
  - DPA Schutte
  - Auditor General (Auditors i.t.o. the Public Finance Management Act)
  - Fourie & Botha Registered Auditors (Auditors i.t.o. the Companies Act)
- N Fouché

### Alternate directors

### Auditors

### Secretary

### Company registration number

2002/032020/08

### Level of assurance

These annual financial statements have been audited in compliance with International Standards on Auditing

### Preparer

The annual financial statements were independently compiled by:

- L Claassens CA (SA)
- PricewaterhouseCoopers Inc



## Index

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

- Directors' Responsibilities and Approval
- Independent Auditors' Report
- Directors' Report
- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Accounting Policies
- Notes to the Annual Financial Statements

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

- Detailed Income Statement
- Promoting Sustainable Commercialisation of Existing Black Dairy Enterprises – Analysis of Movement in Reserve Fund - Surplus funds i.t.o Clause 15(5)(a) of the Marketing of Agricultural Products Act
- Research and Development Reserve Fund - Analysis of the Movement of the Surplus Fund i.t.o. Clause 15(5)(a) of the Marketing of Agricultural Product Act
- World Dairy Summit & Dairy Quality and Safety - Surplus Ministerial Funds, 2006 – 2009
- Promoting Sustainable Commercialisation of Existing Black Dairy Farmers - Analysis of Movement in Commercialisation Fund (Jobs Fund and Milk SA Contract)

## Directors' Responsibilities and Approval

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The directors are required by the Companies Act of South Africa, 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.

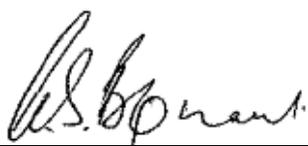
The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 2015 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.

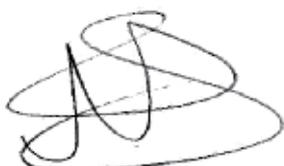
The annual financial statements set out on pages 85 to 99 which have been prepared on the going concern basis, were approved by the board of directors on 28 April 2015 and were signed on its behalf by:



Director



Director



Chief Executive Officer

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Kings Highway 476  
Lynnwood, Pretoria 0081  
Posbus 74960 Lynnwoodrif 0040  
Telefoon (012) 361 1172/3, 348 8184  
Faks (012) 348 9162  
E-Pos: fourie.botha@iburst.co.za

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



**Fourie + Botha**

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

14 May 2015

## Independent Auditor's Report to the members of Milk SA NPC

We have audited the annual financial statements of Milk SA NPC, which comprise the directors' report, the Statement of Financial Position as at 31 December 2014, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 85 to 98.

### Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small- and Medium-Sized Entities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit

to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Qualified Opinion

We were unable to obtain sufficient audit evidence or perform satisfactory auditing procedures to obtain reasonable assurance as to the completeness of the accounting records relating to levy income collectable.

## Qualified Opinion

Except for the effects of any adjustments that might have been necessary had the levy income referred to in the Basis for Qualified Opinion paragraph been verified, in our opinion the financial statements present fairly, in all material respects the financial position of Milk South Africa NPC as at 31 December 2014 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 Public Finance Management Act, 1999 (Act No 1 of 1999) (PFMA), Auditor-General audit circular I of 2007, the Companies Act of South Africa and the Marketing of Agricultural products Act, 1996 (act No 47 of 1996) as amended.

## Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 31 December 2014, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between these reports and the audited annual financial statements. This report is the responsibility of the respective preparer. Based on reading this report we have not identified material inconsistencies between this report and the audited annual financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

### FOURIE + BOTHA

Registered Auditors

*Praktyk Nr./ Practice No. 930229*

Vennote / Partners

EHK Botha, WM Fourie, MA Eastman



## Directors' Report

The directors submit their report for the year ended 31 December 2014.

### 1. Review of activities

#### Main business and operations

The company collects levies from role-players in terms of Regulations 1220 of 23 December 2005, 57 of 30 January 2009 and 1218 of 20 December 2013 in order to finance projects relating to research, the collection and distribution of industry information, the promotion of dairy quality, 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.

Net surplus of the company was R 3,912,789 (2013: deficit R 5,912,238), after taxation of R - (2013: R -).

### 2. 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.

### 3. Directors

The directors of the company during the year were as follows:

Name	Changes	Name	Changes
CS Blignaut (Chairman)		MJ Loubser	
AJB de Jongh		AW Prinsloo	
JJ Dowry	Passed away on 5 May 2014	MG Rathogwa	
FA Grobler		TK Turner (Vice-Chairman)	
AP Kraamwinkel		J van Heerden	Appointed on 4 June 2014
NJ Lok			

The alternate directors of the company are as follows:

AR Gutsche	DPA Schutte
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### 4. Auditors

The company's auditors are Fourie & Botha (Registered Auditors i.t.o. the Companies Act) and the Auditor General (i.t.o. the Public Finance Management Act).

