



Annual Report **2020**

for the year ended
31 December 2020



Milk South Africa
Melk Suid-Afrika



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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Dr Bonile S Jack-Pama

Chairman of the
Board of Directors

CHAIRMAN'S REPORT

It is with mixed feelings that I look back since my previous report a year ago. COVID-19 continues to strip the economy and to reap lives. Our prayers are with those who lost their loved ones, who were left jobless, impoverished and otherwise disrupted. While everything remains uncertain, the perseverance of humankind to overcome is encouraging.

The domestic economy grew by only 0,2 per cent in 2019 and contracted by 7,2 per cent in 2020 due to the pandemic and consequent measures. The IMF expects the SA economy to grow by 3,1 per cent in 2021. Government's strategy to adjust expenditure and to improve the efficiency of spending, built confidence and increased investment.

South Africa's real agricultural output has more than doubled since 1994 without substantial support to commercial agriculture and despite unfriendly macro and micro environments. According to BFAP, all three agricultural sub-sectors, namely animal products, field crops and horticulture, displayed real growth in gross production value for 2020. The dairy industry also outperformed expectations during the 2020 pandemic, as raw milk production declined by only 0,16 per cent year-on-year while demand and retail price trends remained positive. These are signs of a healthy industry. Projects of Milk SA such as Consumer Education and Quality Standards played an important role in instilling consumer confidence in dairy products and buying patterns.

The key goal of the Sustainable Infrastructure Development Symposium (SIDSSA) was to accelerate investment, to create jobs and to reposition the economy on a positive trajectory, through partnerships between critical role-players (including international

CHAIRMAN'S REPORT



banks) and government. For the agricultural and agro-processing sector, the CEO of Milk SA participated in government forums where investment projects were assessed with maximum potential for economic impact and job creation. Government engaged with the organized dairy industry as part of the Master Plan on Agriculture and Agro-processing (AAMP) and more importantly, to include a Dairy Chapter.

Milk SA's key input for the AAMP and Dairy Chapter as such was that basic service delivery needed to be restored, as this placed a serious restraint on economic growth and transformation. Service delivery includes law and order, municipal infrastructure, water and electricity supply, animal health programmes, research and transportation infrastructure. The afore-mentioned SIDSSA and AAMP followed Milk SA's participation in the Dairy Sector Task Team of Nedlac, which resulted in a positive report in 2018. The report listed fundamental issues which warranted attention for a more competitive dairy industry, and recommended that the Department of Agriculture, Land Reform and Rural Development (DALRRD) should initiate a round table in this regard. However, although the Department has a legal

obligation in this regard in terms of the Nedlac Act No 35 of 1994 - and after Milk SA's engagement with the Department - the latter failed to comply.

Exercises such as Ministerial Hearings, Master Plans, Value Chain Analyses, Nedlac investigations, etc. consume an enormous amount of man-hours from enormously lean resources available within the organized dairy industry and other industries. All these studies rendered impressive reports but with no Government initiative to action them.

The vision of the primary and secondary industry sectors (raw milk processors / manufacturers of dairy products and raw milk producers) in 2002 to invest in a sustainable dairy industry through Milk SA, rendered solid dividends. With Milk SA, the industry now had one voice to interact with Government and other role-players regarding issues which mattered to the entire industry. Role-players now also had an instrument through which the competitiveness of the industry could improve. MPO and SAMPRO can pride themselves on this achievement and the success stories of Milk SA.



MPO and SAMPRO, as applicants of the statutory measures - and Members of Milk SA - chose to use these measures as a means to pursue the strategic direction of Milk SA, namely improved industry competitiveness, to broaden the markets for dairy products and to promote transformation. The six project disciplines were identified by the Members in 2002 already, as the ideal package to give execution to this strategic direction. In terms of these measures, Milk SA was also entrusted with the obligation to implement, administrate and enforce the statutory measures, which the Office of Milk SA performs with distinction.

The challenges for and responsibilities of the organized industry, are immense. Milk SA, MPO, SAMPRO, the Dairy Standard Agency (DSA) and the SA National Committee of the IDF (SANCIDF) each has an important role to play, while acknowledging their limited human, monetary and other resources available.

Consumer demands increasingly influence the way in which industries should behave. Consumers, government and other role-players expect to see a

responsible dairy industry in terms of GHG emissions, animal welfare, animal health, environmental-friendly packaging, waste management, proper management of scarce natural resources such as water and land, quality and content assurance and proper staff management. Also, perceptions and activism against meat and dairy consumption are becoming increasingly hostile, as consumers turn to plant based diets. This scenario is true for South Africa and the international community.

We are therefore extremely fortunate as a dairy industry, to have been organized in the structures that we have in Milk SA, MPO, SAMPRO, DSA and SANCIDF, as harmonious collaboration is the only way to address these challenges. In this regard, the projects of Milk SA are the gateway to successfully deal with the challenges within a disciplined environment where science and technology are respected, and through which the organized dairy industry interacts with a myriad of stakeholders, nationally and internationally, on a daily basis.

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Through SANCIDF, the projects of Milk SA link with the International Dairy Federation (IDF) for the exchange of scientific and technological information and participation in actions which promote the dairy industry globally. For example, the South African dairy industry is a co-signatory of the Dairy Declaration of Rotterdam which commits us to an integrated approach towards sustainable dairying of which GHG emissions are but one element. GHG modelling, benchmarking and sequestration guidelines are receiving attention in the R&D Programme of Milk SA as well as through our participation in the Dairy Sustainability Framework of the IDF, which launched the Global Dairy Agenda for Action (GDAA) to actively reduce GHG emissions. Measurements show that for South Africa, GHG emissions of dairy cattle amount to 10% for all livestock in the country. Dr Heinz Meissner, the R&D Programme Manager for Milk SA, also interacts with other agricultural industries and government regarding strategic action and proposed legislation in this regard.

The South African dairy industry also collate information and contribute towards other sustainability initiatives of the IDF concerning water footprint, renewable energy sources, recycling, food safety, animal care and nutrient density.

Through the Dairy Regulations and Standards Project of Milk SA, input is currently being provided to shape proposed waste management regulations, to inform the industry role-players about their responsibilities and to encourage participation in the relevant government imposed schemes.

The SA National Standard on the Welfare of Dairy Cattle (SANS 1694:2018) of the SABS is a document that was reviewed in collaboration with a Milk SA task team. This document harmonizes with the Code of Practice for Milk Producers of the DSA and the IDF's *Guide to Good Animal Welfare in Dairy Production*. In 2020, the

DSA developed audit criteria for SANS 1694, to facilitate compliance with animal welfare criteria. Validation of the criteria was expected to be conducted in 2021 as part of the R&D Programme of Milk SA.

Milk SA is a co-founder and Member of the National Animal Health Forum (NAHF) where the two Milk SA representatives were an animal health expert and a dairy trade expert. The NAHF facilitates Public-Private Partnerships to improve veterinary services and compliance with animal health standards, which in turn promotes national and international market access. The R&D Programme of Milk SA also liaised with the Livestock Welfare Coordinating Committee (LWCC) to update their animal health and welfare guidelines.

The Customs & Market Access Project of Milk SA is structured to provide input to deal with the projects of the NAHF as well as activities in DALRRD's Animal Health Directorate where, for example, the Veterinary Procedures Notices (VPNs) together with their implementation and revision, as well as facilitation of export certification and procedures need continuous attention from the organized dairy industry - especially during periods of disease outbreaks, such as the recent FMD outbreaks.

Milk SA has invested substantially in the establishment of the DSA Laboratory Services and in equipping this independent laboratory, which also serves as a national reference laboratory. Revision of the DSA Labelling Guide was completed, including work relating to the regulations regarding dairy and imitation dairy. Work on the update of the DSA Code of Practice for Milk Producers with specific reference to biosecurity and animal welfare, following the publication of the latest SANS 1694 (Welfare of dairy cattle) continued during 2020. Revision of the DSA Code of Practice for the Secondary Industry, was completed in 2020. The DSA liaises closely with the Consumer Education

Programme, especially in respect of food composition and food additives which are also topics of IDF study groups.

Consumer confidence in dairy products relies heavily on compositional and quality standards. Due to the successful DSA projects since the early 2000s, Milk SA could embark on a Consumer Education Programme, which is generally believed to have succeeded in positioning dairy products in the minds of consumers as an important ingredient in a daily diet. This is supported by retail sales statistics, showing strong demand and positive price movements for most dairy products, even amid the strict lockdown phase in 2020.

The Consumer Education Programme recently participated in a survey of the IDF Plant-based Beverage Action Team to assess the South African retail market for plant-based imitation dairy products. Information thus collated, will be used to inform a review of the current regulations on compositional standards for dairy products and imitation dairy products (R1510 of 2019). The Consumer Education Programme provides information on plant-based vs dairy nutrition and their website answers questions on “Are plant-based beverages as good as cow’s milk?” and “How do alternatives compare with cow’s milk?” The “Ask Dairy” function on the website contains a wealth of information about topics such as animal welfare, environment and sustainability, dairy products, quality and safety, health and nutrition.

Information submitted by the role-players to the Office of Milk SA continued to provide reliable industry information in terms of raw milk purchased and the use thereof in the manufacturing of different product categories. It was recently decided to further refine the

product category information required from the role-players. Reliable product manufacturing information enables Milk SA to align the PPI for dairy products in accordance with the product composition in the secondary industry; to advise Government in respect of trade negotiations; and to bargain for import protection measures. Timely and reliable industry information is also crucial for business decisions.

Participation (through MPO) in the International Farm Comparison Network (IFCN) again benchmarked the SA primary dairy industry amongst the top performers internationally, which could only be achieved in a free market environment where higher standards are achieved through competition. As part of the Industry Information project of Milk SA and in terms of statutory regulations, MPO also collated extremely useful information about the primary industry which now includes breeds of animals and management systems. While this information provides a profile of the primary industry over time, it also informs communication and research initiatives.

The role of Milk SA in transformation is primarily to facilitate transformation through the unlocking of human, monetary and tangible resources to further develop black dairy entrepreneurs who show the potential to become commercially sustainable. In the year under review, black entrepreneurs have been supported with record keeping, fodder flow, pregnant heifers, a pasteurizer and other means. The total number of cows amongst the 20 producers increased by 16 per cent, while the total milk volume also increased by 23 per cent year on year. Levy funds towards this end are limited and therefore, Milk SA defined strict criteria for financial and other support.

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It should be emphasized that transformation in the dairy industry is not the responsibility of Milk SA alone. Government at all levels has the most important role to play, especially in terms of the above-mentioned critical service delivery. Failure of such services means a weaker economy and a weaker support structure for transformation. Transformation initiatives of raw milk producers and processors of dairy products have been noticed, including the on-site transfer of hands-on knowledge and skills which promise to produce dairymen and women with the capacity to contribute meaningfully and increasingly in an inclusive South African dairy economy in the near future.

In conclusion: The footprint of Milk SA and its projects over the 19 years is clear and proud. This is a multi-faceted industry which demands statesmanship to professionally deal with various complex issues on a 24/7 basis. I thank MPO, SAMPRO, DSA and SANCIDF for their partnerships and co-operation in Milk SA's activities and projects. Milk SA's success is also their success!

The Board of Directors remained focused and committed to the vision and strategic direction of the company, and I extend my gratitude to each director for his and her insight and advice.

Dr BS Jack-Pama

Chairman of the Board



Nico Fouché

Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S REPORT

1. INTRODUCTION

While all other sectors of the South African economy weakened in 2020 due to COVID-19 and the lockdown, the agricultural sector registered a real GDP growth rate of 13,7%, year on year. The national economy experienced a 7% decline in GDP which is the greatest contraction since 1946.

Milk SA and its two members (MPO and SAMPRO) - together with other industries - did everything possible to ensure that the different industry value chains continued to function optimally during the national lockdown. Value chain constraints were reported regularly to a Ministerial Task Team. Fortunately, the lockdown did not prevent the production of raw milk and the manufacturing, distribution and marketing of dairy products, but it caused costs to rise due to additional administrative and other measures, such as medical costs and transport restrictions for staff. However, as the impact on the hospitality industry was dramatic, the demand for certain cheese products declined to very low levels for an extensive period.

During these difficult times, Milk SA's consumer education project continuously communicated the important contribution of nutrient rich dairy products to the consumers. In addition, the Dairy Standard Agency conveyed information to the dairy industry about good practices for safe dairy processing and it also conveyed information on how to prevent the virus from spreading.

The South African dairy industry is one of the foremost industries globally, as its primary and secondary sectors are amongst the most competitive and organized in the world. In disasters like COVID-19, one truly appreciates the well-structured and advanced agricultural, agro-processing and retail networks, as they are foundational to food security, socio-economic stability and social welfare.

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Retail sales of seven out of nine dairy products (Jan-Dec 2020 vs Jan-Dec 2019) were 2,2% to 14,8% higher than in the previous year. The relatively strong growth in demand for most of the dairy products in conjunction with increased retail prices amidst the economic grip on the consumer, is evidence of a healthy dairy industry. Milk SA's projects, such as Consumer Education and Quality Standards play a huge role in consumer confidence and purchase trends.

The Office of Milk SA continued to perform its crucial functions during the lockdown in terms of project support, levy administration, industry information and communication.

A Milk SA delegation participated in the development of an Agricultural and Agro-processing Master Plan which aims to contribute to economic growth, inclusiveness, and job creation. These efforts are part of the broader Economic Reconstruction and Recovery Plan which the President announced in 2019.

As always, Good Corporate Governance kept this company solid and sound in all respects. The Board of Directors ensured that the organizational structures and resources remained in harmony with the mandate and strategic direction of Milk SA.

2. STATUTORY MEASURES

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

- **Notice 1397** Registration of persons involved in the secondary dairy industry.
- **Notice 1396** Records and returns in respect of milk and other dairy products.
- **Notice 1398** Levies on milk and other dairy products.

Both MPO and SAMPRO (as members of Milk SA) were the applicants for these measures, in force from 1 January 2018 until 31 December 2021.

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

- Persons who purchase raw (unprocessed) milk with the purpose of processing it, or to use it for the manufacturing of other products, or to sell it to persons outside the jurisdiction of South Africa, or to move it outside the jurisdiction of South Africa.
- Milk producers who sell raw milk produced by their own dairy animals, to consumers, or for the use thereof for production, or for the manufacturing of other products, or sell it to persons outside the jurisdiction

of South Africa, or move it outside the jurisdiction of South Africa.

- Any person who sells raw milk to a retailer.
- Any person importing dairy products which resort under the 04.01 to 04.06 customs tariff classification.

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

| Customs Tariff Classification | Product description | Levy per kilogramme: c/kg (VAT exclusive) | | | |
|-------------------------------|--|---|-------|-------|-------|
| | | 2018 | 2019 | 2020 | 2021 |
| 04.01 | Milk and cream, not concentrated nor containing added sugar or other sweetening matter. | 1.37 | 1.46 | 1.54 | 1.64 |
| 04.02 | Milk and cream, concentrated or containing added sugar or other sweetening matter. | 13.25 | 14.04 | 14.88 | 15.78 |
| 04.03 | Buttermilk, curdled milk and cream, 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. | 4.98 | 5.28 | 5.59 | 5.39 |
| 04.04 | Whey, whether or not concentrated or containing added sugar or other sweetening matter; and products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included. | 4.02 | 4.26 | 4.52 | 4.79 |
| 04.05 | Butter or other fats and oils derived from milk; dairy spreads. | 14.20 | 15.05 | 15.95 | 16.91 |
| 04.06 | Cheese and curd. | 19.82 | 21.01 | 22.27 | 23.60 |

During 2019 and 2020, the Office of Milk SA equipped its administration department with more aptly qualified staff, which resulted in more efficient administration of the measures and therefore also less debt.

The Statutory Measures Committee considered all cases that warranted further legal action in terms of court applications and summonses and took decisions in this regard on behalf of Milk SA, based on legal advice and assessment of any risk that such actions might pose to Milk SA and the dairy industry of South Africa.

The role of the Ministerially designated inspector continued to have a positive impact on both levy collection and reliable industry information. Monthly reports from the inspector as well as debtors reports were noted by the Statutory Measures Committee, the Executive Committee, the Audit & Risk Committee and the Board of Directors.

An annual report on the administration of the statutory measures was submitted to the National Agricultural Marketing Council (NAMC).

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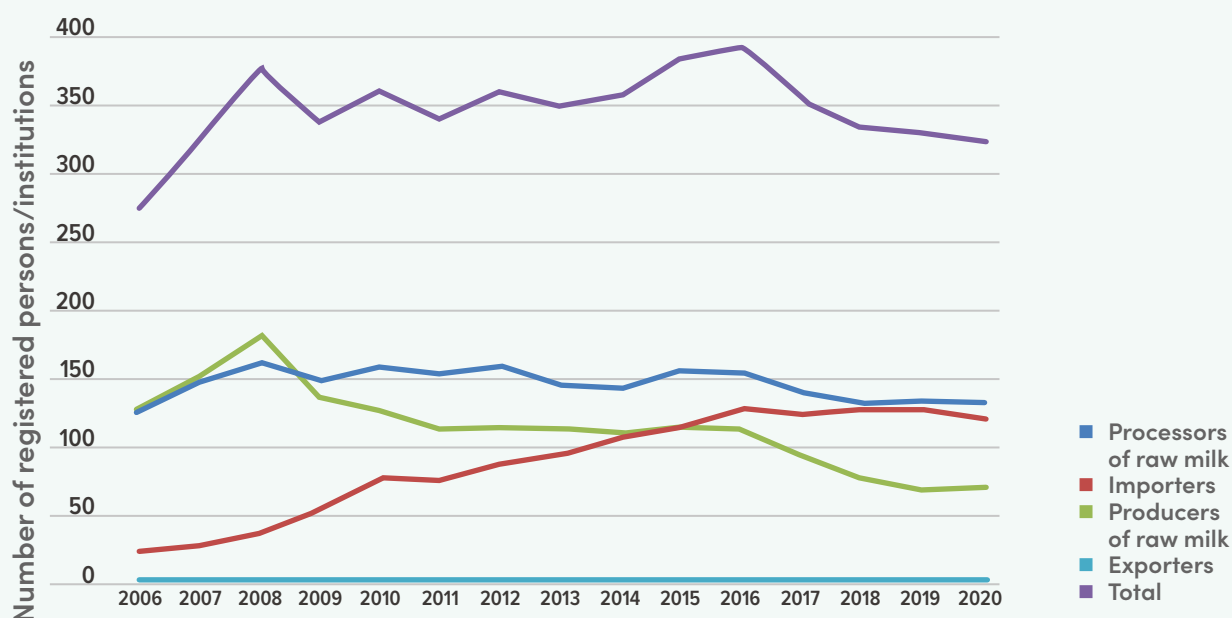
3. ANNUAL MOVEMENT IN THE NUMBER OF REGISTERED PERSONS IN THE REGISTRATION CATEGORIES

In December 2020, the number of processors made up 40,74% / 132 of the total number of persons / institutions registered with Milk SA, followed by importers of dairy products (37,35% / 121), milk producers¹ (21,60% / 70) and an exporter of raw milk (00,31% / 1).

Contributions to the levies by category were as follows in 2020: Milk processors 86,06%, importers of dairy products 11,41%, milk producers 0,93% and raw milk exporters 1,53%.

Milk processors contributed 97,14% to the total unprocessed (raw) milk declared to Milk SA, followed by milk producers with 1,13% and raw milk exporters with 1,73%.

Annual movement in the number of registered persons in the registration categories 2006 to 2020 (Dec)



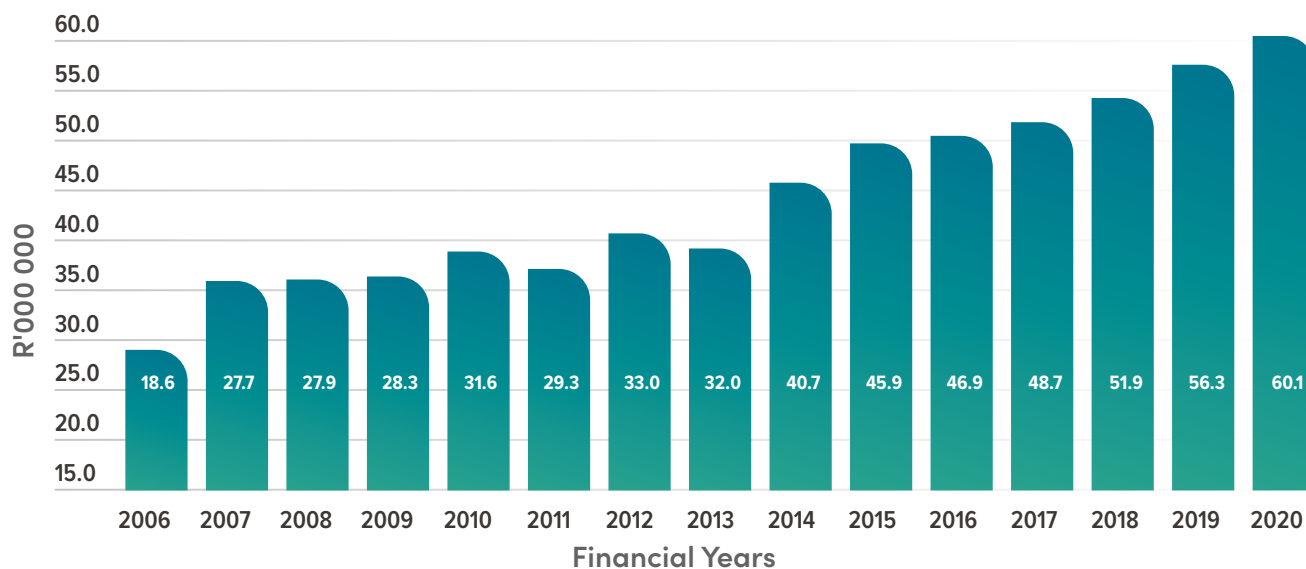
1 • Producers of unprocessed milk are persons who, in terms of the statutory measures, use the unprocessed (raw) milk that is produced by their own animals, to process it and/or to manufacture products from it and/or sell it as such to consumers and/or the retail.

Number of registered role-players from 2006 to 2020, per registration category

| Dec | Processors of raw milk | Importers of dairy products | Producers of raw milk | Exporters of raw milk | Total |
|------|------------------------|-----------------------------|-----------------------|-----------------------|-------|
| 2006 | 126 | 23 | 127 | n/a | 276 |
| 2007 | 147 | 27 | 152 | n/a | 326 |
| 2008 | 161 | 36 | 180 | n/a | 377 |
| 2009 | 148 | 54 | 136 | n/a | 338 |
| 2010 | 158 | 75 | 126 | n/a | 359 |
| 2011 | 153 | 75 | 112 | n/a | 340 |
| 2012 | 158 | 88 | 113 | n/a | 359 |
| 2013 | 144 | 93 | 112 | n/a | 349 |
| 2014 | 142 | 106 | 109 | 0 | 357 |
| 2015 | 155 | 115 | 114 | 0 | 384 |
| 2016 | 153 | 127 | 112 | 0 | 392 |
| 2017 | 139 | 122 | 92 | 0 | 353 |
| 2018 | 131 | 126 | 75 | 1 | 333 |
| 2019 | 133 | 127 | 70 | 1 | 330 |
| 2020 | 132 | 121 | 70 | 1 | 324 |

4. LEVY INCOME, 2006 TO 2020

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

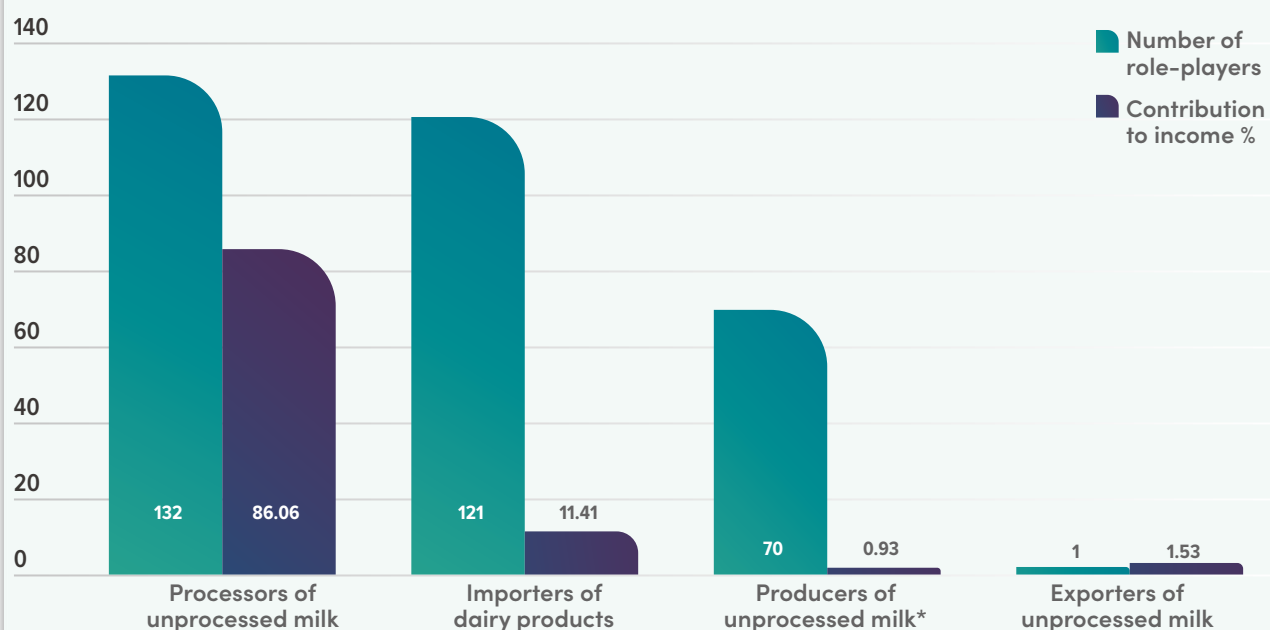


CHIEF EXECUTIVE OFFICER'S REPORT

5. PERCENTAGE CONTRIBUTION OF THE NUMBER OF LEVY PAYERS TO THE INCOME PER CATEGORY (ROUNDED) - FOR SELECTED YEARS (2008 TO 2020)

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

Number of registered role-players per category and contribution to levy income, 2020



* Producers of unprocessed milk are persons who, in terms of the statutory measures, use the unprocessed (raw) milk that is produced by their own animals, to process it and/or to manufacture products from it and/or sell it as such to consumers and/or the retail.

