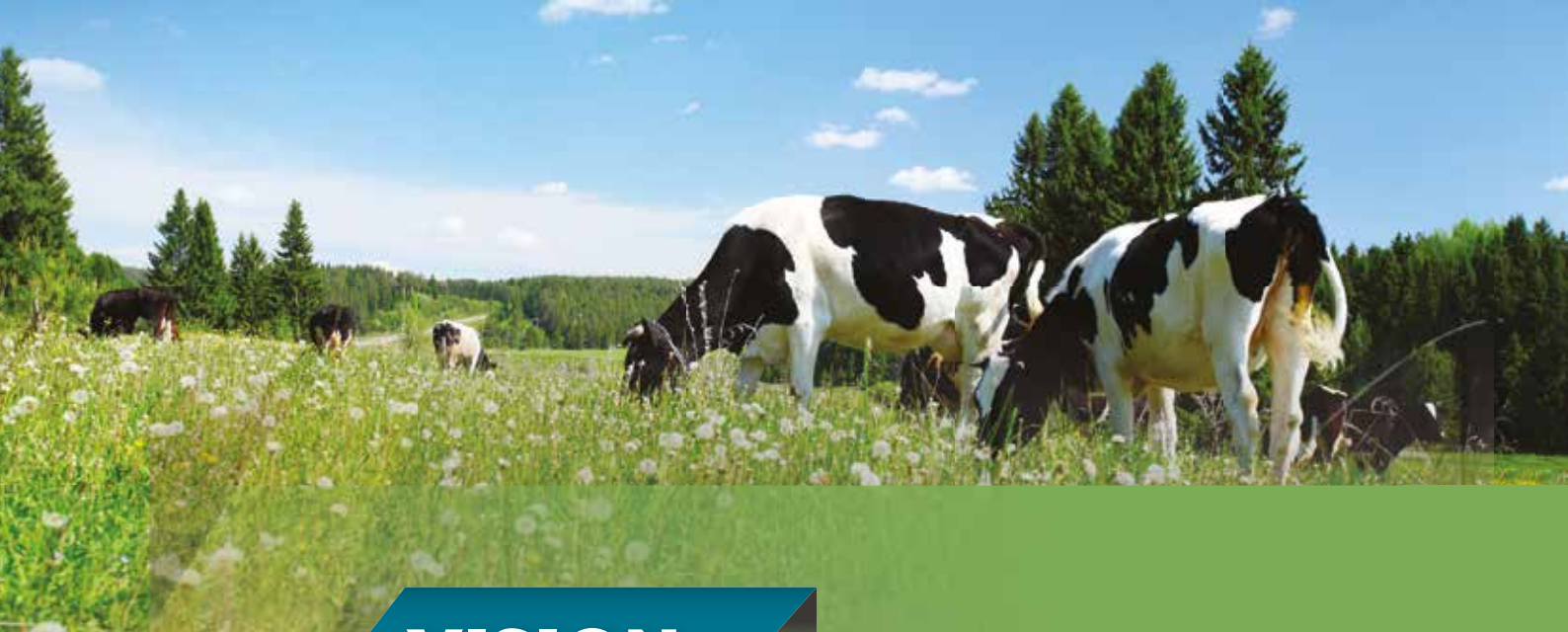




Annual Report

*for the year ended
31 December 2017*

2017



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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REPORT OF THE **CHAIRMAN** OF THE BOARD OF DIRECTORS



Dr. Bonile Jack-Pama
CHAIRMAN

Milk SA continued to build on its strengths and successes of the past fifteen years and served the dairy industry well, in accordance with the strategic direction as adopted by the Members.

As the body who oversees the activities of the organization, the Board held five meetings during which the directors focused on the project performances as well as the finances and administration of the statutory measures. The Board was sufficiently supported and advised by its Project Advisory Committees and other committees.

The successes of the company are heavily reliant on good corporate governance and the Board decided last year to review and update all policies, while new policies were adopted in respect of debt management, risk management, ministerial inspections and internal audits. Furthermore,

special attention was devoted to improved systems and procedures regarding the levy regulations and the responsibilities of the Audit & Risk Committee, Executive Committee and the Statutory Measures Committee in this regard.

The network of partnerships and solid support established over the years - nationally and internationally - and the recognition earned by Milk SA as the representative SA industry body, add immensely to the well-being of the dairy industry across all disciplines, varying from animal health and welfare, consumer education and international trade, to enterprise development, research, etc.

The business plan of Milk SA as presented to the Minister of Agriculture, Forestry and Fisheries by SAMPRO and MPO in the form of an application for continued statutory measures, was widely supported by industry members and other directly affected groups and it was approved on 15 December 2017 for another four years. These measures enable us to - amongst others - serve the market with more detailed information on dairy products.

An increase was recorded in last year's raw milk production while most of the dairy products (and other food products) suffered lower demand, mainly due to poor economic conditions.

In the free market economy, Milk SA provides transparent services which support the entire dairy industry and are indispensable for the proper working of supply and demand. We are proud of this industry which performs remarkably well amidst the increasingly challenging macro environment. Therefore, we can be

proud of every role-player in the primary, secondary and tertiary industry sectors, as well as the individuals in Milk SA's structures who devote their talents and energy positively to the advancement of the industry in every aspect.

Dr. Bonile Jack-Pama
Chairman



REPORT OF THE **CHIEF EXECUTIVE OFFICER** FOR THE 2017 FINANCIAL YEAR



Nico Fouché
CHIEF EXECUTIVE OFFICER

1. General

The third round of four years was successfully concluded on 31 December 2017 during which the usual challenges had to be dealt with in terms of for example the weather and the balancing of milk supply and stocks while keeping an eye on other macro factors, especially international dairy market trends and the local economy. In South Africa, private investment has been contracting since 2015, while unemployment reached the highest level since 2013.¹ The general dealer sector, which includes food and other daily essentials, showed tepid growth for a seventeenth consecutive month. However, a stronger rand and a continued recovery from the drought in many parts of the country helped to alleviate inflation pressures.²

The indispensable role of Milk SA in the South African dairy industry was reconfirmed through the variety of activities in all disciplines in 2017, especially in its interaction with Government and Non-Governmental Organizations, which demanded tireless interaction regarding aspects such as food standards, trade policy and protocols, qualification standards, animal health promotion and transformation support. Milk SA continued to experience enthusiastic support from the cadres of MPO and SAMPRO as well as other industry experts in the different Advisory Committees and other structures of Milk SA.

1 2018 Budget Review - National Treasury.

2 Key findings of the Mastercard Spending Pulse South Africa, March 2018.

2. Statutory Measures

On 20 December 2013, the Minister of Agriculture, Forestry and Fisheries, in terms of the Marketing of Agricultural Products Act, 1996, (Act No. 47 of 1996), entrusted Milk SA with the implementation, administration and enforcement of the following statutory measures, which lapsed on 31 December 2017 after a period of four years:

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

The persons who were subject to these statutory measures during the four-year period were:

- a. Persons who buy unprocessed milk for the purpose of processing it or to use it to manufacture other products, or to sell it to persons outside the jurisdiction of the Republic of South Africa, or to move it outside the jurisdiction of the Republic of South Africa;
- b. Persons who import milk and other dairy products classifiable under customs tariff headings 04.01, 04.02, 04.03, 04.04, 04.05 and 04.06.
- c. Persons who are milk producers and who process the raw milk produced by them, or use it to manufacture other products, or who sell it to persons located outside the jurisdiction of the Republic of South Africa, or who move it outside the jurisdiction of the Republic of South Africa; and
- d. Persons who sell unprocessed milk to retailers.

The above persons were compelled to register with Milk SA, submit information per monthly return form and pay levies to Milk SA, which were determined at the following rates:

Customs Tariff Classification	Product description	Levy per kilogramme (VAT exclusive)
04.01	Milk and cream, not concentrated nor containing added sugar or other sweetening matter.	1,3
04.02	Milk and cream, concentrated or containing added sugar or other sweetening matter.	12,5
04.03	Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening or flavouring matter or containing added fruits, nuts or cocoa.	4,7
04.04	Whey, whether or not concentrated or containing added sugar or other sweetening matter; and products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included.	3,8
04.05	Butter or other fats and oils derived from milk; dairy spreads.	13,4
04.06	Cheese and curd.	18,7

The Office and the Board of Directors of Milk SA used all statutory powers and other means at their disposal – within the budgetary, resource and other constraints – to ensure optimal compliance with regard to levy payments and other statutory obligations. Such means included:

- Increased focus by the Audit & Risk Committee on risks involved in the administration of the statutory measures and the mitigation of such risks through improvement of policies, procedures and systems.

- A meeting between the Audit & Risk Committee with the Executive Committee.
- Improved communication between the Audit & Risk Committee and the Board of Directors.
- A review of the separation of functions of the Audit & Risk Committee and those of the Executive Committee.
- The Statutory Measures Committee with Terms of Reference became fully operational.
- Enrichment of the Terms of Reference in respect of both the Internal Auditor and Inspector, the initiation of an Internal Audit Charter and enrichment of the Inspections Policy.
- More frequent and direct interaction between the attorney and the CEO in respect of legal advice on new and potential cases.
- The contributions of the Ministerially-appointed inspector continued to contribute significantly to the integrity of industry information and the optimal collection of levy funds.
- An annual report on the administration of the statutory measures was submitted to the National Agricultural Marketing Council.
- The MPO joined SAMPRO in an application for the continuation and amendment of the above regulations for the period 2018 to 2021, to which the Office of Milk SA submitted input.

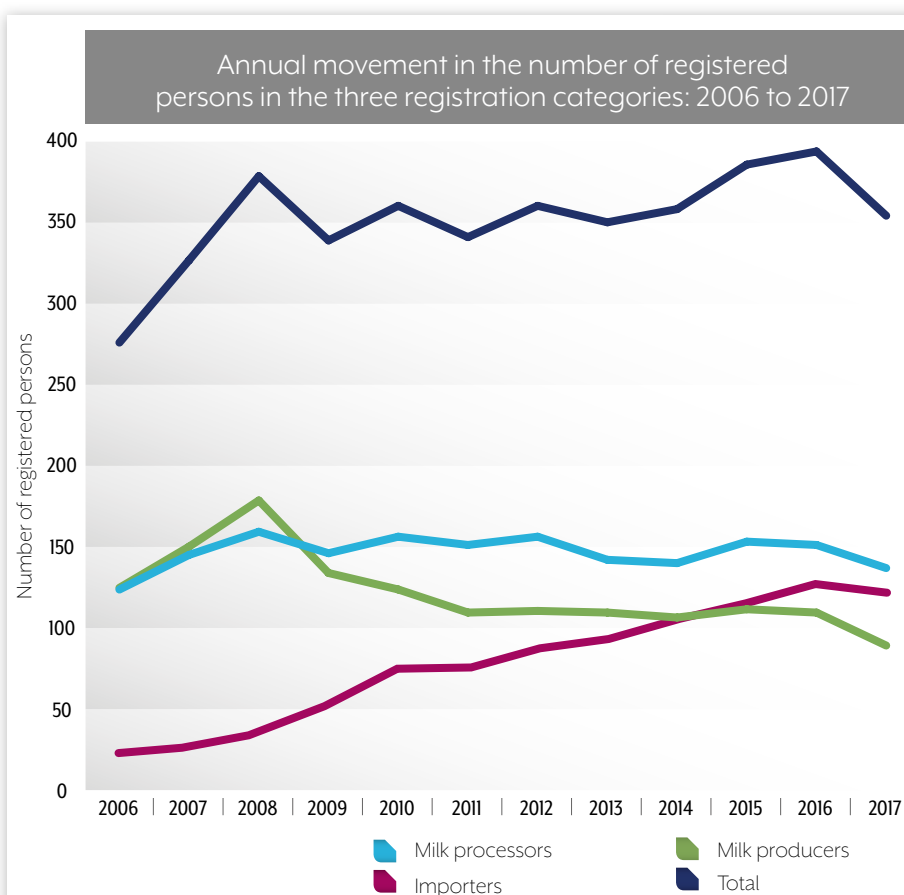
3. Annual movement in the number of registered persons in the three registration categories

In December 2017, the number of processors comprised 39,4% of the total number of persons / institutions registered with Milk SA, followed by importers of dairy products (34,6%) and milk producers³ (26,0%).

Contributions to the levies by category were as follows in 2017: Milk processors (86,60%), importers of dairy products (10,74%) and milk producers (2,66%).

Milk processors contributed 97,0% and milk producers 3,0% to the total unprocessed milk declared to Milk SA.

³ A milk producer is defined in the Government Notices (Statutory Measures) as follows: "A person who produces milk by the milking of cows, goats or sheep". These persons, as referred to under item 2 c above, shall - in terms of the statutory measures - register with, submit returns and pay levies to Milk SA.

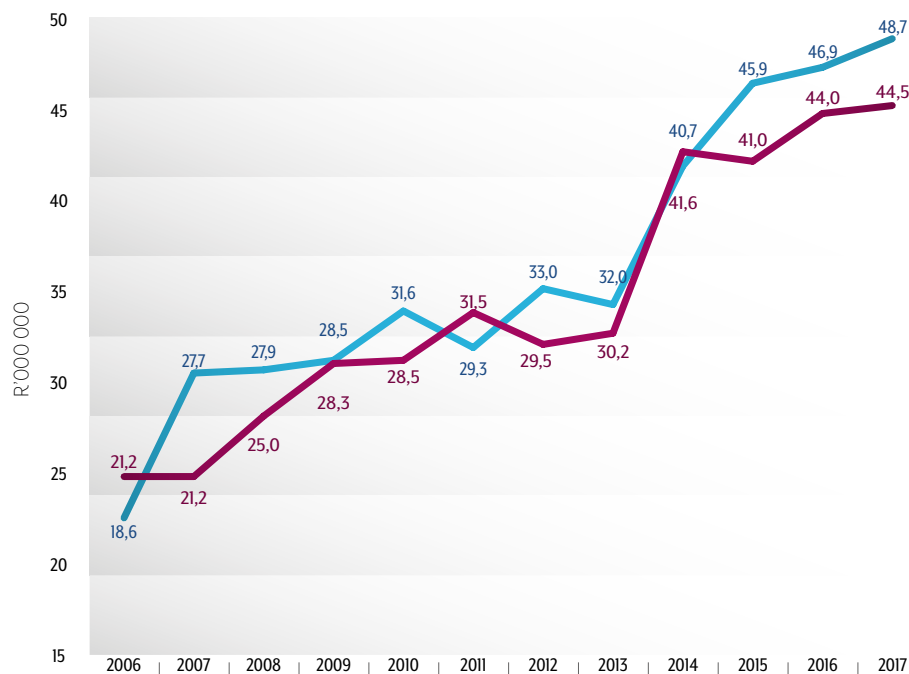


Number of registered persons: 2006 to 2017

	Processors	Importers	Milk producers	Total
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
2015	155	115	114	384
2016	153	127	112	392
2017	139	122	92	353



4. Levy budget and income, 2006 to 2017



2006 to 2013:

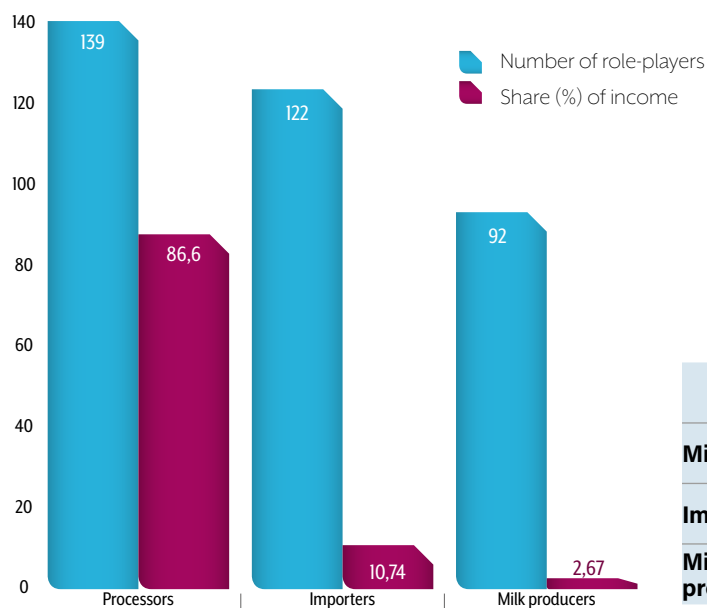
Levy rate = 1,0 cent / kg of milk

2014 to 2017:

Levy rate = 1,3 cent / kg of milk

Income
Budget

5. Percentage contribution of the numbers of levy payers to the income in 2008, 2010, 2012, 2014, 2016 and 2017 per category



	2008	2010	2012	2014	2016	2017
Milk buyers	92	91	87	91	88	87
Importers	6	7	12	8	10	11
Milk producers	2	2	1	1	2	3



6. 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 of the levy payers, to statutory information submitted to Milk SA and to their invoices.
- Contact details of all relevant role-players.

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

Inspectors

On request of Milk SA, the Minister of Agriculture designated two inspectors for the 2014 to 2017 period of the statutory measures, namely Mr Wicus van der Merwe and Mr Jones Ditsela.

Purpose

The on-site inspections among registered role-players aimed to eliminate discrepancies regarding actual and obliged declarations to Milk SA, in terms of due levy amounts and information as required by the statutory measures.

Procedures

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

Scope of physical inspections during 2017

11 role-players were visited in the Western Cape, North-West and Gauteng. Inspections could not be expanded to other role-players as planned due to budgetary limitations. Inspections form part of administration costs, which may, in terms of the statutory measures, not exceed 10%.

Communication of the inspection findings

- Letters with detailed findings and suggested corrective measures were sent to each individual role player.
- Inspection reports were also made available to the Statutory Measures Committee and the Executive Committee.

Observations

The majority of role-players comply with the requirements of the statutory measures, while administrative negligence was the main reason for non-compliance in most of the relevant cases.

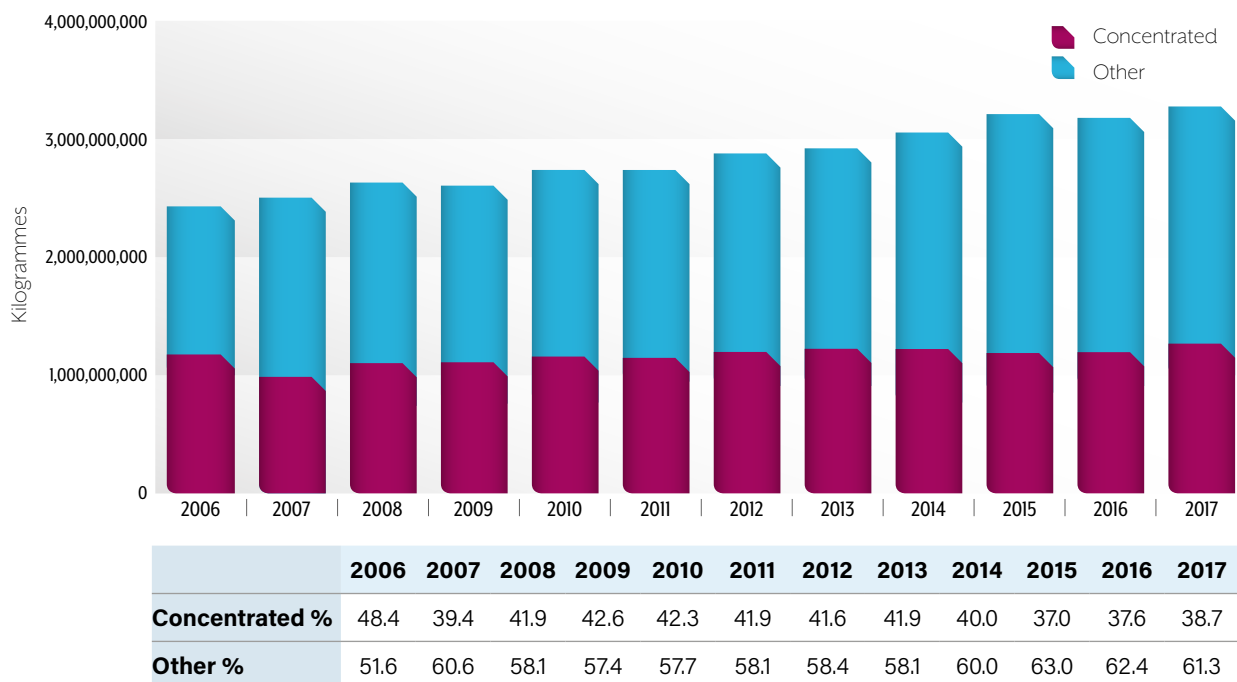
Follow-up procedures

- Letters were written to each role-player under the signatures of the Inspector and the CEO of Milk South Africa, wherein detailed findings were communicated and required follow-up action explained.
- In certain cases, agreements were reached with the role-players in terms of which they would revisit their records to find the relevant data for completion of revised returns.
- A control schedule was drawn up in order for Milk SA to be able to follow up and keep track of outstanding matters with the relevant role-players.
- Where significant problems were identified, role-players were scheduled for second audits in order to ensure that appropriate corrections were implemented.

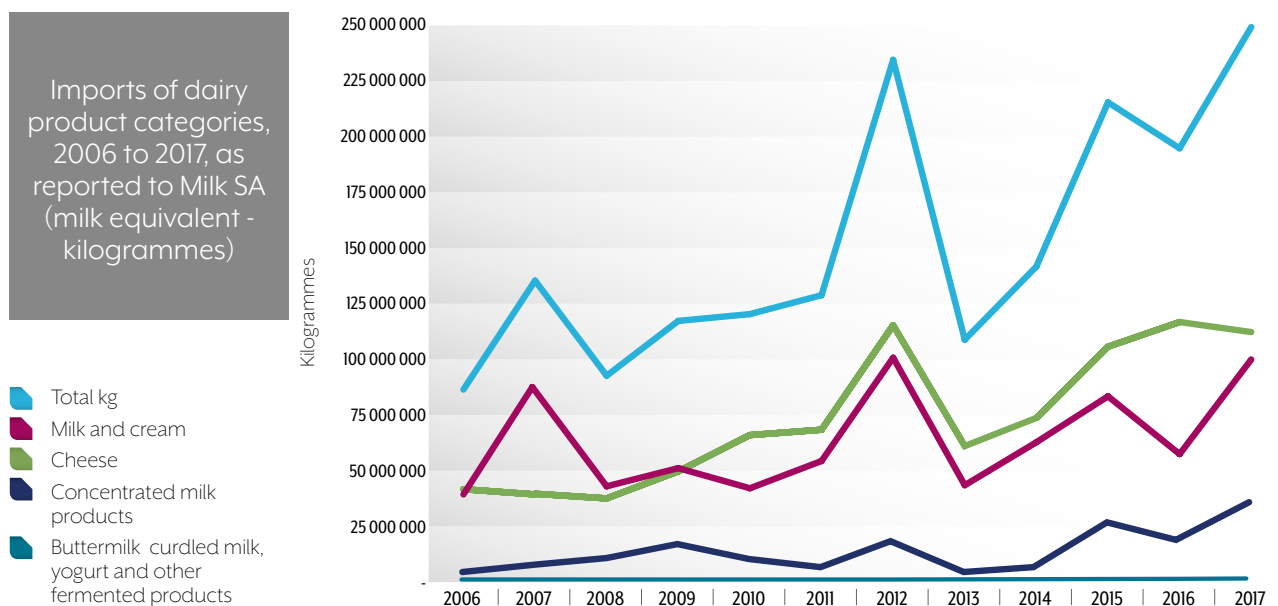
Conclusions

- In general, role-players complied with the requirements of the statutory measures (2014 to 2017), as amended from the previous (2010 to 2013) regulations - by keeping adequate records of milk purchases and production as well as processing thereof.
- Although monetary adjustments needed to be made as a result of the inspections - to the benefit and expense of both Milk SA and the role-players - the net effect of the adjustments was to the advantage of Milk SA.

8. Processing of unprocessed (raw) milk into concentrated and other products: 2006 to 2017 as reported to Milk SA



9. Imports of product categories, 2006 to 2017 as reported to Milk SA (Milk equivalent: kilograms)



10. Milk equivalent of imported products, 2006 to 2017 ('000 kg) as reported to Milk SA

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
85 924	135 073	92 821	116 601	119 922	127 896	234 108	109 758	142 143	215 274	194 870	249 027

11. Imports per category in 2017 (kilogrammes and milk equivalent) as reported to Milk SA

	Kilogrammes of imported products	Milk equivalent (litres)
0401 Milk & Cream, not concentrated ...	35 742 137	35 742 137
0402 Milk & Cream, concentrated ...	11 080 743	99 726 690
0403 Buttermilk, curdled milk, yoghurt ...	1 337 370	1 337 370
0404 Whey	6 200 702	
0405 Butter	6 279 649	
0406 Cheese	11 222 121	112 221 208
TOTAL	71 862 722	249 027 404

12. Administration of the projects of Milk South Africa

The Policy for Funding of Statutory Projects and the standard contractual terms were reviewed by Exco and the Board in 2016.