## Statement of Financial Position

	Notes	2014 R	2013 R
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	3	1,760,124	2,290,513
Cash and cash equivalents	4	20,107,272	15,213,877
		<b>21,867 396</b>	<b>17,504,390</b>
<b>Non-Current Assets</b>			
Fixed assets	5	261,154	312,275
<b>Total Assets</b>		<b>21,128,550</b>	<b>17,816,665</b>
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	6	840,441	441,177
<b>Equity</b>			
Reserves		15,093,806	17,375,488
Retained income		6,194,303	-
		<b>21,288,109</b>	<b>17,375,488</b>
<b>Total Equity and Liabilities</b>		<b>21,128,550</b>	<b>17,816,665</b>

## Statement of Comprehensive Income

	Notes	2014 R	2013 R
Revenue	7	40,918,518	32,019,779
Projects/Statutory functions	8	(34,866,003)	(35,771,965)
<b>Gross surplus/(deficit)</b>		<b>6,052,515</b>	<b>-3,752,186</b>
Grant received - DBSA	9	1,419,000	-
Operating expenses		(4,905,428)	(3,017,350)
<b>Operating (deficit)/surplus</b>		<b>2,566,087</b>	<b>-6,769,536</b>
Investment revenue		1,346,534	857,358
Finance costs	10	-	(60)
<b>Surplus/(Deficit) for the year</b>		<b>3,912,621</b>	<b>-5,912,238</b>
Other comprehensive income		-	-
<b>Total comprehensive surplus/(deficit) for the year</b>		<b>3,912,621</b>	<b>-5,912,238</b>

## Statement of Changes in Equity

	Surplus funds to clause 15(5) (a) of the MAP Act - R&D R	Commerciali- sation Fund R	Surplus funds to clause 15(5)(a) of the MAP Act R	Total reserves R	Retained income R	Total equity R
<b>Balance at 01 January 2013</b>	-	-	<b>13,827,552</b>	<b>13,827,552</b>	<b>9,460,174</b>	<b>23,287,726</b>
Changes in equity						
Total comprehensive loss for the year	-	-	-	-	(5,912,238)	(5,912,238)
Transfer between reserves	-	3,528,575	(3,822,776)	(294,201)	294,201	-
Transfer of unutilised funds as at 31 December 2013	-	-	3,842,137	3,842,137	(3,842,137)	-
Total changes	-	3,528,575	19,361	3,547,936	(9,640,174)	(5,912,238)
<b>Balance at 01 January 2014</b>	-	<b>3,528,575</b>	<b>13,846,913</b>	<b>17,375,488</b>	-	<b>17,375,488</b>
Changes in equity						
Total comprehensive income for the year	-	-	-	-	3,912,621	3,912,621
Transfers between reserves	2,292,930	115,930	(2,292,930)	(115,930)	(115,930)	-
Grant received - DBSA	-	1,419,000	-	1,419,000	(1,419,000)	-
Transfer of unutilised funds as at 31 December 2014	129,886	(4,154,980)	440,342	(3,584,752)	3,584,752	-
Total changes	2,422,816	(2,851,910)	(1,852,588)	(2,281,682)	6,194,303	3,912,621
<b>Balance at 31 December 2014</b>	<b>2,422,816</b>	<b>676,665</b>	<b>11,994,325</b>	<b>15,093,806</b>	<b>6,194,303</b>	<b>21,288,109</b>



Milch goats

## Statement of Cash Flows

	Notes	2014 R	2013 R
<b>Cash flows from operating activities</b>			
Cash receipts from customers		43,111,116	32,001,042
Cash paid to suppliers and employees		(39,492,939)	(40,596,198)
Cash generated from (used in) operations	13	<b>3,618,177</b>	<b>-8,595,156</b>
Interest income		1,346,534	857,358
Finance costs	10	-	60
<b>Net cash from operating activities</b>		<b>4,964,711</b>	<b>(7,737,738)</b>
<b>Cash flows from investing activities</b>			
Additions to fixed assets	5	(71,316)	(92,405)
<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts for the year</b>		<b>4,893,395</b>	<b>(7,830,143)</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year		15,213,887	23,044,140
<b>Cash, cash equivalents and bank overdrafts at end of the year</b>	4	<b>20,107,272</b>	<b>15,213,997</b>



## Accounting Policies

### 1. Presentation of Annual Financial Statements

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

These accounting policies are consistent with the previous period.

