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GENERAL NOTICE

NOTICE 251 OF 2012

(DEPARTMENT OF TRADE AND INDUSTRY)

CODES OF GOOD PRACTICE ON BROAD-BASED BLACK ECONOMIC EMPOWERMENT

I, Dr Rob Davies, Minister of Trade and Industry, hereby:

- (a) Issue for public comment, the DRAFT AGRICULTURAL SECTOR CODE (AgriBEE) as provided for in Code 000 Statement 003 of the Codes of Good Practice under Section 9(5) of the Broad Based Black Economic Empowerment Act (Act No. 53 of 2003); and
- (b) Invite interested persons and the public to submit comments on the code within 60 days from the date of this publication.

Interested parties are requested to forward their comments in writing for attention of **Xolisile Zondo** and **Miriam Pooe** on the following address:

E-mail: agribee@thedti.gov.za

or

Private Bag x 84

Pretoria

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Enquiries: 012 394 1609/1870



Dr Rob Davies, MP

MINISTER OF TRADE AND INDUSTRY

DATE: 3 / 3 /12

Broad-Based Black Economic Empowerment

Draft Sector Code for Agriculture

AgriBEE

19 January 2012

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1. INTRODUCTION

This Draft Sector Code is the outcome of the deliberations of the AgriBEE Charter Council, following the gazetting of the AgriBEE Transformation Charter in March 2008 and the subsequent establishment of the AgriBEE Charter Council in December 2008. It takes into account opinions expressed at the Indaba and all previous drafts, and the gazetted Codes of Good Practice for Broad-Based Black Economic Empowerment ('the Codes'), as published by the Department of Trade and Industry ('The dti'), February 2007.

While the Broad-Based Black Economic Empowerment Act, No 53 of 2003 ('the Act'), has guided the development of the AgriBEE Sector Code, its conception is linked to the joint vision as contained in the Strategic Plan for South African Agriculture ('the Sector Plan') of a united and prosperous agriculture Sector designed to meet the challenges of constrained global competitiveness and low profitability, skewed participation, low investor confidence, inadequate support and delivery systems, and poor and unsustainable management of natural resources. This AgriBEE Sector Code derives directly from the Sector's core objective to ensure increased access and equitable participation in the Sector.

This document has been developed as a Draft Sector Code for the Agricultural Sector in terms of Section 9 of the Act and provides for empowerment in the Sector and it includes the AgriBEE Scorecards for large enterprises, and Qualifying Small Enterprises (QSE). Where there is doubt, uncertainty or ambiguity with respect to the interpretation of this Code, the content of the Codes of Good Practice, as published by The dti, will prevail.

The diversity and uniqueness of sub-sectors within the agricultural Sector is acknowledged. In this respect, where sub-sector charters are developed, these must not be in conflict with this Code and, in turn, are encouraged to be consistent and in alignment with the AgriBEE Sector Code.

Targets contained in the AgriBEE Scorecard and the AgriBEE QSE Scorecard are based on those contained in the Broad-Based Black Economic Empowerment Codes of Good Practice, as published by the Department of Trade and Industry, February 2007, as well as on stakeholder inputs, comments and recommendations. Where no substantive reasons for deviation from targets contained in the Codes of Good Practice were put forward by stakeholders, targets have largely remained aligned with those contained in the Codes of Good Practice.

2. SCOPE OF APPLICATION

- 2.1. The scope of the AgriBEE Sector Code shall include any Enterprise which derives the majority of its turnover from:
 - The primary production of agricultural products;
 - The provision of inputs and services to Enterprises engaged in the production of agricultural products;
 - The beneficiation of agricultural products whether of a primary or semi-beneficiated form; and
 - The storage, distribution, and/or trading and allied activities related to non-beneficiated agricultural products.
- 2.2. Where an Enterprise trades in more than one sector i.e. falls under more than one Sector Code or Section 12 Transformation Charter, the Measured Enterprise must be guided by the principles embodied in the Codes of Good Practice.
- 2.3. This Draft sector Code applies to multinational businesses or South African multinationals whose business falls within the scope of the Code as defined in this section. Where a specific regime for multinationals exists in the Codes of Good Practice, this regime will apply.
- 2.4. Enterprises as defined in paragraph 2.1, are encouraged to measure their contributions to the seven elements of broad-based BEE as contained in the AgriBEE Scorecard.
- 2.5. Notwithstanding paragraph 2.4, Enterprises with an annual turnover of between R5 million and R35 million qualify for BEE compliance measurement in terms of the AgriBEE QSE Scorecard. However, it should be noted that the Minister may, by notice in the Gazette, adjust the thresholds following appropriate benchmarking studies, sub-sector inputs, other relevant information and consultation with the major stakeholders in the sector. Any such changes apply to compliance reports prepared for enterprises after a 12-month period following the gazetting of the adjustment.
- 2.6. Notwithstanding paragraph 2.4 and 2.5, Enterprises with an annual turnover of less than R5 million, will be classified as Exempted Micro Enterprises ('EME's'). EME's will enjoy a deemed BEE recognition level of either Level 3 or Level 4 (as defined in the Codes of Good Practice), and sufficient evidence of qualification as an Exempted Micro-enterprise is an auditor's letter or similar letter issued by an accounting officer or verification agency. However, EME's are encouraged to contribute to transformation in agriculture, particularly in the areas of skills development and socio-economic development and are therefore incentivised to increase their BEE status by adopting the generic Codes of Good Practice directive for EME's to move from Levels 3 and 4, respectively, to higher levels.