6. THE WEB-BASED INFORMATION SYSTEM

The web-based Management Information System forms the backbone of statutory measures 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 returns submitted to Milk SA and 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)

An inspector was designated by the Minister of Agriculture, Land Reform and Rural Development, to verify the completeness of information provided to Milk SA by the registered role-players. Due to the lockdown, most inspections were carried out electronically. Inspection findings were shared with the role-players and upon agreement by the latter, corrections were effected on the Management Information System. Where required, role-players were guided in terms of the correct interpretation of the statutory measures and levy return form. Forty-eight role-players were inspected in 2020.

8. INFORMATION SUPPLIED BY THE REGISTERED ROLE-PLAYERS

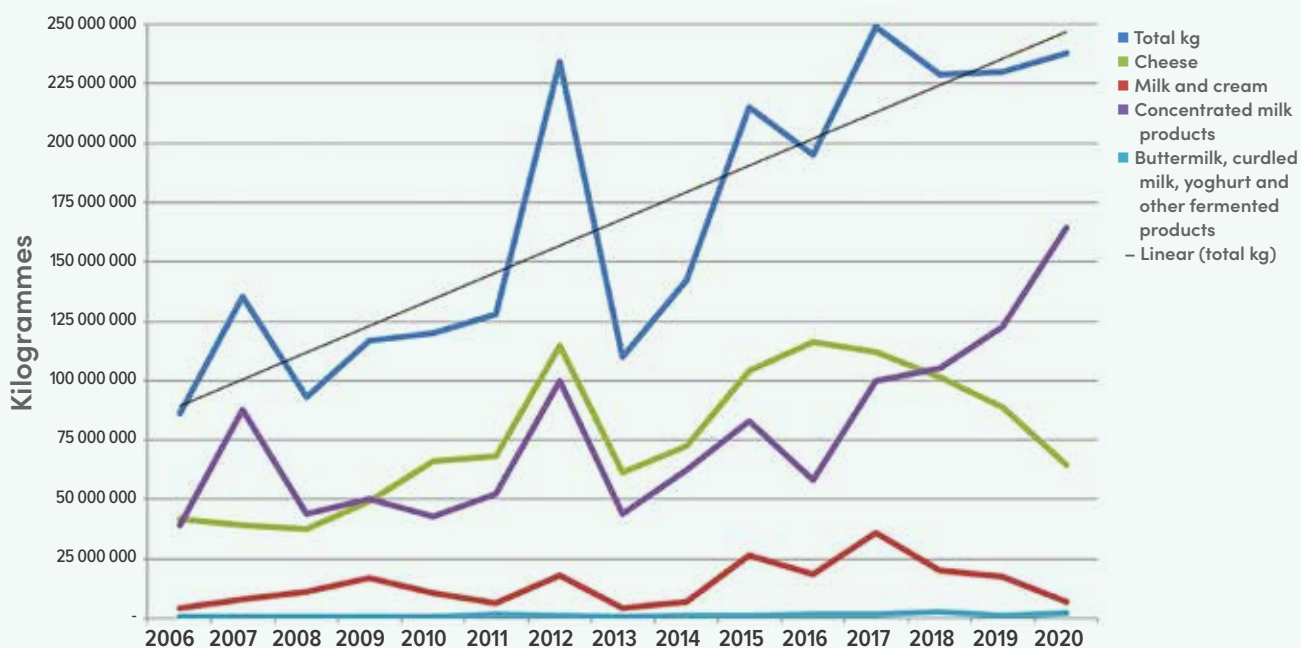
In terms of the 2018 to 2021 statutory measures, role-players must on a monthly basis, provide Milk SA with information regarding raw (unprocessed) milk that was used in the manufacturing of:

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

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

- Whey powder manufactured; and
- Butter manufactured.

Imports of product categories, 2006 to 2020 as reported to Milk SA
(Milk equivalent: kilogrammes)
Excluding whey powder and butter



CHIEF EXECUTIVE OFFICER'S REPORT

9. ADMINISTRATION OF THE PROJECTS OF MILK SOUTH AFRICA

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

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

Milk SA signed contracts with the project managers in accordance with Milk SA's policy on the funding of statutory projects. Quarterly and annual reports for each project were submitted by the project managers and published on the Milk SA website, except for Research & Development projects for which results were not finalized. MPO has (per contract) been responsible for the administration of the Research & Development Programme of Milk SA since 2017.

The necessary attention was given by the relevant structures including the Work Groups, Advisory Committees, Audit & Risk Committee, Executive Committee and Board of Directors to ensure that projects were well managed and their goals optimally achieved.

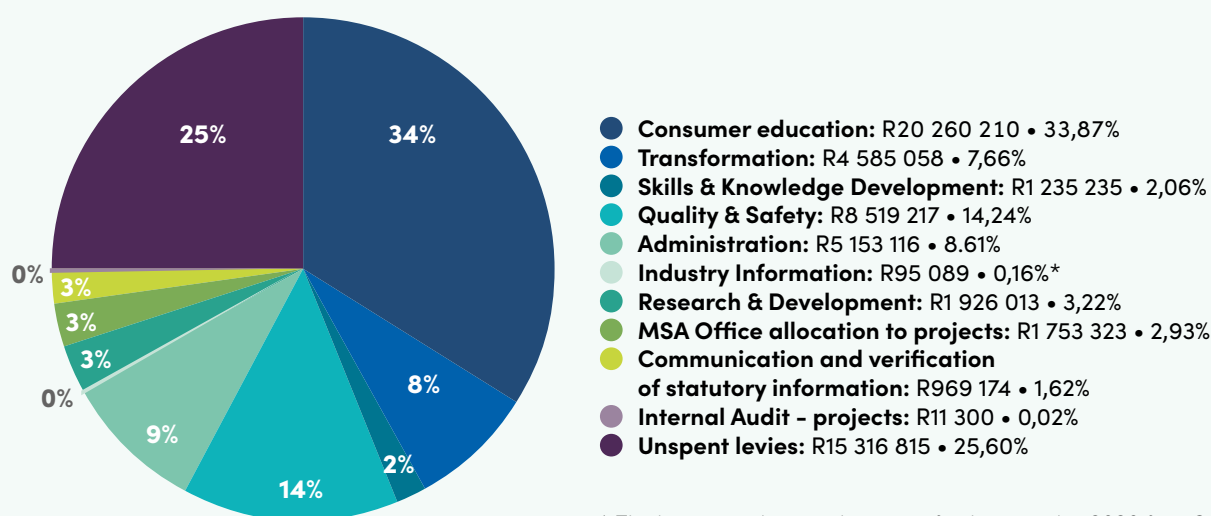
The internal auditor continued to provide independent and objective reports and advice with a view to improving Milk South Africa's performance in respect of its administrative and project responsibilities.

Internal audits were completed in 2020 for:

- Human Resources
- Administration of Statutory Measures
- SA National Committee of the International Dairy Federation (SANCIDF)
- Information Technology

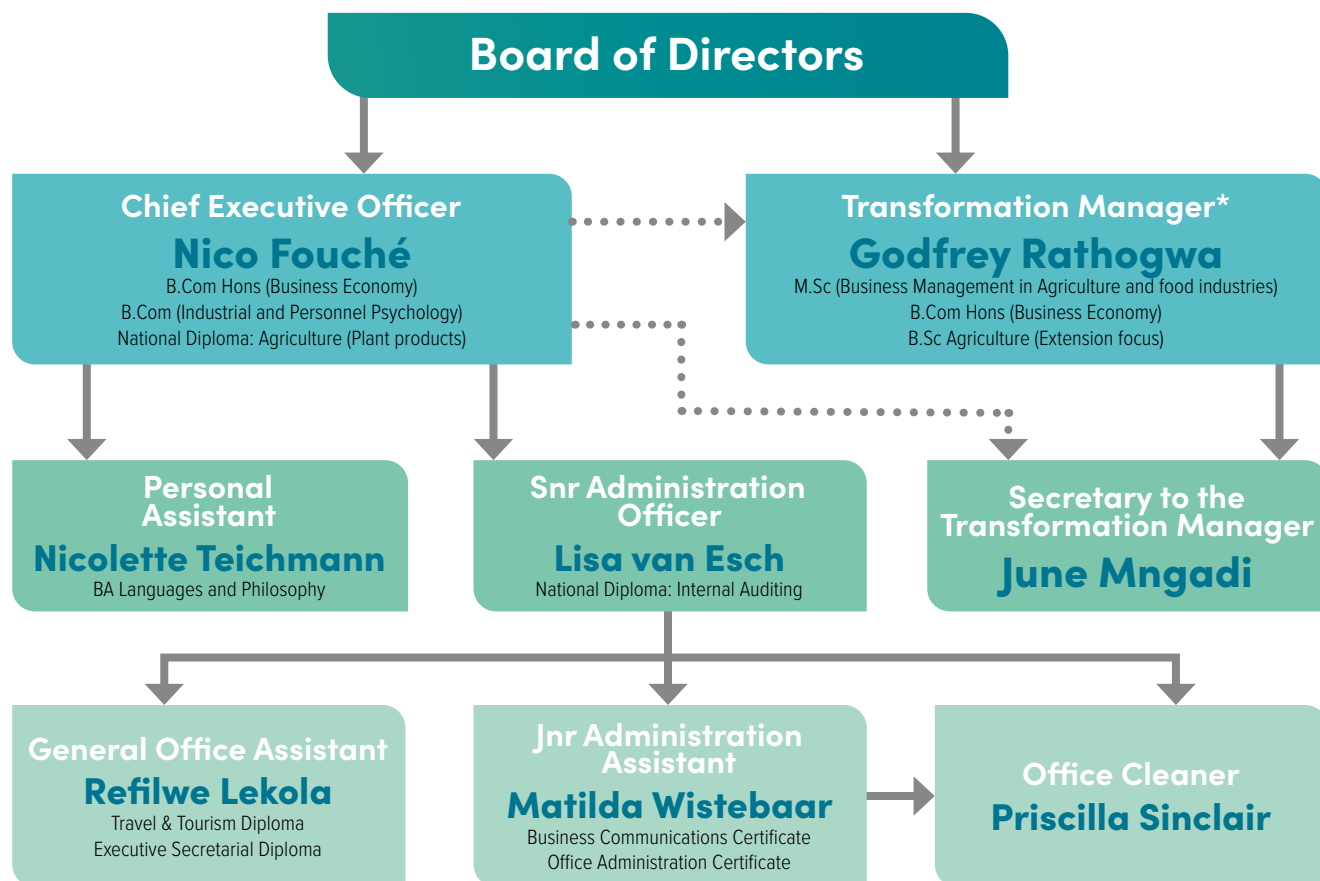
The following graph shows the utilization of levy funds for the different project disciplines and the funds that remained unused in 2020:

Division of levy income amongst the different functions – 2020



* The low expenditure is due to a refund received in 2020 from SANCIDF, for the cancellation of the World Dairy Summit.

10. STAFF AND EXTERNAL SUPPORT STRUCTURE



External Support Structure

- Attorneys: i) Gildenhuys Malatji Inc; ii) MacRobert Inc; Burden, Swart, Botha & Maluleke Inc
- Web-based systems support: Octoplus
- Accountants: PricewaterhouseCoopers Inc
- Internal Auditor: HP Audit Chartered Accountants & Auditors
- Inspectors of Statutory Measures: Mr Johannes Petrus Ferreira and Mr Malose Mothapo
- External Auditors: Fourie & Botha

● Solid lines: Line authority
 ◌ Dash lines: Administrative authority

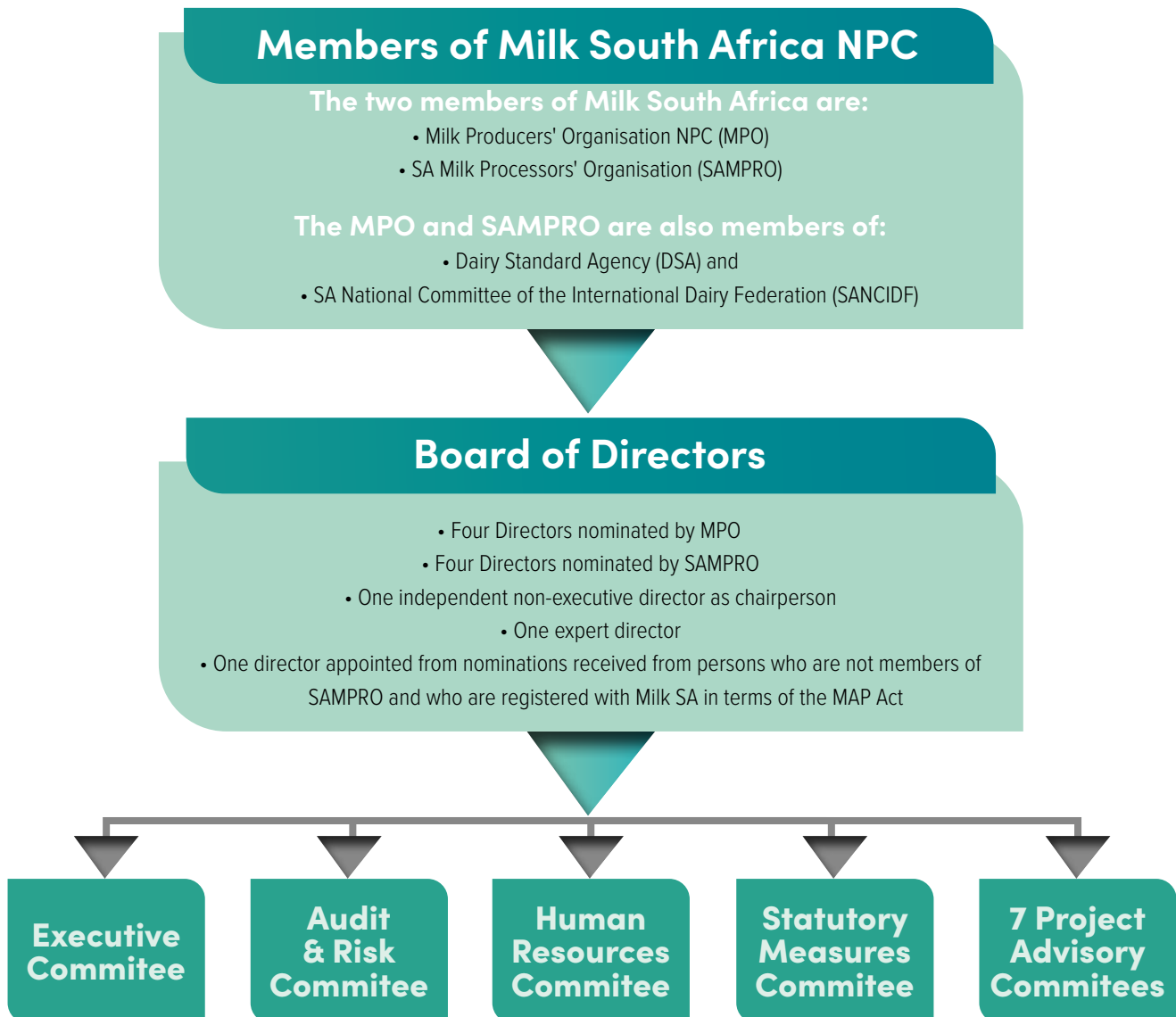
* Mr Rathogwa is also a director of Milk SA



Left to Right: Nicolette Teichmann, Matilda Wistebaar, Nico Fouché (CEO), Refilwe Lekola, June Mngadi, Priscilla Sinclair, Lisa van Esch

CHIEF EXECUTIVE OFFICER'S REPORT

11. STRUCTURE OF MILK SOUTH AFRICA AND ITS COMMITTEES



The strategic direction of Milk SA requires a multi-disciplined approach, which enables Milk SA to unlock a wealth of support and co-operation from governmental, semi-governmental and private business sources.

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

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

12. PERSONS/INSTITUTIONS CONTRACTED BY MILK SA IN 2020

| | Contractors | Services for Milk SA |
|-------|---|--|
| i | PricewaterhouseCoopers Inc | Accountants |
| ii | Octoplus (Pty) Ltd | Web-based Management Information Systems and IT support |
| iii | Internet Solutions (Dimension Data) | Web-based IT systems hosting & security |
| iv | Fourie & Botha Inc | External Auditors (i.t.o. Companies Act) |
| v | Gildenhuys Malatji Inc | Attorneys |
| vi | MacRobert Inc | Attorneys |
| vii | Burden, Swart, Botha & Maluleke Inc | Attorneys |
| viii | HP Audit Chartered Accountants & Auditors | Internal Auditor |
| ix | Mr Johannes Petrus Ferreira & Mr Malose Mothapo | Inspectors of Statutory Measures |
| x | Milk Producers' Organisation 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 and knowledge development. Administration of the R&D Programme of Milk SA Performance measurements of automatic milking system (AMS) data in South Africa |
| xi | SA Milk Processors' Organisation | Projects: <ul style="list-style-type: none"> Consumer Education. Skills & Knowledge Development, Secondary dairy industry sector Custom duties and Market access. |
| xii | Dairy Standard Agency NPC | Projects: <ul style="list-style-type: none"> Improvement of the quality of milk and other dairy products; Dairy Regulations and Standards Project of Milk SA |
| xiii | University of KwaZulu-Natal | Project: Integrated Control of Liver Fluke of Cattle Using Botanical Extracts and Biocontrol Agents. |
| xiv | Dr HH Meissner (Programme Manager: Research & Development: Milk SA) | Project: Co-ordination, support and promotion of needs-driven R&D in the South African Dairy Industry |
| xv | SA National Committee of the IDF | Participation in the projects and activities of the International Dairy Federation through the SA National Committee of the IDF |
| xvi | Dr Carel Muller | Project: Developing efficiency measures for production parameters in dairy herds using automatic milk recording system data |
| xvii | Prof Piet Jooste | Facilitation services regarding flocculation projects |
| xviii | University of Stellenbosch | Projects: <ul style="list-style-type: none"> Residual feed intake and other efficiency parameters System oriented strategies to reduce nitrogen excretion and emissions from dairy farming in South Africa The impact of fertilizer application rates on soil health and pasture yield in the Eastern Cape, South Africa |

CHIEF EXECUTIVE OFFICER'S REPORT

| | Contractors | Services for Milk SA |
|-----|--------------------------------|--|
| xix | Institute of Natural Resources | Project: Buffer zones for wetlands and rivers in the dairy sector – A case study to determine best practice guidelines for improved wetland and river management |
| xx | Prof André Louw | Project: An investigation into specific aspects of dairy industries in selected African countries |

13. COMMUNICATION & LIAISON

- The website was updated with project reports and industry statistics.
- The *Milk Essay* newsletter, intended to inform the industry players quarterly about the performance of projects, was only issued once in 2020 due to the lockdown and restricted capacity.
- The monthly updated raw milk purchase information was disseminated to raw milk producers and levy payers.
- Detailed information with regard to Milk SA and its projects appeared in the annual and quarterly project reports, which were posted on the company's website.
- *The Dairy Mail* covered Milk SA's industry statistics and project information.
- The projects of Milk SA interacted with the following South African bodies:
 - 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 Society for Dairy Technology
- Animal Health Forum

The projects also interacted with the following international bodies:

- Global Dairy Platform
- International Dairy Federation
- International Milk Promotion Group
- Foreign Research Institutions
- International Farm Comparison Network
- Codex Alimentarius ("Food code")



BOARD OF DIRECTORS' REPORT

The Board of Directors met on four occasions during 2020 and considered the following reports:

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

The Board meetings were well attended and no changes in directorships occurred from 2019 to 2020. As required by the Memorandum of Incorporation, some directors' terms overlap in order to ensure continuity of skills and knowledge.

The Project Advisory Committees and other Board Committees continued to function normally during the lockdown period, as per schedule. However, where possible, some project activities had to be rescheduled for 2021 due to the lockdown. Some opportunities were missed due to COVID-19 and the lockdown which led to substantial surpluses in most of the projects, but more so in the Transformation and R&D projects.

Arrangements for the World Dairy Summit, which was due to be hosted in 2020 by the South African dairy industry in Cape Town, were cancelled due to COVID-19. As the main sponsor for the event, Milk SA's contribution of R2,8 million was refunded in 2020, hence the net expenditure - for the Industry Information discipline - of ±R95 000 in the accounting records, versus a budget of R3 146 300.

The Board is satisfied that the Office of Milk SA performed its duties to a high standard, which enabled the Board and other structures to function optimally, and which also facilitated the successful achievement of project goals.

BOARD OF DIRECTORS' REPORT



Seated: Nico Fouché (CEO), Melt Loubser (Vice-chairperson), Dr Bonile Jack-Pama (Chairperson), Colin Wellbeloved, Frik Grobler; **Standing:** Alwyn Kraamwinkel, Zola Gebeda, Dr Chris van Dijk, Drikus Lubbe, Porchia Adams, Godfrey Rathogwa, Willie Prinsloo.