#### 1.1 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation on furniture and fittings is 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
Fixed Assets	6 years
IT equipment	3 years
Computer software	2 years

#### 1.2 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.

##### Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset or a financial liability in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value. Transaction costs are included in the initial measurement of the instrument.

##### 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 balance sheet date the company assesses all financial assets to determine whether there is objective evidence that a financial assets 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 and subsequently recorded at fair value.

#### **Trade and other payables**

Trade and other payables are measured at fair value.

### **1.3 Revenue**

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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 in which the levy player submits the return on the Milk SA database.

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

## Notes to the Annual Financial Statements

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### 2. Risk Management

#### Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash.

#### Interest rate risk

The company's cash flow is managed on a continuous basis, by ensuring that surplus cash is invested in products that earn an acceptable interest rate.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standings and limits exposure to any one counter party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

#### Foreign exchange risk

The company has no material foreign currency exposure.

## Notes to the Annual Financial Statements (continued)

	2014 R	2013 R
<b>3. Trade and other receivables</b>		
Trade receivables	1,813,357	1,321,691
Provision for impairment of trade receivables	(574,832)	(311,765)
Deposits	52,861	52,861
VAT	-	258,459
Accrued interest	41,051	2,035
Other receivables	427,855	967,232
	<b>1,760,124</b>	<b>2,290,513</b>

<b>4. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances - other	9,675,784	6,975,293
Rand Merchant Bank (Funds earmarked i.r.o. surplus funds i.t.o. Clause 15(5)(a) of the Marketing of Agricultural Products Act,1996)	10,431,488	8,238,584
	<b>20,107,272</b>	<b>15,213,877</b>

	Cost / Valuation	2014 Accumulated depreciation	Carrying value	Cost / Valuation	2013 Accumulated depreciation	Carrying value
Furniture and fixtures	332,434	(283,874)	48,560	353,331	(249,564)	103,767
IT equipment	704,848	(492,259)	212,589	633,532	(425,029)	208,503
Computer software	10,730	(10,725)	5	10,730	(10,725)	5
<b>Total</b>	<b>1,048,012</b>	<b>(786,858)</b>	<b>261,154</b>	<b>997,593</b>	<b>(685,318)</b>	<b>312,275</b>

Reconciliation of fixed assets - 2014	Opening balance	Additions	Other changes, movements	Depreciation	Total
Furniture and fixtures	103,767	-	(20)	(55,187)	48,560
IT equipment	208,503	71,316	-	(67,230)	212,589
Computer software	5	-	-	-	5
	<b>312,275</b>	<b>71,316</b>	<b>(20)</b>	<b>(122,417)</b>	<b>261,154</b>

Reconciliation of fixed assets - 2013	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	75,686	43,765	(15,684)	103,767
IT equipment	212,281	48,640	(52,418)	208,503
Computer software	5	-	-	5
	<b>287,972</b>	<b>92,405</b>	<b>(68,102)</b>	<b>312,275</b>

	2014 R	2013 R
<b>6. Trade and other payables</b>		
Trade payables	576,072	354,262
Provision for leave	83,262	81,762
VAT	181,107	-
Unidentified Levies	-	5,153
	<b>840,441</b>	<b>441,177</b>
<b>7. Revenue</b>		
Levies	40,918,518	32,019,779
<b>8. Projects/ Statutory functions</b>		
Consumer Education	14,797,414	18,320,091
Research and development	944,487	1,331,943
Industry information	2,018,201	1,845,568
Promotion of dairy quality	5,797,716	5,271,044
Transformation	6,453,196	8,105,994
Utilisation of surplus funds i.t.o clause 15(5)(a) of the marketing of Agricultural Products Act	4,854,989	897,325
	<b>34,866,003</b>	<b>35,771,965</b>
<b>9. Other income</b>		
Grant received	1,419,000	-
Loss on disposal of assets	-	-
<b>10. Finance cost</b>		
Interest - suppliers	-	60
<b>11. Taxation</b>		
No provision has been made for 2014 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R - (2013: R -).		
<b>12. Auditors' remuneration</b>		
Audit fees	69,451	60,933