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

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

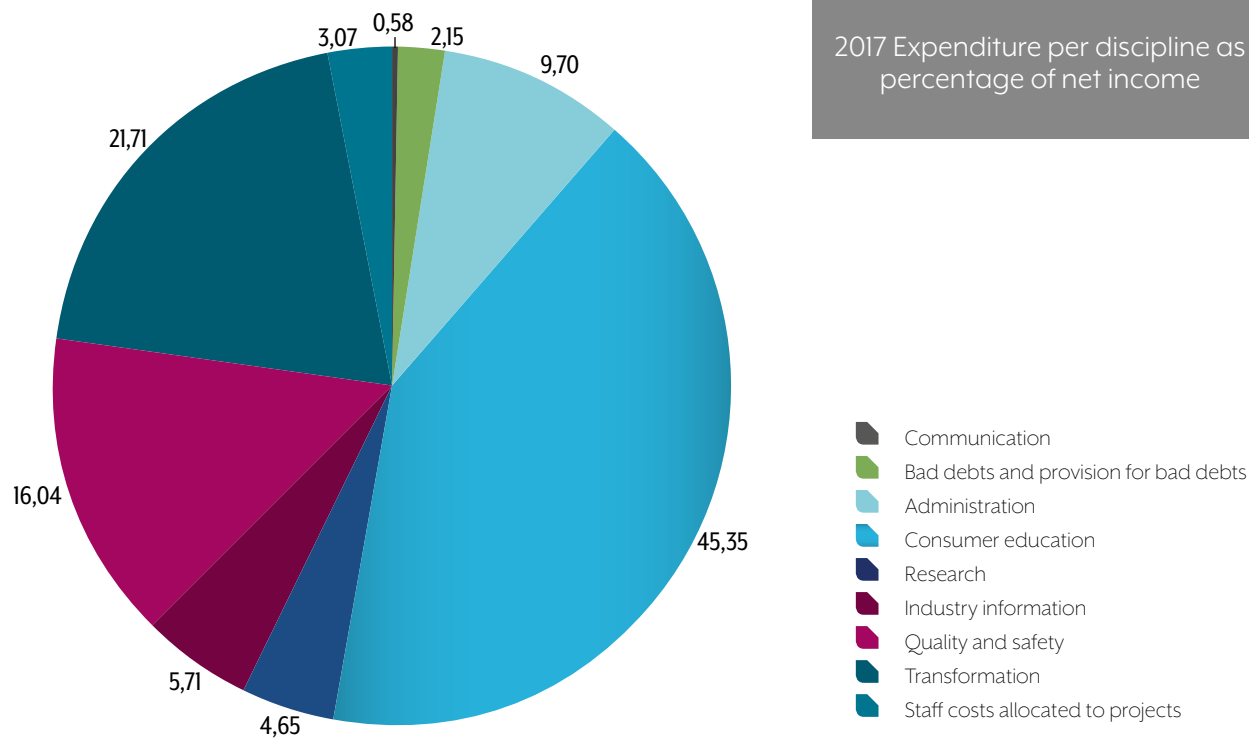
Milk SA signed contracts with the project managers in accordance with Milk SA's policy on the funding of statutory projects. Quarterly and annual reports for each project were submitted by the project managers and published on the Milk SA website.

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

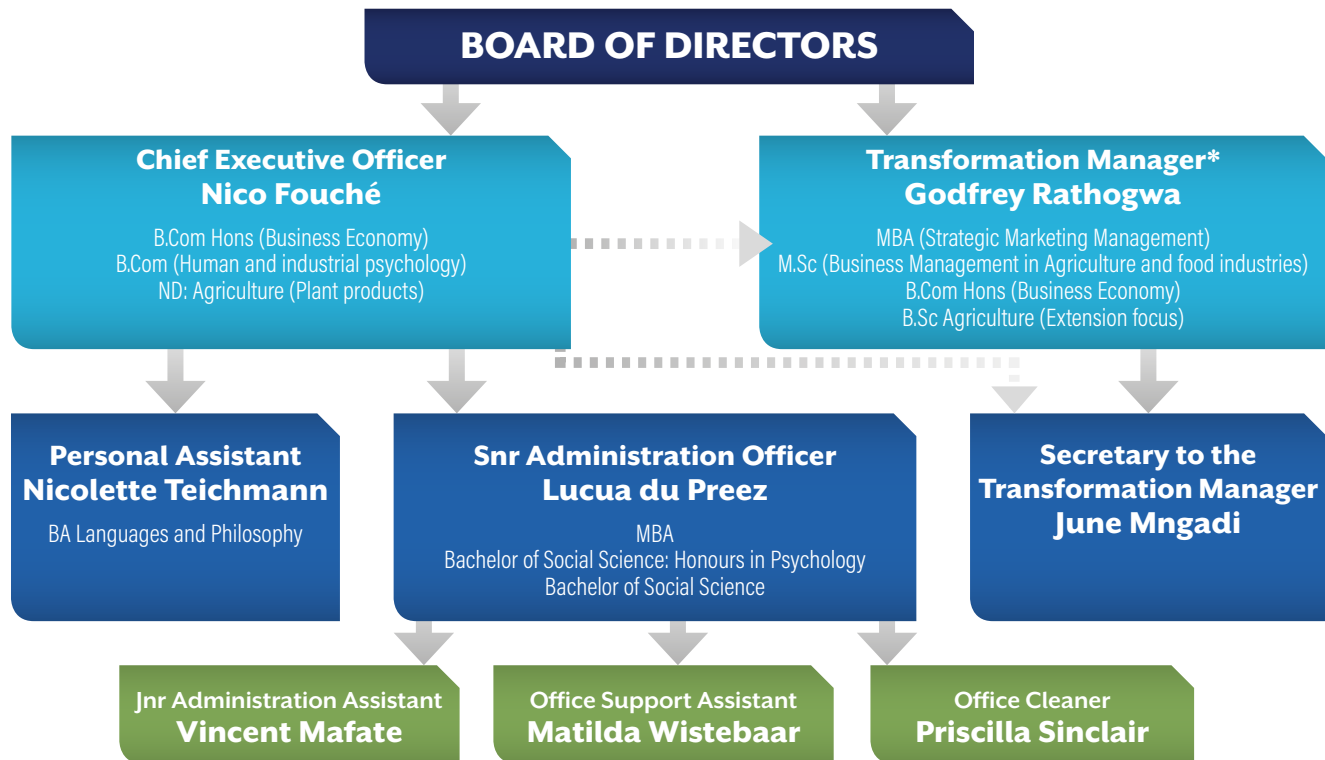
The Board continued to employ an internal auditor to provide independent and objective advice in order to improve Milk South Africa's performance in respect of its administrative and project outputs.

Expenditure of the statutory levies in 2017

The net deficit for 2017 in respect of the levy funds was R3 293 620 and the retained levy income for 2014 to 2017 was R13 539 475.



13. Staff structure of Milk South Africa and external support structure



External Support Structure

- Attorneys: Gildenhuys Malatji & MacRobert
- Web-based systems support: Octopus
- Accountants: PricewaterhouseCoopers
- Internal Auditor: Medupe Risk Advisory Services (Pty) Ltd
- Inspector of Statutory Measures: Mr Wicus van der Merwe
- External Auditors: Fourie & Botha & Faure Bosman



Seated Matilda Wistebaar, Nicolette Teichmann,
Nico Fouché (CEO), June Mngadi

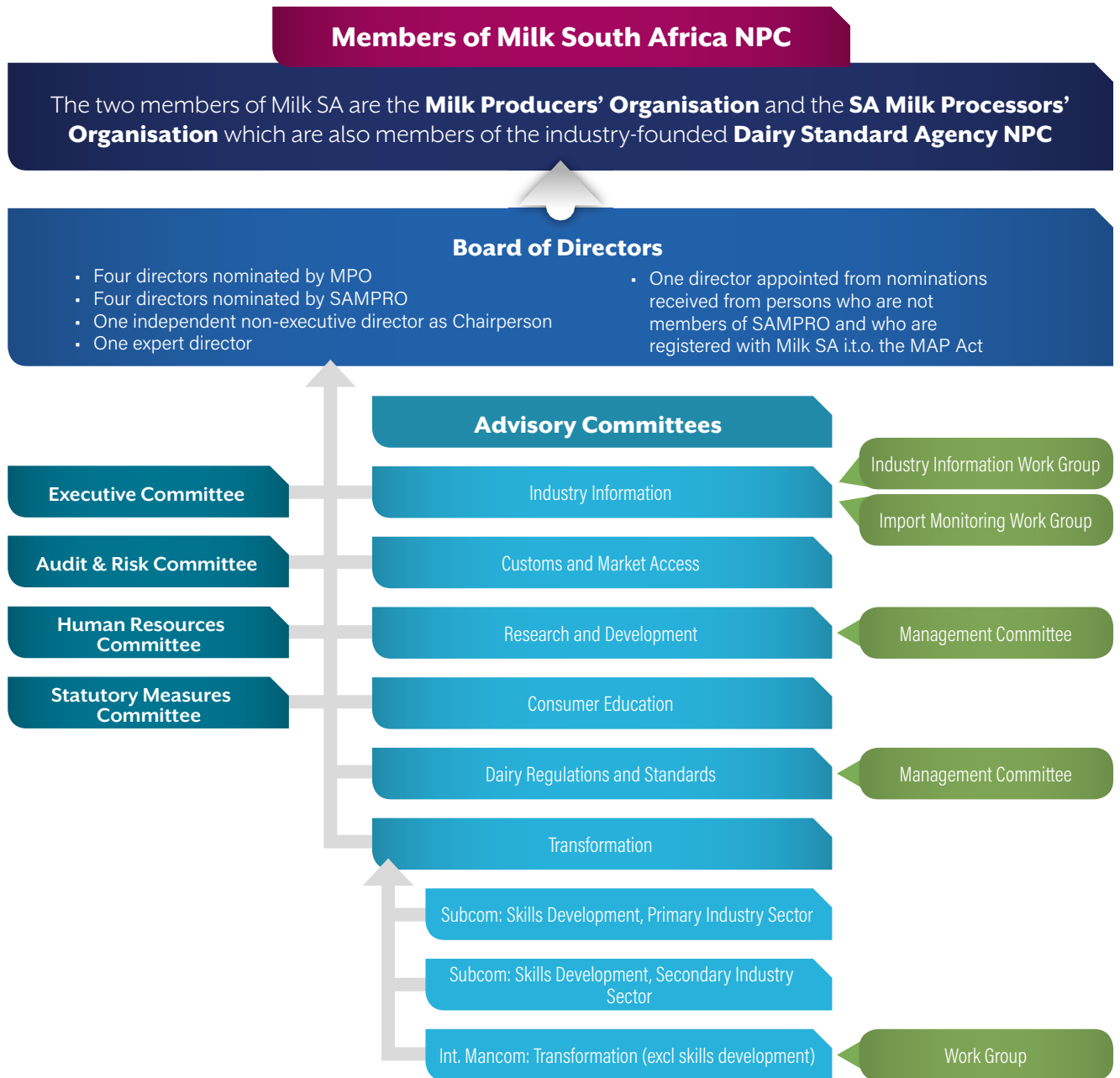
Standing Vincent Mafate, Lucua du Preez, Priscilla Sinclair

* Mr Rathogwa is also a director of Milk SA

Solid lines: Line authority

Dash lines: Administrative authority

14. Functional structure of Milk South Africa



The above structure clearly shows that:

- The primary and secondary industry sectors (represented by MPO and SAMPRO respectively) are united in Milk South Africa as well as in the Dairy Standard Agency, in terms of the objectives that they commonly pursue in the interests of the entire South African dairy industry and community.

- The strategic direction of Milk SA requires a multi-disciplined approach, which enables Milk SA to unlock a wealth of support and co-operation from governmental, semi-governmental and private business sources.
- In respect of the South African dairy industry, collective issues of strategic importance exist which -
 - cannot be addressed through competition in the market;
 - should be addressed in the interests of the South African dairy industry, the consumer, and economic development; and
 - can, in terms of the Competition Act, be addressed by collective action by the members of the dairy industry.

15. Contractors in 2017

	Contractors	Services
i	PricewaterhouseCoopers Inc	Accountants.
ii	Octoplus (Pty) Ltd	Web-based system support and enhancement.
iii	Internet Solutions (Dimension Data)	Web-based systems hosting & security.
iv	Fourie & Botha Inc	External Auditors (i.t.o. Companies Act).
v	Faure Bosman	External Auditors for the project "Promotion of sustainable commercialization of existing black dairy producers" (joint project of Milk SA and National Treasury).
vi	Gildenhuys Malatji Inc	Attorneys.
vii	MacRobert Inc	Attorneys.
viii	Medupe Risk Advisory Services (Pty) Ltd	Internal Auditor.
ix	Mr Wicus van der Merwe	Inspector of Statutory Measures.
x	Milk Producers' Organization NPC	Projects: <ul style="list-style-type: none"> • Collection, processing and dissemination of national and international information for the dairy industry of South Africa. • Empowerment of previously disadvantaged individuals in the primary dairy sector, through training and skills development.
xi	SA Milk Processors' Organization	Projects: <ul style="list-style-type: none"> • Dairy Consumer Education. • Skills development (training). • Custom duties and Market access.

	Contractors	Services
xii	Dairy Standard Agency NPC	Project: Improvement of the quality of milk and other dairy products and compliance with legal standards.
xiii	University of Pretoria (Onderstepoort)	Projects: <ul style="list-style-type: none"> • <i>Fasciola hepatica</i>: Impact on dairy production and sustainable management on selected farms in South Africa. • Resistance to available antibiotics in lactating cows with mastitis. • Different approaches for analyses of production performance from automatic milking systems in SA.
xiv	University of KwaZulu-Natal	Investigating alternative methods such as bacteriophages and bacteriocins to control mastitis organisms.
xv	University of the Free State	Project: Further studies to determine the effect of proteolytic enzymes in raw milk on flocculation and gelation.
xvi	Dr HH Meissner (Programme Manager: Research & Development: Milk SA)	Project: Co-ordination, support and promotion of needs-driven R&D in the South African Dairy Industry.
xvii	SA National Committee of the IDF	Participation in the projects and activities of the International Dairy Federation through the SA National Committee of the IDF.



16. Communication & Liaison

- 16.1 The website was updated with project reports and industry statistics.
- 16.2 The *Milk Essay* newsletter continued to be a popular medium to inform the industry players quarterly about the performance of projects.
- 16.3 "Podcast" videos, covering the various disciplines of Milk SA, were also posted on the website on a regular basis.
- 16.4 Detailed information with regard to communication of the Company and its projects with government and other institutions, appears in the annual and quarterly project reports and these institutions include:

The following South African institutions:

- Department of Trade and Industry
- International Trade Administration Commission of SA
- Department of Agriculture, Forestry and Fisheries
- Provincial Departments of Agriculture
- Local municipal authorities
- SA Bureau of Standards
- Regulator of compulsory standards
- Department of Health
- National Agricultural Marketing Council
- Agricultural Research Council
- Tertiary academic institutions
- Professional Health Practitioner Associations
- Department of Education
- SA research institutions
- Schools
- Sport associations
- Banks
- Consumer Goods Council
- International Trade Administration
- SA Large Herds Conference
- SA Society for Dairy Technology
- Animal Health Forum
- NEDLAC

The following international institutions:

- Global Dairy Platform
- International Dairy Federation
- SA Research Institutions
- Foreign Research Institutions
- International Farm Comparison Network
- Codex Alimentarius ("Food code")
- 16.4 "A word from Milk SA" has been a monthly feature in *The Dairy Mail* since January 2017.
- 16.5 The monthly updated raw milk purchase information was disseminated to raw milk producers and levy payers.
- 16.6 Milk SA attended the Large Herds Conference and the ALFA Livestock Show where its activities were communicated at exhibition booths, with visual material and information brochures.
- 16.7 Milk SA's activities and successes were also communicated by the MPO and SAMPRO to their members.

17. Corporate Governance

Good Corporate Governance is pivotal to the success of Milk South Africa. Increased administrative responsibilities and magnitude of the projects, necessitate continuous refinement of policies, procedures and systems. In this regard, the following can be reported for 2017:

- 17.1 Terms of Reference were established for the Internal Auditor and Inspectors.
- 17.2 Debtor reports and policies were revised and improved.
- 17.3 A Risk management instrument was established.
- 17.4 A meeting expenses policy was formalized.

REPORT OF THE **BOARD OF DIRECTORS**

to the Members at their Annual General Meeting
of 14 June 2018



Seated Frik Grobler, Melt Loubser, Prof Chris Blignaut,
George Kuyler, Willie Prinsloo

Standing Godfrey Rathogwa, Jacques van Heerden,
Alwyn Kraamwinkel, Porchia Adams,
Dr Chris van Dijk, Zola Gebeda, Nico Fouché,
Dr Bonile Jack-Pama

Alternate Directors



Lex Gutsche



Colin Wellbeloved

The content of this report is a proud demonstration of an industry with vision and direction. This output of a year's dedication is not only enormous in volume but also in terms of real impact on the South African dairy economy which is indispensable for a healthy and growing dairy industry.

Although we are operating in a free economy, institutions such as Milk SA, MPO, SAMPRO and the Dairy Standard Agency (DSA) are facing increasingly difficult challenges due to the escalating failure of critical government functions and infrastructure.

The Board of Directors honours the project leaders, the Office of Milk SA and everyone else involved, for their efficient work and tireless dedication, without which these monumental achievements would have been impossible.

1. Persons who served on the Board of Directors during 2017

- Adams, PH (Ms)
- Blignaut, CS (Prof) - Chairman
- Gebeda, ZM *Appointed 2017.09.27*
- Grobler, FA
- Jack-Pama, BS (Dr) *Appointed 2017.09.27*
- Kraamwinkel, AP
- Kuyler, GF – Vice-Chairman *since October 2017*
- Lok, NJ *Resigned 2017.09.27*
- Loubser, MJ – Vice-Chairman *until September 2017*
- Prinsloo, AW

- Rathogwa, MG
- Van Dijk, CJ (Dr)
- Van Heerden, J

Alternate directors were:

- Gutsche, AR
- Gebeda, ZM *until 2017.09.26*
- Wellbeloved, C *since 2017.10.01*

2. Board and General meetings

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

3. Project Committees and Work Group meetings

Discipline	No of meetings	Type of meeting
Industry Information	6	<ul style="list-style-type: none"> ▪ Advisory Committee x 2 ▪ Industry Information Work Group x 4 ▪ Import Monitoring Work Group x 0¹
Customs & Market Access	2	<ul style="list-style-type: none"> ▪ Advisory Committee x 2
Dairy Regulations & Standards	1	<ul style="list-style-type: none"> ▪ Advisory Committee x 1
Dairy Consumer Education	2	<ul style="list-style-type: none"> ▪ Advisory Committee x 2
Transformation: Enterprise Development	12	<ul style="list-style-type: none"> ▪ Advisory Committee x 2 ▪ Internal Management Committee: Transformation (Enterprise Development): x 4 ▪ Work Group: Transformation (Enterprise Development) x 6
Subcommittee: Skills development - Primary Industry	2	<ul style="list-style-type: none"> ▪ Advisory Committee x 2
Subcommittee: Skills development - Secondary Industry	2	<ul style="list-style-type: none"> ▪ Advisory Committee x 2
Research & Development	9	<ul style="list-style-type: none"> ▪ Dairy Research & Development Committee (DRDC) x 2 ▪ DRDC Work Group x 5 ▪ Dairy Research Forum x 2

4. Other Board Committees

	Number of meetings held in 2017
Executive Committee	9
Audit & Risk Committee	4
Statutory Measures Committee	6
Human Resources Committee	1



Executive Committee

1 Only meets on request of a member and if the monthly information warrants such a meeting.

5. Representation on other bodies

During 2017, Milk SA was represented on:

- The Agricultural Trade Forum by Mr De Wet Jonker.
- The Executive Committee of the SA National Committee of the International Dairy Federation by the CEO of Milk SA.
- Animal Health Forum by Mr De Wet Jonker, Mr Philip Swart, Dr Chris van Dijk and Dr Heinz Meissner.
- General Meetings of the Dairy Standard Agency by the CEO and Chairman, as observers.
- The Science and Programme Co-ordination Committee of the IDF by Dr Koos Coetzee.
- The International Promotion Group (functioning under the auspices of the IDF Standing Committee on Marketing), by Ms Christine Leighton as Chairperson of the IMP.
- The International Dairy Federation by Mr Alwyn Kraamwinkel, as director of the IDF.

6. Summary of projects and other functions funded in 2017

Function	Institution	Project title
Administration	Milk SA NPC	Administration relating to the statutory measures
Statistical and other information re. the dairy industry	MPO NPC	Collection, processing and dissemination of national & international information for the dairy industry of South Africa
	SANCIDF (Assoc not for gain)	Participation in the activities of the International Dairy Federation through SANCIDF
	SAMPRO (Assoc not for gain)	Customs Duties and Market Access
	Octoplus (Pty) Ltd	Web-based information system: Enhancement & support
	Milk SA NPC	Liaison with Government Institutions
Transformation	MPO NPC	Primary industry sector skills development and training
	SAMPRO (Assoc not for gain)	Secondary industry skills development
	Milk SA NPC	Enterprise development
Quality and Safety of milk and other dairy products	Dairy Standard Agency NPC	Improvement of the quality and safety of milk and other dairy products
Consumer education	SAMPRO (Assoc not for gain)	Consumer Education
Research and Development	Dr HH Meissner	Co-ordination, support and promotion of needs-driven research & development in the South African dairy industry.
	University of Pretoria	Fasciola hepatica: Impact on Dairy Production and Sustainable Management on Selected Farms in South Africa
		Resistance to available antibiotics in lactating cows with mastitis
		Different approaches for analyses of production performance from automatic milking systems in SA
	University of the Free State	Further studies to determine the effect of proteolytic enzymes in raw milk on flocculation and gelation
	University of KwaZulu-Natal	Investigating alternative methods such as bacteriophages and bacteriocins to control mastitis organisms
		Integrated Control of Liver Fluke of Cattle Using Botanical Extracts and Biocontrol Agents

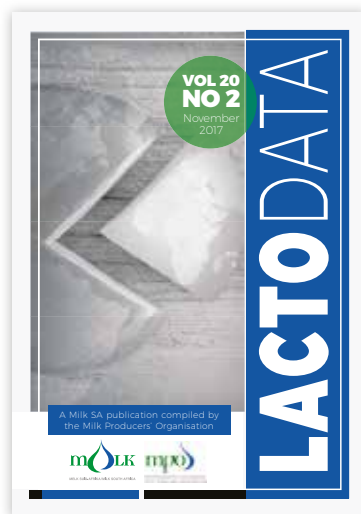
7. Project reports

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

Responsible Institution: Milk Producers' Organization NPC

Project Manager: Dr Koos Coetzee

The main goal of this project is to supply timely, accurate and reliable information to all role-players in the dairy industry value-chain to enable the dairy industry of South Africa to achieve sustainable, competitive growth. During 2017 the project was able to fulfill this goal in various ways.



Dairy Digits was published in all 12 monthly issues of *The Dairy Mail*. *Dairy Digits* has become an important source of market information for dairy industry role-players. In 2017 the procedure for estimating monthly milk intake was again evaluated and standardized.

The *Quarterly Review* provides a review of selected trends in the dairy industry. Four issues of the *Quarterly Review* of the dairy industry were published and distributed on the Milk SA website.

Lacto Data provides a general review of the South African and international dairy sector for role-players in the industry. It is widely used by researchers and policy makers as an overview of the industry. *Lacto Data* was compiled and published in the May 2017 and November 2017 issues of *The Dairy Mail*. In 2017 a more user-friendly design for *Lacto Data* was implemented.

The *Report on the International Competitiveness of the South African primary dairy industry* was completed in January 2018. The report was sent to Milk SA in February 2018.

Dr Coetzee attended the *World Dairy Summit* in November 2018. A report on the *World Dairy Situation* was supplied to Milk SA and to the SA National Committee of the IDF in December 2017. The Scientific Program Coordinating Committee, the Standing Committee on Farm management and the Standing Committee on the Environment were attended and reports on these and the various conferences attended were supplied to Milk SA and to the SA National Committee of the IDF in December 2017. An article on the summit was published in *The Dairy Mail* in January 2018.

The attendance of the *IFCN Conference* was funded through Project 184 of Milk SA. A report on the attendance of the 2017 IFCN dairy conference was published in *The Dairy Mail* in September 2017. Dr Coetzee was honoured for his contribution to the work of IFCN.

Report on the obligation of producers of unprocessed milk to register with the Milk Producers Organization, as per statutory measure (No 42 of 22 Jan 2016): The registration of milk producers in terms of Regulation 42 of 22 January 2016 is an on-

going process. During 2017 producer registration was followed up telephonically and with personal visits. By the end of 2017, 1 504 milk producers were registered with the MPO.

Report on the obligation of the producers of unprocessed milk to submit per return forms (Nov 2017) with information on the variables mentioned in the statutory

measure (No 46 of 22 Jan 2016): In terms of Regulation 46 of 22 January 2016, milk producers are compelled to provide a report annually on inter alia the number of cows and heifers in herds as well as the quantity of milk produced and sold. During 2017 a very good response of 52% was achieved. The report on the 2017 survey was supplied to Milk SA in February 2018.