1. PERSONS WHO SERVED ON THE BOARD OF DIRECTORS DURING 2020

- Adams, PH (Ms)
- Gebeda, ZM
- Grobler, FA
- Jack-Pama, BS (Dr) Chairperson
- Kraamwinkel, AP
- Loubser, MJ Vice-Chairperson
- Lubbe, H
- Prinsloo, AW
- Rathogwa, MG
- Van Dijk, CJ (Dr)
- Wellbeloved, CE
- Gutsche, AR Alternate director
- Neethling, CJ Alternate director

2. BOARD AND GENERAL MEETINGS

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

3. PROJECT COMMITTEES

| Discipline | No of meetings | Type of meeting |
|--|----------------|--|
| Industry Information | 2 | • Advisory Committee |
| Customs & Market Access | 2 | • Advisory Committee |
| Dairy Consumer Education | 2 | • Advisory Committee |
| Transformation: Enterprise Development | 7 | • Internal Management Committee: Transformation (Enterprise Development): x 2 • Work Group: Transformation (Enterprise Development) x 5 |
| Skills & knowledge development | 5 | • Subcommittees: Primary & Secondary: 4 • Advisory Committee: 1 |
| Research & Development | 6 | • Dairy Research & Development Committee (DRDC) x 2 • DRDC Management Committee x 4 • Dairy Research Forum x 1 |

4. OTHER BOARD COMMITTEES

| | Number of meetings held in 2020 |
|------------------------------|---------------------------------|
| Executive Committee | 4 |
| Audit & Risk Committee | 4 |
| Statutory Measures Committee | 2 |
| Human Resources Committee | 1 |

5. REPRESENTATION ON EXTERNAL BODIES

During 2020, Milk SA and persons in the organized dairy industry were represented on the following external bodies by the persons as indicated:

| | External body | Persons who represented the organized SA industry |
|-------|--|---|
| i | Agricultural Trade Forum | De Wet Jonker |
| ii | Animal Health Forum | De Wet Jonker (General Meeting); Dr Chris van Dijk (General Meeting and Board) |
| iii | The Science and Programme Co-ordination Committee of IDF | Maretha Vermaak |
| iv | The International Milk Promotion Group (functioning under the auspices of the IDF Standing Committee on Marketing) | Christine Leighton |
| v | National Regulator for Compulsory Specifications (NRCS) | Jompie Burger |
| vi | IDF Standing Committee on Farm Management | Dr Chris van Dijk |
| vii | IDF Standing Committee on Animal Health and Welfare | Dr Chris van Dijk |
| viii | IDF Standing Committee on Analytical Methods for Dairy Micro-organisms | Prof Elna Buys |
| ix | IDF Standing Committee on Analytical Methods for Additives and Contaminants | Dr Jan Floor |
| x | IDF Standing Committee on Analytical Methods for Composition | Dr Jan Floor |
| xi | IDF Standing Committee on Environmental issues | Dr Heinz Meissner Dr Colin Ohlhoff |
| xii | IDF Standing Committee on Dairy Policies and Economics | Alwyn Kraamwinkel |
| xiii | IDF Standing Committee on Microbiological Hygiene | Jompie Burger Prof Elna Buys |
| xiv | IDF Standing Committee on Harmonization of Microbiological Standards | Prof Elna Buys |
| xv | IDF Standing Committee on Nutrition and Health | Maretha Vermaak |
| xvi | IDF Standing Committee on Marketing | Christine Leighton Alwyn Kraamwinkel |
| xvii | IDF Standing Committee on Dairy Science and Technology | Dr Jan Floor |
| xviii | IDF Standing Committee on Animal Health and Welfare | Dr Martin van der Leek Dr Chris van Dijk |
| xix | IDF Standing Committee on Standards and Labelling | Jompie Burger Niel Erasmus Louise Götsche |

BOARD OF DIRECTORS' REPORT

| | External body | Persons who represented the organized SA industry |
|--------|--|---|
| xx | IDF General Assembly | Melt Loubser Dr Chris van Dijk Edu Roux |
| xxi | European Hygienic Engineering and Design Group | Jompie Burger |
| xxii | SABS Technical Committee SABS TC 70/SC 4, Legal Metrology - Sale of goods | Jompie Burger |
| xxiii | SABS Technical Committee SABS TC 034 SC 17, Food products - Hygiene practices in the food industry | Jompie Burger |
| xxiv | SABS Technical Committee SABS TC 034 SC 05, Milk and Milk products | Jompie Burger |
| xxv | Consumer Goods Council of South Africa: Food Safety Initiative | Jompie Burger |
| xxvi | South African Association for Food Science and Technology (SAAFoST) | Jompie Burger |
| xxvii | South African Auditor & Training Certification (SAATCA) | Jompie Burger |
| xxviii | South African National Consumer Union (SANCU) | Jompie Burger |
| xxix | South African Society for Dairy Technology (SASDT) | Jompie Burger |
| xxx | Advisory Board: Department of Environmental Health of the Tshwane University of Technology | Jompie Burger |
| xxxi | Advisory Board: Department of Environmental Health of the Nelson Mandela Metropolitan University | Jompie Burger |



6. SUMMARY OF PROJECTS AND OTHER FUNCTIONS FUNDED IN 2020

| Function | Service provider | Subtotals spent Rand | Amount spent Rand (VAT Excl) |
|---|--|----------------------|------------------------------|
| Administration | Milk South Africa NPC | 5 153 116 | 5 153 116 |
| Transformation | | | 4 585 058 |
| • Enterprise Development (Including Management Control) | Milk South Africa NPC (Transformation Manager) | 4 585 058 | |
| Skills & Knowledge Development | | | 1 235 253 |
| • Skills Development in the Primary industry sector | Milk Producers' Organisation NPC | 723 353 | |
| • Skills Development in the Secondary industry sector | SA Milk Processors' Organisation | 511 900 | |
| Industry Information | | | 95 089 |
| • Economies and Markets | Milk Producers' Organisation NPC | 1 002 246 | |
| • Customs duties and Market access | SA Milk Processors' Organisation | 483 459 | |
| • Participation of the SA dairy industry in the IDF (SANCIDF) | SA National Committee of the IDF | 903 490 | |
| • World Dairy Summit refund for 2020 sponsorship | n/a | - 2 800 000 | |
| • Information support systems | Octoplus Information Solutions | 505 894 | |
| Research & Development | | | 1 926 013 |
| • Non-project costs including Administration and Programme Management | Milk Producers' Organisation & Milk SA NPC | 1 096 660 | |
| • Facilitation regarding flocculation projects | Prof Piet Jooste | 40 000 | |
| • Residual feed intake - Literature study | Dr Carel Muller | 75 000 | |
| • Residual feed intake and other efficiency parameters | University of Stellenbosch | 75 000 | |
| • System oriented strategies to reduce nitrogen excretion and emissions from dairy farming in South Africa | University of Stellenbosch | 83 159 | |
| • An investigation into specific aspects of dairy industries in selected African countries | Prof André Louw | 380 000 | |
| • Buffer zones for wetlands and rivers in the dairy sector – A case study to determine best practice guidelines for improved wetland and river management | Institute of Natural Resources | 169 169 | |
| • The impact of fertilizer application rates on soil health and pasture yield in the Eastern Cape, South Africa | University of Stellenbosch | 7 025 | |
| Consumer education | SA Milk Processors' Organisation | 20 260 210 | 20 260 210 |
| Dairy quality and safety | Dairy Standard Agency NPC | 8 519 217 | 8 519 217 |
| Communication, liaison with role-players and verification of statutory information | Milk South Africa NPC | 969 174 | 969 174 |
| Milk SA staff support to and involvement in projects | Milk South Africa NPC | 1 753 323 | 1 753 323 |
| Project internal audits | HP Audit | 11 300 | 11 300 |
| Total | | | 44 507 753 |

BOARD OF DIRECTORS' REPORT

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' Organisation NPC

Project Manager: Mr Bertus van Heerden

Main Goal: 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 2020, 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 and the graphs are widely used in the industry. The table in *Dairy Digits* includes both the monthly and yearly cumulative volume of unprocessed milk purchased, volume of dairy imports and exports, monthly and cumulative yearly, the monthly producer price indices of unprocessed milk and dairy products and the farm requisite price index. These statistics provide the aggregate of supply and price trends in the primary and secondary industry and some indication of cost levels in the primary industry. The digits also include four graphs namely: monthly international dairy product prices (R/T) covering the past 10 years; monthly unprocessed milk purchases covering the current year plus three previous years; monthly cumulative net imports (milk equivalent), current year plus four previous years; and a last graph that consists of three indices providing trends of prices in the primary, secondary and tertiary industries.

A *Quarterly Review of the Performance of the Dairy Industry* was published for all four quarters of 2020. The review provides a snapshot of selected trends in the dairy industry. The 2020 Q4 issue of the *Quarterly Review of the Performance of the Dairy Industry* was published in January 2021 and distributed via email and is available on the Milk SA website. The report included the following comments regarding the South African dairy industry:

- "International product prices both in USD and ZAR terms only changed moderately comparing December 2020 with January 2020. However, if December 2020 prices are compared with the January 2019

prices, product prices are significantly higher in terms of both currencies, with butter being the exception with a soft decrease in USD terms.

- The behaviour of the Global Dairy Trade price index exhibits a change in the wavelength and frequency of price movements, starting early in 2020. This type of change is usually associated with increased nervousness/uncertainty in the market and could be attributed to the worldwide pandemic and the unknown territory that came into play in world markets.
- Unprocessed milk production in 2020 for the major dairy exporting countries is exhibiting significantly better production growth factors, if compared to the 2019 scenario.
- In South Africa, unprocessed milk production decreased with a soft 0.45% in 2020 if compared to 2019 while a soft increase of 0.2% was registered if compared to 2018.
- Growth in the quantity of dairy sales for the products being monitored is solid, with the exception of fresh milk and flavoured milk registering negative growth for all the time periods being measured. Product price movements are mostly negative when comparing nearer months with each other, which could be the result of the weakening of the economy."

Lacto Data provides a general review of the South African and international dairy sector for role-players in the industry. The purpose of this publication is to provide information on the structure and performance of the dairy industry, with a view to promoting optimal development to the benefit

of the South African dairy industry and consumers. Both the May and November 2020 editions of *Lacto Data* were published. The latest report included the following executive summary:

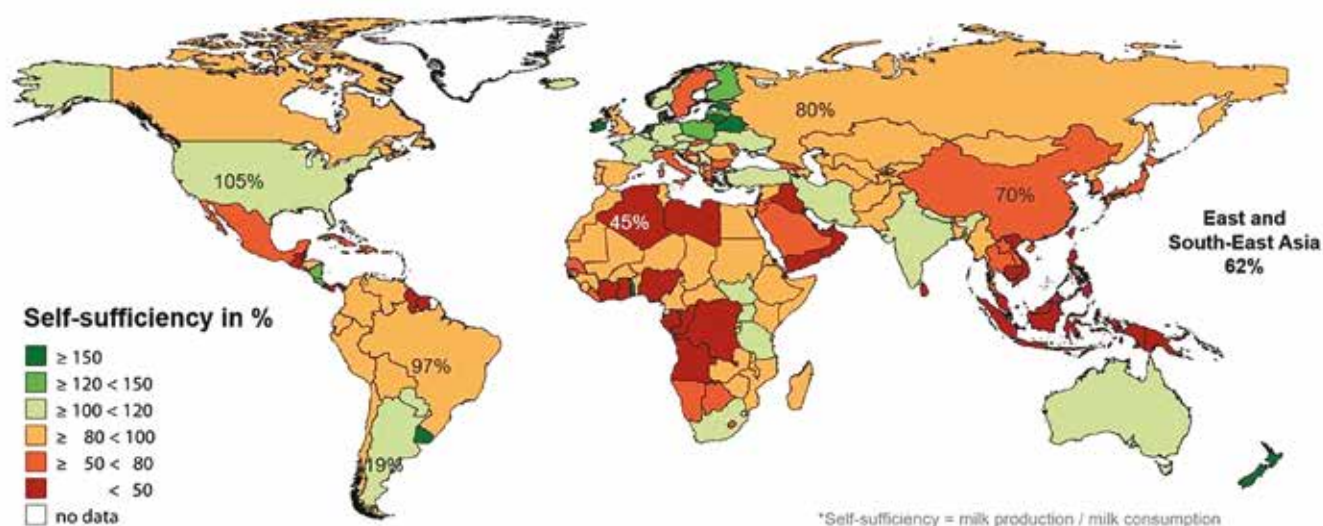
- “Global economic growth is projected at -4,9% in 2020, 1,9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated and the recovery is projected to be more gradual than previously estimated. Global growth for 2021 is projected at 5,4%. This will leave 2021 gross domestic product (GDP) some 6,5 percentage points lower than the pre-COVID-19 projections.
- The Food Price Index of the Food and Agricultural Organization (FAO) of the United Nations indicates that global food prices for August 2020 are lower, when compared to the opening prices in January 2020.
- International prices of all the major dairy products are also lower than the January prices. The joint OECD–FAO Agricultural Outlook 2020–2029 report finds that, over the next ten years, supply growth is going to outpace demand growth, causing real prices of most commodities to remain at or below their current levels.
- International calculated standardized unprocessed milk producer prices (R/l) in July 2020, inclusive of South Africa, are higher than in January 2020, mainly driven by rand depreciation over this period.

Unprocessed milk production in the major dairy exporting countries is notably higher in the first six months of 2020, compared to the same period the previous year.

- The sales quantities for seven of the nine dairy products measured by Nielsen increased over the 12-month period from July 2018 to June 2019 versus July 2019 to June 2020, with maas and prepacked cheese increasing the most, by 12,7% and 11%, respectively.
- The sales quantities of both fresh milk and flavoured milk, however, decreased over this period. The average retail price of all nine dairy products for the 12-month period from June 2019 to June 2020 increased, with one product increasing by a percentage less than inflation. Unprocessed milk production for the first eight months of 2020 is 0,63% less than the same period in 2019.”

A presentation was delivered at the Milk SA General Meeting of members on 26 November 2020. The presentation titled “Economies and Markets”, consists of 35 slides covering the following topics: The international and South African economic situations and the international and South African dairy situations.

Dairy self-sufficiency in 2019



BOARD OF DIRECTORS' REPORT

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

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

Project Manager: Mr Edu Roux (also Secretary of SANCIDF)

The International Dairy Federation is the only organization that can obtain global consensus on all aspects of dairying, and represents the global dairy sector on intergovernmental organizations such as FAO, Codex, OIE and WHO. The International Dairy Federation (IDF) is the key authority on dairy standards and has access to a large network of worldwide experts in dairy. IDF has four focus areas namely Sustainability, Nutrition, Food Safety and Standards. These focus areas span nine work areas, 17 Standing Committees and three Task Forces. The dairy industry of South Africa is a member of the International Dairy Federation through the SA National Committee of IDF (SANCIDF).

The membership fee of €40 900 was paid in March but instead of a budgeted exchange rate of R17.216, the rate at date of payment was R18.794. This resulted in a budget overspent by R122 458.

Two members (Mr Bertus de Jongh and Dr Koos Coetzee) of Standing Committees were removed during the year due to death and retirement respectively; two members were appointed as additional members (Ms Louise Götsche and Mr Stephan Steyn); and Dr Chris van Dijk was appointed as a replacement for Dr Coetzee.

Nine New Work Items and twelve Questionnaires were received, circulated and processed (approved/answered) during 2020.

- Mr Alwyn Kraamwinkel attended an IDF Board meeting in February and expenses were paid out of the budget for this item. No other meetings were attended during the rest of the year due to COVID-19.

With the spread of COVID-19, the future of WDS 2020 was under investigation since early February. Ultimately, it was decided by SANCIDF to ask IDF for absolvment of all South Africa's responsibilities regarding WDS



2020. IDF agreed and cancelled the event. The WDS 2019 reports by delegates were printed and distributed to all levy payers of Milk SA and others in the second quarter.

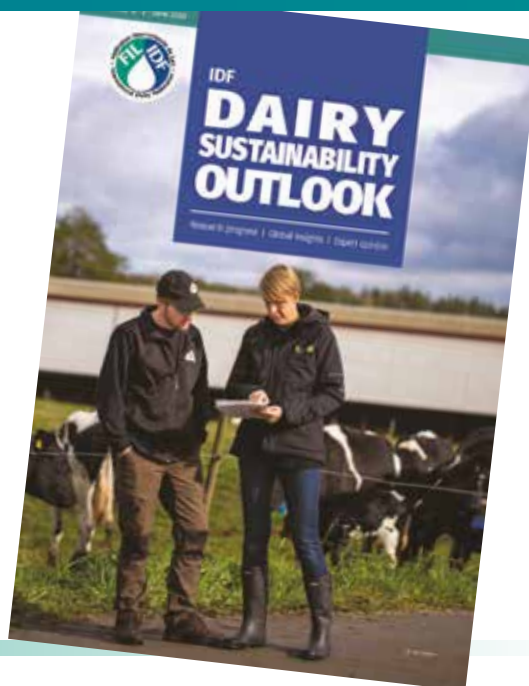
Four Bulletins, three Standards, thirty-two News Briefs and four Press Releases were received from IDF during this year and distributed to industry leaders, associate members and Standing Committee members.

Liaison by Drs. Heinz Meissner (up to September) and Colin Ohlhoff (from October) with IDF re sustainability and environment:

- Four comprehensive documents were responded to, namely:
 - The IDF's position to the FAO/WHO document: "Sustainable Healthy Diets: Guiding Principles."
 - Carbon Sequestration Guidelines.
 - "Methane, Cows, and Climate Change: California's Dairy's Pathway to Climate Neutrality."
 - Consultation on the contributions of the Dairy sector to ecosystem services.
- IDF Standing Committee on the Environment (SCENV). Two SCENV meetings were attended and priority items were:
 - Water quality, efficiency, and reuse.
 - Waste management and reduction.
 - GHG emissions quantification and mitigation, including energy efficiency and renewable energy generation.

- Ecosystem services including biodiversity.
- Review and adoption/promotion of best available technologies and practice.
- Contribute to work addressing the intersection of nutrition and environmental sustainability.
- Indicators for healthy diets in a sustainable food system (possible): new work item on Sustainable Healthy Diets is being prepared between SCNH and SCENV.
- Progress on ongoing work items

Dr Ohlhoff was included as member of a proposed work group on 'Ecosystem Services and the Dairy Sector'.



7.3. Project title: Customs Duties and Market Access

Responsible institution: SA Milk Processors' Organisation

Project Manager: Mr De Wet Jonker

Bilateral and multilateral trade agreements

In 2019 and 2020, the focus on trade negotiations shifted from negotiations with first world countries to trade within the African continent. The focus is on the following agreements:

- The African Continental Free Trade Area (AfCFTA) which includes 54 African countries; and
- The Tripartite Free Trade Agreement (T- FTA) which includes some trade blocks within Africa.

The following timelines for AfCFTA were adopted by the Trade Ministers:

- At the end of September 2019, the member states submitted their Schedules of Tariff Concessions covering 90% of the tariff headings and they agreed to scale down tariffs immediately;
- The remaining 10% (i.e. the 7% Sensitive and 3% Exclusion products), were finalized by the end of 2019;
- Tariff headings (0402.10) skimmed milk powder, (0402.20) full cream milk powder, and (0405.10) butter are the dairy products which fall under the Exclusion product list;
- That by January 2020, all the schedules were finalized and submitted; and
- The agreement should have been implemented by June 2020, but due to the COVID-19 pandemic, the implementation date was postponed to 1 January 2021.

Aspects such as market access, scaling down of import tariffs and rules of origin should be handled with caution not to be flooded by cheap imports and

BOARD OF DIRECTORS' REPORT

highly subsidized dairy products caused by government intervention. The project commented on rules of origin and a report was submitted to the Agricultural Trade Forum. The dairy industry supports the viewpoint of the Department of Agriculture, Land Reform and Rural Development (DALRRD) that the rules of origin for all agricultural products should be “wholly obtained”.

The general objectives of the agreement are to:

- Establish a liberalized market through multiple rounds of negotiations;
- Create a single market, deepening the economic integration of the continent;
- Move towards the establishment of a future continental customs union;
- Achieve sustainable and inclusive socio-economic development and structural transformations within member states;
- Enhance competitiveness of member states within Africa and in the global market;
- Encourage industrial development through diversification and regional value chain development, agricultural development and food security; and
- Resolve challenges of multiple and overlapping memberships.

Africa country research

The Research and Development Project of Milk SA embarked on a desktop study to investigate specific aspects of dairy industries in twenty selected African countries. The Project Manager was assisting the appointed contractor (Dr André Louw) and spent much effort and time evaluating and gathering information as required by the project.

Utilization, reallocation and allocation of EU's and BREXIT TRQ's into the SACU market

A table showing the reallocations for September 2020 as well as allocation for 2021, is attached as Annexures 1 and 2. Implementation of the reallocated volumes was applied retrospectively from 1 September 2020.

The Brexit agreement with SACU and Mozambique (SACUM-UK EPA) was implemented on 1 January 2021. Annexure 3 indicates the Brexit quotas for 2021.

Trade protection and tariff dispensation

Protection against the import of UHT milk

The preliminary evaluation was done and captured in a non-confidential report for consideration by the UHT Milk Work Group. The report was discussed with UHT milk manufacturers during a meeting that was held in March 2019. The meeting took notice of the following:

- That no imports of full cream UHT milk (0401.20.07) took place between August 2018 to March 2019; and
- Concluded that the International Trade Administration Commission of South Africa (ITAC) should be requested to provide information regarding the process to be followed in respect of an application for Safeguard Duties in respect of Article 35 of the EPA agreement and whether any criteria other than the criteria mentioned in Article 35 of the EPA agreement, would be used.

Informal discussions about Article 35 took place and a formal letter was forwarded to ITAC to obtain clarity on whether there were any guidelines for the implementation of Article 35 of the EPA agreement once the import trigger levels for full cream UHT milk were exceeded in a particular year.

Subsequent to this development, the Department of Agriculture, Land Reform and Rural Development (DALRRD) held several interdepartmental meetings with the Department of Trade and Industry (DTI), SARS and ITAC on this matter, during which implementation guidelines were developed and agreed upon at national level. The proposed guidelines were shared with its SACU partners during the SACU internal technical meeting whereby SACU Member States committed to provide comments by 27 September 2019. Draft guidelines for the implementation of Article 35 of the EPA agreement were published in the Government Gazette and comments were submitted to ITAC.

The South African negotiators (DTI and DALRRD) are busy negotiating the guidelines with the EU and we hope to have a conclusion early in 2021.

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

not exceeding 6 percent (tariff subheading 0401.20.07), has decreased considerably over the last view years.

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

| UHT (Long life) Milk | 2017 | 2018 | 2019 | Jan - Dec 2020 |
|----------------------------|--------|--------|--------|-------------------|
| Tons | | | | |
| 0401.10.07 | 3 | 25 | 20 | 43 |
| 0401.20.07 | 38 801 | 17 145 | 17 992 | 5 392 |
| Total mass | 38 803 | 17 170 | 18 012 | 5 435 |

Towards the end of 2020, ITAC requested the dairy industry to comment on “The review of the description of rebate item 304.07/0404.10/01.06 for demineralized whey powder for the manufacturing of prepared infants’ food in part 1 of schedule No.1 to the customs and excise act, 91 of 1964, which reads as follows: “Demineralised whey powder, for the manufacture of prepared infants’ food”.

As the current tariff regime for whey and modified whey, whether or not concentrated or containing added sugar or other sweetening matter (tariff sub-heading 0404.10), does not make provision for different tariff sub-headings for normal whey powder, demineralized whey powder, whey powder concentrate, and whey powder isolate at different rates of duty, Milk SA on behalf of the dairy industry recommends that:

- Rebate item 304.07/0404.10/01.06 for demineralized whey powder for the manufacturing of prepared infants’ food in part 1 of schedule no.3 to the Customs and Excise Act, 91 of 1964, **be amended to include demineralized whey powder, whey powder concentrate, and whey powder isolate for the manufacturing of infants’ food only;** and
- That the rate of duty on tariff heading 0404.10 be maintained at 450 c/kg to protect the local production of whey powder.

Export certification

With the outbreak of Foot and Mouth disease (FMD) early in January 2019, most of South Africa’s trading partners introduced an interim ban on importation of all animals and animal products. All import permits and Veterinary Health Certificates had to be renegotiated.

The continuation of trade in safe commodities was prioritized. Safe commodities include any product that has been processed in such a way that the FMD virus, should it be present, will have been destroyed.

However, each importing country retains the right to determine its appropriate level of protection and exporters are urged to obtain import requirements via their contact points in the importing countries.

In the interim, DALRRD has successfully negotiated the revision of Veterinary Health Certificates for processed dairy exports and 90% of South Africa’s historical export market has been re-opened.

While DALRRD was waiting for the approval of a disease containment zone and the re-establishment of the previous FMD-free zone without vaccination status (excluding the FMD control zone and the disease containment zone), the FMD-virus spread to the Molemole area during the first week in November 2019.

This new outbreak will definitely hamper trade in dairy products and some of the trading partner countries have already placed an embargo on trade in animals and animal products. DALRRD has already started renegotiations with the trading countries.

The two-year window of opportunity to apply for the reopening of the FMD-free states has elapsed and DALRRD indicated that it will have to restart the whole process of applying to the OIE. It could take as long as two years to regain our FMD-free states.

Hardly any exports have taken place since the implementations of the COVID-19 lockdown in the middle of March 2020. Export certification only resumed again in Phase 3 of the lockdown.

BOARD OF DIRECTORS' REPORT



Import and export monitoring

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

- **Monthly** - January to December 2020
- **Quarterly** – Four quarterly reports

Participation in the national animal health forum (NAHF)

The Project Manager participated in the meeting of the forum and focuses on trade related issues.

Since the announcement of the Foot-and-Mouth disease outbreak, the Customs and Market Access Project of Milk SA has been in continuous contact with the Animal Health Directorate of the Department of Agriculture

Land Reform and Rural Development (DALRRD) and the National Animal Health Forum.

The Project of Milk SA and the Import-Export Unit of the Directorate: Animal Health met on a number of occasions to share information and discuss the status of the outbreak and further actions needed.

All the media briefs and press releases were forwarded to the industry by Milk SA and we will continue to do this.