## Notes to the Annual Financial Statements (continued)

### Notes to the Annual Financial Statements (continued)

	2014 R	2013 R
<b>13. Cash generated from (used in) operations</b>		
(Deficit)/surplus before taxation	3,912,621	(5,912,238)
<b>Adjustments for:</b>		
Depreciation and amortisation	122,417	68,102
Loss on disposal of assets	20	-
Interest received	(1,346,534)	(857,358)
Finance costs	-	60
<b>Changes in working capital:</b>		
Trade and other receivables	530,389	(1,223,409)
Trade and other payables	399,264	(670,313)
	<b><u>3,618,177</u></b>	<b><u>(8,595,156)</u></b>
<b>14. Related parties</b>		
<b>Related party transactions</b>		
<b>Project expenses paid to related parties for the execution of the projects of Milk SA</b>		
Milk Producers Organisation NPC	3,627,388	5,227,391
SA Milk Processors Organisation	19,191,295	22,682,326
Agri Connect (Pty) Ltd	-	104,075
Agri Travel & Tours	329,045	449,801
Compensation to the Chief Executive Officer	1,148,689	1,076,872
<b>15. Directors' remuneration</b>		
<b>Executive</b>		
For services as directors - allowances	336,789	298,690
For services as Transformation Manager	980,750	916,656
	<b><u>1,317,539</u></b>	<b><u>1,215,346</u></b>

## Detailed Income Statement

	Note(s)	2014 R	2013 R
<b>Revenue</b>			
Levies		40,918,518	32,019,779
<b>Project expenses</b>			
Projects/Statutory functions	8	(34,866,003)	(35,771,965)
<b>(Deficit)/surplus</b>		<b>6,052,515</b>	<b>(3,752,186)</b>
<b>Other income</b>			
Other income		1,419,000	-
Interest received		1,346,534	857,358
		<b>2,765,534</b>	<b>857,358</b>
<b>Expenses (Refer to page 96)</b>		<b>(4,905,428)</b>	<b>(3,017,350)</b>
<b>Operating (deficit)/surplus</b>		<b>3,912,621</b>	<b>(5,912,178)</b>
Finance costs	10	-	60
<b>(Deficit)/surplus for the year</b>		<b>3,912,621</b>	<b>(5,912,238)</b>



## Detailed Income Statement (continued)

	Note(s)	2014 R	2013 R
<b>Operating expenses</b>			
Accounting fees		(683,204)	(521,838)
Auditor's remuneration	12	(69,451)	(60,933)
Bad debts		(97,299)	(237,701)
Bank charges		(13,450)	(13,243)
Cleaning		(2,641)	-
Consumables		(21,503)	(11,419)
Depreciation		(122,417)	(68,102)
Employee costs		(1,752,773)	(571,008)
Inspection and Investigation		(113,932)	(116,598)
Insurance		(42,421)	(44,175)
Internal audits		(111,815)	(124,662)
Legal expenses		(218,693)	(744,728)
Loss on disposal of assets		(19)	-
Meeting costs		(605,469)	(472,387)
Office rent		(467,864)	(122,472)
Postage		(22,092)	(30,241)
Printing and stationery		(175,119)	(45,302)
Promulgation of Statutory Regulations		(15,958)	-
Provision for doubtful debts		(263,235)	273,236
Repairs and maintenance		(19,068)	(9,881)
Security		(10,825)	(7,661)
Small assets		(15,273)	(14,409)
Subscriptions		8,633	(24,641)
Telephone and fax		(62,114)	(42,995)
Travel - personnel		(7,426)	(6,190)
		<b>(4,905,428)</b>	<b>(3,017,350)</b>

## Research and Development Reserve Fund

Analysis of the Movement of the Surplus Fund i.t.o. clause 15(5)(a)  
of the Marketing of Agricultural Products Act

	2012-2014 R Cumulative	2014 R	2013 R
<b>CASH AVAILABLE</b>	<b>2,564,247</b>	<b>129,886</b>	<b>110,370</b>
Surplus funds i.r.o. R 1220 of 23 December 2005	2,152,897	-	-
Interest	411,350	129,886	110,370
<b>TOTAL EXPENSES</b>	<b>141,431</b>	<b>-</b>	<b>93,283</b>
• Work Groups	18,668	-	-
• Fund raising: Meeting with funding institutions	5,500	-	-
• WDS 2012 Attendance by Project leader	11,880	-	-
• Facilitation: WDS Programme on sustainability 2012	6,050	-	-
• Global Dairy Agenda for Action (GDAA): SA Rapporteur	550	-	-
• SA National Committee of the IDF	65,500	-	60,000
• Research Projects	27,742	-	27,742
• RPEC Committee Meetings	5,541	-	5,541
<b>Closing balance</b>	<b>2,422,816</b>	<b>129,886</b>	<b>17,087</b>