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

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

Project Manager: Edu Roux (also Secretary of SANCIDF)



The member of the Standing Committee on Residues and Chemical Contaminants retired this year and an additional member was appointed on the Task Force on Anti-Microbial Resistance (TF-AMR).

Six questionnaires were received and replied to during the year. Twelve New Work Items were received, replied to and adopted by IDF for 2017.

Articles about the following Bulletins and Standards were published in *The Dairy Mail* during the year:

- 486/2017 - IDF guide to water footprint methodology.
- 487/ 2017 - IDF Global Marketing Trends, Understanding Changes in Global Dairy Consumption.
- 488/2017 - The IDF Guide on Biodiversity for the Dairy Sector.
- ISO 22964 - Microbiology of the food chain - Horizontal method for the detection of Cronobacter spp.
- ISO 6579 - Microbiology of the food chain - Horizontal method for the detection, enumeration and serotyping of Salmonella - Part 1: Detection of Salmonella spp.
- ISO/ TS 19046-11 IDF/ RM 233-1: 2017 - Cheese - Determination of propionic acid level by chromatography - Part 1: Method by gas chromatography.

- ISO/ TS 19046-2 I IDF/ RM 233-2: 2017 - Cheese - Determination of propionic acid level by chromatography - Part 1: Method by ion exchange chromatography.

Bulletins 489/2017 and 490/2017 received during the last quarter, will be mentioned in the February or March 2018 issues. Five Fact Sheets, as well as the documents SSAFE Global Dairy Farming Food Safety Training Framework and Guidance on Antimicrobial Resistance from the Dairy Sector, were also published in *The Dairy Mail*.

Six News Briefs, nine News Alerts, two press releases and eleven e-mail Newsletters about WDS 2017 were received. All these documents except the News Alerts and e-mail Newsletters were published on the Milk SA website.

SANCIDF responded to an invitation from IDF for countries to host the World Dairy Summit 2020. At the General Assembly of IDF in Belfast, a short video was showed to the meeting indicating the suitability of Cape Town and South Africa to host WDS 2020.

This video contributed to the meeting's resolution to award the hosting of WDS 2020 to South Africa.

Reports on WDS 2017, as prescribed in their agreements with SANCIDF, were received from all delegates to WDS 2017. These reports were published in abbreviated, printed format as well as electronic format on industry websites. An overview of the Summit, to which all delegates contributed, was presented to the Milk SA General meeting in December 2017.

Liaison with IDF regarding sustainability and environment matters through its rapporteur, Dr Heinz Meissner:

IDF documents attended to by SANCIDF

The proposal to IDF for the new work item: "Nutrition and Sustainability Information Hub", which endeavours to gather relevant information on the topics and add further information as it becomes available, was supported.

Comments on a paper entitled: "Losses, inefficiencies and waste in the global food system", which was requested by the President of IDF, were submitted.

Comments were provided on the antimicrobial resistance (AMR) perspectives of IDF as summarised in the four documents:

- IDF TF AMR Communication strategy for IDF Task Force on antimicrobial resistance.
- IDF TF AMR External reference document.
- IDF TF AMR Draft internal reference document.
- IDF TF AMR Questions and Answers
- Comments and suggestions were requested on the so-called 10YFP Programme which is a logo for the "Global Action for Sustainable Consumption and Production". A request was also for countries to affiliate associated projects with the programme,

but the SA Dairy Industry currently does not have suitable projects to be aligned. This is expected to change in 2018.

The IDF-DSF requested feedback from countries on country surveys and monitoring on what they refer to as "Status Assessment of High Level Indicator Reporting Metrics". These are on-farm metrics relating to sustainability such as soil nutrients, soil quality & retention, biodiversity, water availability & quality, and working conditions. In some countries these variables are regularly monitored on their dairy farms. Such a programme does not currently exist and therefore Dr Meissner - in collaboration with the US and other institutions - proposed a R&D programme to initiate such a monitoring initiative.

Comments and suggestions were requested by IDF on the "Guidelines for environmental quantification of nutrient flows and impact assessment in livestock supply chains" of the Livestock Environmental Assessment and Performance (LEAP) Partnership, FAO, Rome, Italy.



IDF Board: From left to right: Alwyn Kraamwinkel, Jørgen Hald Christensen, Dr Judith Bryans, Dr Tova Avrech, Thierry Geslain, Cary Frye, Jean-Marc Delort and Ron Maynard



Melt Loubser, Prof Chris Blignaut and George Kuyler endorsing the Declaration of Rotterdam on behalf of the SA dairy Industry

One of IDF's priority items is to establish a work plan for the dairy sector to be engaged in the sustainable food system dialogue. The goal is for the IDF and IDF members to be able to engage in this dialogue with coherent messages to ensure an appropriate role of dairy in sustainable food systems.

As part of this work, the Work Group on Dairy Nutrition and Sustainability wanted to gather information on all types of initiatives dealing with dairy / food nutrition and sustainability. Such information could be about any kind of initiatives, including research papers, corporate / association / country projects, as well as conferences. These projects can be at any stage of development (e.g. beginning, end or revision). All projects will be compiled in a hub on the internal intranet of IDF. A survey was provided.

Work items of the Standing Committee on the Environment

Life Cycle Assessment Development Monitoring Group: The group monitors and tracks developments in LCA, including sequestration and data sources and published a revised guidance document in 2015, which is useful for member countries that want to do LCAs for their dairy industries. Work has been done on GHG emissions, but not on a LCA as yet.

Biodiversity and the Dairy Sector: A survey was done on biodiversity across the globe as it is influenced by dairy activities and a document was compiled. The final draft was published in May 2017.

Innovative Practices for Eco-friendly Dairy Processing: A series of IDF fact sheets is published at regular intervals on relevant topics.

Dairy Nutrition and Environmental Sustainability: The objective is to strengthen the case supporting the essential role of milk and dairy products as part of a healthy diet, despite a higher environmental cost than many plant-based food commodities. The resource document "Sustainable Dairy Nutrients are Essential for Human Health" is being updated and a Nutrition and

Sustainability Central Information Hub has been created.

A new work item was proposed for the yearly report IDF Dairy Sustainability, and members were requested to indicate whether they approve that the work should be initiated and whether they want to contribute with an article on the described sections. The initiative was supported, as it was regarded valuable to have an umbrella initiative to inform and supplement work in individual countries. It was also indicated that at some stage, when the South African industry had information, contributions would be made to the 'Research Report'.

Dairy Sector goals to safeguard environmental resources - initiatives & targets: Assistance was requested to review an information document on how dairy safeguards the environment (from an IDF perspective). A survey of examples was also requested. Comments were forwarded and a 'monkey survey' was completed.

Mr Alwyn P Kraamwinkel was elected to the IDF Board at the General Assembly meeting held during WDS 2016. He attended a meeting of the Board held from 8 to 9 February 2017 in London. A report by Mr Kraamwinkel was tabled at the February 2017 meeting of the SANCIDF Exco. During the second quarter he attended the Board meeting in Brussels from 12 to 13 June 2017. This meeting included a joint meeting with the SPCC. During the WDS 2017 held in Belfast in October/ November 2017, Mr Kraamwinkel attended the third IDF board meeting of 2017.



7.3 Project title: Customs duties and market access

Responsible institution: SA Milk Processors' Organization

Project Manager: De Wet Jonker



The project is conducted in five goals, namely:

- Bilateral and multilateral trade agreements;
- Trade protection and tariff dispensation;
- Export certification;
- Import and export monitoring; and
- Participation on Animal Health Forum with regard to trade related issues.

The Economic Partnership Agreement (EPA) between the Southern African Development Community (SADC) and the European Union (EU)

- The EPA agreement was successfully concluded and it was signed on 10 June 2016. In respect of 2017, the quota was allocated only to SACU members based on historical trade, size of the economy and requests by individual SACU members. South Africa received 70 percent of the cheese quota.
- SARS further stated that they would amend the tariff rate on the tariff quotas (TRQ's) for cheese of tariff subheadings 0406.10, 0406.20, 0406.40 and 0406.90.99 to free, as they are currently at 50% of the normal applied rate (MFN), with retrospective effect from 1 November 2016.

Overview of the Continental Free Trade Area (C-FTA)

- Representatives of the various African states have been in discussion for a number of years about the planned establishment of the Continental Free Trade Area (C-FTA), a single continental market for goods and services. A new C-FTA will bolster the links between 54 nations - but significant progress still needs to be made before it becomes a reality.
- The main objectives of the C-FTA are to create a single continental market for goods and services, with free movement of business, persons and investments, thus paving the way for accelerating the establishment of the Customs Union. It will also expand intra-African trade through improved harmonization and coordination of trade liberalization,

facilitation and instruments across the C-FTA.

- Negotiations for the establishment of the C-FTA were officially launched in June 2015, with the stated aim of reaching a final agreement by 2018. Although it is not yet known whether this target will be met, concrete progress continues to be made.
- At the most recent C-FTA-NF meeting, it was agreed that 90 per cent of tariff lines for goods will be liberalized, with areas of focus regulating trade in services also discussed. Although further work is still required to establish the new tariff schedules and exclusions, as well as to devise a strategy for approaching rules of origin, trade remedies, customs cooperation and trade facilitation, talks continue to move forward.
- It should be noted that the position of the Customs Duty and Market Access Project on behalf of Milk SA during discussions in the Agricultural Trade Forum (ATF) of the Department of Agriculture, Forestry and Fisheries (DAFF) is that the rule of origin should only make provisions for duty reductions if a specific agricultural product is wholly obtained (produced in) from the member countries.
- The project manager attended six Agricultural Trade Forum (ATF) meetings, namely in February, March, May, August, September and October 2017.

Trade protection and tariff dispensation

- The project supported the draft guidelines on the implementation of IIP within the SACU agreement as drafted by DAFF for submission to the SACU

Secretariat for approval and implementation by member countries. The draft guidelines are in line with guidelines proposed by SAMPRO a few years ago.

Export certification

- Some of the neighbouring countries are focusing more and more on the animal health status of the herds and will not allow imports of dairy products if there are any notifiable animal diseases, as listed by the Animal Health Organization (OIE), present in the area where the raw milk is collected for processing.
- The Department of Agriculture, Forestry and Fisheries (DAFF) stated in a letter dated 15 February 2017 that the current VPN 20, is the official document and is still applicable until the revision is finalised and implemented.
- A team of experts has been selected to revisit the Standard Operations Procedure (SOP) and to find solutions for the problems experienced by the dairy industry as far as inspections and certification of product composition is concerned.

- A discussion with PPECB regarding the finalisation of the SOP and the fees structure took place on 22 March 2017. The Standards and Regulation Project of Milk SA reported at the end of November 2017 that an agreement had been reached between the dairy industry, the Department of Agriculture, Forestry and Fisheries (DAFF) and PPECB on the SOP. The agreement and SOP will be implemented in 2018.
- Monthly and quarterly reports were submitted to the Customs Duty and Market Access Project and the Information Project of Milk SA.

Participation on Animal Health Forum with regard to trade related issues

- The project manager participates in the meeting of the forum and focusses on trade related issues.
- Bovine brucellosis, one of the notifiable diseases of the OIE, has been identified by DAFF as a pilot project with the aim to eradicate/limit the existence of diseases as soon as possible.



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

Responsible Institution: Milk Producers' Organization NPC
Project Manager: Helene Pheiffer

Training Implementation

AgriSeta skills development courses

The 2017 goal was to train 165 students in the AgriSeta skills development programmes. A total of 271 students were trained during 22 courses (15 Dairy Production and seven Artificial Insemination courses). These students presented 38% of the black developing market and 62% of farmworkers of commercial dairy farmers. Between the training option of skills development programmes and modules of the dairy occupational qualification, it is evident that the short skills development programmes are still the popular option for dairy farmers.

Dairy occupational curriculum

A total of 290 students were trained in 21 courses between Jan - Dec 2017. These students presented 52% of the developing market and 48% of farmworkers of commercial dairy farmers. The 2017 goal was to train 300 students in the various modules of the Dairy Occupational curriculum. The goal was not, but it should be noted that an extra 106 students were trained in skills development programmes.

Dairy management courses

The knowledge components of the Dairy Production Management, Farm Business Management and Pasture Management modules were presented at the Cedara Agricultural College and Orange Grove Dairy Dundee. A total of 59 students were trained in the management modules presented by industry experts.

A total of 620 students were trained in 2017 of which 49% of the students were developing dairy farmers / participants in developing farming enterprises and 51% of the students farmworkers of commercial farmers or white farm managers (in the case of the management courses).

Training Development

Dairy Occupational Qualification

The QCTO (Quality Council for Trade and Occupations) appointed MPO and the AgriSeta as the Development Quality Partner (DQP) of the dairy occupational qualification. The curriculum design was already submitted to the AgriSeta in 2012. Despite continuous enquiries by MPO, the AgriSeta failed to successfully process the curriculum design to the QCTO for approval. MPO concluded workshops with the QCTO in January 2017 to re-initiate the registration process. The dairy occupational qualification design was re-packaged by MPO for capturing by QCTO. The qualification was evaluated and approved by QCTO, published for public comment and is currently awaiting registration by SAQA. After registration, the MPO Institute will apply for registration as a Skills Development Provider (SDP) and MPO as the AQP (Assessment Quality Partner) of the qualification.

The non-registration status of the dairy occupational qualification resulted in MPO presenting the modules as an industry qualification. This matter was also discussed with QCTO. Once the qualification is registered, MPO will submit all the Portfolios of Evidence (POE) to QCTO for evaluation. QCTO will determine whether an external integrated summative assessment (EISA) has to be conducted to re-evaluate (assess) all the students who were trained in the various modules.

A graduation ceremony was hosted by Orange Grove Dairy Dundee in Dec 2017 for all the students who completed the knowledge and practical components of the dairy farmworker and dairy supervisor qualification during 2016 and 2017. Industry certificates were awarded to students who successfully completed all the modules. Certificates were also awarded to students who completed the knowledge component of the management modules.

The MPO Institute identified specific industry needs concerning courses to be developed. Manuals for Dairy reproduction management and Bio-security management were developed with surplus funding of 2016.

A legenda(i)ry board game, that supports the Dairy Standard Agency (DSA) Code of Practice for Milk Producers, has been developed to train farmworkers. This legenda(i)ry board game uses gamification as an alternative training experience for farmworkers to "moo-ve" towards compliance in an engaging and industry-relevant manner.

Revision of training material

The MPO Institute revised several of the modules presented in 2016. Revision included development and revision of knowledge assessments, moderation tools and work experience logbooks.

Marketing and promotion

The MPO Institute used *The Dairy Mail*, the MPO weekly news bulletin, bulk mobile texting, Facebook advertising, radio interviews, a TV interview on *Grootplaas*, presentations at Alfa Livestock Show and AgriExpo, as well as various visits to farmers as a platform for marketing and promotion of skills and knowledge development in the primary industry.

The MPO Institute presented a Dairy day for black emerging dairy farmers during the ALFA Livestock Show in Parys. Milk SA provided access funding from 2016 to host the event and Milk SA, SAMPRO, DSA and MPO also participated as exhibitors at the Dairy Expo tent. The Dairy day included a discussion session,

presentations and practical demonstrations by various industry experts. A total of 41 black emerging dairy farmers attended this event where they also had the opportunity to network with input providers, participate in demonstrations and observe highly pedigreed animals.

A MPO Institute prospectus, with detailed information on the content of skills development programmes and dairy occupation modules was developed and distributed as marketing material.

Training database

A new MPO Institute webpage and training database were developed in 2017. The database covers all the information of training participants, linked to dairy producers, training processes and the provision of dashboard reports. The MPO Institute will continue with the refinement of the database in 2018, which includes links to the MPO database and webpage; registration of facilitators, assessors and moderators; on-line scheduling of courses and automatization certificates and email generated statements of results.

Learning Material Development

MPO identified Reproduction management, Biosecurity management and the re-packaging of the *Dairy Code of Practice* for farmworker level as development priorities. The QCTO advised the MPO to develop the additional modules as specialised or part (partial) qualifications of the Dairy Occupational Qualification. These modules will be added to the design of the qualification after registration of the qualification at SAQA.

The Artificial Insemination module has been renamed *Dairy reproduction management* and includes artificial insemination as a reproduction practice. Development of this module includes the curricula design, knowledge content development, practical and workplace experience components and assessment criteria, learning material layout, printing and verification. This module will be piloted in 2018.

The design, development, layout and printing of the *Bio-security management* module was completed in 2017,

but the inclusion of the module in the occupational curriculum design, knowledge, practical and workplace experience criteria for assessment and verification of the module will only take place in 2018. This module will also be piloted in 2018.

The *Dairy code of practice for milk producers* has already been included as a module of the Dairy farm supervisor qualification. The need to repackage the Dairy code of practice for dairy farm workers in a more user friendly application has been identified. After consideration, MPO decided to present the Dairy code of practice by means of a gamification concept. Gamification includes a board game which is educationally relevant as it ensures experiential learning, enhances retention of concepts, encourages problem-solving and engagement of all learners. The game consists of a facilitator guide with key concepts and game rules, dairy figurines and dices for the participants, icon cards and a board. The flow of the game includes discussion cards and practical demonstrations that correlate with specific chapters and aspects of the code of practice. The learning experience of the learners is improved through a recap session that forms part of the formative assessment and also enables the facilitator to identify gaps in the learning process.

Data capturing system

In order to qualify as a Skills Development Provider of the Dairy occupational qualification (after registration), MPO should have a thorough data capturing system for the management of the occupational qualification. The development of a database therefore aims to establish a training workflow process and to provide dashboard reports for management purposes. The database will also be integrated into the MPO database for commercial and developing dairy farmers. A roadmap for the database has been developed to capture all relevant training data that will also ensure an application that registers users, courses, workflow, email integration and reporting. The database is still subject to changes and refinement, as the MPO Institute will only capture new data starting from 2018. The MPO Institute webpage, with all relevant training detail and links, forms part of the MPO webpage.

7.5 Project title: Transformation: Secondary Industry Skills Development

Responsible institution: SA Milk Processors' Organization

Project Manager: Gerhard Venter

Design, development, and implementation of Laboratory Analyst as curriculum based qualification for the empowerment of industry with this strategically decided upon learning intervention

Design and develop the curriculum for Laboratory Analyst

The first step - the design of the occupational profile - has been completed. The appointed Constituency Group (CG), having access to Communities of Expert Practitioners (CEP) ought to consider this before a Qualification Development Practitioner (QDP) can start developing the required documents for the curriculum (Qualification Document; Curriculum Document and Qualification Assessment Specifications).

Such a CG was appointed by the Dairy Chamber and invitations were made (by the SETA) to other Chambers to join the process. Nothing realised. QCTO enquired why the Food sector did not join up with the development process for a 'similar' qualification by the Chemical industries. This was investigated and found to be far removed from the requirements of the FoodBev sector, and consequently rejected.

A new approach from SETA – as advised for consideration by QCTO – was to either perform a repackaging of the existing unit standards based Laboratory Analyst qualification, along the lines of a curriculum model, or perform the lengthy analysis and round-robin approval process. A position (possible design) paper was submitted to the Chamber members and the relevant ETQA personnel at SETA in pursuance of the former approach.

The following goals have not commenced yet, which were re-scheduled for the fourth quarter, should a curriculum design be approved – which did not happen as result of SETA not providing feedback on

the provisional design, whilst the expansion of the existing quality management system (Dairyman) to include (both Milk Reception Operator and) Laboratory Analyst can only commence once the required documents depicting the curriculum are complete and will probably only happen in 2018:

- Review and repackaging of learning materials for Laboratory Analyst to suit the curriculum based approach to learning.
- Development of assessment tools for Laboratory Analyst.
- Identify and approve skills programmes (employable skills sets) for Laboratory Analyst as required by QCTO.
- Develop (along the lines of those for Dairyman) a quality management system for Laboratory Analyst.

The goal of "Pilot provision for Laboratory Analyst" was rescheduled for 2018.



Learner assessment

Rounding off the developments and implementation of the Milk Reception qualification, to empower industry with this strategically decided upon learning intervention

Develop (along the lines of Dairyman) a quality management system for Milk Reception.

Expansion of the quality management system (QMS) for Dairyman to include Milk Reception Operator has been initiated but can only be completed when the qualification has been registered. Nevertheless, draft additions to the QMS of Dairyman – where the same for Milk Reception and Laboratory Analyst will be inserted – have been developed.

Pilot provision (assessments per se, as tutorials and internal, formative assessments were planned and completed in 2016 – with one exception, but did not include external summative assessment, which was planned for 2017)

External assessment for at least one (of six) learner(s), which was envisaged for the fourth quarter, did not realize, despite efforts by the project manager. The same reason as applicable to Dairyman is valid in that QCTO has approved (preliminarily in the case of Milk Reception Operator) the curriculum, but the registration by SAQA has not taken place owing to the incapacity of the registration system to record a parent qualification with part-qualifications that are actually full qualifications in their own right.

The project made frequent enquiries into the process and offered as frequent advice on possible remedies to alleviate the delay. An option exists (but is not favoured by either QCTO or SAQA) that submissions in the form of multiple qualifications (10 for Dairyman) will have to be

made (instead of a parent qualification containing part-qualifications). The SETA declared itself ready to execute the latter option if it became a reality.

Continuation of rounding off the pilot study for the Dairyman qualification (with the aim of completion by March 2018 for learners who have made significant progress with their portfolios of evidence; the rest should be reconsidered for re-training commercially)

Performing the final exit moderation of Portfolios of Evidence and final external assessments of learners with significant progress in the Dairyman pilot study; and Reporting on results of final assessments to FoodBev SETA and obtaining QCTO certificates for learners in the Dairyman intervention

The 6 scheduled learners were all fully assessed (theory and practical, external summative assessments) and passed the grade comfortably. Two more learners who were previously (recently) assessed for practical execution in Butter Making, were eventually also assessed for the theory (final external summative) and both made the grade comfortably. The learners (three or four) who could be ready in the fourth quarter, could not be made available for assessment by the processing enterprise.

There is a drive in a number of participating enterprises to attempt to complete their learners' interventions, but only approximately half the learners who started out have completed (another 20-25% have been disengaged and may never complete). This is unsatisfactory, as the completion of learners will have to move into the next cycle of the scheme, which may not find acceptance in the planning.



Learner assessments



Special focus will be directed towards learners who have progressed significantly with their portfolios of evidence.

The project can only attempt to motivate learners, and it is known that the employers support them, but it seems that some learners do not have the drive to complete. Perhaps this can be resolved once the qualifications are registered and become available commercially. Records will be maintained for possible completion post the current scheme cycle, but to run concurrently with a commercial endeavour for new learners who are intended for at least Dairyman training in 2018. It is known that the private providers schedule the events in the training cycle and learners who do not keep up are de-registered - perhaps with a payback clause in the learning contract by the employer. This project does not have that leverage.

Skills Development (SD) and Dairy Technical services rendering (including renewal of qualifications due to expire)

- Continued participation in sector skills development forums • Dairy Chamber of SETA • Milk SA sub-committee for Secondary Industry Skills Development • Milk SA subcommittee for Primary Industry Skills Development • Milk SA (main) Advisory Committee on Transformation
- Monitoring and reporting on developments regarding relevant policies and Procedures.
- Continued participation in Dairy Technical Advisory Committees (e.g. CEP, DSA, SAMPRO and R&D committee of Milk SA)
- Full implementation of the Service Level Agreement (SLA) with FoodBev SETA for the Dairyman qualification (as already entered into but awaiting final registration of the curriculum).
- Promotion of Service Level Agreements (similar to those for Dairyman) with SETA in respect of the Milk Reception and Laboratory Analyst qualifications.

As far as possible, all scheduled meetings of Advisory Committees and forums of Milk SA were attended, as well as technical Advisory Committees (CEP) and the Dairy Chamber meeting (SETA). The full implementation of the Service Level Agreement (SLA) for Dairyman can only

take place once it is registered. A draft of the intended SLA in respect of Milk Reception has been compiled but not completed, as there was also a delay with its registration. Only an outline of insertions in respect of Laboratory Analyst has been compiled.

The non-registration (although submitted) of the Milk Reception Operator (part-) qualification, as well as non-development of Laboratory Analyst as a result of delays by SETA were setbacks. At the Dairy Chamber meeting of 9 October 2017, all the non-performances (attributable to lack of developments at SETA and higher authority levels) were tabled for resolution and full positive report back by ETQA staff on all outstanding issues was given. What was given was an undertaking to investigate (and escalate upwards if possible) these arrears at QCTO and SAQA.

Marketing of Skills Development

Total review and update of the dairy training website, to reflect newest learning materials and remove archaic contents.

The Dairy Training website has been reviewed and a list of improvements was submitted

to the Advisory Sub-committee meeting. Old newsletters will be removed, unit standard numbers which have changed need to be inserted, and quite a comprehensive number of changes are to be effected.

There is also the need for publishing used assessment theory questionnaires and answer sets in respect of final, external assessments for the curriculum based qualifications. It was approved by the advisory sub-committee at its meeting in the second quarter. There is a delay in effecting these changes as the owner of the IT business who also hosts the website passed away and the project is awaiting news as to the process from here on.