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

Annexure 1

Proposed SACU Quota Reallocation from 1 September to December 2020

| Product | Annual Quota (ton) | Total Uptake (31 Aug) | Quota Balances (1 Sept) | Minimum% for RSA | S.A reallocation of unused quota | Total for BELN | Botswana Reallocation | Eswatini Reallocation | Lesotho Reallocation | Namibia Reallocated |
|--------------------------------|--------------------|-----------------------|-------------------------|------------------|----------------------------------|----------------|--|-----------------------|----------------------|---------------------|
| | | | | | | | Reallocated Country-specific TRQ Allocation for Sept to Dec 2020 (ton) | | | |
| Pork | 1,500 | 0 | 1,500 | 83% | 1245 | 255 | 63.75 | 63.75 | 63.75 | 63.75 |
| Pig fat | 200 | 126 | 74 | 80% | 59.2 | 15 | 3.7 | 3.7 | 3.7 | 3.7 |
| Butter | 500 | 365 | 135 | 80% | 108 | 27 | 6.75 | 6.75 | 6.75 | 6.75 |
| Cheese | 8000 | 2,509 | 5,491 | 80% | 4392.8 | 1 098 | 274.55 | 274.55 | 274.55 | 274.55 |
| Wheat | 300,000 | 272,597 | 27,403 | 83% | 22744.49 | 4,659 | 1164.63 | 1164.63 | 1164.63 | 1164.63 |
| Barley | 10,000 | 0 | 10,000 | 90% | 9000 | 1,000 | 250 | 250 | 250 | 250 |
| Cereal Based Food Preparations | 2,300 | 62 | 2,238 | 80% | 1790.4 | 448 | 111.9 | 111.9 | 111.9 | 111.9 |
| Ice Cream | 150 | 62 | 88 | 80% | 70.4 | 18 | 4.4 | 4.4 | 4.4 | 4.4 |

Annexure 2

| Proposed SACU Tariff Rate Quota Allocations for 2021 | | | | | | | | | | | |
|--|--------------------|----------|--------|----------|--------|---------|-------|---------|--------|--------------|--------|
| Products | Annual Quota (ton) | Botswana | | Eswatini | | Lesotho | | Namibia | | South Africa | |
| | | Tons | % | Tons | % | Tons | % | Tons | % | Tons | % |
| Pork | 1,500 | 60 | 4.00% | 25 | 1.67% | 25 | 1.67% | 140 | 9.33% | 1,250 | 83.33% |
| Pig fat | 200 | 18 | 9.00% | 15 | 7.50% | 3 | 1.50% | 24 | 12.00% | 140 | 70.00% |
| Butter | 500 | 43 | 8.60% | 17 | 3.40% | 10 | 2.00% | 80 | 16.00% | 350 | 70.00% |
| Cheese | 8,150 | 733 | 8.99% | 408 | 5.01% | 245 | 3.01% | 1,059 | 12.99% | 5,705 | 70.00% |
| Wheat | 300,000 | 13,300 | 4.43% | 1,025 | 0.34% | 10,000 | 3.33% | 24,180 | 8.06% | 251,495 | 83.83% |
| Barley | 10,000 | 10 | 0.10% | 5 | 0.05% | 15 | 0.15% | 1,000 | 10.00% | 8,970 | 89.70% |
| Cereal Based Food Preparations | 2,300 | 296 | 12.87% | 265 | 11.52% | 43 | 1.87% | 86 | 3.74% | 1,610 | 70.00% |
| Ice Cream | 150 | 17 | 11.33% | 6 | 4.00% | 4 | 2.67% | 18 | 12.00% | 105 | 70.00% |
| Mortadella Bologna | 100 | 2 | 2.00% | 3 | 3.00% | 2 | 2.00% | 23 | 23.00% | 70 | 70.00% |

Annexure 3

| U K Products subjected to TRQ regime under SACUM0UK EPA (Inward/import TRQs) | | | |
|--|---|---|-------------------------------|
| Commodity | Quota Volumes for the EU for 2021 (in tons) | Quota Volumes for the UK for 2021 (in otns) | Duty applied within the quota |
| Pork | 1,500 | 150 | MFN less 75% |
| Pig fat | 200 | 20 | Free |
| Barley | 10,000 | 1,003 | Free |
| Wheat | 300,000 | 30,090 | Free |
| Cereal Based Foodstuff | 2,300 | 796 | MFN less 25% |
| Butter | 500 | 94 | MFN less 75% |
| Cheese | 8,150 | 1,444 | Free |
| Ice Cream | 150 | 24 | MFN less 50% |
| Mortadella Bologna | 100 | n/a | Free |

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

Responsible Institution: Milk Producers' Organisation NPC

Project Manager: Ms Helene Pheiffer

Goal 1 : Interactions in respect of acts, regulations, policies and procedures regarding skills and knowledge development (in light of the needs of the dairy industry) with authoritative bodies in the public sector, tertiary education institutions, representatives of other industries and MPO structures.

AgriSeta

MPO represents the primary dairy industry at the AgriSeta Red Meat Sub-sector Skills Committee (SSC) meetings. The following meetings in respect of skills and knowledge development were attended:

- 11 February 2020: The Project Manager attended an AgriSeta Red Meat SSC meeting whereafter MPO distributed a survey questionnaire to primary dairy producers. The aim of the questionnaire was to determine skills gaps, hard-to-fill occupations in the industry, skills development needs for major change drivers, new and emerging occupations in the industry, priority education and training interventions, critical and scarce skills, estimate actual employment, positive and negative impacts of the fourth industrial revolution. This information forms part of the annual Agricultural Sector Skills and Performance Plan.
- 18 February 2020: The Project Manager attended an AgriSeta Mandatory grant workshop, whereafter primary dairy producers were advised on mandatory grant applications and procedures, through workplace skills plans (WSP) and annual training reports (ATR). Information was shared via the MPO newsletter and *The Dairy Mail*. (This relates to Annexure 2, Skills Development Act 1998, SETA Grant Regulations, Application for Mandatory Grant by Employer [Regulation 6(1) (A)]).
- MPO also assisted primary producers with enquiries concerning ATRs (2019) and WSPs (2020) as well as skills and knowledge development for the primary producer employees, throughout 2020.
- A new SSC model was developed by the AgriSeta and the Project Manager was again nominated and accepted as member of the Red Meat SSC. The main purpose of the SSCs is to provide sector intelligence through empirical research on the various agricultural



sectors. Specific goals include the AgriSeta research agenda, research colloquiums as well as the development of the sub-sector plans and update of qualifications.

- 29 October 2020: MPO attended a virtual AgriSeta Red Meat SSC meeting. The SSC's new approved model, based on a benchmark with other SETAs, was discussed. The approved model consists of 11 sub-sector skills committees, five chambers and a chamber colloquium. The SSC focused on its governance and research strategy in the various sub-sectors. The research agenda will enable the AgriSeta to have an informed analysis of the labour market, relevant sectoral priority occupational interventions, support and continuous improvement, as well as processes that focus on the skills needs, skills planning and skills delivery in the agricultural sector. MPO provided inputs based on the BFAP Report 2020.
- 15 November 2020: MPO submitted an application for a discretionary grant project based on skills and knowledge development that supports the industry change drives' skills implications, as well as skills needs of the commercial and small/rural emerging farmers.
- 27 November 2020: MPO attended a virtual AgriSeta Annual General Meeting. The Chairperson's report focused on the strategic outputs in terms of the role, landscape, stakeholder cooperation and future role of AgriSeta, as the SETA licenses were renewed to

31 March 2020. COVID-19 had a significant impact on skills development implementation. The CEO's organizational report focused on AgriSeta's non-satisfactory performance level of 54% and the envisaged turnaround strategy.

AgriSeta and QCTO (Quality Council for Trades & Occupations)

MPO is a stakeholder in the development and verification of the Dairy Occupational Profile, Curriculum, Assessment Specifications and the External Assessment Specifications for the rollout of this Qualification. MPO attended eight constituency group meetings during January to March 2020, whereafter the following documentation was completed, consolidated and submitted to the AgriSeta and QCTO:

- Dairy occupational qualification assessment specifications and tasks for the knowledge, practical skills and work experience components of eleven modules. The specifications are included in the qualification assessment specification (QAS) and assessment policy documentation.
- A national data bank of instruments for the external integrative summative assessment (EISA) of the dairy occupational qualification. The data bank is based on the QAS blueprint that was approved by QCTO during the first quarter. An example of this data bank has to be made available to QCTO for students who are, based on their portfolios of evidence (POEs), evaluated and prepared for an EISA. The data bank covers three exit level outcomes with multiple occupational tasks covering the complete spectrum of the dairy occupational curriculum. The data bank includes questions and model answers compiled by industry experts. The assessment instruments also facilitate an analysis of the various domains of cognitive learning.
- A database with a learner tracer system.
- Policies, procedures and standard documentation for the management and coordination of internal and external assessments, assessment quality partner (AQP), associated practitioners and sites, moderations, appeals, recognition of prior learning (RPL) and certification.

Milk SA did not fund the development process, but only the time spent by MPO for its interaction, contribution

and management to complete the development of the dairy occupational qualification, which is of collective interest to the primary dairy industry.

Owing to the COVID-19 lockdown regulations, no QCTO or other Educational Institution meetings took place during 2020.

Milk SA

Due to COVID-19 regulations, the Milk SA skills and knowledge development meetings were limited to the third and fourth quarter:

- 28 July 2020: MPO met with primary industry members to discuss the needs of dairy farmers in terms of skills development and Milk SA transformation guidelines.
- 4 August 2020: A Milk SA meeting was held to discuss skills and knowledge development planning for 2021; the new proposed structure for skills and knowledge development; and feedback on quarterly reports.
- 11 August 2020: MPO attended the secondary industry skills and knowledge development meeting. During this meeting, the secondary industry discussed the second quarter skills and knowledge development report as well as the draft proposal for Milk SA activities in 2021.
- 19 August 2020: A meeting of the Sub-committee on Skills and Knowledge Development in the Primary Industry took place with primary industry members only. MPO gave a comprehensive presentation on Milk SA activities from 2008 to date; the new structure for Milk SA skills and knowledge development since it had been removed from the Transformation portfolio of Milk SA; and the proposal for 2021 activities. The Sub-committee consists of MPO national and regional members and representatives.
- 2 September 2020: MPO attended the first Advisory Committee on Skills and Knowledge Development hosted by Milk SA. This committee consists of nominated members of both the primary and secondary industry. Second quarterly reports and proposals for 2021 projects were discussed and provisionally approved, with or without amendments.

The Primary Industry Projects proposal for 2021 included skills and knowledge development actions (guided by Milk SA, and which are of collective interest

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to the dairy industry). These specific actions remain the same as for 2020, and include:

- **Continuous evaluation** of the current dairy occupational curriculum to determine whether amendment is necessary to the curriculum design, learning materials, assessment tools or quality management system. Amendments depend on technology development, production procedures and requirements set by relevant bodies in the public and private sectors. These actions include work of the relevant Milk SA committees and the Seta structures.
 - **Interactions** in respect of acts, regulations, policies, procedures as well as skills and knowledge development needs in the dairy industry, with authoritative bodies in the public sector and representatives of other industries. The structure and regulations of the AgriSeta provide context to this element.
 - **Promotion** of skills and knowledge development in the dairy industry and guidance in respect of thereof to members of the dairy industry. Skills and knowledge development guidance to members in the dairy industry for appropriate training interventions and mandatory grants.
- 26 November 2020: MPO attended a virtual Milk SA Annual General Meeting and provided feedback on primary skills and knowledge development activities during 2020.

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

On 26 February 2020, MPO submitted a motivation for the amendment of the dairy occupational qualification to QCTO. The curriculum design has to be amended to include additional management modules that were developed during the registration phase of the qualification. These modules include Pasture Management, Reproduction Management and Biosecurity Management. Amendments also include the credit allocation of the registered curriculum as well as the content of some of the modules.

Amendments to the curriculum design also imply amendments to the assessment specifications and the external assessment specifications. Neither the AgriSeta, nor QCTO, responded to the amendment proposals throughout 2020.

MPO had a meeting with AgriSeta on 22 September 2020 to discuss the revision strategy for the occupational qualification, as well as the approval of an implementation strategy for the MPO as AQP of the dairy occupational qualification. To date MPO still awaits the following feedback from AgriSeta and QCTO:

- An amendment proposal concerning the curriculum design for additional modules, credit allocation and assessment specifications of the dairy occupational qualification.
- Approval of, and the implementation strategy, for MPO as AQP of the dairy occupational qualification.

MPO started with the revision of the various modules. Modules 1 and 2 (*The South African dairy environment* and *Calf and heifer rearing, feeding and health care*) were recommended for amendment during the first quarter.

The COVID-19 regulations influenced the implementation of skills and knowledge in the primary industry, which forced MPO to investigate online learning opportunities according to the requirements of AgriSeta and QCTO. MPO developed an interactive on-line course on *Calf and heifer rearing, feeding and health care, Dairy animal healthcare* (Based on modules 2 and 3 of the dairy occupational qualification), as well as *Financial management*.

Milk SA did not fund the development of the above-mentioned online training portal. The time invested by the Project Manager to determine the feasibility of such an online learning opportunity is of collective interest to the dairy industry for skills and knowledge development.

Goal 3: Promotion of skills and knowledge development and guidance in respect thereof to members of the dairy industry.

MPO participated in and hosted several events to promote dairy skills and knowledge development in the

primary industry. These activities and events included media promotion, MPO member engagement, as well as skills and knowledge development webinars:

- 21 February 2020: Guidance to Bekker High School on the implementation requirements of the dairy occupational qualification. The school envisages re-opening the school's dairy with a training facility for dairy students.
- 24-27 February 2020: The project Manager attended MPO member meetings in the Western Cape (Malmesbury, George and Swellendam). The MPO Training Institute gave a presentation to guide farmers on how they could use the dairy occupational qualification training to empower their employees. The presentation focused specifically on *Dairy calf and heifer rearing, feeding and health care*. Approximately 50 farmers attended these events.
- 3 March 2020: The Project Manager attended MPO North silage day in the Free State. The MPO Training Institute gave a presentation on *Dairy livestock feeding* and feeding systems. Farmers were also advised on the various courses available to develop and uplift employees' skills. Ten farmers attended the event and the Institute addressed individual skills development queries of the primary producers.
- 20 May 2020: The MPO Training Institute promoted skills and knowledge development within the primary dairy industry at a MPO media day webinar.
- 1 June 2020: The MPO Training Institute conducted a *Landbou Radio* interview on activities presented during the MPO media day webinar.
- 8-19 June and 6-7 July 2020: The MPO Training Institute presented a Biosecurity Management webinar. The content of the webinars was based on module 13 of the dairy occupational qualification. The programme introduced all the biosecurity practices to ensure a healthy herd and profitable farming business, and furthermore assisted participants in the evaluation of a dairy farm's biosecurity status and to design a biosecurity plan for implementation by a dairy farmer.

Participants in the above webinars included state and private veterinarians, compulsory community services veterinarians (CCS Vets), animal health technicians and other dairy industry employees. MPO also registered

the Biosecurity Management webinar for continuous professional development (CPD) points at the SA Veterinary Council (SAVC). One hundred and thirty-four participants attended the webinars and 116 participants completed the online assessments.

The following three events / activities are also relevant:

- 27 August and 17 September 2020: The MPO Training Institute conducted two *Landbou Radio* interviews to promote online dairy skills and knowledge development courses and planned webinars on the Code of Practice for Dairy Producers and Dairy Production management.
- 19 and 27 August 2020: The Project Manager attended a virtual MPO regional member meeting and Annual General Meeting of MPO North and MPO Eastern Cape respectively.
- 21 and 22 September 2020: The MPO training institute hosted a *Code of Practice for Dairy Producers* webinar. The webinar was presented by both MPO and the Dairy Standard Agency (DSA). The content was based on module 8 of the dairy occupational qualification. The programme focused on compliance with food safety requirements at primary production level, industry norms for measuring supplier quality assurance and minimum requirements for export certification. The regulatory scope of this programme includes SANS 10049, Regulation 961 and ISO/TS22002-3. The participants included animal health professionals as well as government health officials responsible for health and food safety compliance audits on dairy farms. MPO also registered the above webinars for CPD points at SAVC and the South African Council for Natural Scientific Professionals (SACNASP). Eighty-one participants attended the webinar and 41 completed the online assessment.
- MPO presented the knowledge component webinar on module 2 and 3 of the dairy occupational qualification to MPO national and regional members. This initiative contributed to individual development plans of MPO national and regional representatives.
- 12-16 October 2020: The MPO Training Institute hosted a *Dairy Production Management* webinar. This programme covered dairy facility design concepts and factors that influence dairy operational effectiveness. The programme followed a holistic

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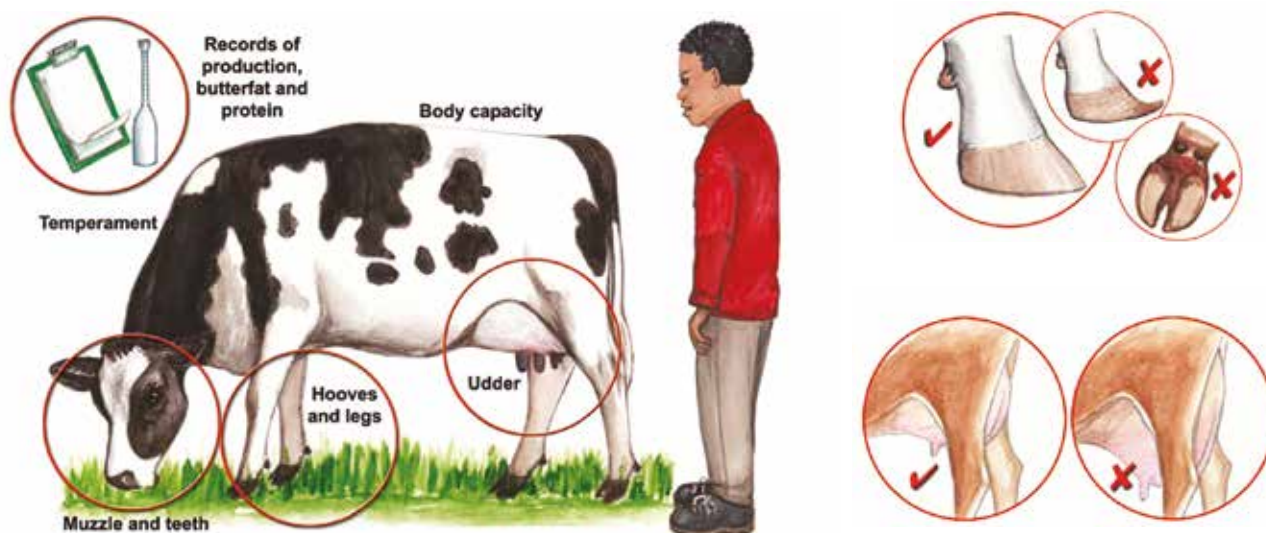
approach by focusing on reproductive performance parameters, animal health, nutritional requirements at various lactation stages and feed efficiency to achieve maximum milk yield per cow. The programme also clarified the value and methods underlying effective record keeping. The webinar was attended by 74 students and 57 successfully completed the online assessment. The participants included CCS Vets, animal health professionals, extension personnel, as well as dairy farmers.

- 27 and 28 October 2020: The MPO Training Institute hosted another *Code of Practice for Dairy Producers* webinar. The participants included animal health professionals, as well as government health officials responsible for health and food safety compliance audits on dairy farms. The webinar was also registered for CPD points at SAVC and SACNASP. Forty-one participants attended the webinar and 28 completed the online assessment. A total of 112 members participated in the two *Code of Practice for Dairy Producers* webinars and a total of 86 participants completed the online assessment.
- 4 November 2020: The Project Manager attended the virtual MPO KZN AGM and MPO National AGM and conference.

- 23 – 27 November 2020: The MPO Training Institute hosted a Dairy School for final year veterinary students of Onderstepoort (University of Pretoria). The school aimed to introduce dairy students to the characteristics of the dairy industry and to encourage them to pursue a career focusing on dairy production animals. The total attendees - including students - were 54. Participants included animal health technicians, animal scientists, veterinarians, farmers and other industry role-players. A total of 22 industry experts participated as speakers.

Milk SA did not fund the webinars/training sessions, as they resort under the initiatives followed by MPO to promote skills and knowledge development in the primary dairy industry.

The MPO Training Institute also shares information on skills and knowledge development on a continuous basis through the bi-weekly MPO News Bulletin and the monthly publication, *The Dairy Mail*.





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

Responsible institution: SA Milk Processors' Organisation

Project Manager: Mr Gerhard Venter

allocations for the Dairyman qualification in all its specializations, in order to more accurately reflect reality (especially following the pilot study and current running Dairyman programmes) and effect changes to the learnership policies of the SETA where needed (so that certain specializations may be registered as multi-year programmes and thus also the grant disbursement), has been noted by the SETA, but not yet committed to. This cannot be denied, as some of the specializations have been registered with double and treble the number of credits required for qualification. It remains on the agenda.

The registration statuses of the three qualifications remain unchanged. This means that:

- Dairyman is fully registered (all ten specializations), whilst only five of the specializations have been captured on the website of QCTO (the approving and quality assurance body for Occupational Qualifications, similar to UMALUSI for primary and secondary schooling and the Council on Higher Education for tertiary education), currently impeding applications by private providers for accreditation for the full range of specializations.
- Milk Reception Operator is not yet registered.
- Dairy Laboratory Analyst is not yet registered.

Enquiries as to the reasons for the backlog presented no answers. The SETA arranged discussions with QCTO with 'an elaborate agenda', but unfortunately could not elicit explanations.

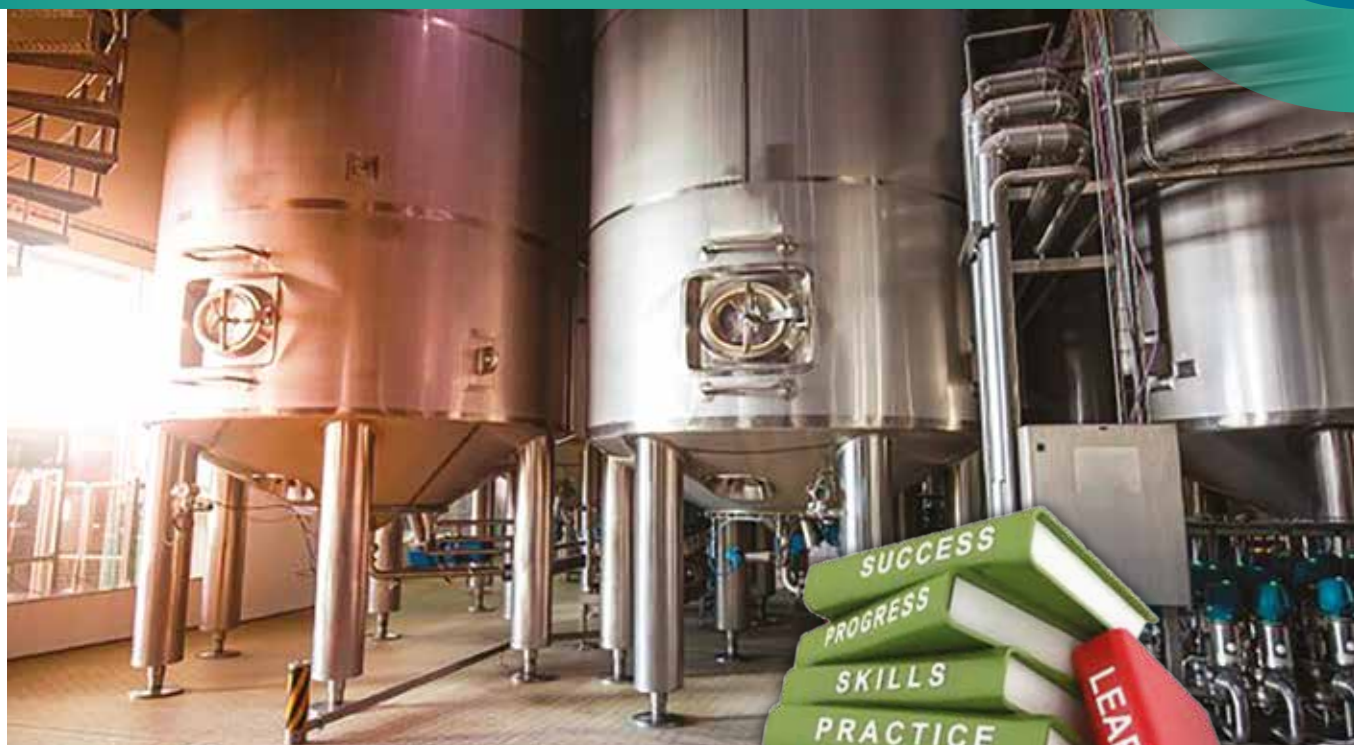
The recognition of the Prior Learning Project agreed to by QCTO and FoodBev SETA in respect of the learners participating in the Dairyman pilot study still stands, but dates for the 'exit moderation' of received portfolios of evidence as promised by the SETA, had not been forthcoming by year's end. However, it remains on the agenda in spite of the arrears and has not been discarded.

The need expressed by the Employer representatives on the Dairy Chamber to review and revise the credit



Skills Assessment

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Two Combined Chamber meetings and two Dairy Chamber meetings were held (virtually) in 2021. The Combined meetings served as general information sessions on SETA plans, policies and research. The research (done by the University of Johannesburg) seems to indicate that the SETA is following sound strategies and tactics in its endeavour to formulate and implement the Sector Skills Plan. The Dairy Chamber meetings updated on the same, but also contained agenda items purposefully inserted into the process by industry, which embody actual implementation in the workplace. It still seems that the Dairy Chamber is the most effectively functioning Chamber. (A few exist, but seem not to express the need to meet regularly).

There was a Skills Development Levy 'holiday' (as a result of the COVID-19 lockdown) that severely impeded the SETA's ability to pay out grants. The Board made a decision to cut back (to 0%) the allocation of 'employed learnership' grants, which had a seriously negative effect on dairy industry learning achievements. All other grants were just reduced in number (not amount) and the explanation was that 'employed learnerships' are deemed to be the 'foster child' as they present the largest percentage of cancellations.

All in all, the SETA did not function well during 2020, in terms of output and general performance.