## World Dairy Summit & Dairy Quality and Safety-

Surplus Ministerial Funds 2006 -2009

	2012-2014 R Cumulative	2014 R	2013 R
<b>CASH AVAILABLE</b>	<b>2,129,763</b>	<b>-</b>	<b>-</b>
Surplus funds i.r.o. R1220 of 23 December 2005	2,129,763	-	-
<b>TOTAL EXPENSES</b>	<b>2,129,763</b>	<b>-</b>	<b>(93,555)</b>
<b>WORLD DAIRY SUMMIT</b>	<b>1,007,103</b>	<b>-</b>	<b>-</b>
<b>DAIRY QUALITY &amp; SAFETY</b>	<b>1,122,660</b>	<b>-</b>	<b>93,555</b>
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>(93,555)</b>

# Promoting Sustainable Commercialisation of Existing Black Dairy Enterprises

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

	2012-2014 R Cumulative	2014 R	2013 R
<b>CASH AVAILABLE</b>	<b>12,524,580</b>	<b>505,365</b>	<b>493,179</b>
Surplus funds i.r.o. R1220 of 23 December 2005	10,992,842	-	-
Interest	1,531,738	505,365	493,179
<b>TOTAL EXPENSES</b>	<b>370,581</b>	<b>65,023</b>	<b>237,676</b>
	<b>370,581</b>	<b>65,023</b>	<b>237,676</b>
<b>Support Services</b>	<b>62,871</b>	<b>5,771</b>	<b>57,100</b>
• Veterinary Services	5,648	5,648	-
• Infrastructure	123	123	-
• Professional advice	57,100	-	57,100
<b>Administration</b>	<b>307,710</b>	<b>59,252</b>	<b>180,576</b>
• Meeting costs	102,019	1,395	74,280
• Travel: Road	87,870	35,166	30,565
• Travel: Air	47,459	9,981	24,499
• Accommodation	40,386	12,710	22,705
• Other	29,976	-	28,527
<b>Closing balance</b>	<b>12,153,999</b>	<b>440,342</b>	<b>255,503</b>
<b>TRANSFERRED TO THE JOBS FUND</b>	<b>(4,001,811)</b>	<b>-</b>	<b>(4,001,811)</b>
<b>TRANSFER OF UTILISED FUNDS i.r.o R57 of 30 January 2009</b>	<b>3,842,137</b>	<b>-</b>	<b>3,842,137</b>
<b>Closing balance</b>	<b>11,994,325</b>	<b>440,342</b>	<b>95,829</b>

## Promoting Sustainable Commercialization of Existing Black Dairy Farmers

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

		2012-2014 R Cumulative	2014 R	2013 R
	Official codes	Actual		
<b>CASH AVAILABLE</b>		<b>5,421,140</b>	<b>1,419,297</b>	<b>4,001,843</b>
Contribution received - Milk SA	C1	4,001,811	-	4,001,811
Contribution received - Jobs Fund	A	1,419,000	1,419,000	-
Interest received	D1	329	297	32
<b>TOTAL EXPENSES</b>		<b>4,628,547</b>	<b>4,155,279</b>	<b>473,268</b>
		<b>4,628,547</b>	<b>4,155,279</b>	<b>473,268</b>
<b>Management Fees</b>		<b>326,100</b>	<b>326,100</b>	-
Project Manager	Fa.2	201,600	201,600	-
Project Manager: Monitoring & Evaluation	Fa.1	14,604	14,604	-
Project team members	Fa.2	24,860	24,860	-
Project secretary	Fa.2	24,872	24,872	-
Expert consultant for assessment of cows	Fa.3	17,763	17,763	-
Car hire/ road transport	l6.3	23,254	23,254	-
Accommodation	l2	4,930	4,930	-
Airfare	l6.3	12,013	12,013	-
Subsistence	l6.7	2,204	2,204	-
<b>Training (Consultants)</b>		<b>21,943</b>	<b>21,943</b>	-
Professional Fees	J4	21,096	21,096	-
Accommodation & meals	l2	845	845	-
<b>Capital Expenditure</b>		<b>1,244,438</b>	<b>771,627</b>	<b>472,811</b>
Procurement of cows	J3.1	1,244,438	771,627	472,811
<b>Infrastructure costs (ESKOM power)</b>		<b>3,035,019</b>	<b>3,035,019</b>	-
<b>Administration</b>		<b>1,047</b>	<b>590</b>	<b>457</b>
- Bank charges	l6.1	1,047	590	457
Balance		792,594	(2,735,981)	3,528,575
<b>TRANSFER OF FUNDS</b>		<b>(115,930)</b>	<b>(115,930)</b>	-
<b>Closing balance</b>		<b>676,664</b>	<b>(2,851,911)</b>	<b>3,528,575</b>







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