Continued conduct of exhibition and participation in SASDT annual symposium, to promote skills development and the products developed by the project. An exhibition was held at the SASDT symposium. It seems as if visitors to all the exhibitions have decreased significantly.

Office based advice and guidance service, plus promotion of learning materials available for different learning interventions.

Enquiries of a technical nature were mostly received from the Dairy Standard Agency, the Consumer Education Project of Milk SA and directly from processors.

Promotion of skills development in general and available formal learning materials, Coaching Manuals and utility thereof as orientation and job-readiness programmes in brief interventions and training aids by:

- Presentations at SAMPRO meetings (three per annum)
- Newsletters via the e-mail system of Milk SA (twice per annum)
- Articles in The Dairy Mail (quarterly) or Milk Essay (or both).

A contribution on the design basis for the Laboratory Analyst qualification was published in Milk Essay. Nothing further (as yet) has been planned. This will be discussed with the Editor and SAMPRO CEO for further direction.

Printing, packaging and provision of sample learning materials for accreditation

The FoodBev SETA requires all providers to submit copies of their learning materials for adjudication by subject matter experts (not SETA personnel). These include all printable guides for theory, practical skills, workplace experience, learning and internal and external assessments. Funds were allocated for this purpose.

Printing for the total Dairyman curriculum (10 specializations) as well as Liquid Dairy Raw Materials Reception Operator (abbr. title: Milk Reception Operator) has been completed and includes the following:

- Theory modules.
- Internal assessment questionnaires and model answer sets for all theory subjects.
- Practical modules.
- Internal assessment guide for practical performance.
- Workplace experience learning log book.
- Theory Finishing (preparatory) modules.

- Three summative (final, external) theory questionnaires (per specialization and for Milk Reception) and corresponding model answer sets.
- Summative (practical final, external) assessment guide (per specialization and for Milk Reception).

All printed resources have been filed with dividers, labels and indices, for easy recognition by whoever SETA appoints as adjudicator. The understanding has also been established that SETA will refer the adjudicator to the project manager for any enquiries on the resources.

The same as reported has not been done for the Food Laboratory Analyst. A provisional design for the Food Laboratory Analyst curriculum has, however, been submitted to SETA at their request, feedback on which is awaited.

The printed resources were delivered to SETA on 9 October 2017, when the project manager attended the Dairy Chamber meeting.

No feedback has as yet been received from SETA on any aspect of the above. At last enquiry, it was stated that no adjudication of the learning materials had been performed. This will be followed up at the first Dairy Chamber meeting of 2018 (not scheduled yet).

Evaluating the viability and determining the requirements of an e-learning dispensation for dairy technical training in the secondary dairy industry

Investigations into the requirements of an e-learning system were conducted by commissioning two different consultants who are known to successfully have designed, developed and deployed e-learning systems for technical training, to make presentations on the utility, design and possible resources of an e-learning system to the project. These consultants, of whom the contact details were sourced from Advisory Subcommittee members, are iTec and Siyandza. This was followed up with a request to both consultants to compile a report on the staged design and development of such a system starting from currently available resources that could develop, over a discreet

time frame, to an 'ideal' system, including investments by the project and users to deploy the system.

Investigations into the viability of such a system for dairy technical training were conducted by investigating the willingness of and preference for potential users of such a system, as additional to the involvement of on-site instruction. The potential users so involved are members of the Advisory Sub-committee who are dairy processors, plus a few additional dairy processors, and the investigation was done by way of personal contact by the project manager.

Feedback and reports from both the consultants have been received; an abridged report was compiled by the project manager, which were dispatched to potential users of such a system (including members of the Advisory sub-committee).

Some of the potential users (being dairy processors) have responded with unanimous agreement of the report compiled by the project manager, based on the elaborated reports from the consultants. These responses were made either by e-mail or telephonically. In broad terms the agreement is that an e-learning system is the way to go and the secondary dairy industry ought not to lag behind other industries. In fact, the view was promoted that a combined effort in this regard should be launched by the training dispensations of the primary and secondary dairy industries. Nothing (from the side of the secondary industry has been planned for 2018, as no appropriate budgetary allocation was made to cover initial activities to develop an e-learning system.

Priority audio-visual learning aid development

The development of two DVD resources (audio-visual) encompassing the tests conducted on milk, mainly - but not exclusively - at the stage of milk reception from bulk tankers, was conducted.

These tests are:

- Temperature determination.
- Alizarol test for protein stability and acid development/alkaline contamination Resazurin test for microbial activity.

- pH determination as indication of acid development/freshness.
- Titratable acidity as alternative method for determining acid development/freshness.
- Determining the presence or absence of antibiotics.
- Determination of added water by freezing point evaluation.
- Gross composition via Infrared (IR) analysis.
- Fat % determination via the Gerber method

A consultant previously used by role players in the Dairy Industry (MPO, Milk SA) was contracted after verbal clearance with the CEO of Milk SA, and planning was presented by way of:

- Arrangement of access to a dedicated laboratory within the dairy industry (Clover Central Laboratory, Clayville, Olifantsfontein);
- Recording guide, indicating the envisaged and expected scenery and performances to be recorded was compiled;
- Full script of narration to serve as audio component, including graphics to be used for explaining concepts, were developed by the project manager (a subject matter expert).

All necessary filming was performed with the project manager enacting the role of film director on-site. All recordings made were checked by the project manager for suitability.

Complete direction guides and narration ('story books') were developed, with graphics required for explanation of concepts where needed. Narration has been recorded as performed by the project manager. Performance clips and narration, including exhibition of graphics, have been combined. Final products have been submitted to the host dairy processor (as agreed upon) for approval prior to release, and they have expressed their satisfaction with the results.

The project was completed as planned. The final product was displayed to the Quality Manager of the host Laboratory, who expressed satisfaction with the end product. The audio visual resource is ready for use.



7.6 Project title: Enterprise Development, Facilitation and Coordination

Responsible Institution: Milk SA
Project Manager: Godfrey Rathogwa (Transformation Manager of Milk SA)

Experts address knowledge and skills gaps of 20 black dairy enterprises for improved enterprise

The total number of participants who attended learning sessions was 89, comprising 14 farmers and 65 farm assistants. The theme of the workshops was "Enterprise Culture, Productivity, Efficiency and Quality Products / Services = Competitiveness and Sustainability". Workshops were conducted in Free State, Kwazulu-Natal and North West Province.

The following aspects were covered during the workshops:

- Milk SA's role in dairy development and transformation programme activities.
- Fodder flow planning.
- Feeding dairy cattle for profitability.
- Strategies to support survival, competitiveness and sustainability of black dairy enterprises
- Factors influencing milk price
- Competitiveness in a global dairy market.
- Breeding dairy herd for productivity and profitability.
- Small dairy enterprise, health and legal compliance

Critical needs of existing black dairy enterprises - knowledge and skills development, supply of affordable assets, etc.

During the period under review milking machines were assessed by an expert and challenges addressed by replacing some parts. The buyer of milk in Free State showed farmers the negative impact of dysfunctional milking machines on the quality of milk and the price paid for milk. Farmers were advised to ensure that their

milking machines were maintained regularly to prevent loss of income due to poor quality milk resulting from milking machines not maintained regularly. Further achievements are the following:

- Farmers were subsidized by 50% of the cost of lucerne and dairy meal in order to boost milk production. This subsidy had a positive impact on the milk produced per cow compared with milk production before intervention.
- A total of 225 pregnant heifers were delivered and shared among sixteen farmers. These animals were subsidized by Milk SA with 60% of the total cost.
- One new potential project beneficiary was identified and contract signed.
- 51 new permanent and 53 seasonal jobs were created during the year under review.
- There were 546 cows in milk during the period under review against a target of 340.
- 2 083 009 litres of milk were delivered to the buyers during the period under review against a target of 459 000 litres of milk.
- Three visits per farmer, in addition to group meetings, were undertaken during the year under review and each enterprise performance was assessed, corrective measures taken and future plans discussed.



Internal Management Committee
on Transformation

- An independent project performance assessor started to conduct the job and visited some project beneficiaries.
- An annual project audit conducted by *Faure Bosman* was delivered to the Jobs Fund.
- Queries raised by Rossal 98 Auditors appointed by the Jobs Fund to audit the project from inception up to the time of visiting farms, were responded to.

Each dairy entrepreneur's herd is assessed by a private veterinarian at least twice per year regarding pregnancy status and general health to ensure good health, acceptable calving intervals and productivity

The private veterinarians visited some farmers in Kwazulu-Natal and Free State Province. During these farm visits, pregnancy status and fertility tests were conducted. Farmers were advised on the remedial actions depending on the challenges experienced during the farm visits. Post-mortems were also conducted where animals died. The concern of all the veterinarians was proper record keeping, especially using a computerised system, in order to improve management of the enterprises.

Farmers were advised to keep separate record keeping books for each aspect of management - animal treatment book, milking records, pregnancy results, feeding results, etc.

Participate in four Agricultural Marketing and Agro-Processing Forum meetings. The focus is on supporting small producers to find and market their produce profitably. During the year under review, only one Marketing Forum for Agriculture, Forestry and Fisheries meeting was attended due to a clash of dates with the Milk SA schedule. The meeting was held at Port Shepstone, Kwa-Zulu-Natal.

Some of the aspects discussed and relevant to MilkSA are:

Benchmarking of SA-GAP against Global-GAP

The benchmarking of SA-GAP against the Global GAP was presented by Mrs Christi Venter from the Global GAP. It was reported that PPECB had already shared their standards with the Global GAP as a way forward to harmonization. The presentation highlighted the categories, criteria and possibilities of benchmarking.

- Benchmarking is important to avoid duplications and the minimum duration is 26 weeks for initial applications and 20 weeks for re-benchmarking. Once



Assessment of fodder flow •
Members of Milk SA's Management Committee visiting a dairy farm



there is a benchmarking process, all parties need to fulfil requirements for accreditation;

- Two main categories of benchmarking: Approved Modified Checklist-equivalent (where Global GAP think SA GAP qualifies) and Scheme;
- The Global GAP proposed another route for SA GAP to create its own rules in order to also qualify for Scheme benchmarking;
- There are two approved standards: Current Equivalent Scheme & Current Equivalent Approved Modified Checklist;
- Cost for initial application is 2 500 Euro (covers the whole process including on site assessment);
- Annual Base Administration fee after recognition is 4 000 Euro for checklists / 6 000 Euro for schemes (includes free of charge re-benchmarking);
- For consideration: Certification Bodies required to be accredited (ISO 17 065) and open to any certification body that complies with Global GAP, General regulations;
- Possibility: Technical equivalent covered under benchmarking: Produce Safety Standards (focus on food safety); and
- Group certification with quality management system is proposed to cater for small scale farmers in Global GAP.

Decision/s:

- Global GAP would send the Marketing Forum secretariat a document which highlights Global GAP rules;
- The Chairperson of the Forum would make a final decision on 14 December 2017 in Cape Town and further indicated that he would like to invite the Global GAP to the meeting;
- The Global GAP should also start working towards Livestock GAP.

Report on the review of the Marketing Information System (MIS)

The report on the review of the Marketing Information System (MIS) was presented by Mr Douglas Moses and the following were noted:

- Only 15 questionnaires on the user opinion of MIS were received from the members of the Forum;
- The benchmarking of the MIS with other related systems in other countries was done by DAFF;

- The Chairperson raised a concern that the presentation lacked comments provided on the report by the Directorate: Marketing, which needed to be highlighted to avoid repetition from the Forum.

Decisions:

- Members were encouraged to read and send comments on the MIS review report to DAFF;
- It was indicated that DAFF should put pressure on the contacts people provided by CGA –GDC to provide international citrus prices for publication on the MIS;
- Milk SA indicated that they would provide contact details for relevant people who would provide reliable milk prices to DAFF for publishing on the MIS;
- DAFF would organize meetings to engage commodity associations in order to get their views and inputs regarding the MIS.
- DAFF should consider undertaking awareness campaigns on MIS during farmers' day meetings which take place throughout the year.

The Tourism BEE Portal & roll out of the awareness campaign

Presentation on the update of the Tourism B-BBEE portal was focussed on linkages with the Department of Agriculture. The portal was made live on the first week of October 2017 and launched by the Minister of Tourism on 30 October 2017. The portal can be found at the www.tourism.gov.za.

- The National Department of Tourism (NDT) had already registered 1 000 black owned SMEs and in depth due diligence of 12 000 SABS accredited enterprises was underway;
- Awareness was conducted to SAACI, ASATA, SABOA, and FEDHASA regarding their buyers of the portal;
- For agriculture, communication took place with PSA, VKB Agriculture and CGA-GDC;
- Awareness to suppliers would be separated from the one with buyers;
- The majority of agricultural associations would be engaged between January and February 2018.

Decision /s:

- The Chairperson would address the issue of the

PPECB farmer database;

- The Deciduous fruit development chamber should be added to the list of agricultural producer associations;
- The NDT was requested to share their agricultural awareness campaign with DAFF in order to co-visit the stakeholders;
- The CGA-GDC would meet the NDT in the last week of November 2017.

Assess black dairy development in each province at least once per year

During the period under review, Western Cape Province was engaged regarding black dairy enterprises in the province. It was learnt that there were no new dairy development initiatives because the Department of Rural Development and Land Reform was not releasing land for dairy development.

Efforts to visit other provinces were not successful but farmers were telephoned by using the Milk SA data base to verify if such enterprises were still active. Some provinces do not like engagement; perhaps because there is nothing tangible to show.

Conduct two seminars for project beneficiaries and other relevant stakeholders to improve their knowledge, skills and competencies

Three workshops were held in Free State, Kwazulu-Natal and North West to address knowledge, skills and competencies of project beneficiaries and their enterprises' assistants.

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

Responsible Institution: Dairy Standard Agency NPC
Project Manager: Jompie Burger

National milk monitoring programme in collaboration with Health Authorities

The quarterly sample runs for 2017 were successfully completed as per predetermined schedules with a total number of 2 324 samples of milk and other dairy products analysed according to the respective legal standards. Based on four cycles, an average of six Metropolitan Municipalities, 12 District Municipalities and 56 Local Municipalities participated in the sampling runs representing all provinces.

As per procedure, results of all milk and other dairy products were benchmarked against food safety, compositional and trade metrology standards as per regulation. In the cutback environment that government operates in, the expertise needed to regulate was often lacking or too expensive to obtain.

The Dairy Standard Agency (DSA), in terms of its project protocol and relationships with the relevant authorities,

continuously worked with the relevant law enforcement bodies and provided support through dairy technical information, workshops and guideline documents to limit the sale of non-conforming products.

Investigation regarding complaints received in respect of product compliance with legal requirements

This involved the investigation of complaints related to sub-standard microbiological quality of milk, product composition deviances in milk and other dairy products, as well as possible adulteration of heat treated milk. A total of 18 complaints were received and investigated. *Prima facie* complaints were subsequently communicated to the authorities for the purpose of statutory intervention.



Special Investigations

Special investigations conducted followed on the work initiated in 2016. Investigations focussed on adulteration and reconstitution of milk sold as UHT milk, Aflatoxin M1 in fresh milk, product compositional and metrology deviations, as well as fraudulent and misleading claims.

Risk identification through statistical analysis

DSA compiled comprehensive statistical reports following the completion of each quarterly cycle. The reports were interpreted to determine possible industry specific food safety risks. All three cycle results indicating non-conformances were subsequently communicated to the respective health authorities. International food risk monitoring was done by the weekly monitoring of 18 food safety related websites.

Following the results of samples analysed as per Project 1 841, test result reports were disseminated to the participating health authorities. The National substandard status of raw milk in the retail as well as retail bulk milk, did not vary significantly from 2016 which remained a strategic focus point in the project work of the DSA during 2017. The severe situation of Listeriosis was closely monitored resulting in milk sampling programmes initiated in the fourth quarter of 2017.



DSA on the move

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

All non-conforming results obtained through analysis of samples submitted by EHPs were communicated to processors and PDs by post or e-mail as well as via EHPs. Remedial action programmes with producer-distributors (PDs) and distributors played a significant role with specific reference to assistance to small / medium dairy enterprises - in many cases not linked to the normal communication network of the organized dairy industry.

The relationships between DSA and the respective authorities are of great importance in terms of this project, and DSA continued to facilitate statutory measures where possible. Expansion of the activities of this project was considered a priority in terms of the DSA 2017 strategic approach, as the role of DSA as industry self-regulatory initiative is increasingly acknowledged by government departments and other stakeholders. A total of 257 facilities were visited in the nine provinces.

Communication with authorities and other organisations

DSA continued to establish and maintain proper strategic relationships and communication channels with the respective government departments and industry related organisations during 2017. Interaction and engagement with the relevant official / s from the respective government departments to assist in problem solving proved to be successful in resolving regulatory disputes.

Interaction with industry stakeholders continued with the dissemination of regulatory and other dairy technological information to the organised dairy industry. Communication with other organizations included Milk SA and Milk SA Advisory Committee meetings on which it served, MPO and SAMPRO, the Consumer Goods Council of SA, IDF and SANCIDF, SA National Consumer Union, SA Society for Dairy Technology, SA Association for Food Science and Technology, nine different tertiary institutions and the SA Institute for Environmental Health.

Liaison on legislation with authorities

DSA liaised with the respective authorities regarding regulations and standards published under the following acts:

Foodstuffs, Cosmetics and Disinfectants Act, Agricultural Product Standards Act, Animal Diseases Act and the Trade Metrology Act. DSA also served on four different technical committees of SABS and participated in the establishment and maintenance of non-compulsory South African National Standards as well as compulsory South African National Standards. All relevant information relating to legislative matters was communicated to the Milk SA Advisory Committee on Dairy Standards and Regulations, for communication and discussion purposes.

Information and education project

DSA presented information sessions based on the DSA Code of Practice and related guideline materials to professional EHPs as well as student EHPs, on a national level, at nine tertiary institutions. 293 students were reached through this project. DSA also served as a member of the Advisory Committee of the Department of Health at the Tshwane University of Technology, as well as the Nelson Mandela Metropolitan University. Two presentations at Provincial level, four Environmental Health symposiums and one successful workshop with professional EHPs at the Kouga Municipality took place.

Media communication

DSA signed contractual agreements with *Veep laas* and Agri Connect. Project work resulted in seven advertisements, six advertorials, three talks on national radio stations, two *Milk Essay* booklet publications and a television broadcast.

Development of guideline documentation

The updated DSA Labelling Guide for Dairy Products in South Africa was completed and launched on the DSA website in the final quarter of 2016.

The following guideline documents were revised during 2017:

- DSA Retail Bulk Milk Guidelines.
- DSA Guidelines for the interpretation of quality problems in milk.
- DSA Code of Practice of the Secondary Industry.

Regulations and Standards Project of Milk SA

The Advisory Committee of the Regulations and Standards Project communicated electronically during 2017 and members participated in matters relating to proposed new and revised legislation and standards.

Investigation into the dairy industry's participation in the continuation and maintenance of the National Chemical Residue Monitor Programme (NCRCP)

A formal meeting with DAFF was held on 5 May 2017 and subsequent efforts from DAFF veterinary services included the following:

The dairy industry has been advised to consider the implementation of a split system where substances not allowed by the EU will not be used in production compartments in order for them to re-access the EU market (i.e. animals are maintained in closed systems and are not exposed to these substances.) The EU conducts regular audits of these systems to ensure that the necessary guarantees are in place. Such systems are more costly to develop and maintain and require full traceability throughout production.

A chemical residue identification list as per EU standards and programme has been drafted for the dairy industry and a cost estimate for the programme has been obtained from the ARC-OVI for a sampling plan based on EU requirements for the consideration of funding since the Directorate: VPH lacks the funds for this additional programme. The costing of the analytical programme is estimated at R1 425 550 excluding sampling and transport costs.

It was noted that the dairy industry's involvement in the National Chemical Residue Monitoring Programme would be limited to funding of analytical and transport costs as it is the task of DAFF as the competent authority to implement the programme, which includes the sampling protocol. Upon further discussions with the Directorate: VPH, concerns were raised that should industry participate in such a programme, what assurances would be given by DAFF that the programme would be maintained in such a manner as to comply with the minimum requirements to remain sustainable. Following a request to VPH regarding the involvement of the dairy industry in terms of supporting the National Chemical Residue Monitoring Programme, VPH responded that it was best to await the outcome of the DAFF proposed budget.

The matter was followed up in the fourth quarter but no formal meeting could be arranged regarding implementation of a programme to suit the needs of a National Chemical Residue Monitoring Programme and EU export requirements.

To continue support to the organised dairy industry in terms of compliance with food safety and product composition standards by providing legal and technical information through guideline documentation

The project was successfully completed during the second quarter of 2017. Three hundred copies of the DSA "Code of Practice for Milk Producers" and Milk hygiene checklist inserts were disseminated during the relevant 2017 project activities.

Completion of the investigation into the establishment of infrastructure regarding supply of standardized standards used for the calibration of laboratory equipment in the local dairy industry and reporting to Milk SA via the Regulations and Standards Project of Milk SA

Following the first industry meeting on 19 September 2017 in the Western Cape and the Technical Work

Group's establishment to assist in the development of a national survey, as well as a strategic approach for the development of an independent infrastructure to supply the needs of the South African dairy industry, the Technical Work Group held its meeting on 3 November 2017.

Ten Industry-completed surveys were received from major role players and processed for further discussion during the first quarter of 2018. Data obtained from the survey will be used to complete the strategy and business plan to Milk SA for consideration during the first quarter of 2018. Limited funds were utilised during the initial investigation into the establishment phase of the project. It is the view of DSA that funds not utilised during 2017 should be reallocated to this project to allow for the continuation and completion of this important work, as a collective issue of the organized dairy industry.

The overwhelming positive response by industry for the establishment of infrastructure regarding the supply of standardized standards used for the calibration of laboratory equipment in the local dairy industry, prompted the investigation to move forward with a more comprehensive project

proposal to Milk SA. Due to the extent and nature of the investigation, the established Technical Working Group could not complete its work towards the end of 2017. The work of the Technical Working Group is scheduled to continue in 2018 with the first formal meeting taking place on 20 March 2018, followed by a formal progress report and project business plan to the DSA Board and Milk SA for consideration in April 2018.

To identify specific possible fraudulent practices in milk and other dairy products of food safety and product compositional concern, determine the availability of specific analytical methods (where applicable to have the analytical methods developed by independent non-commercial laboratories) and testing of products

During the third and fourth quarter of 2017 the DSA conducted research in conjunction with experts and expert companies (national as well as international) specialising on the subject of continued food fraud resulting in an elimination process of methods of analysis. Although specific fraudulent practices are now listed, the focus remains on the continuation of further development and the establishment of internationally recognized analytical methods that would be affordable for use in the South African context.

Spectrophotometry technology was researched in order to identify and determine specific adulteration methods of milk and other dairy products. Test runs in collaboration with a well-known international supplier

of technology and national analytical laboratory were earmarked during Cycle 63 (October – December 2017) at no cost in order to:

- Determine if the technology can be effectively applied in order to identify adulteration;
- Be able to develop an extended software programme suitable for the South African dairy industry to effectively screen for abnormalities in dairy products with the assistance of a qualified Chemometrician (person who generates NIR calibrations).

Although specific fraudulent practices are now listed, the focus remains on the continuation of further development.





7.8 Project title: Consumer Education Project of Milk SA

Responsible institution: SA Milk Processors' Organization
Project Manager: Christine Leighton

Television and social media

The new social media campaign which includes the 'Go Guy', supports the television advertisements and was introduced on Facebook and other social media channels in October 2016.

Television broadcast schedule for 2017

The budget for television broadcast was increased from R 11 680 000 (PRJ-0137) by R 1 100 000, to R 12 780 000 with additional funds granted by Milk SA. The additional funds were used to increase the television broadcast bursts in July, October and December 2017. In 2017, five television bursts were executed.