Midway through the year, following a Milk SA Board decision, the Skills Development endeavour of Milk SA was separated from the Transformation endeavour and given a standing as discreet sub-strategy. This is now managed by the creation of two advisory Sub-committees – one each for the primary and secondary sectors of industry – which report to an Advisory (main) Committee. A formal budgetary allocation was made to this endeavour for 2021, upon which planning and budgeting must be based. Nominations were sought, made and confirmed to both Sub-committees and the Advisory (main) Committee. Proper rules and the tactical approach by Milk SA were drafted and circulated, upon which comments could be presented by nominees.



7.6. Project title: Enterprise Development, Facilitation and Coordination

Responsible Institution: Milk SA

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

Goal 1: Monitor existing Black dairy commercialization enterprises.

- No visits from the local Extension Officers;
- Unavailability of State veterinarians when needed;
- Poor fodder flow due to drought before it started to rain;
- Fire from neighbours; and
- Foot rot due to too much rain.

In addition to the above-mentioned challenges, it has been observed that where enterprises were either a cooperative or trust, enterprises performed poorly as compared to individually owned and managed enterprises. At such enterprises, students were managing businesses. When they return to school or find other opportunities, enterprises lack dedicated management, thereby resulting in performance suffering greatly. Notwithstanding the above-mentioned challenges, enterprises in general have improved a great deal when assessed over a period since Milk SA became involved.

Goal 2: Deliver pregnant heifers to new and existing black dairy enterprises depending on compliance with Milk SA criteria and beneficiary counter performance.

A total of 102 pregnant heifers were delivered and shared among five beneficiaries comprising 40 heifers delivered to one beneficiary on a 40:60 cost sharing basis between the beneficiary and Milk SA; and 62 heifers delivered by government under the Comprehensive Agricultural Support Programme (CASP) and shared among four beneficiaries each receiving 10, 12, 20 and 20 respectively. Milk SA assisted in securing quotations of animals according to Milk SA heifer criteria from its livestock agent. Farmers have also refused heifers financed by CASP if they were not being supplied by Milk SA's livestock agent.

One new beneficiary, who was in the process of buying someone's farm, was not supported pending proof of farm ownership transfer into his name being received

The Sustainable Commercialization Project came into being as a result of Milk SA's statutory levy surplus funds. Its goal is to promote competitiveness, profitability and sustainability of existing small black owned dairy enterprises by contributing to the reduction of commercial venture impediments such as poor on-farm infrastructure, dairy enterprise technical competencies, business competencies and compliance with legislation.

In order to augment the limited statutory levy surplus funds, the Milk SA Transformation Manager successfully applied for a grant funding from the Jobs Fund programme and secured R10.35 million. Below follows a report on the objectives set for 2020 at the beginning of the year.

During the year under review, monitoring continued to focus on dairy herd health, breeding, milk production, fodder flow, animal feeding, and business activities record keeping. Accordingly, advice to entrepreneurs was given based on actual circumstances of the enterprise. On average, there were eight hundred and seventy three cows in milk. Farmers supplied 3 695 239 kilogrammes of milk to processors and / or consumers. The total number of cows in milk increased by 16%, while milk volume went up by 23 % during the year under review compared with 2019.

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

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by Milk SA. The entrepreneur is an ex-government employee who resigned in order to pursue dairy farming full time.

Goal 3: Deliver feeds - lucerne and dairy meal concentrates.

A total of 689 tonnes of lucerne were delivered during the year under review. Lucerne was delivered to farmers on a 50:50% cost sharing basis between the beneficiary and Milk SA to support milk production. This is 45% less than the total lucerne delivered under 25:75% between the beneficiary and Milk SA in 2019.

Goal 4: Supply critical enterprise infrastructure - Irrigated permanent pasture, upgrade milking equipment, ground dams development.

A 1 000 litre pasteurizer was delivered during the year under review, although delivery was delayed. The supplier indicated that he was being hampered in finalizing the job due to the COVID-19 national lockdown. Nonetheless, the delivery of the pasteurizer was a great relief because the entrepreneur was about to lose contracts with old age homes and schools. Furthermore, the milking equipment was also upgraded and the cost of upgrading the milking equipment was shared between the beneficiary and Milk SA (±50:50% cost sharing).

Establishment of irrigated permanent pasture, upgrading of milking equipment and ground dams development could not take place during the year under review on other farms due to COVID-19 which negatively affected farmers in obtaining quotations, while newly approved beneficiaries could not provide outstanding information requested by Milk SA. Farmers have been advised to obtain quotations for whatever they needed Milk SA to support them with.

Goal 5: Specialized dairy processing assistance by secondary dairy industry experts to black dairy enterprises which are included in the existing "commercialization" project of Milk SA.

During the year under review two enterprises were visited. One of the projects was in Mpumalanga while another one was in Free State. Planned visits to the third one were cancelled twice due to the COVID-19 national lockdown. Nonetheless, the entrepreneur was sent a

questionnaire by the dairy expert so that light could be shed on the enterprise situation.

The secondary dairy expert visited the enterprise in Free State to check the functioning of a pasteurizer of one entrepreneur, after a missing part was finally installed. Fortunately this happened during the same time that a team of the National Agricultural Marketing Council (NAMC) was visiting the projects. Follow-up visits by the expert to the other two enterprises could not take place because one of the two entrepreneurs had not implemented the previous advice given by Milk SA. The entrepreneur indicated that he could not implement previous advice given by the Milk SA because he did not have funds and also funds promised by the Provincial Department of Agriculture were no longer available due to COVID-19. The third entrepreneur did not respond to the questionnaire sent by the dairy processing expert.

The third entrepreneur could also not be met by the NAMC team although he was informed well in advance. Extra efforts were made to meet him but when we arrived on his farm he was not there. We telephoned him and his response was that he was in Durban from where he would return home in two days' time. Depending on his response, Milk SA will have to make a decision regarding the enterprise's future participation and support.

Goal 6: Dairy business competency development and enterprise performance monitoring.

A workshop which was attended by 17 Project participants was conducted during the period under review and covered the following aspects:

- Breeding
- Calf and heifer rearing
- Feeding dairy cows
- Dairy cow nutrition
- Fodder flow planning and production taking possible drought into account
- Long term dairy enterprise planning
- Record keeping

The workshop took place after visiting some farms to assess conditions in order to ensure that workshop teaching was based on practical experience. It was also agreed that before future workshops take place,

entrepreneurs would have been tested to gauge their level of understanding of the previous learning.

Goal 7: Assist existing beneficiaries regarding long term business plans for submitting to DAFF for blended funding and enterprise management.

A two day workshop was conducted during the period under review to discuss individual entrepreneur business plans in terms of business needs and financing strategy.

All farmers but one, were ready to contribute 50% of the financial needs which was planned to be finalized by the Department of Agriculture, Land Reform and Rural Development (DALRRD) but it has been learnt that Blended Funding is not operational yet. During the workshop, farmers expressed the following needs: Sinking boreholes or blocking rain water to improve the water situation; Laying irrigation systems; Permanent pasture establishment; Upgrading of a milking parlour in terms of milking points and bathrooms; Tractors with equipment; Feed mixer; Hammer mill; Solar power; Extra farms.

The cost of the needs ranges from about R150 000 to R6.6 million per enterprise. Milk SA will nonetheless not spend its money where the cost will disadvantage other potential beneficiaries. Farmers were engaged individually to discuss their business goals, 50% own contribution and how they would raise finance to implement their business objectives. They have also been given forms to sign indicating their commitment to their business plans. Follow-ups are being made for them to return the signed forms.

Goal 8: Coordinate, liaise with relevant stakeholders and participate in Marketing and Agro-processing Forums.

Agricultural Research Council (ARC)

During the year under review, two meetings were held with the ARC as follows:

The first meeting discussed participation of entrepreneurs identified by the ARC. The discussion focused on Milk SA criteria and entrepreneur responsibility to ensure enterprise success. Entrepreneurs were identified by the ARC in Gauteng, Free State and North West Province. It was discovered at one of the projects that new owners were not committed to the business and the manager

who was trying to assist in ensuring enterprise success was not respected by owners who were working full time on the farm. Enterprise profiles were complied with, with the assistance of the ARC.

The second meeting was held at ARC-Irene regarding milk recording scheme reports of some of our project beneficiaries. In terms of Milk SA project reporting, milk composition is part of the report. Unfortunately some of the project beneficiaries who are selling their milk to less established buyers do not provide milk composition information when they provide volumes of milk sold per a specific year. The engagement with ARC wanted to establish if bulk tank samples could also be taken instead of individual cow reports.

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

Meetings were held between DALRRD and Milk SA as follows:

The first meeting between DALRRD and farmers in Harrismith (of the Free State Province) was coordinated by Milk SA. The purpose of the meeting was for DALRRD to engage farmers on CASP money which was meant to be spent by March 2020. DALRRD wanted to establish the reasons why the use of such funds was slow when needy farmers needed assistance.

A visit to three farming enterprises which had been identified by DALRRD in Mpumalanga was made but farmers were found to be focusing on beef, although there was dairy infrastructure. Unfortunately the dairy infrastructure was being vandalized at all farms visited.

Another dairy enterprise was visited in the Eastern Cape Province as officials of DALRRD wanted it to be revived because it was deteriorating, as the owners focused on job creation without regard to profitability and sustainability. The farm has the potential to milk about 1 000 cows based on the irrigated pasture infrastructure but at the time of visiting, only about 70 cows were in milk. It was later reported that a private investor was found and it was decided not to become involved anymore. Another farmer could no longer reply to his telephone on the day we were supposed to have met also in KZN.

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Enterprise development in QwaQwa



A visit was also undertaken to Cedarville in KZN to meet the DALRRD official regarding a farm which one of our beneficiaries wanted to use. The beneficiary was requested to make quotations of what needed to be done for submitting to Milk SA for consideration. The process was later put on hold temporarily because of the COVID-19 lockdown.

Moreover meetings were maintained between DALRRD and Milk SA regarding CASP funding, as well as COVID-19 support for agribusiness projects.

Land Bank

Follow-up engagements took place with the Land Bank on the possibilities of the Land Bank's funding one of our project beneficiaries. It was such a misfortune, the Land Bank indicated that they would not be able to assist the beneficiary as indicated initially because he was blacklisted when he failed to meet his debt repayment obligation. The beneficiary indicated that he lost income because many of the cows funded by a loan from the Land Bank had died and they were not insured.

The National Agricultural Marketing Council (NAMC)

A few meetings were held between the NAMC and Milk SA during the year under review regarding Ministerial

funds, transformation activities in general and the transformation business plan for 2021.

A team of three personnel from the NAMC was taken to 16 existing projects and another three new entrepreneurs' sites during the third quarter of the year to assess performance and challenges which were being experienced. This site visit was initially planned to take place during the second quarter of the year, but postponed due to COVID-19.

During the site visits project beneficiaries were interviewed by the NAMC, while the Milk SA Transformation Manager had recused himself to allow entrepreneurs to talk freely. At the end of the visit, the NAMC were upbeat about Milk SA's approach to meaningful transformation and the kind of support given to the deserving entrepreneurs. The NAMC further encouraged Milk SA to spread its geographical presence where feasible.

The NAMC also facilitated other webinar meetings that linked Milk SA with the Provincial Departments of Agriculture in the three Provinces, i.e. Eastern Cape, Free State, Western Cape and Gauteng Province. The purpose of the meetings was to improve the stakeholder relations between Milk SA and the Provincial Departments on promoting dairy industry transformation.

Future Farmers

“Future Farmers”, a non-profit organization involved in promoting and exposing young agricultural graduates to the international dairy industry, was visited in KZN during the year under review to take Milk SA to a potential project for consideration. A formal request is still being awaited. In addition, they have also indicated that they would send Milk SA a request for supporting them with funding for prizes under their mentorship programme.

Private Enterprise Development Company

Meetings were held with a private company that was interested in the processing of raw milk from black-owned dairy enterprises. Site visits were undertaken to two entrepreneurs, for them to be exposed and engage entrepreneurs for decision making.

Mulenzhe Traditional Council (Limpopo Province)

Mulenzhe Traditional Council in the Vhembe District was visited as per their invitation to see how Milk SA could assist them. The Milk SA approach and its criteria for support were shared with them and explained.

The Marketing and Agro-processing Forum

The strategic objective of the Marketing Forum is to facilitate efficient and effective marketing of produce mainly from emerging black producers. A webinar was used to conduct the meeting held on 30 September 2020 instead of the normal physical face-to-face meeting due to the COVID-19 lockdown.

The following report which is more relevant amongst other reports was discussed:

The Agri-BEE Fund under review but implementation continues.

The Rationale for review:

- In October 2019, the Department was requested to brief the Portfolio Committee on Agriculture, Land Reform and Rural Development on the implementation of the Agri-BEE Fund.
- In the brief, the Minister pronounced her intention to review the Fund.

- The reasons articulated by the Minister were that, in its current format, the Fund seems to have deviated from its original mandate.
- Following this pronouncement, a meeting was arranged between the Minister and the Agri-BEE Fund Committee members to obtain clarity on this matter. The meeting took place in December 2019.
- The outcomes of this engagement, together with concerns raised by various stakeholders on the stringent criteria necessitated a review of the Fund.
- The Fund was conceptualized as a national instrument aimed at assisting the department to bring about transformation in the agricultural sector.
- The current process flow where applications originate from provincial departments of agriculture may not assist DALRRD in realizing its transformation imperatives.
- When identifying and selecting projects for support through the Fund, attention should be given to those with potential to change the face of agriculture in the country.
- The current upper ceiling of R5 million is inadequate and may not bring about the required transformation in the sector.
- Applications for support through the Fund should be appraised holistically and not just focus on what the applicant is requesting.

Summary of issues raised by various stakeholders:

- Inaccessibility by targeted beneficiaries owing to the Fund's stringent criteria.
- Specific issues relating to the criteria include the requirement for own contribution in cash by qualifying applicants.
- The need for three years audited financial statements which can be costly without any guarantee that the application will be supported.
- The requirement for off taker agreements has also been raised as a hindrance to accessing the Fund.
- In many instances, empowering enterprises have been found to be unsustainable. Despite the programme being 90%/80% grant funding with own contribution, applicants are still expected to be credit worthy, a requirement viewed as onerous to most black South African stakeholders.

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Goal 9: Maintain and strengthen relationships with Provincial Departments to enhance synergy and enable updating of data on black dairy enterprises.

During the year under review visits to provinces were not possible due to COVID-19 but engagements took place with Eastern Cape, Free State and Gauteng provinces through webinars. Issues affecting dairy enterprises in respective provinces were discussed, as farmers had reported that they were not getting services from government. Follow-up meetings may take place in 2021 to ensure that issues identified by farmers are addressed.

A representative of the Limpopo Department of Agriculture was met to discuss a potential dairy project around Thohoyandou. Unfortunately there is no dairy yet but it was understood that the potential entrepreneur would like to partner with Madzivhandila Agricultural College and Milk SA.

A visit to the Western Cape Province which was planned in December 2019 could no longer take place. The visit was cancelled because Milk SA could not be provided with contacts of the farmers by Western Cape Department of Agriculture, which Department used Protection of Personal Information Act as an alibi.

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

Responsible Institution: Dairy Standard Agency NPC

Project Manager: Mr Jompie Burger

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

DSA serves as an organization which acts strictly according to scientific information and functions independently of commercial interests that may affect the organization's actions. DSA membership consists of the SA National Consumer Union, the Milk Producers' Organisation, the South African Milk Processors' Organisation and the South African Society of Dairy Technology. DSA has eight members and five directors.

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

DSA and transformation in the dairy industry

Activities within the scope of the approved statutory and non-statutory projects directly and indirectly contributed to the empowerment of the previously disadvantaged.



These activities included presentation of workshops and information sessions to government officials and student environmental health practitioners during which transfer of dairy technological information and regulatory matters was done. Workshops and sessions conducted were predominantly (more than 90%) attended by previously disadvantaged students and individuals.

DSA rendered services to the Milk SA Transformation Project by conducting facility assessment at farming operations on request. The assessment work and recommendations mainly dealt with aspects relating to compliance with the relevant health legislation.

DSA activities were grouped into specific programmes and projects under the titles “MILK SA” (statutory) and “User Pay” (non-statutory). A total of 17 goals/projects were managed, of which 11 were approved and funded by Milk SA.

Project 1: National milk monitoring programme in collaboration with Health Authorities

During 2020, the COVID-19 pandemic conditions in which government and industry had to operate influenced all the project related activities of DSA. Challenges such as the limited availability of Environmental Health Practitioners to conduct sample collections due to COVID-19 responsibilities such as overseeing funerals, tracing of people exposed to the virus and reallocation of resources were common. DSA personnel however, where possible, managed to assist with sampling in various provinces and in terms of sound relationships with the relevant authorities, continued to work with the law enforcement bodies to limit the sale of non-conforming products.

Initial expansion of the testing regime to include *Enterobacteriaceae* testing on all milk samples has proven to be successful. The inclusion of *Enterobacteriaceae* testing as part of the standard analyses for milk and other dairy products, increased the scope of risk identification as the ability towards pathogen detection and broadened control.

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

The total number of samples of milk and other dairy products analyzed are as per the table below.

| Dairy Product | Total |
|---|-------------|
| Fresh milk in the categories named packed pasteurized and unpasteurized, pasteurized and unpasteurized retail bulk milk | 626 |
| Cultured milk (Amasi) | 73 |
| Butter milk cultured | 24 |
| Drinking yoghurt | 56 |
| Yoghurt with added foodstuffs | 49 |
| Dairy snack (Dairy dessert) | 16 |
| Yoghurt plain | 13 |
| UHT milk | 72 |
| Hard Cheese | 43 |
| Semi-Hard Cheese | 63 |
| Semi-Soft Cheese | 8 |
| Soft Cheese | 3 |
| Processed Cheese | 13 |
| Cream Cheese | 14 |
| Cottage Cheese | 9 |
| Imported Cheese | 2 |
| Cream | 53 |
| Sour Cream | 4 |
| Butter | 30 |
| Cultured Butter | 3 |
| Modified Butter | 2 |
| Cultured Modified Butter | 1 |
| Sterilized Milk | 2 |
| Flavoured Milk | 35 |
| Sweetened Condensed Milk | 29 |
| Evaporated Milk | 17 |
| Dairy powder | 11 |
| Dairy Dessert | 37 |
| Total | 1308 |

Samples were mainly submitted to DSA Laboratory Services and where applicable, to SANAS accredited laboratories as per standard procedure; and results of milk and other dairy products were benchmarked against food safety, compositional and trade metrology standards as respectively gazetted under the Foodstuffs,

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Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972), Agricultural Product Standards Act, 1990 (Act 119 of 1990) and the Legal Metrology Act, 2014 (Act 9 of 2014). Non-conforming results obtained were assessed and communicated to the processors for further action. Contact details of participating authorities as well as processors were updated as per standard procedure.

Non-conformance reports regarding added water, inhibitory substance positive, phosphatase positive and E.coli positive were also forwarded to the relevant authorities for further action.

It is important to note that milk sampled in terms of the DSA national dairy monitoring programme follows a risk-based approach and also focuses on historical data so as to identify possible continuous non-conformances. It is generally accepted that more than 90% of packed fresh milk offered for sale in the retail, finds its origin from the estimated top 20 to 25 dairy processors on a national level. The remaining 10% of packed fresh milk accesses the marketplace through small and medium size enterprises competing geographically on a national basis. The percentage of milk supply of the categories packed unpasteurized, retail bulk pasteurized and unpasteurized milk appears to be minute in relation to the total of packed heat treated milk sold in South Africa; however it remains a persistent problem mainly due to poor law enforcement and continuous unlawful sale of substandard milk to the end user.

DSA in terms of its project activities, continued to extensively use its updated guideline developments to promote the improvement of the level of compliance of the above categories of products during 2020.

In terms of its project protocol and relationships with the relevant authorities (see project goals 5 and 6), DSA also continuously liaised with the relevant law enforcement bodies, providing support through dairy technical information and guideline documents to limit the sale of non-conforming products.

Project 2: Investigation regarding complaints received in respect of product compliance with legal requirements

- Unverified product claims by processor on public electronic platforms;
- Illegal selling of raw milk as well as health claims on labels;
- Packaging integrity of dairy desserts;
- Chemical taste in pasteurized milk;
- Absence and low levels of yoghurt cultures in yoghurt;
- Misleading labelling of yoghurt and drinking yoghurt;
- Quality defect of butter;
 - Full cream fresh and UHT milk not adhering to the compositional standards;
 - Incorrect labelling on milk sachets;
 - Shelf life of fermented dairy products;
 - Incorrect labelling of dairy products sold by retail;
 - Composition and labeling of yoghurt and dairy snacks; and
 - Milk adulterated with water.

The above complaints were investigated and resolved according to DSA protocol.

Project 3: Special Investigations

Adulteration of UHT milk with milk powder and related concentrated powders

The work on the establishment of an analytical method for a test of milk powder and constituents of milk in powder in UHT milk continued during 2020. Timeous validation of test methods could not be completed and is scheduled for 2021.

Pshycrotrophic organisms (*Pseudomonas*) in milk

Testing for the presence of pshycrotrophic organisms (*Pseudomonas*) as standard test done on all milk samples as part of the National Milk Monitoring Programme was investigated. The work supports the Risk Identification Project of DSA and also the proposed work of the Milk SA Research and Development Project as part of an action plan to:

- conduct further research on the presence of the organism in milk resulting in quality defects (flocculation) in processed milk;

- develop an accelerated test method for faster detection of the presence of high bacterial counts (psychrotrophs) in raw milk.

Report on the retail on plant-based imitation dairy products in South Africa

In response to the request by the IDF Plant Based Beverage Action Team to survey the South African retail market for plant-based imitation dairy products, a task team consisting of DSA and the Milk SA Consumer Education Project was established. The task team started by reviewing existing regulations relating to imitation dairy products as they appear in R1510/2019 and then obtained samples of the products in the South African retail space. The survey was completed and forwarded to IDF by Milk SA's Consumer Education Project. Samples were evaluated and a further report was compiled to be used as supportive information for the work of an industry task team during discussions on imitation dairy products and the use of dairy terms with the aim to review R1510/2019 and make proposals to DALRRD.

Investigation into the continuous sale of incorrectly labelled dairy snacks

An investigation into the composition of yoghurt and dairy snacks in the retail as a result of a dispensation repealed by the Directorate of Food Safety and Quality Assurance of the Department of Agriculture was completed.

Project 4: Risk identification through statistical analysis

The DSA national dairy monitoring programme provides for the sampling of milk categories namely packed pasteurized, unpasteurized milk and retail bulk pasteurized and unpasteurized milk as well as other dairy products. DSA compiled comprehensive statistical reports following the completion of each cycle. As a result of COVID-19, cycle quarters 2 and 3 overlapped and results were combined and reports were interpreted to determine possible industry specific food safety risks. In support of project activities, a significant amount of scheduled work has been completed to upgrade the functionality of the DSA Management Information System.

Reports on non-conforming results were forwarded to the respective government departments after the cycles and

each participating municipality received a cycle report on the analysis done of samples submitted. Non-conforming processors as well as processors whose contact details were verified and who requested to receive test results were provided with individual test reports. Cycle reports to health authorities are indicated in the table below:

| Province | Health Authority Offices |
|----------|--------------------------|
| MP | 38 |
| LP | 46 |
| WC | 45 |
| NW | 51 |
| GA | 42 |
| FS | 50 |
| NC | 3 |
| EC | 22 |
| KZN | 27 |

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

National and international food safety and recall monitoring

International food risk monitoring – 19 different websites and RSS feeds* - were monitored on a weekly basis for possible food safety scares that might affect the local dairy industry:

Continuous monitoring did not reveal any direct threats from food safety incidents and / or product recalls to the South African consumer (national and international).

As in 2019, special attention was given to the presence of pathogens, the presence of antibiotic residue in raw milk and milk products, as well as milk ring test (brucellosis test in raw milk). Industry reports regarding the prevalence of Brucellosis in milk herds in certain provinces and consumption of unpasteurized milk remained unchanged, which is a public health concern with very limited government intervention.

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

This project in particular was among the most negatively affected projects of DSA during 2020 as a result of the COVID-19 pandemic. Quarterly milk and other dairy product sample results once processed, were forwarded to the respective Producer-Distributors and processors/manufacturers. Where possible these activities were followed up by means of interaction with Producer-Distributors and processors/manufacturers regarding non-conforming test results as well as recommendations for corrective actions. Sixty-four Facility visits were undertaken in comparison to 278 visits in 2019. Most of the communication was either done by means of a telephone call or e-mail and Environmental Health Practitioners (EHPs) were also requested to communicate all test results to the relevant parties.

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

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

Project 6: Communication with authorities and other organizations

Communication with authorities and other organizations

Department of Health: Directorate Food Control

As a continuous activity, DSA - in a supportive role - assisted the industry members with queries relating to food labelling, food safety and food additive requirements, as well as dairy technical matters. Upon invitation and with the approval of DOH, DSA's Managing Director participated in the WTO SPS Committee Thematic Session on Voluntary Third-Party Assurance as part of National SPS Control Systems, which took place on 3 November 2020.

Municipal Health Authorities

Communication with the municipal health authorities mainly focused on interpretation of food safety legislation and elements of law enforcement as per the health regulations under the Foodstuffs, Cosmetics and Disinfectants Act, with specific reference to retail unpasteurized and pasteurized bulk milk and certificates of acceptability.

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

- Directorate: Inspection Services (IS)

Cycle results of the DSA monitoring programmes regarding infringements in terms of the Regulations relating to dairy and imitation dairy products, as a result of the DSA mandate, were restricted to communication with the Directorate Food Safety and Quality Control in light of the pending court case between Woodlands Dairy and Milk SA and the DALRRD respondents.

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

Communication with FSQA regarding dairy product compositional matters and the interpretation of the Regulations relating to dairy and imitation dairy products continued. Formal communication with DALRRD: FSQA also continued regarding possible revisions of the latest R1510 of 2019 Regulations relating to dairy and imitation dairy.

- National Regulator for Compulsory Specifications (NRCS): Legal Metrology

Standard procedure provides for a quarterly report regarding metrology infringements to the Senior Manager, Inspections: Legal Metrology NRCS. No formal complaints were lodged with NRCS. Interaction took place by means of participation in a webinar regarding fraudulent activities (SANS 289 – under-filling and misleading practices by means of oversized packaging materials)

- South African Bureau of Standards (SABS)

DSA participated as member in the activities of the Technical Committee SABS TC 70/SC 4, Legal Metrology - sale of goods as well as the SABS TC 034 SC 17 Food products – Hygiene practices in the food industry and technical committee. Committee work continued relating to the draft SANS 10330 (HACCP). Outcomes were communicated via the Regulations and Standards Project of Milk SA to the dairy industry.

Communication with other organizations

DSA interacted on a regular basis with the Project Managers of the Milk SA Consumer Education Project and SAMPRO, MPO as well as the Milk SA Project Coordinating Committee (DSA, CEP and R&D Project of Milk SA), of which scheduled meetings took place during the year. DSA's Managing Director participated as judge in the MPO Stewardship Awards programme and also presented during MPO Dairy School webinar sessions during the fourth quarter.

The Project management of the Regulations and Standards Project of Milk SA consulted regularly with the organized dairy industry, with specific reference to regulatory matters and appointment of the DALRRD assignee. Regular interaction between the project management and the Milk SA legal team continued during 2020. A separate project report for the Milk SA Regulations and Standards report was compiled by DSA.

CGCSA - FSI – DSA as member of the Food Safety Initiative (FSI) interacted on a regular basis with the management of FSI regarding matters relating to regulations under the Foodstuffs, Cosmetics and Disinfectants Act, Agricultural Product Standards Act and the DALRRD appointed assignee, as well as new Extended Producer Regulations in terms of the National Environmental Management Waste Act, 2008.

EHEDG - European Hygienic Engineering and Design Group – The Managing Director of DSA serves as committee member of the South African Regional Section of EHEDG and participated in meeting activities during 2020. The EHEDG provides a balanced forum for food processing equipment manufacturers, users and legislators to discuss issues concerning hygienic design and to stimulate food safety and quality.

IDF - The Managing Director of DSA is a member of SANCIDF and of the IDF Standing Committee: Standards of Identity and Labelling and nominated to the IDF Standing Committee for food additives. The Managing Director attended IDF webinars relating to the scope of work as member of SANCIDF and Milk SA/DSA.

SAATCA - South African Auditor & Training Certification Authority – DSA as member, attended the Annual General Meeting held on 6 March 2020.

SANCU - DSA as member of SANCU, communicated with the SA National Consumer Union regarding dairy food safety and quality related matters and attended general meetings where applicable.

SASDT - The DSA Managing Director, as member of the management committee of the Northern region, participated in the SASDT management meetings and General Meeting during the fourth quarter.

Tertiary institutions - DSA served as a member of the Advisory Boards of the Departments of Environmental Health of the Tshwane University of Technology (TUT) as well as Nelson Mandela Metropolitan University. The purpose of the advisory boards is to give industry inputs and assist the universities with the development of course material for Environmental Health Practitioners.

Project 7: Liaison on legislation with authorities

DSA continued to liaise with the authorities regarding the following legislation and standards:

Department of Health: Directorate Food Control

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

- Regulations relating to milk and dairy products R1555/1997 – Milk SA approval of funding for the appointment of a consultant was finalized to assist with the revision process in 2021.

Department of Agriculture Land Reform and Rural Development (DALRRD)

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

- Preparation work concerning the review of the Regulations relating to the classification, packing and marking of dairy products and imitation dairy products intended for sale in RSA (R1510/2019) was initiated. An industry workshop was held on 8 December 2020 in support of the liaison on legislation project activities, in preparing proposals to industry for comment.

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Non-compulsory South African National Standards – SABS

Virtual work group technical committees were attended by DSA on which it serves, namely TC 034 SC 17, SC034/05 and SC 10. DSA actively participated in the review and development of a draft SANS 10156: Handling of chilled and frozen foods.

Codex Alimentarius and ISO

- Amendments to the “Codex General Standard for Food Additives” (GSFA, Codex STAN 192-1995); and
- Codex General Standards for the use of Dairy Terms.

DSA Technical Committee

Work of the DSA Technical Committee related to investigations into the product composition of goat's milk in South Africa and the establishment of psychrotrophs and *Enterobacteriaceae* test regimes in raw and processed milk.

Extensive work was done in preparation of the industry meeting on imitation dairy and the use of dairy terms on plant-based beverages and products (R1510/2019) that took place during the fourth quarter. The work is to continue in the first quarter of 2021 and will include all other proposals towards the DALRRD planned review of R1510/2019 in 2021.

Preparation work on the revision of R1555/1997, Regulations relating to milk and dairy products (food safety) continued with the assistance of an outsourced expert and will continue into 2021.

Project 8: Information and education project

Two highly successful laboratory sessions were held during February 2020 at the offices of DSA and Stellenbosch University addressing the topics:

- ISO standards overview in the dairy field, validation and verification process of alternative methods and regulatory approach;
- Taking Dairy into the future with alternative testing methods;
- Environmental monitoring in dairy processing facilities;
- The use and calibration of testing equipment for fat, protein, lactose and MUN (Fourier- transform infrared spectroscopy (FTIR).



The workshops were attended by 134 industry stakeholders in dairy laboratory and related disciplines with guest speakers from France and the Netherlands.

DSA presents information sessions based on the DSA Code of Practice and related guideline materials to professional Environmental Health Practitioners as well as student Environmental Health Practitioners and other professions such as veterinary and B.Sc. Agric students. These information sessions are also available to other professions and government/municipal officials, milk producers, processors and distributors that require information regarding food safety and quality standards on a national level.

All scheduled Environmental Health Practitioner presentations were dealt with by the end of the third quarter. In the interim, copies of DSA presentations were made available to all lecturers for the attention of an estimated 248 students. During the third quarter, a very successful webinar namely “Introduction to dairy product labelling in South Africa” was held with several prominent speakers. A total of 270 delegates registered. This was only the introduction to the DSA labelling tool and further training sessions will be conducted during 2021.

During the fourth quarter a webinar was held with the BSc Agric Animal Sciences students of the University of Pretoria.

Project 9: Media communication

DSA signed contractual agreements with Agri Connect and *Plaas Media*. Project work resulted in ten advertisements, nine advertorials, three talks on national radio stations and two *Milk Essay* publications.

Project 10: Development of guideline documentation

The revision of the DSA Labelling Guide was completed, including work regarding the R1510/2019 Regulations relating to dairy and imitation dairy. Work on the update of the DSA Code of Practice for Milk Producers with specific reference to biosecurity as well as animal welfare, following the publication of the latest SANS 1694 on the Welfare of dairy cattle, continued during 2020. The DSA audit criteria-based SANS 1694 has been developed in support of the dairy industry compliance with animal welfare criteria. Validation of the DSA audit criteria based on SANS 1694 is to take place in 2021 with the registration of a Milk SA project and assistance of the R&D project of Milk SA.

The revision work of the DSA Code of Practice for the Secondary Industry as a result of amendment of the latest SANS 10049, as well as integration of the latest SANS 10330, was completed during the second quarter of 2020.

Regulations and Standards Project of Milk SA

The Regulations and Standards Project of Milk SA relates to participation in the formalization of draft regulations and standards and comments on regulatory matters, as well as communication through Milk SA structures in the interest of the dairy industry and other stakeholders.

The Advisory Committee of the Regulations and Standards Project communicated electronically during 2020 and members participated in matters relating to proposed new and revised legislation and standards. The management committee communicated relevant legislation, voluntary standards and related matters where applicable regarding food safety, product composition and metrology to the organized dairy industry.

Members of this committee namely Messrs AP Kraamwinkel (Chairman) and JC Burger (Project Manager) actively participated as Milk SA representatives in the joint Woodlands/Milk SA High Court application against the respondents namely the Minister of DALRRD, the Executive Officer and Assignee in terms of the Agricultural Product Standards Act. A separate 2020 report on the activities of the Milk SA Regulations and Standards Project was prepared for Milk SA.



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7.8. Project title: Consumer Education Project of Milk South Africa

Responsible Institution: The SA Milk Processors' Organisation

Project Manager: Ms Christine Leighton



Objectives of the project

In terms of Regulation 1398 dated December 2017 and similar regulations implemented previously, issued in terms of the Agricultural Marketing Act (47 of 1996), part of the income from the levies on dairy products should be spent by Milk SA on consumer education. In this regulation the following is stated:

"From a national point of view and to promote the viability of the dairy industry, consumers should be informed of the health and nutritional advantage of milk and other dairy products. Informed consumers will not only contribute to the national well-being in respect of nutrition and health, but especially also to the viability and sound development of the dairy industry. The education will be conducted in such a way that it will not erode the marketing activities of any firm in the dairy industry that are aimed at differentiating its products from that of competitors."

Nature of the project

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

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

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

General Communication

Target groups

- The target group of the general communication element is consumers, LSM (living standards measure) 6–8, with a meaningful spillover to LSM 9–10 and LSM 4–5, as agreed to by the Advisory Committee of the CEP.

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

Communication channels

To convey messages effectively to the target groups, appropriate use of the different communication channels is necessary. Due to the numerous communication

opportunities in the marketplace, the CEP must be highly disciplined in selecting the most effective communication channels and ensuring balanced and integrated use of these channels to convey its messages to the different target groups.

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

- Television;
- Publications in the form of promotional articles (advertorials) in consumer magazines, scientific articles in journals aimed at health professionals and pamphlets for distribution at selected events and trade magazines;
- Websites;
- Digital advertising and social media;
- Presentations at scientific congresses and seminars;
- Clinics educational information sessions;
- School programme.

Television and social media for 2020

Television broadcast schedule for 2020

- Four bursts were planned for 2020. The CEP decided to re-broadcast existing television advertisements in 2020. To determine which of the existing television advertisements to broadcast, research was conducted among teenagers at a school in Tembisa on 19 February 2020 by the Bureau of Market Research. The television advertisements *Ball* and *Stix* were selected for 2020.
- *Ball* and '*Stix*' were flighted from 20 March to 10 April, 12 to 25 June, 23 October to 4 November, and 15 to 21 December 2020.
- The target audience for 2018–2021 remains teenagers (four-year period); LSM 6-8 with spillover to LSM 9 and 10.

New television advertisement

A new television advertisement was planned, developed and produced for the CEP during the fourth quarter. This included evaluating the storyboard, selecting the cast, the actors' wardrobe and filming location, as well as the evaluation and approval of the final advertisement. It will be broadcast from January 2021 and four broadcasts are planned for 2021.

Post-campaign results: accumulative over four bursts in 2020

Results are presented against the core market, i.e. age 13-19. Mothers aged 25-45 were not targeted directly, meaning that no media was bought against mothers, but solid performance was achieved against this target group.

Results are reported according to household incomes i.e. R5 999 to R 19 999 sub-divided in R5 999 to R9 999 and R 9 999 to R 19 999. For each group, targets are set prior to broadcasting and results are measured accordingly.

During the lockdown, great television results were achieved, but post-lockdown, television viewing declined in the upper-income groups, who were potentially spending time (and money) engaging in things they were not able to do during the lockdown. Despite the challenges, the performance levels have been good.

Digital

Dairy gives you go facebook (dgyg), instagram and twitter

During 2020, two 'hero' campaigns were developed. A 'hero' campaign refers to a campaign that engages with the target audience in a fun and accessible way. The Dairy Dance Off campaign was launched to teenagers on 15 May 2020 on the Dairy Gives You Go (DGYG) social media platforms, i.e. Facebook, Instagram and TikTok.

The campaign ran from 15 May to 19 June 2020. World Milk Day, (1 June 2020) fell within the campaign period and this strengthened the engagement with teenagers who were invited to show us how dairy gives them 'go' by uploading a #DairyDanceOff video on TikTok. The idea was that participants had to show how consuming dairy products give them a boost to be active. Hence, new audiences were exposed to dairy through influencers on Instagram, which resulted in a significant growth in followers for the 'DairyGivesYou Go' Instagram page.

The #DairyGOtivation campaign inspired teenagers by asking a celebrity or important public figure to provide words of encouragement. The campaign ran for two

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months from mid-September to mid-November 2020. Processors were invited to participate.

The analytics of the interaction of visitors with the information posted on the DGYG Facebook page were collected systematically. Targets and budgets are set per month and a digital report is generated monthly. The performance is closely monitored against the set targets and the social media performance either met or exceeded the set targets. The DGYG Facebook page currently has 54 000 followers and the Instagram platform has 2 500 followers.

Dairy gives you go website (DGYG)

The Dairy Gives You Go website (www.dairygivesyougo.co.za) is aimed at teenagers and provides the health and nutritional benefits of dairy in infographic format. The DGYG website is continually monitored and updated when required. All the television advertisements and Tasty Treat videos can be viewed on the DGYG website, together with the Ask Dairy and Dairy Diary menu items.

Rediscoverdairy Facebook page

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

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

As part of the communication activities of the RDD Facebook page, four media releases were developed and distributed to digital publications and radio stations. The RDD Facebook is used as the communication channel for sharing the media releases

All content was boosted by means of established bloggers who posted the relevant content on their

respective pages and linked it to the RDD Facebook page. The bloggers used the information about dairy, as presented in the media release, to develop content for their own pages. This is shared on the RDD Facebook page.

Radio interviews were negotiated for each press release and dietitians were contracted to do the interviews on behalf of the CEP. The selected dietitians were briefed and provided with a detailed questions-and-answers document related to the campaign.

The RDD Facebook page increased from 1 250 followers in March 2020 to 11 000 followers in December 2020.

Egg-in-the-hole amasi cheese scones recipe video

'Foodies of SA' is an online platform, which aims to revitalize the act of everyday cooking. The CEP developed a recipe with Foodies SA to show the versatility of dairy products while also talking about the health benefits of dairy. The recipe included four different dairy products, three health benefits and three tips with dairy. The video received 506 702 views over four platforms i.e. Facebook, Instagram, You Tube and Pinterest.

Consumer print campaign

Promotional articles

Promotional articles are written for consumer publications to expand on the key dairy nutrition and health messages by creatively engaging with consumers.

Consumer print advertorials were published in *Move*, *YOU* and *Huisgenoot* – digitorial (advertorial in digital format). Due to the pandemic, the publications of *Move* were discontinued. As a result, the CEP lost this consumer print channel. The CEP continued to publish in *YOU* and *Huisgenoot* for the remainder of 2020. During 2020, eight advertorials were published.

In 2020, the CEP replaced publishing in *Huisgenoot* with *VIA* lifestyle channel broadcasts. *Huisgenoot* and *VIA* have a similar target audience – mostly Afrikaans-speaking (white and coloured) in the higher LSM bracket. The CEP's exposure on *VIA* ran from September to December. The CEP featured on the programme *MINKI*,

using a chef to demonstrate the use of dairy products in different recipes and thereby showcasing the versatility of dairy. In addition, banners (squeezebacks) were developed that carried the dairy educational message. Six different banners with six different educational messages were developed for this purpose and featured during the cooking programme with the chef. The CEP was offered two interviews (four minutes each) with *MINKI* to highlight some important messages about milk and dairy in the diet.

The *MINKI* programme cost to the CEP was approximately R500 000 (including the renewals of the television advertisements) and as the television advert was flighted more than 400 times over the three-month period, the commercial value for the broadcast of this television advertisement was approximately R1.4 million and the total value of the campaign was R1.9 million. The programme had a viewership of approximately 3.5 million over the three-month period, of which the television advertisement had a viewership of 557 842.

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. The leaflets are valuable to members of the dairy industry in their communication with consumers. A new sports leaflet was developed and printed in December 2020.

Media liaison activity

Trade publications

Trade publications such as *The Dairy Mail*, *Farm Link*, *Food and Beverage Reporter* and *Milk Essay* are vehicles for communicating with the dairy industry and the food industry. Informative articles on the CEP and other relevant topics are published and fourteen articles appeared in *The Dairy Mail* in 2020.

An article appeared in the *International Journal of Epidemiology* on 25 February 2020 that suggested that drinking more than one cup of milk per day may increase women's risk of breast cancer by 50%. The CEP issued a press release that was distributed to selected publications during March 2020, making the following statement: "The CEP of Milk SA is aware of a new study looking at the associations between dairy consumption and breast

cancer risk. The CEP is concerned that the findings of this research study could be misleading and agree with international bodies that further investigation is warranted."

Media liaison monitoring

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

Relevant information published in the media on dairy is monitored by *Newsclip*, an independent specialist firm. Updates are received daily in electronic format. Overall, the CEP received publicity worth approximately R8 402 673, which did not utilize any of the CEP budget.

School programme

The school programme is aimed at grades 1–7. It consists of two main themes:

- From farm to fridge: grades R–3
- A guide to healthy eating: grades 5 and 6 (the curriculum does not include dairy in grade 4)

Each theme consists of a teacher's guide, class posters, a fact sheet and worksheets on each topic. All posters and worksheets are available in English and Afrikaans. The school project and learning material are available on the website (www.dairykids.co.za)

Worksheets for the website and E-Classroom website

The teacher's guide and accompanying worksheets that were developed by the CEP are hosted on the E-Classroom website. E-Classroom is an independent website that hosts branded worksheets, with external links, for primary school teachers and learners. The website has been endorsed by the Department of Basic Education (DBE) for the e-learning section of DBE's website. *KykNet* and *Pick n Pay* have become the main sponsors of E-Classroom, which creates more exposure. This portal was used extensively by teachers and learners during 2020, as the CEP worksheets were downloaded 15 732 times from the E-Classroom site.

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All the communication products related to the school project are available on the Dairykids website (www.dairykids.co.za). Posters, teacher's guides, fact sheets and worksheets can be downloaded from the site. The website is also linked to the DGYG and RDD website.

Rediscoverdairy website

The Rediscover Dairy 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 organizations such as Milk SA, MPO, the International Dairy Federation (IDF) and the Global Dairy Platform (GDP). The website is maintained and new information is uploaded continually.

National nutrition and Obesity week

The National Nutrition and Obesity Week (NNOW) is an annual initiative by the Department of Health (DOH) and targets the population at large. 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. NNOW took place from 9 October to 19 November 2020.

Wellness activity

Overview

- This entails community work in Public Clinics of the Department of Health for nutrition advisers, health promoters and community health workers. This is presented in the format of educational information sessions for the upliftment of local communities.
- During 2019, 21 educational information sessions were held with an attendance of 752 health promoters and community health workers.
- In 2020 the CEP presented 15 educational information sessions attended by 517 health promoters and community health workers in North West. Owing to the COVID-19 lockdown, no further educational sessions were possible between March and September.
- Overall, 92.4% of districts in the country have been reached and a total of 4 438 health promoters and community health workers have attended the educational information sessions since 2014.
- Educational information sessions in all nine provinces have been completed with the exception of Western

Cape, where the CEP cannot be accommodated in four of its districts due to DOH restrictions. However, in 2021, educational information sessions will continue starting with KwaZulu-Natal, which was the province where it initially started in 2014.

- The activity of the educational information sessions is considered a long-term investment of the CEP and the dairy industry, reaching a target group that is difficult to access.

Specialized Communication

The target group for specialized communication is health professionals, i.e. doctors, dietitians, nutritionists and nurses. The messages communicated are based on the latest scientific information on dairy nutrition and health. The CEP uses an independent Technical Advisory Committee (TAC) that comprises specialists in the field of nutrition and health.

Communication channels include:

- Print and digital scientific advertorials and nutrition reviews;
- Education material for dietitians, nutritionists and nutrition advisers;
- Education material for dietetic students at universities;
- Liaison directly with health professionals through continuing professional development (CPD) events, seminars and conferences;
- Exposure on the Association for Dietetics in South Africa (ADSA) website; and
- A comprehensive website with specific reference to the section on dairy-based nutrition.

Health professional print

Scientific advertorials and publications

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

The nutrition reviews are posted on the Rediscoverdairy website, under the Dairy-Based Nutrition menu item. In 2020, six reviews were published for health professionals, either in health professional publications, or through ADSA and online.

Update of the Sports Booklet

Two sports dietitians were tasked to update the existing sports booklet with new research results and references. The booklet will be made available in electronic format on the Rediscoverdairy website during the first quarter in 2021. The booklet is supported by a leaflet. The leaflet and booklet are aimed at the sports enthusiast and sports coaches/personal trainers.

Participation in sports webinar

The CEP participated in a webinar for school sports coaches, namely the AllSport Coaches workshop. The webinar was presented over four weeks, one afternoon per week, from 14 October to 25 November 2020. The CEP requested Nicki de Villiers, a member of the TAC of the CEP, to present a talk at the AllSport Coaches workshop on 12 November 2020. The title of her talk was: *Build with Milk: The road to recovery*. The workshop was attended by 500 people, most of whom were coaches in various schools across South Africa. A full list is available on request.

Clinics: educational material for health professionals

▪ Dairy-based nutrition tool

As part of the communication activities with dietitians, the Dairy-based nutrition tool, developed by the CEP, is distributed to the third-and fourth-year dietetics students at all the universities in the country that offer degrees in dietetics. The tool is a memory stick containing all the scientific information regarding dairy health and nutrition as developed by the CEP. It includes the dairy-based nutrition booklet, sports booklet, advertorials, nutrition reviews and an overview of the CEP. Television advertisements, the school project and all material used for clinical training are also included. During 2020, 228 students at four different universities received the educational tool. The CEP's dietitian visited a number of institutions and delivered a presentation to the students.

The CEP also presented a presentation to fourth-year BScAgric students on the nutritional value of milk and dairy and how it compares to plant-based beverages. A total of 28 students attended the virtual presentation.

▪ Continuing professional development (CPD)

The CPD activity provides the CEP with an opportunity to communicate directly with dietitians and nutritionists regarding the latest research in health and nutrition including dairy.

Dietitians have to register on the website and then have access to peer-reviewed articles. Each article is accompanied by a questionnaire that needs to be completed by the dietitian to obtain CPD points.

Eleven CNE articles for health professionals were compiled for the CEP's CPD activity for 2020. These articles focus on dairy's role in health and nutrition and other dietetic-related topics. Dietitians and nutritionists can earn up to 25 CEUs of which five units are ethical points, the total number of ethical points required within a yearly cycle. The response to the CPD activity was overwhelming under the lockdown conditions as the CEP was positioned favourably to provide CPD articles to dietitians at the right time. Three thousand five hundred and five answer sheets were received from 506 participating dietitians, meaning there were 11 articles and 3 505 responses to these articles. Compared to 2019, 850 answer sheets were received from 173 participating dietitians; and in 2018, 145 answer sheets were received from 45 participating dietitians.

Dietitians' survey

The CEP developed two surveys to establish possible limitations in dietitians' knowledge of the nutrition and health benefits of milk and other dairy products and to also explore their awareness of various information sources provided by the CEP. The first, a quantitative survey, was conducted in September 2020.

The qualitative survey, in the form of personal WhatsApp interviews, was conducted in the fourth quarter among 25 dietitians. The results would be presented to the CEP in the second week of January 2021. The results will be used to inform and update the Dairy Diary online tool and to inform communication activities with the target audience.

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Plant-based imitation dairy product: market survey

The CEP was invited by the IDF Plant-based Beverage Action Team to participate in a survey to review the South African retail market for plant-based imitation dairy products. A Milk SA task team, consisting of the Dairy Standard Agency (DSA) and the CEP was established. The task team started by considering the current regulation governing compositional standards for dairy products and imitation dairy products, i.e. Regulation R1510 of 20 November 2019. Samples were then sourced from retail stores, mainly in Gauteng and the Cape Peninsula area. The samples consisted of plant-based beverages, plant-based imitation milk (cream, milk powder, sweetened condensed milk), cultured imitation dairy products and plant-based imitation cheeses (vegan cheese).