In 2017 there were five television bursts:

Pool, Hammock and Ball					
TV Channels	Number of flightings per channel				
	January	April	July	October	December
ETV	19	36	41	24	17
SABC 1	22	69	49	35	31
SABC 2	8	26	18	14	9
SABC 3	1	4	4	7	7
DSTV Package	Package: 1-14 January Cartoon network, Trace Urban & Africa Magic Epic	Package: 1-14 April Ziyachisa package; Africa Magic epic; cartoon network	Package: 1-20 July Cartoon network, Boomerang, Ziyachisa package; Africa Magic epic	Package: 30/9 – 14/10 Cartoon network, Boomerang, Ziyachisa Zee world, MTV base and Trace Urban, Africa Magic epic	Package: 7/12-21/12 Cartoon network, Boomerang, Trace Urban, Africa Magic epic

Post campaign analysis

Targets for the advertisements broadcast in 2017 were:

TV Ads Flighted									
Target Markets	TV January 2017			TV April 2017			TV July 2017		
	ARs	Reach %	Frequency	ARs	Reach %	Frequency	ARs	Reach %	Frequency
Age 25-45/Mums/LSM 9-10 (planned)	144	37	3.9	239	45	5.3	274	61	4.5
Age 25-45/Mums/LSM 9-10 (actual)	136	37	3.7	301	58	5.3	290	53	5.5
Age 25-45/Mums/LSM 6-8 (planned)	272	60	4.6	553	70	7.9	540	57	7.2
Age 25-45/Mums/LSM 6-8 (actual)	322	64	5	659	76	8.6	630	74	8.5
Age 13-19/LSM 9-10 (planned)	68	39	2.3	166	44	3.8	198	47	4.2
Age 13-19/LSM 9-10 (actual)	88	31	2.9	208	47	4.6	203	46	4.4
Age 13-19/LSM 6-8 (planned)	262	57	4.6	472	69	6.8	504	70	7.2
Age 13-19/LSM 6-8 (actual)	250	57	4.4	591	68	8.8	534	73	7.3

TV Ads Flighted						
Target Markets	TV October 2017			TV December 2017		
	ARs	Reach %	Frequency	ARs	Reach %	Frequency
Age 25-45/Mums/LSM 9-10 (planned)	241	58	4.1	158	47	3.4
Age 25-45/Mums/LSM 9-10 (actual)	194	44	4.4	144	40	3.6
Age 25-45/Mums/LSM 6-8 (planned)	454	72	6.3	341	68	4.9
Age 25-45/Mums/LSM 6-8 (actual)	385	68	5.7	315	67	4.7
Age 13-19/LSM 9-10 (planned)	186	45	4.1	158	37	2.9
Age 13-19/LSM 9-10 (actual)	145	45	3.2	133	41	3.3
Age 13-19/LSM 6-8 (planned)	399	67	6	290	62	4.7
Age 13-19/LSM 6-8 (actual)	394	69	5.7	319	66	4.9

The television advertisements were launched in October 2016. The Audience Ratings (ARS) from October 2016 – December 2017 were 2 733 against LSM 6-8 teens with an average reach of 93% and a frequency of 29.4 times (television advertisements viewed per person). The ARS from October 2016 – December 2017 against LSM 6-8 mums were 2 688 with an average reach of 92% and a frequency of 29.3 times (television advertisements viewed per person).

The television advertisements can be viewed on YouTube, accessed from the microsite (www.dairygivesyougo.co.za) and the number of visits on YouTube since the launch of each television advertisement is:

TV Ad on YouTube	Pool	Hammock	Ball	TV Ad on Facebook	Pool	Hammock	Ball
Excl Go Guy: Oct 2016 – Dec 2017	75 938	58 214	31 497	Excluding GoGuy	From 28/11/16: 110 121	From 27/3/17: 19 080	From 5/12/16: 61 023
Including Goguy from Aug 2017 to Dec 2017	101	51	32 017	Including GoGuy Nov 2016 – Dec 2017	16 917	12 449	7 561
Total Views	76 039	58 265	32 096	Total Views	127 038	31 529	68 584

Social media campaign for 2017 – 'The Dairy Go Team' videos and competition on social media

The 'Dairy Go Team' campaign is aimed at teenagers and was launched in October 2017. It engages with the target audience in a fresh way. The campaign communicates the many benefits of dairy through videos that are posted on the 'Dairy Gives You Go' Facebook page and website.

The 'Go Guy' is a very distinctive brand asset for Dairy who announced a competition in October 2016 and invited a 'dairy team' to help him spread the word about the benefits of dairy.

The Dairy Go Team videos consisted of three sporting characters that introduced three health benefits of dairy i.e.

- October 2017: Introductory video
- November 2017: Skateboarder: Introduced strong bones
- December 2017: School body builder: Introduced muscle recovery through dairy
- January 2018 Hockey player: Healthy teeth

The first video served as an introductory video and used 'Go Guy' to introduce the launch of the 'Dairy Go Team' campaign and competition on Facebook and explained to the online community asking them to share why they should

be part of the team, inviting them to engage with dairy.

The videos can be viewed on the Dairy Gives You Go Facebook page or on www.dairygivesyougo.co.za.

For this project, the Board of Directors of Milk SA approved that R120 000 be moved from the research budget to the digital production budget.

Video	Viewed on Facebook
Introductory video	26 305
Video: Strong bones/ skateboarder	31 715
Video: Strong teeth/Hockey player	1 502
Video: Recovery/ body builder	Not available yet

Television and social media campaign awards

The television and social media campaign was entered into the International Dairy Federation's (IDF) International Milk Promotion Groups (IMP) trophy and was elected as one of the three finalists. The winner was announced at the IDF-WDS in Belfast in October 2017. Norway won the trophy in 2017.

Dairy gives you go website (DGYG):

www.dairygivesyougo.co.za

The DGYG website targets teenagers and gives the health and nutritional benefits of dairy in infographic format. The DGYG website was redesigned in 2016 while maintaining the same format i.e. three themes and infographics. The website is continually monitored and updated when so required. There are three themes on the website:

- Every day: and the role of dairy
- Sport and dairy
- Strength: the benefits of dairy

The television advertisements, 'GoGuy' videos and 'tasty treats' can also be viewed on the website.

Website statistics for the period January to March 2017 inclusive.

▪ Sessions	1 013
▪ Users	689
▪ Page views	1 638
▪ Page/session	1,62

▪ Avg. Session Duration	1,02
▪ Bounce rate	73.84%

Website statistics for the period April to June 2017 are inclusive

▪ Sessions	688
▪ Users	538
▪ Page views	1 065
▪ Page/session	1,55
▪ Avg. Session Duration	00:01:07
▪ Bounce rate	75.44%

Website statistics for the period July - September 2017 are inclusive

▪ Sessions	889
▪ Users	766
▪ Page views	1345
▪ Page/session	1,73
▪ Avg. Session Duration	1,02
▪ Bounce rate	71,68

Website stats for the period October - December 2017 are inclusive

▪ Sessions	688
▪ Users	552
▪ Page views	1300
▪ Page/session	1,91
▪ Avg. Session Duration	1:09
▪ Bounce rate	67,07

The most popular relevant keywords used which resulted in visits to the 'dairy gives you go' website are:

- dairy gives you go advert
- dairy gives you go
- dairy gives u
- dairy
- dairy advert
- dairy gives you
- dairy gives you go - hammock

Digital advertising

A digital advertising campaign was implemented to carry the messages of the campaign and to promote the microsite and the Facebook page. The banners appeared on social media sites visited by teenagers,

such as YouTube and Facebook. Five main bursts are planned for 2017 to coincide with the broadcast dates of the television advertisements. Facebook-promoted posts, Google search and Google display network run throughout the year (monthly).

- The new concept of the 'Go-Guy', which was introduced to Facebook in October 2016, has the purpose to create content for the 'DGYG' Facebook page.

- 'Tasty Treats' have been introduced to the Facebook. These are videos of quick, fun and simple recipes with dairy products.
- For this period, three 'Tasty Treats' videos were developed. The 'Tasty Treats' videos supported the 'Dairy team' videos and different smoothies were developed using milk, yoghurt or maas. The 'Tasty Treats' can be viewed on the DGYG web page and the 'rediscoverdairy' website.

Month 2017	Tasty Tuesday Treat	Views
February	Spicy Chicken Cheese Taco's	9 460
February/March	Chocolate panacotta	2 311
April	Easter explosion	18 187
May	No bake oreo cheesecake	14 255
June	Cherry Tomato & Mozzarella Pasta	1495
July	Breakfast Cup	57 249
August	Cinnamon French toast	384
September	Mexican omelet	18 270
October	No tasty treat	
November	Green Machine Protein Shake	10793
December	Berry blaze protein shake (recent)	183

Facebook: dairy gives you go (DGYG)

The DGYG Facebook page posts four new messages on the Facebook page per week. The information posted is grouped into four different segments i.e.

- Benefit driven posts
- Engagement themed posts
- Campaign engagement content
- Community driven posts

Analytics related to the Facebook page for this period

Facebook video views are inclusive of all video content namely television advertisements plus 'Go Guy', the 'dairy team' videos and the 'Tasty Treats' videos. The following table presents the analytics with regard to the interaction of visitors with the information posted on the DGYG Facebook Page. Targets and budgets are set per month and a digital report is generated monthly. The performance is closely monitored against the set targets and the social media performance either met, or exceeded the set targets. The DGYG Facebook page reached 50 000 'likes' in March 2017. The following table presents the analytics results for the Dairy gives you go Facebook page:

	January - March	April - June	July - September	October - December
Analytics	Number	Number	Number	Number
New Fans	2 087	2 289	1 826	1 941
Total Page Likes	50 318	52 639	54 009	54 945
Total Impressions	1 112 930	891 514	4 144 557	2 014 797
Total Reach	918 092	789 781	3 275 550	71 673
Total Video Views	43 839	52 428		98 094
YouTube Views	267	91		447

	January - March	April - June	July - September	October - December
Facebook Views (3 seconds or more)	43 572	52 070		
Facebook Views (10 seconds or more)	25 865	14 690		
Competition Entries*	494	497		201

*Winners are identified twice monthly

Consumer print campaign

Promotional articles

Promotional articles are written for consumer publications and aim to expand on the key dairy nutrition and health messages by engaging with consumers in a creative manner. This element is ongoing and in 2017 the budget of R436 934.50 (PRJ-0137) was increased by R 100 000 (PRJ-0165) to R 536 934.50. In total the CEP published twelve printed advertorials in *Huisgenoot*, *DRUM*, *You*, *Kuier* and *Move*; participated in two Stokvel events, organized by *Move* publication; and published two digitorials for *Huisgenoot* and *Drum*, which included a Facebook promotion, twitter and newsletter blurb.

The additional budget allowed the CEP (Consumer Education Project) to publish four more advertorials in *Club X*, *Sports Club*, *Sowetan Soccer*, and one more digitorial for *DRUM* magazine. Two of the advertorials focused on the role of dairy in sport.

The following table presents the consumer print outputs:

Title	Publication	Date 2016
Milk Matters	Move!	30 March 2017
Stokvel presentation, KZN ¹		
The CEP presented the health benefits of dairy	Move!	25 March 2017
I can feel it in my bones	Move!	31 May
Choose milk as a sports drink	Sports Club	June issue
Choose milk as a sports drink	Sowetan Soccer	June issue
When it comes to nutrition Milk delivers!	Club X	June issue
The Dairy solution to Lactose Intolerance ²	DRUM Digital	1-31 July 2017
Die suiweloplossing tot lactose-intoleransie ²	Huisgenoot Digitaal	1-31 July 2017
Flavoured Milk – a firm favourite for your child's nutrition	Move!	26 July 2017
Stokvel presentation, Gauteng ¹		
The CEP presented the health benefits of dairy	Move!	5 August 2017
Gegeurde melk – 'n gunsteling in kindervoeding	Kuier	23 August 2017
Melk maak saak	Kuier	6 September 2017
Simply amazing Amasi	Move!	27 September 2017
Die regte keuse is koeimelk	Huisgenoot	26 October 2017
Get real with Cow's milk	DRUM & YOU	26 October 2017
Been gesondheid	Kuier	15 November 2017
Amasi is fantasies!	Kuier	13 December 2017

Stokvel:¹

The Stokvel presentations were aimed at opinion leaders of the target audience. Dairy's health and nutritional benefits were presented and positioned together with other prominent brands such as Avon, Bernina and AVBOB.

Digitorial on You and Drum website and Facebook pages²

The digital advertorial on Lactose intolerance appeared on both *Huisgenoot* and *DRUM* magazines' digital page for the whole month of July. It consisted of an infographic on Lactose intolerance as well as script on how to enjoy dairy in spite of lactose intolerance. The placement was boosted by Facebook posts on *Huisgenoot* and *DRUM*'s Facebook page (base copy and image with a link to the

advertorial and CEP's Facebook page). It was also advertised on the reader-sponsored newsletter and a Twitter message with an infographic/image and a link to the advertorial. The advertorial was further accompanied by two web banners and a top banner on the landing page. The banners also served as advertisement to the advertorial.

The results of the digital campaign were as follows:

- Total reach 349 904
- Total engagement 11 356
- Page views 4 114
- Facebook performance 324 906 with 10 941 likes,
shares and post clicks
- Twitter performance 6 716 impressions
and 74 engagements
- Newsletter performance 50 647 delivered with
8 154 opened and 267 click throughs
- Banner adverts 6 014 impressions
with 74 click throughs

Media liaison activity

Editorial information for consumer publications

The project provides editorial information to publications for use by the relevant editors at their own discretion. These articles are published at no cost to the Project.

Topic	Publication	Date
Healthy fats	Move magazine	30 March 2017
Keep your bones healthy and strong	Move magazine	31 May 2017
Reducing the risks of lifestyle diseases	Move magazine	27 September 2017

Trade publications

Trade publications such as *The Dairy Mail*, *Farm Link*, *Food and Beverage Reporter* and *Milk Essay* are considered as a vehicle to communicate with the dairy industry and the food industry respectively. Informative articles on the project and other relevant topics are published.

Publication	Title	Date 2017
Dairy Mail	Dairy makes the world go round	February
Dairy Mail	MMM is for milk	March
Dairy Mail	Say yes to cheese	March
Dairy Mail	Flavoured milk is good for children	May
Dairy Mail	The right start	June
Dairy Mail	Dairy is good for you	August
Milk Essay	Educating health promoters at government clinics	August/September
Dairy Mail	Milk and dairy: the art of recovery after sport	September
Dairy Mail	Celebrating milk in schools	December

Guidelines for healthy eating



Accompanied by a poster and bandouts

Teacher's Guide

• Easy to use • Colour coded • Complements the CAPS curriculum



An Initiative by the Consumer Education Project of Milk SA



Media liaison monitoring

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

Press Coverage	January – March 2017		April – June 2017		July – September 2017		October – December 2017	
	Number of articles published	Rand value	Number of articles published	Rand value	Number of articles published	Rand value	Number of articles published	Rand value
Consumer magazines	63	R 1 146 881,75	19	R 474 847,46	18	R 355 118,98	14	R 522,698.64
National newspapers	11	R 185 239,81	3	R 49 606,80	1	R 20 666,38	1	R 15,486.45
Regional press	50	R 421 263,95	28	R 273 141,76	12	R 141 980,79	20	R 202,694.76
Trade press	7	R 208 724,57	2	R 37 568,70	2	R 82 800,00	0	R 0.00
Online coverage	64	R 853 388,39	65	R 1 005 761,15	56	R 1 104 800,05	75	R 1,536,941.48
Health professional coverage	7	R 61 595,74	0	R 0,00	0	R 0,00	1	R 19,784.70
Radio			6	R 321 446,85	0	R 0,00	0	R 0.00
TOTAL COVERAGE	202	R 2 877 094,21	121	R 2 162 372,72	287	R 1 705 366,19	111	R 2,297,606.03

Consumer leaflets

There are four consumer leaflets and two leaflets for members of the dairy industry. These are intended to communicate health and nutrition messages to consumers. These leaflets (listed below) are valuable to members of the dairy industry to be used in their communication to consumers.

- Consumer leaflets
 - 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
- Two separate leaflets for the dairy industry under the umbrella title of 'Dairy: your health and performance' (previously titled: 'Know Your Product') with focus on:
 - Dairy essentials
 - Healthy bones healthy you

School curriculum

The school curriculum project is aimed at grades 1-7. It consists of two main themes i.e.

- 'From farm to fridge': grades 1-3
- A guide to healthy eating: grades 4-7

Each theme consists of a Teacher's guide, class posters, a factsheet and worksheets on each topic.

All posters and worksheets are available in English and Afrikaans. The school project and learning material are available on the website i.e. www.dairykids.co.za.

The teacher's guides are being revised and edited to condense the existing teacher's guides for grades 1-3 and grades 4-7, in order to reduce the cost to reproduce the teacher's guides in future. The teacher's guides

currently consist of 20 pages each and the CEP envisages it to be reduced to eight to 12 pages.

Although the revised teacher's guides will be available electronically (as are the existing teacher's guides) a limited number of hard copies are required for distribution to schools in low income regions, as these schools do not have adequate budgets to print copies at the school.

Advertorials are considered in school-related publications to increase awareness of the CEP school project among other educators.

Publication	Title	DATE 2017
The SA Schools Collection 2017	Learning material for teachers and learners by the Consumer Education Project of Milk SA	Annual publication April 2017
Trinity schools' publication	Flavoured milk can help children achieve their nutritional goals	September 2017

Worksheets for the website and E-Classroom website

Worksheets are developed and placed on the E-Classroom website, which is an independent website that carries worksheets for primary school teachers and learners. The website has been endorsed by the Department of Basic Education (DBE) for the E-learning section of the DBE's website. *Kyknets* has become one of the main sponsors of E-classroom, which creates more exposure. It is estimated that each worksheet downloaded from the E-Classroom website is used by at least sixty learners.

Number of downloads of worksheets downloaded from the E-Classroom website:

January	2 409
February	1 537
March	1 722
April	1 306
May	2 085
June	1 908
July	1 111
August	1 231
September	1 012
October	954
November	781
Dec	406

Total downloads for 2017 were 16 462

The topics of the worksheets that were downloaded most were (in no specific order)

- Importance of dairy in the diet
- Dairy diary
- From the farm to the fridge
- Healthy eating guideline
- Voedseldagboek
- Belang van suiwel in ons dieet

School Milk Day celebrations, 27 September 2017

A meeting was held on 22 May 2017 with MPO and the Department of Education to discuss World School Milk Day in September 2017. The CEP provided educational material for the events that were planned by DBE and MPO.

On 27, 28 and 29 September 2017, the CEP, MPO, DBE and six provincial education departments (Western Cape, Eastern Cape, Free State, Gauteng, KwaZulu-Natal and North West) participated in celebrating World School Milk Day with the theme "Dairy Gives You Go".

The aim of the celebration was to increase awareness and highlight the significance of milk in a balanced diet, where milk comes from and how it is processed, as well as the nutritional benefits and the importance of milk for growing children.

Milk, flavoured milk or *amasi* sponsored by milk processors was distributed to almost 6 500 learners

at participating schools. The eight schools in the six provinces were presented with learning material developed by CEP, to guide teachers and educate learners about the nutrition and health benefits of milk and other dairy products.

At the festive events at the schools, the learners celebrated milk with song, dance and rhymes. The highlight of the celebrations was the prize-giving ceremony where the winners of the dairy-themed pictures and colouring-in competitions received their prizes sponsored by MPO and various milk processors. The CEP attended activities at the following schools:

- **27 September 2017:** Groot Brak Rivier Primary School. The project coordinator and Mr Mahlangu attended the event and presented to the learners on 3-a-day-dairy.
- **28 September 2017:** Bloemfontein Primary School: The dietitian of the Project attended the activities and presented to the learners on 3-a-day-dairy.
- **28 September 2017:** Atteridgeville Primary School: Mr Mahlangu attended the activities and gave a presentation to the learners on 3-a-day-dairy
- **18 October 2017:** Coega Primary School in Port Elizabeth: Mr Mahlangu attended the activities and gave a presentation to the learners on 3-a-day-dairy



Distribution of school curriculum educational material developed by the CEP

On request, existing educational material for schools, as developed by the CEP, is distributed as set out below:

▪ Number of schools

School Milk Day: 8 Schools

▪ Products

Gr 1-3: Teacher's Guides x 42 • Posters x 60
Fact sheets x 3000 • Competition x 206

Gr 4-7: Teacher's Guides x 45 • Posters x150
Fact Sheets x 3500 • Competition x 206

▪ Dates

27 – 28 September 2017 • 18 October 2017

Audio visual for school project

An audio visual (AV) was produced for the school project in 2015 and is distributed to schools on an ongoing basis. The AV is based on the teacher's guide, 'A guide to healthy eating'. The AV is 2.4 minutes long, in animation format, in both English and Zulu. It is available for viewing on the www.rediscoverydairy.co.za website and on the www.dairykids.co.za website.

Rediscoverdairy / dairy kid's website

All the communication products related to the school project are available on this website (www.dairykids.co.za) and all the posters, teacher's guides, fact sheets and worksheets can be downloaded from the site. The website is also linked to the 'dairy gives you go' website.

Dairykids.co.za analytics for 2017						
	Users	Page views	Pages per session	% New visitor	% Bounce rate	Ave session duration
January	142	431	2,69	86,25	62,5	1:36
February	314	961	2,74	88,03	60,4	2:30
March	371	1159	2,83	89,02	60,98	2:24
April	245	751	2,7	87%	57,55%	2:12
May	251	779	2,1	83,70%	56,55%	2:01
June	253	728	2,65	84%	61,82%	2:10
July	200	500	2,19	90%	68,42%	1:39
August	197	493	2:11	89,00%	63,77%	1:44
September	201	502	2:15	86%	69,43%	1:29
October	286	920	2,96	90%	58,84%	2:37
November	265	878	2,17	84,02%	58,36%	2:01
December	98	249	2,2	84%	63,72%	2:08

'Rediscoverdairy' website downloads

The website gives information on the health and nutritional benefits of dairy and all educational material developed by the CEP is available on the website. The website is appropriately linked with other relevant organisations such as Milk SA, SAMPRO, MPO, the International Dairy Federation and the Global Dairy Platform. The website is maintained and new information is uploaded on a continual basis. The number of visits and time spent on the website remains constant.

Rediscoverdairy.co.za analytics for 2017. Total page views: 13 012 for 2017						
	Users	Page views	Pages per session	% New visitor	% Bounce rate	Ave session duration
January	402	712	1,57	85,68	76,65	1:16
February	430	1 025	2,01	80,94	75,83	2:11
March	488	895	1,66	88,48	77,51	1:11
April	564	851	1,37	88,10	84,54	0:58
May	576	1 008	1,56	86,20	79,07	1:17
June	588	879	1,46	81,10	77,89	1:12
July	578	1 174	1,71	80,44%	77,96%	1:23
August	589	1 266	1,91	82,32%	69,87%	1:34
September	601	1 241	1,87	80,90%	73,40%	1:31
October	665	1 471	1,78	77,86%	79,98%	1:38
November	633	1 549	1,55	74,59%	73,38%	1:27
December	131	941	1,21	65,43%	71,89%	1:39

Top 'dairy' search words for the 'rediscoverdairy' website

The following topics searched on google resulted in visits to the 'rediscoverdairy' website:

Top Searched words October – December 2017

October
• amasi drink • benefits of maas • composition of cheese • dairy and sports nutrition • dairy forum south africa • eating maas • how much fat does maas have • maas milk • zinc in inkomazi • the health benefits of maas milk
November
• dairy gives you go sprinter • composition of cheese • maas • the dairy 3 • dairy gives you go
December
three a day dairy • trace components in milk • nutrient composition dairy • composition of dairy products • benefits of maas

National nutrition week (NNW)

The NNW is an initiative by the Department of Health (DOH) and targets the population at large. It is an annual calendar event of DOH. The CEP participates in the event every year as it provides an opportunity to network with DOH and reach lower LSM groups across the country. NNW is scheduled to take place from 9-15 October 2017.

The theme for 2017 was: "Rethink your drink" within the context of the food-based dietary guidelines (FBDG) and since 2012, 'Have milk, maas or yoghurt' has been one of the eleven FBDGs.

CEP participated in a conference call with the Department of Health and other organizations also involved with NNW, that was held on:

- 30 March 2017 to discuss the theme and activities for 2017.
- 10 May 2017, discussion of key messages and support documentation.
- 26 June 2017 to discuss the infographic, and supporting documents.
- 21 September 2017: Presented an overview of the Project and discussed Nutrition Week proceedings.
- NNW took place the week of 9-15 October 2017. The website can be visited for detailed information regarding the theme: Re think you drink. <http://www.nutritionweek.co.za/NNW2017/>

Wellness activity

The Wellness Activity has a two-pronged approach:

- Educational presentations at government clinics and hospitals – communication targeted at consumers.
- Training of nutrition advisors and health promoters – communication targeted at health professionals.

Education at government clinics

Wellness activity for consumers 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 as a result of including dairy products in the daily diet. The project is aligned with the Department of Health's food-based dietary guideline urging consumers to 'have milk, maas or yoghurt every day'. The project entails an educational event that demonstrates not only the importance of dairy in the diet but also how dairy can easily be added to daily meals for added nutrient value, within a balanced diet. The project has proved to be successful and continues in 2017 in regions that were not reached during 2016.

Promotional material used in respect of the Wellness Activity

A leaflet and a poster, that explains the nutritional value of dairy products and advocate the goodness of adding dairy to the daily diet, were developed for this project. All the materials have been designed to meet the requirements of the target audience. A leaflet was produced to serve as a hand-out to consumers after the educational presentation. Copies of the poster are given to each clinic to keep for future use during educational activities.

List of promotional material developed by the project:

- Leaflets developed for the continuation of the project in 2015 were translated and printed in nine different African languages i.e. Afrikaans, English, Northern Sotho, Sotho, Tsonga, Tswana, Venda, Zulu and Xhosa.
- Poster with main message i.e. Have milk, maas or yoghurt every day
- Banners with the message:
 - Dairy is nutrient rich
 - Have milk, maas or yoghurt every day.
- 'Tear-drop' banner with the 'Dairy gives you go' logo.

To ensure successful uptake of the messages, CEP contracted Awuzwe Health Promotions, who is 100% BEE compliant and has a level 1 contributor status, to present the health messages at clinics and hospitals in the vernacular language of the local community. The dietitian of

the CEP 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.