A sample set of 111 different plant-based imitation dairy products was purchased from various retailers. The samples were purchased based on the criteria that a dairy-related term was visible on the packaging label and / or claims were made inferring directly that these were alternative products to dairy. As far as possible, one product was purchased per category and brand, to obtain a representative idea of the market availability and line extension of the brands.

The IDF Plant-based Task Team provided each country with a template to complete with country-specific information and the complete template was submitted to IDF by 15 September 2020.

Conferences and presentations

- The National School Nutrition Programme (NSNP) of the DBE held a conference at the Lake Hotel, Benoni, and invited the CEP to deliver a presentation on ensuring milk safety (4 March 2020). The CEP was also part of a panel discussion.
- The NSNP of KwaZulu-Natal invited the CEP to repeat its presentation on ensuring milk safety and to participate in a panel discussion at their district workshop on 10 March 2020 at San Lameer in that province.
- These events were attended by approximately 250 individuals responsible for the execution of the NSNP

in South Africa. The NSNP feeds more than 9,2 million children per day in underprivileged areas.

- Writing course presented by Dr Linda Pretorius: The CEP team attended a training course on writing and editing on 16 and 18 March 2020 at SAMPRO's offices.
- A National Dairy Council of the United States network group discussion was held on 19 May 2020. The topic of the day was: "Country outlook and dairy response to Covid-19". The CEP Manager presented information on behalf of South Africa.
- The CEP attended the IDF Communicating Science webinar on 15 May 2020.
- During the lockdown period, webinars on various topics were available online regarding dairy health and nutrition, environmental and sustainability issues. The CEP attended webinars that contributed to the knowledge of the CEP, such as "Front-of-pack labelling systems".
- 9 July: IDF webinar: Plant-based communication framework.
- International Life Sciences Institute Provincial Dietary Intake Study webinar on 4 August 2020.
- IDF webinar on food security: 22 July 2020. The dietitian of the CEP was responsible for the arrangements and speaker invitations of the webinar.
- Danone One Health Summit on 27 August 2020.
- Global Dairy Platform annual meeting on 24 September 2020.
- IDF School Milk webinar: 30 September 2020. As action team leader of this IDF survey, the CEP's dietitian presented the results of the survey at the webinar.
- The future of sustainable dairy systems – 13 October 2020.
- FOP nutrition labelling – Nordic countries – 14 October 2020.
- Goat's and Sheep Milk symposium – the nutrition-related topics – 5 November 2020.
- Meeting with National Dairy Council USA; 8 December 2020. Theme: Dairy Matrix

Dairy industry webinar

The CEP presents a seminar to the dairy industry every two years. On 18 November 2020, the seminar was

#WHATEVERYOURTASTE #DAIRYGIVESYOUGO



presented as a webinar, due to the national lockdown and precautions against COVID-19. The webinar focused on the communication activities of the CEP to general consumers and was titled: *Dairy's new consumer culture: Adapting for consumer trends and nutritional insights.*

This webinar focused on the youth of South Africa – the Millennials and Generation Z, and how they fit dairy into their busy lives. It also focused on their digital behaviour and on whether television was still relevant in South Africa. The webinar was attended by 70 people from the industry.

World milk day

World Milk Day was held on 1 June 2020. The CEP primarily used its RediscoverDairy Facebook (RDD) page, aimed specifically at mothers, to talk to consumers about choosing foods that are nutrient-rich and can help to support a healthy immune system, while still balancing their household budget.

The CEP participated in a virtual 'physical' active campaign on World Milk Day and teamed up with MPO, to organize an online Crossfit competition with various gyms in Gauteng. The CEP ensured that participants were informed about the role of dairy in sport and muscle recovery.

The CEP liaised on World Milk Day with the Global Dairy Platform, which provided content to promote World Milk Day on Facebook, Twitter and Instagram. This resulted in many countries posting the same messages on their

social media platforms, using the #EnjoyDairy handle. By having a uniform message, the message about the goodness of dairy was strengthened globally.

- Media coverage: World Milk Day Affordable nutrition: R748 182,72 (includes bloggers: total contribution of the CEP was R39 084,03).
- Of the 39 articles on World Milk Day featured in the media in June, 25 were contributed by the CEP.
- GDP: Total impressions increased by more than 25% over 2019 to 842 million, and positive/neutral sentiment grew to 97,5% (up from 96% last year), while negative posts decreased to 2,5%. An estimated 104 countries participated, with South Africa being in the top 10 for the consecutive 2019 and 2020 periods. Special mention was made of the CEP's Dairy Dance Off campaign in the GDP report.

World school milk day

September usually sees us celebrating WSMD, but with the restrictions due to the COVID-19 response and the associated disruption of the school calendar, celebrating WSMD as usual was not possible. However, CEP instead used this event as an opportunity to talk to mothers about children's particular nutritional needs for healthy growth. The media release of dairy as the centrepiece of the child's food table was translated to isiZulu and dietitians were contracted to conduct radio interviews on behalf of the CEP in Zulu, English and Afrikaans to ensure that the messages reached a wide audience.

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In addition, the CEP liaised with E-Classroom and produced a competition on the E-Classroom Facebook for learners in grades 0–3. The CEP highlighted WMSD by creating a fun and interactive campaign that showed the importance of dairy in our daily lives. Children were encouraged to draw their favourite dairy products and post them and parents could learn more about dairy as they were directed to the Dairykids website. Based on the click-through rate, the objective of drawing followers to the websites was achieved.

In total, 26 drawings were submitted; 313 people liked the posts; 106 people shared the posts and 6 198 people were reached.

Industry-related matters

Consumer Goods Council of South Africa (CGCSA)

The Project is a member of the CGCSA's Food Safety Initiative and Health Foods Options Initiative, and pays an annual membership fee. The Department of Health (DOH) requested the CGCSA for support of their Health Food Options Industry Initiative (HFOII). The CEP is contributing to the actions in respect of the HFOII, which consists of a national strategic plan for the prevention and control of non-communicable diseases (NCDs) in South Africa. The initiative gives high prominence to food products containing added sugar.

The CEP attends regular meetings with the CGCSA about the healthy food options industry engagement with the Director-General: Health and Beverage South Africa (BevSA). During the lockdown, communication with the CGCSA was primarily electronic.

The CEP participated in the weekly industry discussion regarding the updated version of the NCD document developed by the Department of Health in September; and the document was evaluated progressively.

South African Society for Dairy Technology

The CEP Manager was elected national president of the South African Society for Dairy Technology (SASDT) in September 2020. Owing to the COVID-19 lockdown, the symposium planned for 24 March 2020 in Gauteng was cancelled. The SASDT has since held the following three webinars to ensure that they remained relevant

to their members:

- 25 June 2020: Ivo Vegter
- 15 September: DSA and Dr Mariaan Wicks
- 1 October: Cindy Chin

Milk SA Technical Work Group meeting: Dairy products and the use of dairy terms

The meeting reviewed the regulation on dairy terms used in imitation dairy products such as plant-based beverages. The *Bulletin* of the IDF on the *Codex General Standard for use of dairy terms: Its nature, intent and implications*, was used for this discussion. The Regulations and Standards Project of Milk SA carries the primary responsibility in respect of the matter.

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

The Coordinating Committee of the Dairy Standard Agency (DSA), the CEP and the Research Project of Milk SA met on 6 February and 3 June 2020.

On 1 December 2020, a meeting was held to discuss collective issues regarding sustainability, animal health and welfare, plant-based dairy products, Extended Producer Responsibility regulations and matters related to the 'Assignee', who is appointed to enforce compositional regulations in respect of dairy and imitation dairy products and dairy standards.

Work related to the International Dairy Federation (IDF)

- The IDF World Dairy Summit that was planned for 2020 was cancelled. To retain continuation of the work that is performed by IDF, a series of meetings was held in October and November by the different standing committees. The CEP's Manager and dietitian attended the planned meetings and participated according to their responsibilities as listed in the comprehensive annual report of the CEP.
- A meeting was held with Louise Gottsche to confirm her role as representative for South Africa on the IDF Action Team on Codex Matters and the IDF Standing Committee on Standards of Identity and Labelling.
- Interaction and participation with the activities of the Global Dairy Platform continued during 2020 and virtual meetings were held.

The Consumer Education Project's Manager serves on a number of action teams or task forces of the Global Dairy Platform (GDP) and the International Milk Promotion group (IMP):

- Plant-based Beverages: Communication framework was developed by a sub-task team of the IMP (completed).
- Task team of ultra-processed foods: The first task force meeting on dairy products and ultra-processed foods was held at the 2019 IDF World Dairy Summit in Istanbul. A position statement regarding dairy and ultra-processed foods has been shared with members.
- Task team on Environmental Sustainability Communications.
- The Global Marketing Survey was completed in 2019 and the final report was shared with the industry globally in 2020. This report was managed and produced by a sub-task team of the IMP.
- The Standing Committee on Marketing (SCM) meeting was held on 29 April and 9 November 2020; and the CEP Manager presented the information on ultra-processed foods.
- The CEP Manager assisted SAMPRO with the drafting of the country report for the IDF Standing committee on Dairy Policies and Economics and SCM, which was submitted to IDF on 25 May 2020. The CEP Manager participated in the following meetings:
 - 9 July: IMP meeting
 - 24 September: GDP Annual meeting
 - 1 December: GDP joint meeting with IMP
 - 10 December: GDP: Environmental Sustainability Communications meeting

The tasks of the Consumer Education Project's dietitian on the Standing Committee of Nutrition and Health of IDF continued and virtual meetings were held:

- The CEP dietitian serves on the Task Force on Plant-based Beverages. Its communication framework was completed and presented to IDF members on 8 July 2020. Refer to point 3.9 regarding country-related requirements for IDF.
- Action Team on School Milk Programme: The *Bulletin on the contribution of school milk programmes to the nutrition of children worldwide* – The 2020 Edition was completed in January 2020 and published on the

IDF website. On WSMD, IDF presented a webinar on the SMP. The dietitian of the CEP participated in the presentation.

- Science and Programme Coordination Committee (SPCC): The dietitian of the CEP was elected as a member of the SPCC during the IDF meetings in Turkey in 2019. As SPCC representative, the CEP dietitian took part in the midyear meeting for SPCC members on 7 May 2020 and an IDF midyear meeting with standing committee chairpersons, deputy chairpersons and board members on 4 June 2020.
- The dietitian participated in the Standing committee on Nutrition and Health midyear meeting on 26 May 2020.
- The dietitian of the CEP coordinated a webinar on nutrition sustainable models on behalf of IDF. This was presented on 4 June 2020.
- The CEP dietitian serves as acting Team leader on the Lactose and other dairy sugars Action Team of IDF. Currently, the *Lactose Bulletin* is a working document. During the last quarter of 2020, the *Lactose Bulletin* was circulated to the larger SCNH membership for comments and editing. The document is currently being submitted to the SPCC for approval for publication. This project is also expanding the topic for 2021 and the Action Team aims to specifically look at sugar-sweetened milk and dairy products, developing an advocacy toolkit to exclude lactose from sugar/nutrition profiling to base taxes, and front-of-pack labelling.
- During the third quarter of 2020, the CEP dietitian participated in the following IDF meetings:
 - 23 July and 25 August: SCNH Nutrition Symposium task force
 - 24 September: GDP 14 annual meeting
 - 29 September: SPCC meeting.

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7.9. Project title: Co-ordination, support and promotion of needs-driven research & development in the South African dairy industry

Responsible Institution: Milk South Africa

Programme Manager: Dr Heinz H Meissner

Goal 1: To limit research fragmentation and promote and initiate cooperation between R&D capacities towards achieving the strategic direction of the industry

We continued with our quest to seek co-operation and outside funding. The Technology Innovation Agency (TIA) indicated that they would be interested in supporting a comprehensive programme which could ensure sustainability and profitability of the Dairy Industry. As a result a proposal was presented to the TIA: MILK SA APPLICATION TO TIA FOR FUNDING OF PROJECT: FEB 2020.

In terms of co-operation with other R&D capacities, an agreement was signed with SA STUD BOOK to do analyses on software programs of automatic milking systems to enable more information to be retrieved and especially to facilitate time trends, and in association with Dr Muller of the US, to develop efficiency parameters which can be incorporated. This initiative could culminate into a dashboard and APP development. However, the expected projects have been cancelled since some DRDC members had reservations. Following further discussions with DRDC members and the fact that we already have data from farmers willing to participate on the system, the project again received the green light. The outcomes are expected early in 2021.

A number of projects were approved during with co-operation between different institutions which will commence in 2021.

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

The budget for the R & D Programme with support from the TIA as discussed under Goal 1 will be R10 million for 2021 if the agreement realizes as anticipated. The allocated budget to the Milk SA Programme for 2020



is R3.65 million, but with funds carried over from 2019 and non-delivery on projects due to the lockdown, the R & D Programme should have sufficient funds to meet the R5 million obligation to match the R5 million of the TIA as well as having sufficient funds to support the new projects that will commence in 2021. The TIA officials indicated that they will honour the R5 million agreement in years 2021 and 2022 as well, but since the 4-year statutory levy cycle ends at the end of 2021, the actual fund allocation will be discussed again after the new levy allocation is received.

The document written by the author and Dr Colin Ohlhoff with the title: 'Approach and Progress to Ensure Sustainability in the SA Dairy Industry', was approved and supported by the Milk SA Board. It has been put on the website and pieces published.

Priorities for further research in the Milk Flocculation program were followed up and one of the new project proposals will address the relationship of the Ca – P ratio in the cow's diet with milk instability. This will be done at the Outeniqua Research Station of the WCDA.

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

THE RESEARCH COLUMN and DAIRY R & D IN SA: The target of respectively scientific articles sourced from

the international literature and SA scientific articles to be entered on the website is two per month, i.e. 24 per year. The target was met. Some of the articles were also published in the Dairy Mail under the regular Research Column of the author.

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

The document: *Sustainability in the SA dairy Industry: A Status and Progress Report*, compiled by the author and Dr Colin Ohlhoff will provide significant guidance for sustainability in a number of spheres in the dairy industry. The document has been recognized as being important in providing strategic direction to the industry.

The application document to the TIA mentioned under Goal 1 is a comprehensive document providing an overview and insight into all aspects of the Dairy Industry. Amongst others, it contains sections on: Strategic context: Commercial Outputs and Economic Value; Current status of the Dairy Industry: Achievements; Strategic Partnerships; Dairy sustainability: vision; mission; strategic objectives; impact analyses; Situation analysis:

International landscape; South African landscape; opportunities and challenges; Implementation, Risk analysis; Route to market etc.

Input and suggestions were made into the International document: *Transforming Global Agriculture in Feeding the World and Protecting the Planet*, compiled by Dr Peer Ederer for the FAO.

The article originally written by the author in July 2019, titled: *Are all the arguments against livestock justifiable?* was updated and distributed because of general interest in the industry.

Goal 5: To support the dairy industry with R & D and advice on matters affecting sustainability, such as environmental – GHG reduction, carbon sequestration, water use efficiency, waste treatment, ecosystem and biodiversity protection – and animal welfare

The author has focused on writing or sourcing articles with an environmental sustainability theme, including GHG reduction, carbon sequestration, water use efficiency and waste management. Some examples include:

- Is N₂O now the major GHG concern in agriculture?
- Conservation agriculture.



Collaboration between the University of KwaZulu-Natal and the Dairy Standard Agency on mastitis

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- Progress on R & D and other developments in sustainability issues
- Nitrous oxide on pastures grazed by dairy cows.

Research projects which were initiated in collaboration with different institutions in this regard include:

- Strategies to reduce N excretion and emissions from dairy farming.
- Buffer zones for wetlands and rivers on dairy farms.
- Impact of fertilizer application rates on soil health and pasture yield
- A systems dynamic approach to incorporate environmental indicators into economic outcomes of dairy production systems in SA.

With regard to animal welfare, the author was part of the discussion and planning group which culminated in the project by the DSA: "Practical implementation of SANS 1694 with DSA audit". Substantial attention to animal welfare was also given in the document: *Sustainability in the SA dairy Industry: A Status and Progress Report*





Danie du Plessis

Chairman : Audit & Risk Committee

AUDIT & RISK COMMITTEE REPORT

Milk SA's independent Audit and Risk Committee ("the Committee") is pleased to submit its report, in accordance with section 94(7)(f) of the South African Companies Act of 2008, to the members for the financial year ended 31 December 2020.

Introduction

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

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

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

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

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

Composition and meetings

The committee comprises of:

- One independent person with expertise, nominated by MPO.
- One independent person with expertise, nominated by SAMPRO.

AUDIT & RISK COMMITTEE REPORT



One independent person with expertise, who shall be the chairperson.

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

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

During the year under review, four meetings were held:

| Name of member | | 10/03/2020 | 13/05/2020 | 26/08/2020 | 02/11/2020 |
|---------------------|----------------------|------------|------------|------------|------------|
| Mr DH du Plessis | Independent Chairman | Present | Present | Present | Present |
| Prof DF Fürstenburg | Nominated by SAMPRO | Present | Present | Present | Present |
| Mr JFJ Scheepers | Nominated by MPO | Present | Present | Present | Present |

Statutory duties

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

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

External auditor

The Committee nominated and recommended the re-appointment of the External auditor, Fourie & Botha, to the members in compliance with the Companies Act and the appointment of Mr MA Eastman as designated auditor for the 2020 financial year.

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

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

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

- nominate the External auditor for appointment by the members;
- approve the annual audit fee and terms of engagement of the External auditor;
- monitor and report on the independence of the External auditor in the annual financial statements;
- define a policy for non-audit services and pre-approve non-audit services to be provided by the External auditor;
- ensure that there is a process for the committee to be informed of any reportable irregularities as defined in the Auditing Profession Act, 2005, identified and reported by the External Auditor; and

- review the quality and effectiveness of the external audit process and performance against their audit plan.

Key audit matters

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

- key judgements and estimates used in assessing the impairment of debtors; and
- revenue recognition.

Internal audit

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

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

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

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

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

Internal financial control

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

Risk management

The Committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and financial risk management and to consider



AUDIT & RISK COMMITTEE REPORT

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

Going concern

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

Recommendation of the annual financial statements for approval by the Board

The Committee recommended the annual financial statements for the year ended 31 December 2020, for approval by the Board.

On behalf of the Committee

DH du Plessis

Chairman

5 May 2021



Audit & Risk Committee



ANNUAL FINANCIAL REPORT

for the year ended 31 December 2020

General Information

| | | |
|--|--|----------------------------------|
| Country of incorporation and domicile | Republic of South Africa | |
| Nature of business and principal activities | <p>Milk SA is a non-profit company with the vision to promote a healthy South African dairy community and the mission to promote the image and consumption of South African dairy products amongst consumers and to develop the dairy industry through the rendering of value-added services to industry participants, consumers and broader South African population.</p> <p>In terms of the Marketing of Agricultural Products Act, No 47 of 1996 as amended ("MAP Act"), Milk SA was appointed by the Minister of Agriculture, Forestry and Fisheries to implement, enforce and administrate statutory measures in pursuit of the company's strategic direction to broaden the market for milk and other dairy products, improve the international competitiveness of the South African dairy industry and to empower black participants in the industry.</p> | |
| Current directors | <ul style="list-style-type: none"> ▪ Adams PH Ms ▪ Gebeda ZM Mr ▪ Grobler FA Mr ▪ Jack-Pama BS Dr (Chairman) ▪ Kraamwinkel AP Mr ▪ Loubser MJ Mr (Vice-Chairman) ▪ Lubbe H Mr ▪ Prinsloo AW Mr ▪ Rathogwa MG Mr ▪ Van Dijk CJ Dr ▪ Wellbeloved CE Mr | |
| Alternate directors | Gutsche AR Mr | Neethling CJ Mr |
| Members | Milk Producers' Organisation NPC | SA Milk Processors' Organisation |
| Auditors | Fourie & Botha Registered Auditors | (Auditors ito the Companies Act) |
| Secretary | Fouché N Mr | |
| Company registration number | 2002/032020/08 | |
| Level of assurance | These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa, 71 of 2008 | |
| Preparer | Claassens L Mrs CA (SA) | |
| The annual financial statements were independently compiled by: | PricewaterhouseCoopers Inc ("PwC") | |



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

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

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Directors' Responsibilities and Approval

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate

segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

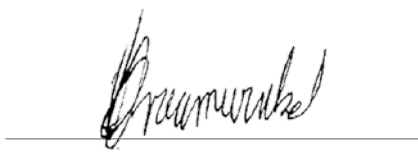
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial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

The directors have reviewed the company's cash flow forecast for the year to 31 December 2021 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 18 May 2021 and were signed on its behalf by:



Director



Director



Chief Executive Officer

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

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Lynnwood Ridge 0040
Tel: (012) 361 1172/3, 348 8184
Fax: (012) 348 9162
E-Mail: admin1@fouriebotha.co.za



Fourie + Botha

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

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

1. Qualified Opinion

We have audited the annual financial statements of Milk South Africa NPC as set out on pages 8 to 22, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies. In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the annual financial statements present fairly, in all material respects the financial position of Milk South Africa NPC as at 31 December 2020 and its cash flows for the year then ended, in accordance with the International Financial Reporting Standard for Small-and Medium Sized Entities and in the manner required by the Companies Act of South Africa, 71 of 2008.

2. Basis for Qualified Opinion

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

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditor's Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standard Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

3. Other information

The directors are responsible for the other information. The other information comprises the directors' report as required by the Companies Act of South Africa, 71 of 2008, which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the

audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

4. Responsibilities of the directors for the annual financial statements

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

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

5. Auditor's responsibilities for the audit of the annual financial statements

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

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

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to

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

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

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

FOURIE + BOTHA



MA Eastman CA(SA)

Partner

Chartered Accountants (S.A) Registered Auditors
18 May 2021

Directors' Report

The directors submit their report for the year ended 31 December 2020.

1. Review of activities

Main business and operations

The company collects levies from role-players in terms of Regulation 1398 of 15 December 2017 in order to finance projects relating to research, the collection and distribution of industry information, the promotion of dairy quality, research and development, the education of consumers and transformation (including the promotion of sustainable black dairy enterprises and the development of knowledge and skills).

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

The comprehensive surplus for the year was R 16,626,162 (2019: surplus R 5,763,986).

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.

The COVID-19 pandemic swept across the globe from early 2020, resulting in many countries enforcing various forms of restrictions on people's movement, in their aim to slow down the rate of infection. South Africa implemented a national lockdown on 27 March 2020 whereby every person was confined to his or her place of residence, unless strictly for performing an essential service, obtaining an essential good or service, collecting a social grant or seeking emergency, life-saving or chronic medical attention. These regulations remained in force up to 30 April 2020 ("initial lockdown period") where after the National Government implemented a risk-adjusted lockdown strategy allowing for a controlled relaxation of the lockdown measures over a period. The easing of the lockdown measures still limits the movement of people and as to when the lockdown will be lifted remains entirely uncertain.

Milk South Africa NPC made the necessary arrangements to be able to continue its operations during the lockdown period. However, some activities of the company's projects were negatively affected by regulations pertaining to social interaction, traveling, etc. As the agricultural and agro-processing sectors render essential services to the public and as they were allowed to carry on with business during this period, the impact of the lockdown on the dairy industry as a whole was not severe.

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:

- Adams PH Ms
- Gebeda ZM Mr
- Grobler FA Mr
- Jack-Pama BS Dr (Chairman)
- Kraamwinkel AP Mr
- Loubser MJ Mr (Vice-Chairman)
- Lubbe H Mr
- Prinsloo AW Mr
- Rathogwa MG Mr
- Van Dijk CJ Dr
- Wellbeloved CE Mr

The alternate directors of the company are as follows:

- Gutsche AR Mr
- Neethling CJ Mr

5. Liquidity and solvency

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

6. Auditors

The company's auditors are Fourie & Botha (Registered Auditors) in terms of the Companies Act.

7. Qualified audit opinion

Through the publication of Notices 1396, 1397 and 1398 on 15 December 2017 ("Statutory Measures"), the Minister of Agriculture, Forestry and Fisheries, in terms of the Marketing of Agricultural Products Act,

1996 (Act No. 47 of 1996), entrusted Milk SA NPC ("Milk SA") with the implementation, administration and enforcement of the statutory measures for the four years ending 31 December 2021. The persons who are subject to these statutory measures are compelled to register with Milk SA, keep certain records, submit information per monthly returns and pay levies at the rates as specified in the measures.

Persons who are compelled to register in terms of the measures, must register as levy payers with Milk SA out of their own accord and the submission of levy returns is based on a self-assessment system, whereby Milk SA uses information supplied by the levy payers. Although Milk SA's policies and procedures are aimed at ensuring that all the relevant persons are registered, that they submit accurate returns and pay the correct levy amounts, it is not feasible for the external auditors to extend their audit procedures to obtain reasonable assurance regarding the completeness and accuracy of the accounting records relating to levy income, due to the fact that the records of the levy payers are legally inaccessible to them.