Clinics and hospitals educated by Awuzwe

The table below presents the regions and number of clinics and hospitals visited during 2017.

Date	Region	Number of clinics	Number of hospitals
February	Gauteng / Ekurhuleni	50	-

Training of Nutrition Advisors and Health Promoters

Nutrition Advisors and Health Promoters are individuals with basic nutrition and health education who are employed by the Department of Health (DOH) and work in government clinics. The dietitian of the CEP trains the Nutrition Advisors and Health Promoters who, in turn, educate patients and visitors on an ongoing basis at their respective government clinics.

The key communication message is 'Have milk, maas or yoghurt every day' plus associated nutritional and health benefits of dairy. To ensure successful uptake of the messages, CEP makes use of Awuzwe, who specialize in communication with the target audience, to work in conjunction with the dietitian of the CEP, to present the health messages in the vernacular language of the local community.

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

- In 2017, this project ran in districts that were not previously visited. In 2016, 657 nutrition advisory and health promoters were trained.
- Leaflets that serve as hand-outs to patients and consumers visiting government clinics were updated and reprinted.

The training was conducted in March and April 2017 in the Northern Cape region; in June in the Free State and Eastern Cape and Northern Cape in September, as set out below. The Northern Cape regions were extended with the assistance of the additional budget obtained from PRJ-0165 for travel expenses of R30 000.

Training of Nutrition Advisors Health Promoters Department of Health		
Date	District/Dorp	Number trained
Northern Cape		
6 Mar	Pampierstad	39
7 Mar	Warrenton	39
8 Mar	Barkley West	35
9 Mar	Kimberley	48
10 Mar	Kimberley	26
3 Apr	Upington	24
4 Apr	Keimoes	32
5 Apr	Rietfontein	29
6 Apr	Postmasburg	43
7 Apr	Danielskuil	16
10 Apr	Kathu	28
11 Apr	Mothibistad	54
12 Apr	Mothibistad	42
11 Sep	Springbok	28
12 Sep	Pofadder	20
13 Sep	Port Nolloth	25
14 Sep	Gariep	27
15 Sep	Calvinia	25
TOTAL TRAINED NORTHERN CAPE		580
Eastern Cape		
28 Aug	Cetani	21
29 Aug	Thanga	45
30 Aug	Ndabakazi	23
31 Aug	Ngqamakwe	32
TOTAL TRAINED EASTERN CAPE		121
Free State		
7 Jun	Welkom	32
8 Jun	Mangaung	24
TOTAL TRAINED FREE STATE		56
SUMMARY:		
TOTAL TRAINED TO DATE IN 2017		757

Mystery observer study: Wellness activity

Measurement of the Wellness activity is being evaluated by means of a telephonic survey to establish the effectiveness of the use of the training materials by the trainees (Nutrition Advisors and Health Promoters). A pilot study was conducted in February 2017, followed by the actual survey which was completed in March 2017.

Results were presented on 12 July 2017. Two questionnaires were compiled for conducting interviews with health promoters in the Northern Cape and Free State provinces. Both open-ended and closed questions were included. Interviews were conducted telephonically in the respondent's preferred language at a time convenient to the respondent. Contact details of the respondents were obtained from a database supplied by the Consumer Education Project of Milk SA.

- Sample size: 56 respondents
- Training recall rate: 100%
- Results can be obtained from:
MQ Market Survey 2017, click on link below

<http://www.rediscoverdairy.co.za/home2015/about-cep-2/members-section/presentations-clips-and-research/>

Summary of results:

- 75% of respondents reported that they had received the Dairy Clinic tool and pamphlets for handouts, while 89% received the laminated visual aids.
- 84% indicated that the training material is most useful.

The training event and material were well understood and gave health promoters confidence to utilize the training tools when presenting the dairy message in front of people.

Audio visual for the wellness project

- The additional budget has allowed for the project to develop an educational video for the Wellness Project.
- The content of the video captures the lesson plan for Nutrition advisors and Health Promoters and is also suitable for higher grade school learners. The audio visual is titled: 'Why dairy is good for you'

- The five-minute long video was completed in November 2017 and can be viewed on the www.rediscoverydairy.co.za website or follow the link: https://www.youtube.com/watch?v=4GdfaYxry_8

The role of dairy in sport

Dairy Awareness at Premier League Hockey (PHL) for teenagers

The CEP identified an opportunity to promote dairy among young sports people, in particular school level hockey players. Hockey players can be lifetime consumers. They start playing very young, through high school, university, club level and onto a masters' level. This provides an opportunity to impact on a consumer at an early age and be with them along their hockey journey. Male and female consumers of different ages and races are targeted with the support of a strong development programme such as the PHL.

The PHL is a new tournament (second year running) and therefore it receives television broadcast coverage. SuperSport broadcast the tournament, maximising CEP exposure and providing educational communication opportunities, extending the communication messages from players to the public watching - to a national audience.

Dairy awareness at the PHL tournament

- The target audience was 15-19 years (29%) of mixed races - although other age groups also play hockey. All players must have provincial status in order to qualify for the PHL.
- Dairy awareness was created by the bill-board on the perimeter of the hockey field. This was also visible on television (SuperSport channel).
- Approximately 30 matches were played from 25 November – 12 December 2017.
- The dietitian, Nicki de Villiers, and the project coordinator attended the games and players were addressed by the dietitians and leaflets on the role of dairy in sports nutrition were distributed.

- The Project arranged for flavoured milk from different processors to be distributed to all the players throughout the tournament.
- The social media campaign on Facebook communicated the results.

Health professional print

Scientific advertorials

Scientific advertorials are written on new topics regarding nutrition, health and dairy. These are aimed at health professionals and are published accordingly in publications read by this target audience. Each advertorial is accompanied by a nutrition review article which is a more comprehensive technical document outlining the scientific justification of the advertorial.

Title	Publication	Date 2017
Can dairy products lower blood pressure?	Nursing Update	February
Brain health: the vital role of vitamin B12 in dairy	SAMJ	March
Dairy foods and cancer prevention	SAMJ	May
Why dairy is good for you	Nursing Update	May / June
Just add dairy	Nursing Update	June
Dairy and cancer prevention	Modern Medicine	July
Are plant-based beverages as good as cow's milk?	SAMJ	September
Dairy foods and cancer prevention	SAJCN	October
Are plant-based beverages as good as cow's milk?	ADSA Mailer	October
Amazi- simply amazing	Nursing update	November
Are plant-based beverages as good as cow's milk?	SAJCN	December

Nutrition Review articles

A nutrition review explores a new topic in dairy health and nutrition that warrants further investigation. The nutrition reviews allow for extensive and detailed information on a specific topic without a limitation on the number of words used. The nutrition reviews are posted on the www.rediscoverydairy.co.za website, under nutrition review menu item.

The following two reviews have been developed but not yet published.

Nutrition Reviews	Date 2017
A Review of Research to Determine if High-fat Cheese plays a Protective Role in Cardiovascular Disease and Metabolic Syndrome	March
Dairy and cancer prevention	May
Are Plant based beverages as good as cow's milk	July
The role of dairy in cardiovascular disease	November

Association for dietetics in South Africa (ADSA), presentations and hand-outs at ADSA events

As part of the Health Professional print campaign, the project creates awareness on the ADSA (www.adsa.org.za) website, especially to inform dietitians of the new information that appears on the 'rediscoverdairy' website and any new scientific information of dairy health and nutrition. The CEP also presents at the ADSA regional meetings. Specific topics for presentation purposes are requested from the CEP.

Titles of Presentations at ADSA CNE Events and List of Hand-Outs by the CEP	ADSA	Nr of People	Date 2017
Dairy and healthy snacking	Middelburg, ADSA	65	9 February
Project presentation and leaflets	North West University	80	26 May
So, what's in your milk?	Ermelo ADSA	35	31 May
Provided pamphlets, CPD article and DBN booklets for the delegate bags.			
The great debate: Dairy or not?	ADSA, Gauteng South	85	22 June
Provided 'dairy gives you go' congress bags and USB sticks	University of Free-state	120	22 June
Lactose and galactose: health benefits (Prof Corinna Walsh)	Stellenbosch University	150	31 June
Leaflets and CPD articles			

ADSA website liaison with dietitians			
World Milk day infographic	ADSA mailer		May 2017
Notification/ invitation to CNE event on 18 October	ADSA notice		August 2017
Are plant-based beverages as good as cow's milk?	ADSA mailer		October 2017

Clinics: educational material for health professionals

Dairy-based nutrition USB (Universal Serial Bus) tool

As part of the communication activities with dietitians, the Dairy-based nutrition USB tool, developed by the Project, is distributed to the 3rd and 4th 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 is the dairy-based nutrition booklet, sports booklet, advertorials, nutrition reviews and an overview of the project.

Distribution of the USB memory stick for this period

Name of institution	Number of students	Educational Presentation	Educational material handed out	Date 2017
University of KZN	24	Project presentation	Distributed USB tools	16 Feb
Nelson Mandela Metropolitan University	64	Project presentation	Distributed USB tools	17 Feb
University of Limpopo	80	Project presentation	Distributed USB tools	21 Feb
North West University	80	Project presentation	Distributed USB tools	8 Mar
University of the Free State	32	Project presentation	Distributed USB tools	17 Mar
University of Cape Town	17 students and 6 lecturers	Project presentation	Distributed USB tools	29 Mar
University of Western Cape	20 students and 1 lecturer	Project presentation	Distributed USB tools	30 Mar
University of Stellenbosch	36	Project presentation	Distributed USB tools	28 Jun
University of Pretoria	34	Project presentation	Distributed USB tools	21 Jul

Educational Tool

The A3 Educational Tool was developed by the Project for dietitians in provincial hospitals and clinics to educate patients on nutrition required during certain life stages. On an ongoing basis, the Dietitian of the project visits tertiary training hospitals throughout the country and presents the tool to the dietitians. Distribution of the Educational Tool was not planned for this period.

Name of institution/ Hospital	No of Dietitians	Educational Presentation	Educational Tool Handed Out	Date 2017
FREE STATE:				
• Universitas	9	Project presentation	5	9 June
• Nasionale hospitaal	5	Project presentation	3	9 June
• Palanomi	6	Project presentation	4	9 June
WESTERN CAPE:				
• Grootte Schuur	10	Project presentation	10	26 June
• Khayalitsha	4			
• Tygerberg hospitaal	19	Project presentation	15	27 June
• Rooikruis	6	Project presentation	6	30 June
Total	59		43	

Distribution of educational products that were requested:

As a result of the training at clinic level and visits to hospitals, requests were received for educational products developed by the CEP. These are posted as requested.

The following requests were received:

REQUEST RECEIVED	PRODUCTS DISTRIBUTED
Kimberley Primary schools <ul style="list-style-type: none"> • Kenneth Kouberg • Lerato Rooibaadtjie • Jeremiah Tebogo Mokalala 	<ul style="list-style-type: none"> • Clinic Educational tools x 3 • Fact Sheets for clinics • School programme grades 1-3 and grades 4-7

REQUEST RECEIVED	PRODUCTS DISTRIBUTED
<ul style="list-style-type: none"> • Welkom: Shirmonique Coetzee primary school • Thaba-Nchu: Noluvo Fathuse primary school 	<ul style="list-style-type: none"> • School programme grades 1-3 and grades 4-7 • Teachers Guide (grds 1-3) x 4 • Posters Farm to Fridge x 4 • Fact sheets Farm to Fridge x 800 • Teacher's guide: grades 4-7 x 4 • Posters (grades 4-7) x 4 • Fact sheets grades 4-7 x 800 • Materials posters x 4
<ul style="list-style-type: none"> • Red Cross Hospital, Western Cape 	<ul style="list-style-type: none"> • School programme grades 1-3 and grades 4-7 • Poster: Have milk, maas and yoghurt

Reprinting of educational material

The budget of R149 000 was increased by R220 000 to R369 000.

The following educational products were reprinted:

Budget code	Educational material reprinted	
PRJ-1037	A3 Training tool : 250	
	A5 handouts for clinics in: Afrikaans (5000), Venda (5000), English (15 000), Sesotho (10 000), Tsonga (10 000), Zulu (10 000) and Xhosa(10 000)	
PRJ - 0165	<ul style="list-style-type: none"> • A3 visual posters (1000 sets of 4) • A4 clinic training tool (1000) • Dairy gives you go delegate bags (1000) 	<ul style="list-style-type: none"> • Dairy gives you go Pens (9500) • Leaflets: Know your products 1 and 2 (1500 each)

Continuing professional development (CPD)

The CPD activity provides the project with an opportunity to communicate directly with one of the health professional target markets i.e. dietitians.

Articles are distributed at CNE events and dietitians complete the questionnaires in order to earn extra CPD points. Articles are also available on the www.rediscoverdairy.co.za website for dietitians to download and submit to the CEP for evaluation and allocation of CPD points.

Name of article	Date
Nutrient density: principles and evaluation tools	31 May 2017
Dairy foods and cancer prevention	30 June 2017

CPD article on the 'Rediscoverdairy' Website

A new menu item was introduced on the www.rediscoverdairy.co.za website for dietitians: CPD activity. Dietitians have to register on the website and then have access to peer reviewed articles. Eleven articles were identified, accreditation



obtained from authoritative bodies and posted on the website. Each article is accompanied by a questionnaire that must be completed by the dietitian in order to obtain CPD points. This menu item has been active since 1 September.

By end September 2017, 165 dietitians had registered.

Article no	Name of article	Total responses
1	Milk and Dairy products: good or bad for human health? An assessment of the totality of scientific evidence.	65
2	Dairy food and Cancer Prevention.	57
3	Case study: The Role of Milk in a Dietary Strategy to increase Muscle Mass and Improve Recovery in an Elite Sprint Kayaker.	25
4	A Comparison of the Nutritional Value of Cow's Milk and Non-dairy Beverages.	29
5	An introduction to the revised food-based dietary guidelines of South Africa including paper on 'Have milk maas or yogurt.'	25
6	Food consumption and the actual statistics of cardiovascular diseases: an epidemiological comparison of 42 European countries.	21
7	New strategies in sport to increase exercise performance.	18
8	Nutrient density: Principles and evaluation tools.	26
9	Whole dairy matrix or single nutrients in assessment of health effects: current evidence and knowledge gaps.	31
10	High intake of regular-fat cheese compared with reduced-fat cheese does not affect LDL cholesterol or risk markers of the metabolic syndrome: a randomized controlled survey.	24
11	Ethical challenges in Infant Feeding Research.	38

A total of 359 articles and related questionnaires were completed from September to December 2017.

CPD event planned for dietitians and nutritionists

Dairy Day: The project held a Continuing Nutrition Event (CNE) on 18 October 2017 at the Irene Farm. It was attended by 115 delegates, mostly registered dietitians.

The event was promoted by ADSA as a stand-alone notification.

The speakers were:

- Tushcka Rheynders: Are you milking your beverages for all they are worth: a view on plant based beverages.
- Prof Renee Blaauw: Research round-up: Dairy and cardiovascular disease.
- Rina Belcher: Let's get cheesy.
- Verity Price: learn to think differently and act on your ideas to ensure you achieve your goals.
- Prof Louise van den Bergh: Sizing up lactose in Milk and Dairy.
- Monique Piderit: The fermented food frenzy.
- CEP: Meet Amazi.

During the tea-break, smoothies prepared with Amazi and yogurt, were served. Lunch was served to all delegates. The delegates who were qualified dietitians received 5 CPD points for attendance and a certificate was issued to each dietitian.

This was the second time that the CEP presented a CNE event and it has gained popularity among dietitians.

On-line educational tool

The CEP has developed a menu item on the Dairy-gives-you-go (DGYG) website that will provide health conscious consumers the opportunity to find dairy related information in user friendly format. If the visitor / consumer is interested in more detailed information, they will be directed to the 'rediscoverdairy' website. The tool is titled: 'Ask Dairy' and will be promoted on mobile devices although it will also be on the 'Dairy Gives You Go' Website under the menu item: 'Ask Dairy.'

The purpose is to provide additional information about dairy to consumers in a user-friendly manner. Consumers can search for any topic on dairy by using the Google search engine, and be taken to the website. The on-line tool also makes information on the health and nutritional benefits of dairy and general information on dairy health and nutrition easily accessible at any time and place.

The on-line tool was reviewed by the Technical Advisory Committee of the CEP in April 2017. A small task-team was formed to develop the content for the on-line tool consisting of the project coordinator, the dietitian of the project and two members of the Technical Advisory Committee. The questions and answers document were evaluated by one of the members of the Technical Advisory Committee. There are 90 questions and each has a suitable answer and is referenced. The screening tool for dairy consumption i.e. calcium intake has been drafted and tested for ease of use on the website. The task team reviewed the prototype of the on-line tool on 4 December 2017 and made recommendations to the developers. The tool will be completed in the first quarter in 2018.

Technical Advisory Committee

Each year one meeting is held with the Technical Advisory Committee (TAC) and several consultations are held with individual members. The meeting was held on 31 March 2017 at the Office of SAMPRO.

- Seven of the nine members of the TAC attended.
- The project coordinator gave an overview of the progress of the project for 2016.
- The insights obtained from the Rotterdam IDF-WDS were shared with the TAC.
- The purpose and goals of the Nutrition Reviews were revisited and evaluated.
- The concept of developing an electronic information tool on the health and nutritional benefits of dairy was the main topic of discussion.

Research

Consumer research to measure attitudes, knowledge and usage of dairy among teenagers

The research to measure attitudes, knowledge and usage of dairy among teenagers, which was approved by the Management Committee of the CEP, was conducted in June 2017.

The facilitator's guide and questionnaire was developed and agreed upon by UNISA/BMR (Bureau of Market Research) in conjunction with the Office

Committee of the CEP, prior to the execution of the focus group discussions. A mixed method research approach was applied to gather data.

The target audience was:

- Age groups: 10-12 years; 13-17 years and 18-23 years.
- Typical middle-class teenagers and young adults from three major metropolitan and one peri-urban area in South Africa.
- Participants were recruited by a professional recruiting agency and facilitated by the UNISA BMR. The project coordinator attended the focus group discussions in Gauteng, KwaZulu-Natal and Western Cape.

Three research methods were applied:

- Qualitative – focus group discussions: Three age groups, four regions (total 10 groups).
- Quantitative – Self-Assessment Manikin: Three age groups, one region.
- Biometric research techniques: Three age groups; one region.

Results from focus group discussions are:

- Dairy is mostly associated with milk.
- No confusion that milk comes from cows.
- The most popular and often used dairy products include milk, cheese, yoghurt, and amazi (sour milk).
- Other products such as butter and cream were less popular and not always spontaneously mentioned.
- Amasi (sour milk) remains a favourite among lower income consumers. Sugar is often added to amasi to enhance the flavour.
- Butter was confused with margarine. Respondents used brand names of margarine, which clearly indicated the confusion.
- Although all participants drink milk, it is not often consumed as a stand-alone product and is usually combined with other products to enrich the taste, such as maize porridge.
- Milk is primarily consumed because of its nutritional value and ability to give energy.
- Parents mostly shared dairy related information with children from a very young age.

The full report can be viewed on: <http://www.rediscoverdairy.co.za/home2015/about-cep-2/members-section/presentations-clips-and-research/>

Survey among adults to test attitudes, knowledge and usage of dairy

This survey was conducted in electronic format during November 2017. The questionnaire was tested first to ensure all the questions were relevant to the study. The results are being analyzed and will be available by end January 2018 and will be included in the annual report.

Summary of participation in conferences and presentations by the project coordinator or the dietitian

- 9 February 2017: ADSA regional meeting, Middelburg. Dairy and healthy snacking. Presentation by the dietitian of the CEP.
- 9 May 2017: SA Society for Dairy Technologists, symposium. Kievitskroon, Pretoria. Project coordinator presented: The value of consumer education and interaction with the IDF.
- 26 May 2017: North West University, Potchefstroom. Project presentation by the project coordinator.
- 31 May 2017: Ermelo: ADSA. So, what's in your milk? Presentation by the dietitian of the CEP.
- 22 June: ADSA, Gauteng South. JHB Country Club. The great debate: Dairy or not? Presentation by the dietitian of the CEP.
- 28 June 2017: University of Stellenbosch, ADSA CNE. Lactose and galactose, health benefits. Presentation by Prof Corinna Walsch, member of the Technical Advisory Committee of CEP.
- 28 July 2017: University of Pretoria: Presentation to dietetics personnel: Overview of the Project.
- 21 July 2017: University of Pretoria: Presentation to dietetic students (34): Overview of the Project.
- 23 August 2017: Nestle Farmers Day, Mossel Bay: The project coordinator presented an overview of the project at the event.
- 26 September 2017: University of Pretoria: The dietitian of the project presented an overview of the role in dairy in the diet to the 4th year Food Science Students.
- 3-6 September 2017: SAAFOST 22nd Biennial International Congress and Exhibition; Century City Convention Centre, Cape Town. Project Coordinator attended and presented in the Dairy session:

Efforts to promote increased consumption of dairy are warranted: Driving dairy consumption through consumer education.

- Dr Friede Wenhold presented at SAAFOST congress on behalf of the CEP: Dairy and Cancer Prevention.
- 7 September 2017: ILSI (International Life Sciences Institute) Workshop: Century City Convention Centre, Cape Town. The dietitian of the project attended the workshop presented by ILSI, SA: 'Are South African consumers moving towards healthy eating?'
- 10 October 2017: The dietitian of the project presented the nutritional properties of dairy to the fourth year Agricultural students at the University of Pretoria; 32 students attended.
- 12-13 October 2017: MPO Agri Expo in Stellenbosch. 3 000 school learners attended the presentations by the dietitian of the Project.
- 20-24 October 2017: The dietitian of the project attended the Food and Nutrition Conference and Expo in Chicago. This trip was the result of a prize won by the dietitian from Nutrition Solutions.
- World Dairy Summit: International Dairy Federation held in Belfast, Northern Ireland from 29 October to 3 November 2017. The theme was 'Making a difference with dairy.'
 - The project coordinator and the dietitian of the Project attended the IDF-WDS, 27 October – 2 November 2017.
 - The project coordinator presented the Television and Social media campaign as part of the International Milk Promotion group (IMP) trophy award.
 - The project coordinator attended the IDF WDS business meetings for the Standing Committee of Marketing and chaired the IMP business meeting.
 - The dietitian of the project attended the business meetings of the Standing Committee of nutrition and health.
 - The dietitian of the project chaired one of the sessions of the Nutrition conference.

Poster presentations at IDF WDS (World Dairy Summit) 2017

- The project presented three posters at the IDF:
 - Effectiveness of a training initiative on "Have milk, maas or yoghurt every day": Maretha Vermaak and Christine Leighton

- An exploration of teenagers and young adults' attitudes and perceptions about dairy products: Christine Leighton and Prof Pierre Joubert
- Dairy and cancer prevention by Dr Wenhold
- 15 November 2017: ESADA. 13th African Dairy Conference and Exhibition held at the Birchwood Hotel & OR Tambo Conference Centre from 15 to 17 November 2017.
- The project coordinator gave a presentation on the Project at the event.

Consumer Goods Council of South Africa (CGC-SA)

The aim of the engagement is to consider a request from the Department of Health for support of their 'Healthy Food Options' initiative which consists of a national strategic plan for prevention and control of Non-Communicable Diseases (NCDs) in South Africa. The initiative gives high prominence to food products containing added sugar.

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

The CEP participated in a conference call which was held on 23 March 2017 to discuss progress on the regulation regarding advertising to children.

Global Dairy Platform (GDP) and International Milk Promotion (IMP) of the International Dairy Federation (IDF)

International milk promotion group, midyear meetings

The project coordinator was elected in 2016 as the chairperson of the International Milk Promotion group. During this period the project coordinator liaised with other members of IMP and planned and drafted the agenda for the mid-year meetings. The midyear meetings of IMP were held in Norway in June 2017. The project coordinator is the chairperson of IMP and attended and participated in the meetings.

The programme was as follows:

- 17 June 2017: Standing committee on Marketing meeting, Oslo, Norway
- 18 & 19 June 2017: Global Dairy Platform and IMP joint midyear meetings, Oslo, Norway
- 21 & 22 June 2016: IMP mid-year meetings, Bergen, Norway.

The project coordinator presented a case study and a trophy entry:

- Case Study: Dairy attitudes survey among health professionals.
- Trophy Entry: Dairy Gives You Go, television and social media campaign aimed at teenagers.

Standing Committee on Marketing

- The project coordinator attended the IDF WDS business meetings for the Standing Committee on Marketing and chaired the IMP business meeting.
- IDF-WDS, Belfast, October 2017: The project coordinator presented the Television and Social media campaign as part of the IMP trophy award during the marketing conference at the WDS.
- The trophy entry was one of the three finalists and the winner was announced at the IDF-WDS conference in Belfast in October 2017. The winner was Norway.
- The report on the IDF-WDS 2017 was submitted to the IDF National Committee.

Standing Committee on Nutrition and Health (SCNH)

The attendance of the dietitian at the SCNH midyear meetings was made possible with the assistance of the additional budget of R30 000.