Statement of Financial Position as at 31 December 2020

| | | 2020 R | 2019 R |
|-------------------------------------|---|-------------------|-------------------|
| Notes | | | |
| Assets | | | |
| Current Assets | | | |
| Trade and other receivables | 3 | 17,644,448 | 12,688,603 |
| Cash and cash equivalents | 4 | 40,077,168 | 28,323,084 |
| | | 57,721,616 | 41,011,687 |
| Non-Current Assets | | | |
| Property, plant and equipment | 5 | 176,702 | 181,978 |
| Total Assets | | 57,898,318 | 41,193,665 |
| Equity and Liabilities | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 6 | 1,915,525 | 1,837,034 |
| Equity | | | |
| Reserves | | 21,258,448 | 20,181,945 |
| Retained income | | 34,724,345 | 19,174,686 |
| | | 55,982,793 | 39,356,631 |
| Total Equity and Liabilities | | 57,898,318 | 41,193,665 |

Statement of Comprehensive Income

| | Notes | | |
|---|-------|-------------------|------------------|
| Revenue | 7 | 60,078,788 | 56,346,019 |
| Project expenses | 8 | (39,450,071) | (46,749,737) |
| Gross surplus | | 20,628,717 | 9,596,282 |
| Other income | 9 | 330,180 | 337,518 |
| Operating expenses | | (5,737,516) | (5,520,173) |
| Operating surplus | | 15,221,381 | 4,413,627 |
| Finance income | 11 | 1,404,781 | 1,350,359 |
| Net surplus for the year | | 16,626,162 | 5,763,986 |
| Other comprehensive income | | - | - |
| Total comprehensive surplus for the year | | 16,626,162 | 5,763,986 |

Statement of Changes in Equity

| | Research and Development: Reserve Funds (2006 - 2009) | Commercialization: Joint Milk SA and Jobs Fund (2006 - 2009) | Enterprise Development (2006 - 2017) | Total reserves | Retained income: Levy Funds | Total equity |
|--|---|--|--------------------------------------|-------------------|-----------------------------|-------------------|
| | R | R | R | R | R | R |
| Balance at 01 January 2019 | 586,605 | 1,973,088 | 16,707,429 | 19,267,122 | 14,325,523 | 33,592,645 |
| Changes in equity | | | | | | |
| Total comprehensive deficit for the year | - | - | - | - | 5,763,986 | 5,763,986 |
| Transfer unutilised / (utilisation of) funds | 35,796 | (293,294) | 1,172,321 | 914,823 | (914,823) | - |
| Total changes | 35,796 | (293,294) | 1,172,321 | 914,823 | 4,849,163 | 5,763,986 |
| Balance at 01 January 2020 | 622,401 | 1,679,794 | 17,879,750 | 20,181,945 | 19,174,686 | 39,356,631 |
| Changes in equity | | | | | | |
| Total comprehensive surplus for the year | - | - | - | - | 16,626,162 | 16,626,162 |
| Transfer unutilised / (utilisation of) funds | 24,465 | (91,614) | 1,143,652 | 1,076,503 | (1,076,503) | - |
| Total changes | 24,465 | (91,614) | 1,143,652 | 1,076,503 | 15,549,659 | 16,626,162 |
| Balance at 31 December 2020 | 646,866 | 1,588,180 | 19,023,402 | 21,258,448 | 34,724,345 | 55,982,793 |

Statement of Cash Flows

| | | 2020 R | 2019 R |
|---|----|-------------------|-------------------|
| Notes | | | |
| Cash flows from operating activities | | | |
| Cash receipts from industry participants and grantors | | 59,032,383 | 56,425,831 |
| Cash paid to suppliers and employees | | (48,646,507) | (54,051,274) |
| Cash generated from / (used in) operations | 12 | 10,385,876 | 2,374,557 |
| Finance income | 11 | 1,404,781 | 1,350,359 |
| Net cash generated from operating activities | | 11,790,657 | 3,724,916 |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | 5 | (36,573) | (116,635) |
| Net increase in cash and cash equivalents for the year | | 11,754,084 | 3,608,281 |
| Cash and cash equivalents at the beginning of the year | | 28,323,084 | 24,714,803 |
| Cash and cash equivalents at end of the year | 4 | 40,077,168 | 28,323,084 |

Accounting Policies

1. Presentation of annual financial statements

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Impairment of property, plant and equipment

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

Depreciation

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

Impairment of levy debtors

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

1.2 Property, plant and equipment

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

The expected useful lives are as follows:

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

1.3 Financial instruments

Classification

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

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

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

Subsequent Measurement

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

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

Impairment of financial assets

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

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

Impairment losses are recognised in the statement of comprehensive income.

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

amount would have been had the impairment not been recognised.

Trade and other receivables

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

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

Trade and other receivables are classified as receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently recognised at amortised cost using the effective interest method.

Trade and other payables

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

1.4 Reserves

Clause 15(5)(a) of the Marketing of Agricultural Products Act of 1996 (Act No 47 of 1996) reads: "Any levies collected, administered or kept by any person or body under this Act shall not form part

of the assets of that person or body, and any levies remaining in the possession of or under the control of any person or body after that period for which such levies were approved, shall be utilized in a manner determined by the Minister.”

The periods for which the levies are approved, are four years each and any levy funds that remained unused after each period constitute “reserve funds”. On successful application and approval by the Minister of Agriculture, Forestry and Fisheries, Milk SA must use the surplus (reserve) funds in accordance with the Minister’s instructions.

1.5 Leases

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

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

Operating leases - lessee

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

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

1.6 Impairment of non-financial assets

The company assesses at each reporting period date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

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

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs

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

1.7 Employee benefits

Short-term employee benefits

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

1.8 Revenue

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

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

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

Notes to the Annual Financial Statements

2. Risk Management

The Board is committed to identifying, assessing and managing risks as an integral part of good corporate governance, as is evident from contractual agreements with other parties and from the Terms of Reference of the Executive Committee, Audit & Risk Committee and other Board Committees.

Internal audits are carried out by an external auditing 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 Board of Directors.

Inspectors, designated and authorized by the Minister of Agriculture, Forestry and Fisheries in terms of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996) [MAP Act], verify compliance by levy-paying industry role-players with the compulsory statutory measures are administrated by Milk SA.

The Risk Register compiled in terms of Milk SA's Risk Management Policy, addresses the following risk elements:

Integrity risk *relates to the incidence of internal/ external theft, dishonest, fraudulent and unethical behaviour, corrupt practices and corporate misconduct. Competitive behaviour risk; risk of conflicting interest and fraud risk resort under Integrity risk.*

Competitive behaviour risk: Agendas, meeting proceedings and general conduct in the company facilitate and promote good governance in respect of independent, objective and non-discriminatory behaviour. Policies and procedures cover any possible risk of competitive advantage that any industry player or group of players may gain over industry competitors.

Risk of conflicting interests: Meeting participants are sensitized 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.

Fraud risk: The risk of fraudulent activities is minimized 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, iv) internal audits and v) inspections to verify compliance with the statutory measures.

Financial, Business and Market risk *refers respectively to i) the chance that a business's cash flows are not enough to pay creditors and fulfil other financial responsibilities; ii) the chance that a business's cash flows are not enough to cover its operating expenses; and the possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets .*

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 on a monthly basis. 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 Milk SA and refunds to levy-paying role-players due to bona fide errors in the monthly statutory return calculations, subject to verification by the Inspector.

Surplus cash is invested with reputable banking institutions as approved by the Board, in instruments that earn competitive interest rates.

Trade receivables comprise a widespread base of levy-paying industry participants and the debt risks of these participants are evaluated monthly. 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. Milk SA's communication policy plays a huge role in strengthening confidence in the integrity and achievements of the company amongst all role-players concerned.

Milk SA has no material foreign currency exposure. In 2020, foreign currency exposure was limited to some R1.1 million 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)

Production risk is the risk of not achieving budgetary and operational goals of Milk SA due to external factors that may influence the income base and actual income of the company.

Milk SA is to a large extent exposed to production risk due to the unpredictable nature of the weather, pests and diseases, competitive markets for inputs and outputs and unfavourable policy changes by local and foreign governments. It is Milk SA's policy to determine expected income for the ensuing year conservatively, by averaging the previous three years' milk purchases and imports as declared to Milk SA.

Human resources risk is the possible negative impact on all spheres of the company if the basic and motivational requirements of the employees and other key persons involved in the company are not adequately addressed.

Milk SA maintains an insurance programme that provides cover for identified, insurable risks. As provided for in the Memorandum of Incorporation, Milk SA indemnifies its directors and senior officers for potential losses arising from a claim in their capacity as director or officer, unless the liability arises from conduct involving a lack of good faith. A Human Resources Policy was introduced in January 2014 and - as stipulated - is annually reviewed by the Human Resources Committee in conjunction with the CEO.

3. Trade and other receivables

| | |
|---|--|
| Accrued levy income | |
| Levy debtors | |
| Provision for impairment of trade receivables | |
| Deposits | |
| Project advances - operating expenditure | |
| Project advances - capital expenditure | |
| Accrued interest - Reserve funds | |
| Prepayments | |

| 2020 R | 2019 R |
|-------------------|-------------------|
| 7,165,374 | 6,126,816 |
| 908,534 | 786,851 |
| (664,545) | (448,534) |
| 100,833 | 100,833 |
| 5,127,709 | 4,146,715 |
| 3,401,189 | 1,072,480 |
| 793,489 | 903,442 |
| 811,865 | - |
| 17,644,448 | 12,688,603 |

Notes to the Annual Financial Statements (continued)**4. Cash and cash equivalents**

Cash and cash equivalents consist of:

Reserve Funds

- Rand Merchant Bank: Term deposits
- ABSA Bank: Savings accounts
- ABSA Bank: Current account
- First National Bank: Savings accounts

Levy Funds

- ABSA Bank: Current accounts
- ABSA Bank: Savings accounts

| 2020 R | 2019 R |
|-------------------|-------------------|
| 20,464,961 | 19,278,498 |
| 5,861,484 | 5,446,423 |
| 3,739,722 | 2,604,550 |
| 1,588,180 | 1,679,794 |
| 9,275,575 | 9,547,731 |
| 19,612,207 | 9,044,586 |
| 9,657,061 | 6,738,845 |
| 9,955,146 | 2,305,741 |
| 40,077,168 | 28,323,084 |

5. Property, plant and equipment

| | 2020 | | | 2019 | | |
|------------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Furniture and fixtures | 227,363 | (156,180) | 71,183 | 219,483 | (137,955) | 81,528 |
| IT equipment | 271,178 | (165,665) | 105,513 | 242,485 | (142,041) | 100,444 |
| Computer software | 11,697 | (11,691) | 6 | 11,697 | (11,691) | 6 |
| Total | 510,238 | (333,536) | 176,702 | 473,665 | (291,687) | 181,978 |

Reconciliation of property, plant and equipment - 2020

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

Reconciliation of property, plant and equipment - 2019

| | Opening balance | Additions | Depreciation | Total |
|------------------------|-----------------|----------------|-----------------|----------------|
| Furniture and fixtures | 99,606 | - | (18,078) | 81,528 |
| IT equipment | 3,263 | 116,635 | (19,454) | 100,444 |
| Computer software | 6 | - | - | 6 |
| | 102,875 | 116,635 | (37,532) | 181,978 |

Notes to the Annual Financial Statements (continued)**6. Trade and other payables**

| | | |
|-------------------------------------|-----------|-----------|
| Trade payables | 314,789 | 484,089 |
| Provision for leave | 261,702 | 141,271 |
| South African Revenue Service - VAT | 1,186,351 | 1,061,853 |
| Unidentified levies | - | 5,912 |
| Debtors with credit balances | 140,085 | 129,820 |
| Credit card balances | 12,598 | 14,089 |

**2020
R****2019
R****1,915,525****1,837,034****7. Revenue**

Levies in terms of Notice 1398 of 15 December 2017

60,078,788

56,346,019

8. Project expenses

| | | |
|----------------------------------|------------|------------|
| Consumer Education | 20,260,210 | 17,953,090 |
| Research and development | 1,926,013 | 2,267,748 |
| Industry Information | 95,089 | 5,724,050 |
| Dairy Quality and Safety | 8,519,217 | 7,812,960 |
| Transformation | 4,585,058 | 10,557,683 |
| Milk SA staff remuneration | 1,753,323 | 1,591,333 |
| Communication | 969,174 | 549,132 |
| Skills and Knowledge development | 1,235,253 | - |
| Project audits | 11,300 | - |
| Utilisation of reserve funds | 95,434 | 293,741 |

39,450,071**46,749,737****9. Other income**

| | | |
|---|---------|---------|
| Administration recovery from Enterprise Development | 330,180 | 311,496 |
| Reversal of provision for doubtful debts | - | 26,022 |

330,180**337,518****10. Operating and project expenses**

| | | |
|-------------------------------|------------|------------|
| Accounting fees | 951,394 | 901,924 |
| Bad debts written off | 40,818 | 38,044 |
| Depreciation | 41,849 | 37,532 |
| Employee costs | 1,753,323 | 1,591,333 |
| Legal expenses | 419,653 | 560,929 |
| Meeting costs | 733,367 | 919,835 |
| Office rent | 861,940 | 798,951 |
| Provision for doubtful debts | 216,011 | - |
| Other administrative expenses | 719,161 | 671,625 |
| Operating expenses | 5,737,516 | 5,520,173 |
| Project expenses (note 8) | 39,450,071 | 46,749,737 |

45,187,587**52,269,910**

Notes to the Annual Financial Statements (continued)**11. Finance income****Interest revenue**

| | | |
|---|------------------|------------------|
| Bank | 205,134 | 108,798 |
| Interest received - trade and other receivables | 27,712 | 32,997 |
| Interest received - reserve funds | 1,171,935 | 1,208,564 |
| | 1,404,781 | 1,350,359 |

12. Cash generated from operations

| | | |
|-------------------------------|-------------------|------------------|
| Surplus for the year | 16,626,162 | 5,763,986 |
| Adjustments for: | | |
| Depreciation and amortisation | 41,849 | 37,532 |
| Interest received | (1,404,781) | (1,350,359) |
| Changes in working capital: | | |
| Trade and other receivables | (4,955,845) | (2,648,749) |
| Trade and other payables | 78,491 | 572,147 |
| | 10,385,876 | 2,374,557 |

13. Auditor's remuneration

| | | |
|------------|--------|---------|
| Audit fees | 99,200 | 101,000 |
|------------|--------|---------|

14. Taxation

No provision has been made for 2020 tax as the company is exempt from income tax in terms of Section 10(1)(cN) of the Income Tax Act.

15. Related parties

Related party transactions

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

| | | |
|---------------------------------|------------|------------|
| Milk Producers Organisation NPC | 2,141,302 | 2,359,509 |
| SA Milk Processors Organisation | 21,500,825 | 19,711,675 |

Compensation to the Chief Executive Officer

| | | |
|--|-----------|-----------|
| | 1,611,003 | 1,524,016 |
|--|-----------|-----------|

Compensation to the Transformation Manager

| | | |
|--|-----------|-----------|
| | 1,461,871 | 1,461,218 |
|--|-----------|-----------|

The compensation to the Chief Executive Officer and the Transformation Manager include payments in respect of leave payouts.

Notes to the Annual Financial Statements (continued)

16. Financial instruments by category

Reconciliation of financial instruments by category - 2020

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

Reconciliation of financial instruments by category - 2019

| | Financial assets at amortised cost R | Financial liabilities at amortised cost R | Total R |
|---|--|---|-------------------|
| Trade and other receivables | 12,688,603 | - | 12,688,603 |
| Cash and cash equivalents | 28,323,084 | - | 28,323,084 |
| Trade and other payables (excluding VAT and provision for leave) | - | (633,911) | (633,911) |
| | 41,011,687 | (633,911) | 40,377,776 |

17. Directors' remuneration

| | 2020 R | 2019 R |
|-------------------------------|----------------|----------------|
| Adams PH Ms | 16,500 | 12,472 |
| Gebeda ZM Mr | 19,800 | 19,960 |
| Grobler FA Mr | 4,172 | 14,599 |
| Gutsche AR | 7,590 | - |
| Jack-Pama BS Dr (Chairman) | 92,212 | 85,910 |
| Kraamwinkel AP Mr* | - | - |
| Kuyler GF Mr (Vice-chairman) | - | 6,000 |
| Loubser MJ Mr (Vice-Chairman) | 29,700 | 39,717 |
| Lubbe H Mr* | - | - |
| Prinsloo AW Mr | 87,232 | 104,664 |
| Rathogwa MG Mr | 29,100 | 30,000 |
| Wellbeloved C Mr | 17,490 | 17,044 |
| Van Dijk CJ Dr* | - | - |
| | 303,796 | 330,366 |

* 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 15.

18. 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.

The COVID-19 pandemic swept across the globe from early 2020, resulting in many countries enforcing various forms of restrictions on people's movement, in their aim to slow down the rate of infection. South Africa implemented a national lockdown on 27 March 2020 whereby every person was confined to his or her place of residence, unless strictly for performing an essential service, obtaining an essential good or service, collecting a social grant or seeking emergency, life-saving or chronic medical attention. These regulations remained in force up to 30 April 2020 ("initial lockdown period") where after the National Government implemented a risk-adjusted lockdown strategy allowing for a controlled relaxation of the lockdown measures over a period. The easing of the lockdown measures still limits the movement of people and as to when the lockdown will be lifted remains entirely Milk South Africa NPC made the necessary arrangements to be able to continue its operations during the lockdown period. However, some activities of the company's projects were negatively affected by regulations pertaining to social interaction, traveling, etc. As the agricultural and agro-processing sectors render essential services to the public and as they were allowed to carry on with business during this period, the impact of the lockdown on the dairy industry as a whole was not severe.

19. Liquidity and solvency

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

Detailed Income Statement

| | Current Levy Period R | Reserve Funds R | 2020 R | 2019 R |
|---|-----------------------------|-----------------------|--------------------|--------------------|
| Revenue | | | | |
| Levies | 60,078,788 | - | 60,078,788 | 56,346,019 |
| Project Expenses | | | | |
| Project expenses | (39,354,637) | (95,434) | (39,450,071) | (46,749,737) |
| Gross surplus / (deficit) | 20,724,151 | (95,434) | 20,628,717 | 9,596,282 |
| Other income | | | | |
| Administration recovery from Enterprise Development | 330,180 | - | 330,180 | 311,496 |
| Provision for doubtful debts | - | - | - | 26,022 |
| Finance income | 232,846 | 1,171,935 | 1,404,781 | 1,350,359 |
| | 563,026 | 1,171,935 | 1,734,961 | 1,687,877 |
| Operating expenses | (5,737,516) | - | (5,737,516) | (5,520,173) |
| Net surplus for the year | 15,549,661 | 1,076,501 | 16,626,162 | 5,763,986 |

Operating Expenses

| | Note(s) | R | R |
|---------------------------------------|---------|--------------------|--------------------|
| Accounting fees | | (951,394) | (901,924) |
| Auditor's remuneration | 13 | (99,200) | (101,000) |
| Bad debts written off | | (40,818) | (38,044) |
| Bank charges | | (14,534) | (20,271) |
| Consumables | | (29,936) | (30,603) |
| Depreciation | | (41,849) | (37,532) |
| Employee costs | | (1,753,323) | (1,591,333) |
| Inspection and Investigation | | (187,254) | (76,477) |
| Insurance | | (82,462) | (67,161) |
| Internal audits | | (41,075) | (40,414) |
| Legal expenses | | (419,653) | (560,929) |
| Meeting costs | | (733,367) | (919,835) |
| Office rent | | (861,940) | (798,951) |
| Postage | | (1,046) | (535) |
| Printing and stationery | | (161,975) | (157,907) |
| Promulgation of Statutory Regulations | | - | (18,998) |
| Provision for doubtful debts | | (216,011) | - |
| Repairs and maintenance | | (43,134) | (82,190) |
| Security | | (11,970) | (5,345) |
| Small assets | | (15,160) | (40,045) |
| Subscriptions | | (14,335) | (13,206) |
| Telephone | | (2,035) | (4,707) |
| Travel - personnel | | (15,045) | (12,766) |
| | | (5,737,516) | (5,520,173) |

Reserve Fund: Research & Development

| | Cumulative 2012 - 2020 R | 2020 R | 2019 R |
|---|--------------------------------|----------------|----------------|
| OPENING BALANCE | - | 622,401 | 586,605 |
| INCOME | 753,812 | 24,465 | 35,796 |
| Interest received | 753,812 | 24,465 | 35,796 |
| EXPENSES | (2,259,843) | - | - |
| Mastitis competition prize money | (23,000) | - | - |
| Research & Development support (2012 - 2013) | (141,430) | - | - |
| Research Projects | (2,095,413) | - | - |
| - Fasciola hepatica - Impact & Management (UP) | (404,451) | - | - |
| - Fasciola hepatica and Nematodes - Biological control (UKZN) | (721,708) | - | - |
| - Mastitis - bacteriophages (UKZN) | (417,042) | - | - |
| - Mastitis - resistance to antibiotics in lactating cows (UP) | (538,838) | - | - |
| - Flocculation (UFS) | (13,374) | - | - |
| TRANSFERS FROM RESERVE - ENTERPRISE DEVELOPMENT | 2,152,897 | - | - |
| CLOSING BALANCE | 646,866 | 646,866 | 622,401 |

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


Reserve Fund: Enterprise Development

| | Cumulative 2012 - 2020 R | 2020 R | 2019 R |
|--|--------------------------------|-------------------|-------------------|
| OPENING BALANCE | - | 17,879,750 | 16,707,429 |
| INCOME | 32,405,359 | 1,147,310 | 1,172,571 |
| Surplus funds i.r.o. 2006 - 2009 levy period | 13,145,739 | - | - |
| Surplus funds i.r.o. 2010 - 2013 levy period | 3,842,137 | - | - |
| Surplus funds i.r.o. 2014 - 2017 levy period | 9,498,724 | - | - |
| Interest received | 5,918,759 | 1,147,310 | 1,172,571 |
| EXPENSES | (396,904) | (3,738) | - |
| Support Services | (62,871) | - | - |
| Veterinary Services | (5,648) | - | - |
| Infrastructure | (123) | - | - |
| Professional advice | (57,100) | - | - |
| Administration | (334,033) | (3,738) | (2,984) |
| Bank charges | (26,323) | (3,738) | (2,984) |
| Meeting costs | (102,019) | - | - |
| Travel: Road | (87,870) | - | - |
| Travel: Air | (47,459) | - | - |
| Accommodation | (40,386) | - | - |
| Other | (29,976) | - | - |
| TRANSFER TO RESERVE - RESEARCH & DEVELOPMENT FUND | (2,152,897) | - | - |
| TRANSFERS TO RESERVE - PROMOTING SUSTAINABLE COMMERCIALIZATION OF BLACK DAIRY ENTERPRISES | (10,832,163) | - | - |
| ACCRUALS | 7 | 80 | 2,734 |
| Value Added Tax | | | |
| CLOSING BALANCE | 19,023,402 | 19,023,402 | 17,879,750 |

Reserve Fund: Promoting Sustainable Commercialization of Existing Black Dairy Enterprises

| | Cumulative 2012 - 2020 R | 2020 R | 2019 R |
|--|--------------------------------|------------------|------------------|
| OPENING BALANCE | - | 1,679,794 | 1,973,088 |
| TRANSFERS FROM RESERVE - ENTERPRISE DEVELOPMENT | 10,832,163 | - | - |
| INCOME | 8,837,990 | 160 | (289,674) |
| Contribution received/(repaid) - Jobs Fund | 8,805,732 | - | (289,871) |
| Interest received | 32,258 | 160 | 197 |
| TOTAL EXPENSES | (18,081,970) | (59,784) | (35,616) |
| Management Fees | (1,914,914) | - | - |
| Project Manager | (567,626) | - | - |
| Project Manager: Monitoring & Evaluation | (521,232) | - | - |
| Project team members | (86,097) | - | - |
| Project secretary | (15,489) | - | - |
| Expert consultant for assessment of cows | (34,756) | - | - |
| Car hire/ road transport | (238,079) | - | - |
| Accommodation | (385,208) | - | - |
| Airfare | (63,288) | - | - |
| Subsistence | (3,139) | - | - |
| Training (Consultants) | (975,273) | (58,950) | (34,842) |
| Professional Fees | (934,484) | (58,950) | (34,842) |
| Accommodation & meals | (29,784) | - | - |
| Capacity building | (11,005) | - | - |
| Capital Expenditure | (12,150,995) | - | - |
| Machinery & Equipment | (214,093) | - | - |
| Procurement of cows | (8,168,682) | - | - |
| Pasture Establishment | (378,689) | - | - |
| Capital transfers (Capital expenditure) | (3,389,531) | - | - |
| Infrastructure costs (Eskom power) | (3,035,019) | - | - |
| Administration | (5,769) | (834) | (774) |
| Bank charges | (5,769) | (834) | (774) |
| ACCRUALS | (3) | (31,990) | 31,996 |
| Value Added Tax | (3) | 10 | (4) |
| Expenditure incurred but settled after reporting date | - | (32,000) | 32,000 |
| CLOSING BALANCE | 1,588,180 | 1,588,180 | 1,679,794 |





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