The review on the Metabolism and Health effects of lactose and galactose was completed and two separate advertorials were finalized on lactose and galactose respectively. The articles were submitted for publishing in peer reviewed publications (Elsevier). The IDF has developed a fact sheet on lactose and galactose based on the work that was produced by the CEP. The fact-sheet, 'Galactose:

Separating fact from speculation¹ was published by the IDF on 23 March 2017.

Nutrition Reviews developed by the CEP were shared with the SCNH i.e.

- Plant based beverages.
- Dairy and Cancer prevention.

SCNH, Mid-year meetings

The dietitian of the Project attended and participated in the IDF SCNH's midyear meetings:

16 & 17 May 2017; Utrecht, Netherlands. A detailed report on the meeting was submitted to the IDF secretary.

IDF-WDS, Belfast, October 2017. The dietitian of the project attended the business meetings of the Standing Committee of Nutrition and Health at the WDS of IDF in Belfast in October 2017.

World milk day (WMD)

World Milk Day was held on 1 June 2017. The Project participated in WMD by developing an infographic on the health benefits of dairy. The infographic was distributed by email to all dietitians who are registered with ADSA. The infographic is also available on the www.rediscoverdairy.co.za website. The Dairy Gives You Go Facebook page posted nutrition and health posts on a daily basis during the week of 29 May to 2 June, including a competition to engage with consumers regarding WMD.



Dairy product labels

The CEP developed labels for use in all promotional material and websites of the CEP.

Labels were developed for:

- Milk (2L pasteurized and 1L long-life)
- Yoghurt (1L, 175g, 100g)
- Maas (2L, 500ml)
- Buttermilk (500ml)
- Powdered milk (1kg)
- Flavoured milk, drinking yoghurt and cheese (250g).

The products were photographed on 27 February 2017. A databank of photographs of different dairy products with the rediscoverdairy logo is available and can be used by the industry.

Rediscovery dairy newsletter

The first issue of the *Rediscover Dairy* newsletter was introduced in September 2017.

The purpose of the newsletter is to remind the industry about the CEP; highlight new products or messages and give a health message. The target audience is the Dairy industry, Milk SA, MPO and SAMPRO. It will be published three to four times a year in electronic format and emailed to a specific database.

The first newsletter covered: Plant based beverages; Protein in dairy; lactose intolerance; and cancer and dairy.

Rediscover Dairy: Edition 2	February 2018
Total Recipients:	229
Successful Deliveries:	214
Bounces:	15
Recipients Who Opened:	98 (45.8%)
Recipients Who Clicked:	27

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

Programme Manager: Dr Heinz Meissner

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

The mastitis R & D projects include a number of initiatives which can be further expanded and better coordinated. This was the intention of a highly successful workshop on mastitis which formed part of the SALHC 2017 proceedings of 4 to 7 June at the Champagne Sports Resort. At this occasion the different project members got to know each other, and together with a wider audience of Dairy Research Forum members, discussed cooperation and suggested facilities which could be shared.

Capacity building at the UP Onderstepoort Veterinary Faculty has been promoted to support research in parasite resistance, as both resistance to antibiotics and anthelmintics are being progressively experienced. In the longer term a Chair is envisaged but for the immediate need, a postdoctoral position has been created in collaboration with the Institute for Tropical Diseases in Belgium. A suitable candidate was identified in December and will start in March 2018.

Environmental sustainability including the climate change issue is a major priority. Together with an initiative at Agri SA to stimulate work on carbon storage and sequestration and an IDF-DSF initiative to monitor several metrics such as soil health, pollution, and water usage and quality on pasture-based systems, an R & D programme proposal by Milk SA and the University of Stellenbosch involving many co-workers has been put together. The title of the programme is

'Sustainability of Pasture-based Dairy Systems of the Eastern and South-eastern Coastal Areas of South Africa.

To guide the R&D programme by means of effective structural arrangements, administration and fund sourcing.



The structural arrangement to deal with the R & D portfolio which was put together in 2016, is working satisfactorily. The Dairy R&D Management Committee (MANCOM) which deals with day to day issues and advises the Dairy R&D Committee (DRDC), had official meetings on 17 February, 29 March, 15 May 2017 and 21 July and liaised informally on several occasions during the year. The DRDC met on 28 February, 18 April, 8 August and 8 November. The scheduled meeting in June was cancelled due to the SALHC 2017 but the Dairy Research Forum (DRF) met on 7 June during the Conference. At the meeting of the DRF which consists of prominent scientists in the industry, the Terms of Reference were again explained, ideas on research were shared and the 2018-2021 R&D Outlook, which was discussed at the 22 March meeting and updated following inputs by members, was tabled.

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

The Research Column and Dairy R&D in SA: The target of respectively scientific articles sourced from the international literature and SA scientific articles to be entered on the website is two per month – therefore 24 each for the year. The target was met. Some of the articles were also published in *The Dairy Mail* under the regular *Research Column* of the author.

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

During the course of the year, the Task Team at Agri SA's Commodity Chamber presented the position paper: "The Implications of a carbon tax and offset system for Agriculture in South Africa" to the DAFF (Department of Agriculture, Forestry & Fisheries), DEA (Department of Environmental Affairs) and National Treasury. The purpose was to illustrate Agriculture's commitment to reducing its carbon footprint, provide arguments why the Agricultural Sector should not be taxed, and argue the value of carbon offset programmes, including incentive schemes, in emphasizing carbon sequestration / storage as the way forward, since sequestration / storage in Agriculture has two to three times the potential compared to limiting GHG emissions in reducing Agriculture's carbon footprint. The relevance to the Dairy Industry is that if the recommendations of the author with regard to carbon storage and sequestration are accepted, the DEA may wish to financially support initiatives to that effect. [It is of significance that National Treasury with announcement of the Carbon Tax Bill on 14 December 2017, has exempted Agriculture from being taxed and with the discussions at National Treasury, the officials made the comment that it is unlikely that the position of Agriculture will be revisited in the next 10 years].

Comprehensive input was provided to a strategic document of the Animal Production Institute (API) of the ARC, called: "Dairy Science Research and Development Draft Strategy 2017-2019". As this document was developed without consulting the Dairy Industry, the author and DRDC members gave the opinion that the API should rather align with the R&D Outlook 2018-2021 of the industry, instead of developing a R&D strategy in isolation.

Comprehensive input was also provided on the DAFF 'Policy for the Sustainable Management of Veld (range) and Forage Resources in South Africa'. Effective management and improvement of forage resources is a priority R&D subject in the 2018-2021 R&D Outlook of the Dairy Industry.

Summarized report of progress with projects funded in 2017

Liver fluke (Fasciolosis)

Milk SA funds two projects to address the problem, a comprehensive investigation on farms in the Tsitsikamma area conducted by Dr Jan van Wyk of Onderstepoort as project leader and an investigation at UKZN on bio-control measures as alternative to drug treatment, the project leader being Prof Mark Laing, with post-doctoral assistant Dr Mawahib Ahmed being responsible. The titles of the projects are, respectively: *Fasciola hepatica: Impact on Dairy Production and Sustainable Management on Selected Farms in South Africa*, and *Biological Control of Liver fluke in Cattle*.

On-farm results have confirmed observations of dramatic differences in the importance of *Fasciola* prevalence between farms situated close together, to the extent of mean totals of respectively zero and about 40 of the intermediate hosts (*Lymnaea truncatula* and *L. columella*) per sampling site on two adjacent farms, as well as large differences between adjacent similar sampling sites per farm. Analysis of soil on these farms to understand why the differences occur included more than 50 components of soil, as well as measurements of water acidity and conductivity (calibrated in relation to water temperature), which are of extreme importance to snail survival and propagation.

Testing for the susceptibility of the intermediate hosts by PCR has also been initiated and is regarded as of crucial importance to the project, because molecular biological technology could be expected to lead to a practical approach to a relatively simplified quantification of the likelihood of muddy spots, and therefore farms harbouring the intermediate snail hosts and thus the occurrence of fasciolosis.

In order to enable PCR investigation of the intermediate host species of *Fasciola*, as well as the susceptibility of the intermediate hosts to infection with the *Fasciola* parasite, laboratory facilities have been established at Onderstepoort and isolates from two of the trial farms are being maintained in laboratory snail culture.

Experimental infection of the snails with the parasite is in preparation.

In the bio-control work, inhibition of the fluke and the intermediate host has been the target. The approach is to test inhibiting plant extracts and *Bacillus* species. The efficacy of Morgana (*Lilium* spp), Moringa (*Moringa oleifera*), Funnel and Lemon grass (*Cymbopogon* spp) was tested *in vitro* against fluke eggs using three different solvents at 20 % concentration. Results showed that both Morgana and the Moringa plant extract was 100% effective. With ethanol extraction, both pineapple (*Ananas comosus*) and Moringa showed strong ovicidal effects against the eggs of the liver fluke.

In the *Bacillus* work, 43 isolates have been tested against the *Lymnaea* host. Screening trials revealed possible interference with the reproduction of the snails. Two isolates may have had an effect in the delay of reproduction and another isolate may have had an effect in the inhibition of reproduction. The results, however, were inconclusive and further screening is required.

Mastitis

The studies are conducted within two funded projects, addressing the condition from several angles. The umbrella focus is the problem of possible antibiotic resistance which includes investigations to understand how farmers deal with mastitis; under what circumstances (environmental, managerial etc) does the condition thrive; the distribution of different mastitis-causing organisms and strains throughout the milk producing areas; and alternative prevention and treatment methodologies. Project leaders are Dr Martin van der Leek of Onderstepoort and Prof Mark Laing of UKZN; the responsible post-doctoral assistant being Dr Iona Basdew. The titles of the respective projects are: *Resistance to available antibiotics in lactating cows with mastitis*, and *Investigating alternative methods such as bacteriophages and bacteriocins to control mastitis organisms*.

With regard to the Van der Leek Project, the survey work and the work conducted for Masters studies are in the phase of statistical analysis or completion for thesis

purposes. Major input was made in communication at the 2017 Large Herds Conference (LHC) and at the World Dairy Summit (WDS) in Belfast. Survey results of farms were presented as posters at the LHC, topics being management in the parlour, general udder health, treatment of clinical mastitis, preventative and failure costs and farmer perceptions.

Scientific contributions include: *Streptococcus uberis: Prevalence and susceptibility patterns among dairy cows with clinical mastitis in selected farms in South Africa, and Antimicrobial susceptibility patterns of CNS species among dairy cows with clinical mastitis from selected herds in South Africa*. A poster was also presented on milking machine setting at the LHC, emphasizing the importance of teat liners in preserving teat integrity and udder health.

Presentations at the WDS were: *A survey of mastitis management practices on South African dairies, Preventive and Failure Costs of Mastitis in South Africa, and Effect of climatological factors on bulk tank somatic cell count (BTSCC) on South African dairies*. Furthermore, a paper was accepted for publication, the title being: 'Proactive udder health management in South Africa and monitoring of antibiotic resistance of *Staphylococcus aureus* in dairy herds from 2001 to 2010'.

At UKZN, a major objective is to build a gene bank of mastitis pathogens and bacteriophages to test against the pathogens. During 2017, a further six strains of *Staph. aureus* were added to the existing bank of 42 strains and a further four *Streptococcus uberis*, six *S. galactiae* and five *S. dysgalactiae* strains to the existing *Streptococcus* spp. bank.

The phage bank comprises 73 phages, with variable lytic ability against the Streptococci. Eight of these phages showed wide spectrum activity with lytic potential against *S. uberis*, *S. galactiae* and *S. dysgalactiae*, which is promising from a practical application point of view.

Laboratory protocols for large-scale production of phages for field trials have also been achieved. However, whereas the protocols are satisfactory to produce phage

stocks for field trials, it is by no means on an industrial / commercial level of production. This still requires major revision in order to mass produce the phages for herd applications. The bacteriocin aspects of the study at UKZN have been replaced with the use of bacillomycins from lactobacilli. This is still in the early stages of discovery involving extraction, efficacy testing and establishing the host range.

Milk flocculation

This requires studies at the cow feeding level, the bacterial contamination level and the enzymatic proteolytic level in milk. The cow feeding studies are done at Outeniqua, with project leader Prof Robin Meeske and the microbiological/biochemical studies at UFS with project leader Dr Koos Myburgh. The respective project titles are: *The effect of anion / cation difference and potassium content of the diet on heat stability of milk*, and *Further studies to determine the effect of proteolytic enzymes in raw milk on flocculation and gelation*.

In the study at Outeniqua, high potassium levels due to pasture fertilization were hypothesized as being contributory. Thus, K levels were progressively increased in the concentrate mix. The pasture grazed was of a high quality and contained a K content of 5.2%. With the supplementation, this resulted in a K content in the total diet of the cows on the high K treatment of more than 5%. The higher K levels in the diet significantly reduced the alcohol stability of the milk and also reduced the protein, lactose and MUN content in the milk.

The reduced milk protein of 0.2% on the high K treatment compared to the low K treatment may result in a R 0.20-R 0.30/L decrease in milk price depending on the milk buyer. The high K level also resulted in reduced milk Ca, K, P and Mg. The lower milk P content may partly explain the reduced protein stability of the milk as P linkages are present in the structure of casein micelles and are crucial to maintaining stability of milk protein.

The UFS studies investigated the effect of milk fat content on flocculation, the effect of high pressure

homogenization on the susceptibility of milk fat towards lipase attack, the inhibition of proteolytic activity by chemicals and the impact of various gases on the inhibition of milk flocculation. In the fat content study, the results showed that fat-free and low-fat milk were more susceptible to proteolytic attack when hydrolyzed by Bacillus enzyme than full-cream milk.

Also, when fat-free milk and low-fat milk were hydrolyzed by plasmin, they were more susceptible to proteolytic attack than full-cream milk. In the homogenization experiment the by-products of lipase hydrolysis (FFA) activated plasminogen to plasmin in both homogenized and un-homogenized milk in comparison to raw milk (control), although there was more enzyme activity in the un-homogenized raw milk.

The results furthermore showed that by homogenizing milk, the milk fat became more susceptible to lipase attack and the FFS activated plasminogen to plasmin. Chemicals had a huge impact on the reduction of proteolytic activity induced by either Bacillus enzyme or plasmin enzyme. When UHT fat-free milk was treated with the Bacillus enzyme, the addition of EDTA reduced the enzyme activity the most, followed by CaCl_2 , SHMP and Sodium citrate.

Moreover, when the milk was treated with plasmin enzyme, there was a more pronounced reduction in protease activity and the addition of SHMP reduced the enzyme activity the most followed by Sodium citrate, CaCl_2 , SHMP and lastly EDTA.

To study the effect of gas addition on flocculation, N_2 , CO_2 and helium were bubbled through respectively UHT fat-free milk, UHT full-cream milk and raw milk. In both UHT milks, gas decreased protease activity compared to control UHT milk. Also, when both gas-bubbled UHT milks were hydrolyzed by plasmin, the enzyme activity was decreased in comparison to UHT milk not gas-treated.

A similar result was found for the raw milk. In terms of ranking, the protease activity was decreased the most

by CO₂ followed by helium and then N₂. In the Bacillus protease study, when raw milk was hydrolyzed by the enzyme, the protease activity in CO₂ and helium-bubbled raw milk was decreased in comparison to control. However, surprisingly, N₂ stimulated the enzyme activity. Overall, although much work has still to be done, there are similarities, additivity and also distinctive characteristics, between the activity of bacterial protease and plasmin, but both play a significant role in milk flocculation / gelation.

Performance measurement in automatic milking systems (AMS)

The ultimate goal is to measure performance parameters over time using also historical data to establish trends and develop prediction models. A first requirement was to develop a template from the large database for easy analysis and interpretation which can be replicated in other investigations. This was the objective of the Masters study of Anton Gresse supervised by Prof Este van Marle-Köster of UP. The title of the project is: *Different approaches for analysis of production performance from automatic milking systems in SA.*

Two farmers were identified with comprehensive data sets, one in a pasture-based system and one in a TMR system. Historic herd performance data was extracted, data tables were constructed for statistical and trend analyses and a template developed as part of the Masters thesis. It is envisaged that the methodology used in the project will be suitable to be applied to analyze historic herd performance data of other AMS farmers.

**This report is available from the author at heinzmeissner@vodamail.co.za and the Milk SA website, click on 'Research' and then 'Dairy R & D in SA'*



AUDIT AND RISK COMMITTEE

ANNUAL REPORT

for the year ended 31 December 2017
presented to the members of
Milk South Africa on 14 June 2018



DH du Plessis
CHAIRMAN OF THE AUDIT
AND RISK COMMITTEE

1. Composition

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

- 1.2 During 2016 the committee consisted of the following persons:

▪ DH du Plessis CA(SA)	Independent chairman	Whole year
▪ HJ Du Plessis	SAMPRO	Whole year
▪ J Strydom	MPO	Whole year

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

▪ O Gush	SAMPRO	Whole year
▪ W Hartman	MPO	Whole year

2. Terms of office

- 2.1 A committee member is appointed for a term of three years.
- 2.2 After completion of a three-year term, the committee member is eligible for re-appointment.
- 2.3 The three-year terms of the members nominated by 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 2017 the positions were occupied 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 2017 financial year as well as an indication of the term for which the member served.
▪ Independent Chairman (DH du Plessis)	1 February 2016 to 31 January 2019	1 January to 31 December 2017 (First term).
▪ MPO (J Strydom)	1 July 2017 to 30 June 2020	1 January to 31 December 2017 (Second term).
▪ SAMPRO (HJ du Plessis)	1 July 2015 to 30 June 2018	1 January to 31 December 2017 (Second term)

3. Meetings

- 3.1 Meetings of the Audit and Risk Committee were held on the following dates during 2017:
 - 9 February 2017
 - 25 April 2017
 - 1 August 2017
 - 12 October 2017
- 3.2 All the members attended the meetings in person. The CEO also attended all the meetings.
- 3.3 The internal auditor, Mr Wicus van der Merwe from Medupe Risk Advisory Services (Pty) Ltd, attended all the meetings, except the meeting held on 25 April 2017.

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 charter;
- 4.2 The affairs of the committee were regulated in compliance with the charter; and
- 4.3 That all its responsibilities were discharged accordingly.

5. Activities

The following aspects were addressed by the committee:

- 5.1 Management statements.
- 5.2 Perusal of internal audit and inspection reports.
- 5.3 Contract for the internal auditor and inspector.
- 5.4 Annual financial statements.
- 5.5 External audit reports.
- 5.6 Risk management system.
- 5.7 Cash flow forecasts.
- 5.8 Levy debtor management, bad debts and provision for bad debts.
- 5.9 Processes followed regarding the decisions not to pursue the collection of potential levy income in respect of two role-players.
- 5.10 Policy on the calculation and accounting treatment of interest on unsettled levy income
- 5.11 Deregistrations.
- 5.12 Interviews with Internal auditor, External Auditor and Chief Executive Officer.
- 5.13 Budget for 2018.
- 5.14 Planning of internal audits for 2018.

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 Studied Statutory notices 1218, 1219 and 1220.
- 6.2 Studied the Terms of Reference of Audit & Risk Committee.
- 6.3 Studied the applicable sections of Companies Act.
- 6.4 Perusal of and feedback on monthly management reports.
- 6.5 Perusal of and feedback on the monthly cash flow forecast.
- 6.6 Perusal of and feedback on the 2016 annual financial statements.
- 6.7 Perusal of the minutes of the General meetings.
- 6.8 Perusal of the minutes of the Board meetings.
- 6.9 Perusal of Internal auditor's reports.
- 6.10 Perusal of inspection reports.
- 6.11 Perusal of External audit reports.
- 6.12 Discussions with the CEO on 6/2/2017, 21/4/2017, 15/5/2017, 25/7/2017, 22/8/2017, 20/9/2017 and 23/11/2017.
- 6.13 Meeting between the Audit & Risk Committee and the Executive Committee on 6/3/2017.
- 6.14 Discussions with the Internal auditor on 9/3/2017.
- 6.15 Meeting with the Chairman of the Board and the Internal auditor on 25/5/2017.
- 6.16 Meeting with representatives of the MPO on 6/2/2017.
- 6.17 Meetings with accountants (PwC) regarding financial reporting on 6/2/2017, 28/3/2017 and 22/8/2017.
- 6.18 Meeting with auditors (Fourie & Botha) on 4/5/2017.
- 6.19 Attended Board meetings on 13/3/2017, 30/5/2017, 27/9/2017 and 30/11/2017.
- 6.20 Attended Annual General Meeting on 31/5/2017 and 1/12/2017.
- 6.21 Assisted with the improvement of the summary of the monthly management reports.
- 6.22 Assisted with the development of a risk management framework.
- 6.23 Assisted with the improvement of the policy of interest on unsettled levy income.
- 6.24 Assisted with the improvement of the monthly cash flow forecast reports.
- 6.25 Assisted with the development of quarterly financial reports in respect of projects.

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
The Committee is satisfied that the assets of the company are adequately safeguarded.
- 7.2 Keeping sufficient accounting records
The firm PricewaterhouseCoopers Incorporated was contracted to perform this function.
- 7.3 Developing and maintaining an effective internal control system
 - The control system was designed to ensure that assets are safeguarded cost effectively and that liabilities and working capital are efficiently managed.
 - The Audit and Risk Committee is of the opinion that the internal controls are appropriate and cost effective.

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.

Signed in Pretoria on 22 May 2018 on behalf of the Audit and Risk Committee.



DH du Plessis CA(SA)



ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

General Information

Country of incorporation and domicile	Republic of South Africa
Nature of business and principal activities	Milk SA is a 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 ("MAP Act").
Current directors	<ul style="list-style-type: none"> ▪ Ms PH Adams ▪ ZM Gebeda ▪ FA Grobler ▪ Dr BS Jack-Pama (Chairman) ▪ AP Kraamwinkel ▪ GF Kuyler (Vice-Chairman) ▪ MJ Loubser ▪ AW Prinsloo ▪ MG Rathogwa ▪ Dr CJ van Dijk ▪ J van Heerden
Alternate director	AR Gutsche
Auditors	<ul style="list-style-type: none"> ▪ Auditor General ▪ Fourie & Botha Registered Auditors (Auditors i.t.o. the Companies Act)
Secretary	N Fouché
Company registration number	2002/032020/08
Level of assurance	These annual financial statements have been audited in compliance with International Standards on Auditing
Preparer	<p>The annual financial statements were independently compiled by:</p> <ul style="list-style-type: none"> ▪ L Claassens CA (SA) ▪ PricewaterhouseCoopers Inc ("PwC")



Index

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

- Directors' Responsibilities and Approval
- Independent Auditor's 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
- Research and Development Reserve Fund - Analysis of the Movement in Reserve Fund i.t.o. Clause 15(5)(a) of the Marketing of Agricultural Products Act
- Promoting Sustainable Commercialization 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
- Promoting Sustainable Commercialization of Existing Black Dairy Enterprises - Analysis of Movement in Commercialization Fund (Jobs Fund and Milk SA Contract)

Directors' Responsibilities and Approval

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

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

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

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

The directors have reviewed the company's cash flow forecast for the year to 31 December 2018 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 22 which have been prepared on the going concern basis, were approved by the board of directors on 13 June 2018 and were signed on its behalf by:



Director



Director



Chief Executive Officer

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Lynnwood, Pretoria 0081
Posbus 74960
Lynnwoodrif 0040
Tel: (012) 361 1172/3, 348 8184
Faks: (012) 348 9162
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Fourie + Botha

Geregistreeerde Ouditeure
Registered Auditors
Geoktrooleerde Rekenmeesters(SA)
Chartered Accountants (SA)

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

Qualified Opinion

We have audited the Annual Financial Statements of Milk South Africa NPC as set out on pages 79 to 94, which comprise the Statement of Financial Position as at 31 December 2017, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Annual Financial Statements, including a summary of significant accounting policies.

In our opinion, except for the effects for any adjustments that might have been necessary had the levy income referred to in the Basis of Qualified Opinion paragraph been verified, the Annual Financial Statements present fairly, in all material respects the financial position of Milk South Africa NPC as at 31 December 2017 and its cash flows for the year then ended, in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and in the manner required by the Companies Act of South Africa 71 of 2008.

Basis for Qualified Opinion

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.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditor's Code of Professional Conduct for Registered Auditors (IRBA Code) and other

independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standard Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act 71 of 2008, which we obtained prior to the date of this report. Other information does not include the Annual Financial Statements and our auditor's report thereon.

Our opinion, on the Annual Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of the directors for the Annual Financial Statements

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

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

Auditor's responsibilities for the audit of the Annual Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Annual Financial Statements, whether due to

fraud or error, design and perform audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in this circumstance, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness or accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Annual Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements represent the underlying transactions and balances in a manner that achieves fair presentation.

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

FOURIE + BOTHA



MA Eastman | Partner

Chartered Accountants (S.A.) | Registered Auditors

15 May 2018

Directors' Report

The directors submit their report for the year ended 31 December 2017.

1. Review of activities

Main business and operations

The company collects levies from role-players in terms of Regulation 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 (including the promotion of sustainable black dairy enterprises and the development of knowledge and skills).

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

Net deficit of the company was R 8,686,838 (2016: surplus R 6,726,878).

2. Going concern

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

3. Events after the reporting period

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

4. Directors

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

Changes	
▪ Ms PH Adams	
▪ Prof CS Blignaut	Resigned 1 December 2017
▪ ZM Gebeda	Appointed 27 September 2017
▪ FA Grobler	
▪ Dr BS Jack-Pama (Chairman)	Appointed 27 September 2017
▪ AP Kraamwinkel	
▪ GF Kuyler (Vice-Chairman)	
▪ NJ Lok	Resigned 27 September 2017
▪ MJ Loubser	
▪ AW Prinsloo	
▪ MG Rathogwa	
▪ Dr CJ van Dijk	
▪ J van Heerden	

The alternate directors of the company are as follows:

- AR Gutsche
- CE Wellbeloved

5. Liquidity and solvency

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

6. Auditors

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

Statement of Financial Position as at 31 December 2017

	Notes	2017 R	2016 R
Assets			
Current Assets			
Trade and other receivables	3	10,614,872	10,216,324
Cash and cash equivalents	4	19,508,112	27,439,786
		30,122,984	37,656,110
Non-Current Assets			
Property, plant and equipment	5	37,786	94,293
Total Assets		30,160,770	37,750,403
Equity and Liabilities			
Liabilities			
Current Liabilities			
Trade and other payables	6	2,056,779	959,574
Equity			
Reserves		14,564,516	15,432,114
Retained income		13,539,475	21,358,715
		28,103,991	36,790,829
Total Equity and Liabilities		30,160,770	37,750,403

Statement of Comprehensive Income

	Notes	2017 R	2016 R
Revenue	7	48,725,636	46,870,696
Projects/Statutory functions	8	(52,749,790)	(42,891,410)
Gross surplus / (deficit)		(4,024,154)	3,979,286
Other income	9	265,956	6,643,278
Operating expenses		(6,034,923)	(5,388,138)
Operating surplus / (deficit)		(9,793,121)	5,234,426
Finance income	10	1,106,283	1,492,955
Finance costs	11	-	(503)
Surplus / (deficit) for the year		(8,686,838)	6,726,878
Other comprehensive income		-	-
Total comprehensive surplus / (deficit) for the year		(8,686,838)	6,726,878

Statement of Changes in Equity

	Enterprise Development	Research and Development: Surplus funds to clause 15(5)(a) of the MAP Act	Commercialization: Joint Milk SA and Jobs Fund	Commercialization: Surplus funds to clause 15(5)(a) of the MAP Act	Total reserves	Retained income: Levy Funds	Total equity
	R	(2006 - 2009) R	(2006 - 2013) R	R	R	(2014 - 2017) R	R
Balance at 01 January 2016	-	2,490,124	2,631,476	10,307,883	15,429,483	14,634,468	30,063,951
Changes in equity							
Total comprehensive surplus for the year	-	-	-	-	-	6,726,878	6,726,878
Transfer between reserves	-	(6,477)	4,597,027	(4,590,550)	-	-	-
Project advances not utilized	-	(726,512)	-	-	(726,512)	726,512	-
Transfer unutilised / (utilisation of) funds	-	(931,465)	1,061,915	598,693	729,143	(729,143)	-
Total changes	-	(1,664,454)	5,658,942	(3,991,857)	2,631	6,724,247	6,726,878
Balance at 01 January 2017	-	825,670	8,290,418	6,316,026	15,432,114	21,358,715	36,790,829
Changes in equity							
Total comprehensive deficit for the year	-	-	-	-	-	(8,686,838)	(8,686,838)
Transfers between reserves	4,555,126	6,477	-	(6,477)	4,555,126	(4,555,126)	-
Transfer unutilised / (utilisation of) funds	-	(627,879)	(5,213,044)	418,199	(5,422,724)	5,422,724	-
Total changes	4,555,126	(621,402)	(5,213,044)	411,722	(867,598)	(7,819,240)	(8,686,838)
Balance at 31 December 2017	4,555,126	204,268	3,077,374	6,727,748	14,564,516	13,539,475	28,103,991

Statement of Cash Flows

	Notes	2017 R	2016 R
Cash flows from operating activities			
Cash receipts from industry participants and grantors		47,616,582	52,786,585
Cash paid to suppliers and employees		(56,644,186)	(52,234,978)
Cash generated from / (used in) operations	13	(9,027,604)	551,607
Finance income		10 110,6283	1,492,955
Finance costs	11	-	(503)
Net cash generated from / (used in) operating activities		(7,921,321)	2,044,059
Cash flows from investing activities			
Additions to property, plant and equipment	5	(16,303)	(30,282)
Proceeds on disposal of property, plant and equipment		5,950	-
Net cash from investing activities		(10,353)	(30,282)
Net (decrease) / increase in cash and cash equivalents for the year		(7,931,674)	2,013,777
Cash and cash equivalents at the beginning of the year		27,439,786	25,426,009
Cash and cash equivalents at end of the year	4	19,508,112	27,439,786



Accounting Policies

1. Presentation of annual financial statements

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Impairment of property, plant and equipment

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

Depreciation

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

Impairment of levy debtors

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

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost

Accounting Policies *(continued)*

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

The expected useful lives are as follows:

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

1.3 Financial instruments

Classification

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

- Held-to-maturity investment
- Receivables
- Financial liabilities measured at amortised cost:

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

Subsequent Measurement

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

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

Impairment of financial assets

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

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

Impairment losses are recognised in the statement of comprehensive income.

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

Trade and other receivables

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

The carrying amount of the assets is reduced through the use of an allowance account (provision for doubtful debts), and the amount of the loss is recognised in the statement of comprehensive income within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the operating expenses in the statement of comprehensive income.

Trade and other receivables are classified as receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known

Accounting Policies (continued)

amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently recognised at amortised cost using the effective interest method.

Trade and other payables

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

1.4 Leases

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

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

1.5 Impairment of non-financial assets

The company assesses at each reporting period date whether there is any indication that an asset may be impaired.

If any such indication exists, the company estimates the recoverable amount of the asset.

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

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of

its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.6 Employee benefits**Short-term employee benefits**

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

1.7 Revenue

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

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

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

Notes to the Annual Financial Statements

2. Risk Management

The assumption of risk by Milk SA is an integral part of good corporate governance applied by the Board of Directors ("Board") to achieve company and industry objectives. The Board is committed to identifying, assessing and managing these risks.

Corporate Governance, including risk management, is an important element of the Terms of Reference of both the Audit & Risk Committee and the Executive Committee and the Board receives regular reports from these bodies on matters considered by them.

Internal audits are carried out by an external risk advisory firm which reports to the Audit & Risk Committee. All Milk SA's disciplines and projects are subject to internal audits on a rotational basis, reports of which are considered by the Audit & Risk Committee. The nature and scope of the work performed by the internal auditor are determined by the Audit & Risk Committee in conjunction with the CEO.

An inspector, appointed by the Minister of Agriculture, Forestry and Fisheries in terms of the MAP Act, audits compliance by levy-paying industry role-players with the compulsory statutory measures that are administrated by Milk SA. The nature and scope of the work performed by the inspector are determined by the Executive Committee in conjunction with the CEO, subject to a Board-approved policy.

During 2017 a risk management framework was developed, all potential risks have been identified, inherent and residual risks have been evaluated in terms of likelihood and impact, taking into account existing risk mitigating controls.

2.1 Integrity Risk

Risk forms an integral part of Milk SA's operations and is covered in all planning, agreements and contracts.

Integrity Risk relates to the incidence of internal/ external theft, dishonest, fraudulent and unethical behaviour, corrupt practices and corporate misconduct. This has the capacity to impact the

current and future earnings of an organisation, as well as adversely affect its reputation and ultimately destroy the company.

Collective issues of strategic importance exist in the South African dairy industry which cannot be addressed through competition in the market; should be addressed in the interests of the South African dairy industry, the consumer, and economic development; and which can, in terms of the Competition Act, be addressed by collective action by the members of the dairy industry. The MAP Act, through the statutory measures (Notices 1218, 1219 and 1220 of 2013), compels Milk SA to implement, administrate and enforce the statutory measures and its objectives and thereby facilitate the afore-mentioned endeavours of Milk SA.

The statutory measures are administrated by Milk SA strictly in accordance with the relevant requirements including the Competition Act, and independently from the commercial interest of different parties in the dairy industry. Milk SA established appropriate organisational structures, processes and actions to deal with the collective issues.

2.1.1 Competitive behaviour risk

Care is exercised by the Office and the Board of Milk SA to ensure that the agendas, meeting proceedings and general conduct in the company facilitate and promote good governance in respect of independent, objective and non-discriminatory behaviour. Agendas provide for an item "Competition Law Compliance" with the purpose to allow any member of a meeting at any stage of such a meeting to voice and record his / her concern in respect of any aspect that he / she regards to be in contravention with the Competition Act.

Policies and procedures are in place at Milk SA which cover any possible risk of competitive advantage that any industry player or group of players may gain over industry competitors, such as in terms of the collection and publishing of industry information and developing of marketing concepts by the consumer education project of Milk SA.

Notes to the Annual Financial Statements (continued)**2.1.2 Risk of conflicting interest**

Furthermore, the issue of "conflict of interest" features prominently on the Milk SA agendas, whereby it is expected of meeting participants to refrain from pursuing own agendas in competition with or to the detriment of Milk SA and / or its operations, and to declare conflicting interests.

In accordance with its vision and mission, the activities of Milk SA promote the collective goals of the organised dairy industry, and the role-players in Milk SA participates in structures with highly defined terms of references.

2.1.3 Fraud risk

The risk of fraudulent activities is mitigated by i) policies and procedures, ii) the separation of duties in the financial chain of activities, iii) responsibilities of the relevant structures within Milk SA and iv) internal audits. Detailed policies and procedures are observed and constantly reviewed. Milk SA employs external accountants, namely PwC and an external risk advisory company, Medupe Risk Advisory Services (Pty) Ltd as internal auditor. The Executive Committee, Audit & Risk Committee, Human Resources Committee and Board have clear responsibilities that contribute to the mitigation of fraud risk

2.2 Financial, Business and Market risk

Financial risk refers to the chance that a business' cash flows are not enough to pay creditors and fulfill other financial responsibilities. Business risk refers to the chance that a business' cash flows are not enough to cover its operating expenses. Market risk is the possibility for an investor to experience losses due to factors that affect the overall performance of the company .

2.2.1 Liquidity risk

Milk SA manages liquidity risk on the basis of expected maturity dates, through an ongoing review of future commitments and credit facilities. Cash flow forecasts and financial management statements are prepared by PwC on a monthly basis. These are monitored continuously by the Audit & Risk Committee, Executive

Committee, the CEO, and quarterly by the Board. Financial assets are managed in such a way that they are readily available to meet liquidity needs.

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

2.2.2 Interest rate risk

Surplus cash is invested with reputable banking institutions as approved by the Board, in instruments that earn competitive interest rates. As Milk SA had significant interest-bearing assets in 2016, the company's income and operating cash flows were substantially affected by changes in market interest rates.

2.2.3 Credit risk

Trade receivables comprise a broad base of levy-paying industry participants. The CEO, Executive Committee and Audit & Risk Committee evaluate credit risk relating to customers on an ongoing basis. Credit risk consists mainly of cash deposits and trade debtors. The company only deposits cash with major banks (as approved by the Board) with high-quality credit standing and limits exposure to any one counterparty. Milk SA's communication policy plays a huge role in strengthening confidence amongst especially the levy payers, its members (MPO and SAMPRO) and government institutions, in the integrity and achievements of the company.

2.2.4 Foreign exchange risk

Milk SA has no material foreign currency exposure. In 2017, foreign currency exposure was limited to some R1 100 000 because of membership fees to the International Farm Comparison Network and the International Dairy Federation, as well as the attendance of international conferences by industry members.

Notes to the Annual Financial Statements (continued)**3. Trade and other receivables**

	2017 R	2016 R
Accrued levies	6,113,288	5,161,204
Levy debtors	1,823,678	2,622,396
Provision for impairment of trade receivables	(1,564,296)	(1,218,635)
Deposits	153,694	52,861
Advances - Projects	4,088,508	2,033,652
Accrued interest	-	245,014
Advances - Projects (Ministerial funds)	-	726,512
Prepayments	-	593,320
	10,614,872	10,216,324

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Reserve Funds	14,564,516	15,432,115
- Rand Merchant Bank: Term deposits	4,900,159	4,559,697
- ABSA Bank: Savings accounts	2,031,857	2,582,000
- ABSA Bank: Current account	7,632,500	8,290,418
Levy Funds	4,943,596	12,007,671
- ABSA Bank: Current accounts	4,943,596	4,973,982
- ABSA Bank: Term Deposit	-	4,000,000
- Rand Merchant Bank: Term Deposits	-	3,033,689
	19,508,112	27,439,786

5. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	108,103	(92,158)	15,945	340,065	(330,282)	9,783
IT equipment	342,806	(320,971)	21,835	734,163	(649,659)	84,504
Computer software	11,697	(11,691)	6	11,697	(11,691)	6
Total	462,606	(424,820)	37,786	1,085,925	(991,632)	94,293

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	9,783	16,303	(5,093)	(5,048)	15,945
IT equipment	84,504	-	(1,023)	(61,646)	21,835
Computer software	6	-	-	-	6
	94,293	16,303	(6,116)	(66,694)	37,786

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	28,362	-	(18,579)	9,783
IT equipment	135,709	29,315	(80,520)	84,504
Computer software	5 967	(966)	6	6
	164,076	30,282	(100,065)	94,293

Notes to the Annual Financial Statements (continued)

	2017 R	2016 R
6. Trade and other payables		
Trade payables	1,014,706	123,545
Provision for leave	264,279	154,801
South African Revenue Service - VAT	690,415	458,563
Operating lease accrual	1,308	14,652
Unidentified levies	59	1,055
Debtors with credit balances	68,531	196,072
Credit card balances	17,481	10,886
	2,056,779	959,574
7. Revenue		
Levies	48,725,636	46,870,696
8. Projects / Statutory functions		
Consumer Education	21,926,556	17,725,985
Research and development	2,247,708	1,642,303
Industry Information	2,789,079	2,669,567
Dairy Quality and Safety	7,756,694	6,715,764
Transformation	10,395,573	7,012,142
Milk SA staff remuneration	1,486,421	-
Communication	282,675	-
Utilisation of reserve funds	5,865,084	7,125,649
	52,749,790	42,891,410
9. Other income		
Administration and management fees recovered	265,956	-
Grant received - National Treasury	-	6,643,278
	265,956	6,643,278
10. Finance income		
Interest revenue		
Bank	436,987	471,893
Interest received - trade and other receivables	226,944	258,754
Interest received - reserve funds (2006 - 2013)	442,352	762,308
	1,106,283	1,492,955
11. Finance costs		
Interest paid on trade and other payables	-	503

Notes to the Annual Financial Statements (continued)

	2017 R	2016 R
12. Expenses by nature		
Depreciation	66,694	100,066
Accounting fees	827,470	786,966
Bad debts written off	736,893	545,577
Employee costs	1,353,239	1,533,732
Loss on disposal of assets	165	-
Legal expenses	465,118	250,475
Meeting costs	939,273	793,802
Office rent	522,288	511,176
Provision for doubtful debts	345,661	60,635
Project/statutory functions (note 8)	52,749,790	42,891,410
Other expenses	778,452	805,709
	58,784,713	48,279,548
13. Cash (used in) generated from operations		
Surplus / (deficit) for the year	(8,686,838)	6,726,878
Adjustments for:		
Depreciation and amortisation	66,694	100,065
Loss on sale of assets	165	-
Interest received	(1,106,283)	(1,492,955)
Finance costs	-	503
Changes in working capital:		
Trade and other receivables	(398,547)	(4,009,463)
Trade and other payables	1,097,205	(773,421)
	(9,027,604)	551,607
14. Auditor's remuneration		
Audit fees	89,900	87,827

15. Taxation

No provision has been made for 2017 tax as the company is exempt from income tax in terms of Section 10(1)(cN) of the Income Tax Act.

Notes to the Annual Financial Statements (continued)

	2017 R	2016 R
16. Related parties		
Related party transactions		
Project expenses paid to related parties for the execution of the projects of Milk SA		
Milk Producers Organisation NPC	7,026,666	3,807,520
SA Milk Processors Organisation	25,171,499	21,093,114
Compensation to the Chief Executive Officer	1,380,584	1,284,521
Compensation to the Transformation Manager	1,294,477	1,083,732
17. Financial instruments by category		
Reconciliation of financial instruments by category - 2017		
	Financial assets at amortised cost	Financial liabilities at amortised cost
	R	R
Trade and other receivables	10,614,872	-
Cash and cash equivalents	19,508,112 - 19,508,112	
Trade and other payables (excluding VAT and provision for leave)	-	(1,102,085)
	30,122,984	(1,102,085)
Reconciliation of financial instruments by category - 2016		
	Financial assets at amortised cost	Financial liabilities at amortised cost
	R	R
Trade and other receivables	10,216,324	-
Cash and cash equivalents	27,439,786	-
Trade and other payables (excluding VAT and provision for leave)	-	(346,210)
	37,656,110	(346,210)
	37,309,900	

Notes to the Annual Financial Statements (continued)**18. Directors' remuneration****2017**

	Directors' Fees R	Total R
Ms PH Adams	14,077	14,077
Prof CS Blignaut (Chairman up to 1 December 2017)	82,784	82,784
ZM Gebeda	8,637	8,637
FA Grobler	18,408	18,408
AR Gutsche	11,583	11,583
Dr BS Jack-Pama (Chairman as from 2 December 2017)	14,278	14,278
AP Kraamwinkel*	-	-
GF Kuyler (Vice-chairman)	12,500	12,500
NJ Lok	21,548	21,548
MJ Loubser	2,500	2,500
AW Prinsloo	99,102	99,102
Dr CJ van Dijk*	-	-
J van Heerden	14,176	14,176
	299,593	299,593

2016

Ms PH Adams	20,213	20,213
Prof CS Blignaut (Chairman)	109,804	109,804
FA Grobler	13,263	13,263
AP Kraamwinkel*	-	-
GF Kuyler	17,500	17,500
NJ Lok	53,708	53,708
MJ Loubser (Vice-Chairman)	20,000	20,000
AW Prinsloo	111,224	111,224
MG Rathogwa	47,500	47,500
Dr CJ van Dijk*	-	-
J van Heerden	12,659	12,659
	405,871	405,871

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

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

19. Going concern

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

20. Liquidity and solvency

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

Detailed Income Statement

	Notes	2017 R	2016 R
Revenue			
Levies	7	48,725,636	46,870,696
Project expenses			
Projects/Statutory functions	8	(52,749,790)	(42,891,410)
Surplus / (deficit)		(4,024,154)	3,979,286
Other income			
Administration and management fees recovered	9	265,956	-
Grant received	9	-	6,643,278
Finance income	10	1,106,283	1,492,955
		1,372,239	8,136,233
Operating expenses (Refer to page 24)		(6,034,923)	(5,388,138)
Operating surplus / (deficit)		(8,686,838)	6,727,381
Finance costs	11	-	(503)
Surplus / (deficit) for the year		(8,686,838)	6,726,878
Operating expenses			
Accounting fees		(827,470)	(786,966)
Auditor's remuneration	14	(89,900)	(87,827)
BBBEE Verification		(16,797)	(15,978)
Bad debts written off		(736,893)	(545,577)
Bank charges		(14,087)	(12,871)
Consumables		(30,220)	(32,766)
Depreciation		(66,694)	(100,066)
Employee costs		(1,353,239)	(1,533,732)
Inspection and Investigation		(186,818)	(312,857)
Insurance		(43,584)	(38,673)
Internal audits		(37,563)	(97,604)
Legal expenses		(465,118)	(250,475)
Loss on disposal of assets		(165)	-
Meeting costs		(939,273)	(793,802)
Office rent		(522,288)	(511,176)
Postage		(1,168)	(6,321)
Printing and stationery		(117,784)	(107,320)
Provision for doubtful debts		(345,661)	(60,635)
Relocation costs		(81,155)	-
Repairs and maintenance		(37,931)	(5,051)
Security		(11,375)	(7,283)
Small assets		(3,642)	(22,279)
Subscriptions		(22,026)	(10,581)
Telephone and fax		(75,987)	(33,784)
Travel - personnel		(8,085)	(14,514)
		(6,034,923)	(5,388,138)

Research & Development Reserve Fund

Analysis of Movement in Reserve Fund (Research & Development)

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

	2012 - 2017 R	2017 R	2016 R
OPENING BALANCE	-	825,670	2,490,124
INCOME	464,077	23,615	132,898
Interest received	464,077	23,615	132,898
EXPENSES	(1,533,332)	-	(1,391,901)
- Mastitis competition prize money	(23,000)	-	(23,000)
- R&D support: 2012 - 2013	(141,431)	-	-
- Research Projects	(1,368,901)	-	(1,368,901)
- Fasciola hepatica - Impact & Management (UP)	(305,962)	-	(305,962)
- Fasciola hepatica and Nematodes - Biological control (UKZN)	(438,750)	-	(438,750)
- Mastitis - bacteriophages (UKZN)	(417,042)	-	(417,042)
- Mastitis - resistance to antibiotics in lactating cows (UP)	(193,773)	-	(193,773)
- Flocculation (UFS)	(13,374)	-	(13,374)
TRANSFERS FROM / (TO) RESERVE FUNDS	2,323,991	6,477	(6,477)
ACCRUALS	(1,050,468)	(651,494)	(398,974)
Transfer - Mastitis - resistance to antibiotics in lactating cows (UP)	(323,957)	(333,275)	9,318
Expenses accrued / (settled)	-	(320,143)	320,143
Project advances utilised / (not utilised)	(726,512)	-	(726,512)
Value Added Tax	1	1,924	(1,923)
CLOSING BALANCE	204,268	204,268	825,670

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

Promoting Sustainable Commercialization 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 - 2017 R	2017 R	2016 R
OPENING BALANCE	-	6,316,026	10,307,883
INCOME	20,223,422	418,199	598,693
Surplus funds i.r.o. R1220 of 23 December 2005	13,285,772	-	-
Transfer of Unutilised Funds i.r.o. R57 of 30 January 2009	3,842,137	-	-
Interest received	3,095,513	418,199	598,693
EXPENSES	(370,581)	-	-
Support Services	(62,871)	-	-
- Veterinary Services	(5,648)	-	-
- Infrastructure	(123)	-	-
- Professional advice	(57,100)	-	-
Administration	(307,710)	-	-
- Meeting costs	(102,019)	-	-
- Travel: Road	(87,870)	-	-
- Travel: Air	(47,459)	-	-
- Accommodation	(40,386)	-	-
- Other	(29,976)	-	-
TRANSFERRED FROM / (TO) RESEARCH & DEVELOPMENT FUND	(2,292,930)	(6,477)	6,477
TRANSFERRED FROM / (TO) JOBS FUND	(10,832,163)	-	(4,597,027)
CLOSING BALANCE	6,727,748	6,727,748	6,316,026

Promoting Sustainable Commercialization of Existing Black Dairy Enterprises

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

	2012 - 2017 R	2017 R	2016 R
OPENING BALANCE	-	8,290,418	2,631,476
TRANSFERRED FROM COMMERCIALIZATION FUND	10,832,163	-	4,597,027
INCOME	9,127,288	538	6,673,995
Contribution received - Jobs Fund	9,095,603	-	6,643,278
Interest received	31,685	538	30,717
TOTAL EXPENSES	(17,681,342)	(6,013,749)	(5,961,233)
Management Fees	(1,725,182)	(411,263)	(284,427)
Project Manager	(482,141)	(122,072)	(131,731)
Project Manager: Monitoring & Evaluation	(521,232)	-	-
Project team members	(86,097)	(28,809)	-
Project secretary	(15,489)	-	-
Expert consultant for assessment of cows	(34,756)	(4,850)	(8,418)
Car hire/ road transport	(187,954)	(55,120)	(88,742)
Accommodation	(334,184)	(190,277)	(42,251)
Airfare	(60,190)	(10,134)	(12,350)
Subsistence	(3,139)	-	(935)
Training (Consultants)	(802,798)	(221,557)	(291,297)
Professional Fees	(771,068)	(221,557)	(260,412)
Accommodation & meals	(29,784)	-	(28,939)
Capacity building	(1,946)	-	(1,946)
Capital Expenditure	(12,114,935)	(5,380,250)	(4,818,993)
Machinery & Equipment	(178,033)	(16,640)	(55,993)
Procurement of cows	(8,168,682)	(3,964,838)	(2,959,407)
Pasture Establishment	(378,689)	(264,203)	(114,486)
Capital transfers (Capital expenditure)	(3,389,531)	(1,134,569)	(1,689,107)
Infrastructure costs (Eskom power)	(3,035,019)	-	(565,855)
Administration	(3,408)	(679)	(661)
- Bank charges	(3,408)	(679)	(661)
ACCRUALS	799,265	800,167	349,153
Value Added Tax	(101,386)	(91,202)	339,871
Expenditure incurred but settled after reporting date	900,651	891,369	9,282
CLOSING BALANCE	3,077,374	3,077,374	8,290,418





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