- 2.7. The AgriBEE Charter Council will review and adjust the turnover thresholds for QSE's and EME's periodically in line with relevant inflation indicators.

3. OBJECTIVES

3.1. The objectives of the Broad-Based Black Economic Empowerment Act No. 53 of 2003 are to facilitate Broad-Based Black Economic Empowerment by:

- Promoting economic transformation in order to enable meaningful participation of Black People in the economy;
- achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new Enterprises;
- increasing the extent to which communities, workers, co-operatives and other collective Enterprises own and manage existing and new Enterprises and increasing their access to economic activities, infrastructure and skills training;
- increasing the extent to which Black women own and manage existing and new Enterprises, and increasing their access to economic activities, infrastructure and skills training;
- promoting investment programmes that lead to broad-based and meaningful participation in the economy by Black People in order to achieve sustainable development and general prosperity;
- empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills; and
- promoting access to finance for black economic empowerment.

3.2. The objectives of AgriBEE Sector Code are to facilitate Broad-based Black Economic Empowerment in the agricultural Sector by implementing initiatives to include Black South Africans at all levels of agricultural activity and Enterprises by:

- Promoting equitable access and participation of Black People in the entire agricultural value chain;
- De-racialising land and Enterprise ownership, control, skilled occupations and management of existing and new agricultural Enterprises;
- Unlocking the full entrepreneurial skills and potential of Black People in the Sector;
- Facilitating structural changes in agricultural support systems and development initiatives to assist Black South Africans in owning, establishing, participating in and running agricultural Enterprises;
- Socially uplifting and restoring the dignity of Black South Africans within the Sector;
- Increasing the extent to which communities, workers, co-operatives and other collective Enterprises own and manage

existing and new agricultural Enterprises, increasing their access to economic activities, infrastructure and skills training;

- Increasing the extent to which Black Designated Groups own and manage existing and new agricultural Enterprises, increasing their access to economic activities, infrastructure and skills training;
- Empowering rural and local communities to have access to agricultural economic activities, land, agricultural infrastructure, ownership and skills;
- The improvement of living and working conditions and promotion of decent living and working conditions for farm workers; and
- Improving protection and standards of land rights and tenure security for labour tenants, farm workers and other vulnerable farm dwellers and addressing the inherently paternalistic nature of relationships associated with insecure tenure by promoting more permanent forms of tenure with the emphasis being on the transfer of ownership of land.

4. DETERMINATION OF AgriBEE STATUS

4.1. The BEE status of an Enterprise which falls within the scope of application of the AgriBEE Sector Code will be determined by the Enterprise's score on the AgriBEE Scorecard. The Scorecard consists of the following seven key elements:

- Ownership
- Management control
- Employment equity
- Skills development
- Preferential procurement
- Enterprise development
- Socio Economic Development

4.2. An Enterprise's BEE status will determine the proportional BEE procurement recognition level that the Enterprise will enjoy as a supplier to other entities applying the AgriBEE Sector Code.

BEE Status	Qualification	BEE procurement recognition level
Level One Contributor	≥100 points on the AgriBEE/ AgriQSE Scorecard	135%
Level Two Contributor	≥85 but <100 points on the AgriBEE/ AgriQSE Scorecard	125%
Level Three Contributor	≥75 but <85 on the AgriBEE/ AgriQSE Scorecard	110%
Level Four Contributor	≥65 but <75 on the AgriBEE/ AgriQSE Scorecard	100%
Level Five Contributor	≥55 but <65 on the AgriBEE/ AgriQSE Scorecard	80%
Level Six Contributor	≥45 but <55 on the AgriBEE/ AgriQSE Scorecard	60%
Level Seven Contributor	≥40 but <45 on the AgriBEE/ AgriQSE Scorecard	50%
Level Eight Contributor	≥30 but <40 on the AgriBEE/ AgriQSE Scorecard	10%
Non Compliant Contributor	<30 on the AgriBEE/ AgriQSE Scorecard	0%

4.3. The gazetting of a AgriBEE Sector Code for the Agricultural Sector, in terms of Section 9 of the Act is evidence of the commitment by all stakeholders to promote Broad-Based Black Economic Empowerment in the Agricultural Sector.

5. ELEMENTS OF EMPOWERMENT

5.1. OWNERSHIP

The objective of this element is to increase the participation of Black People in the Agri-Industry by increasing the level of entitlement of Black People to participate in the Economic Interest and Exercisable Voting Rights of Enterprises in the Sector. This element is divided into two sections namely 'General Ownership' and 'Agricultural Land Ownership' to account for the unique challenges facing the Sector in this respect.

5.1.1 GENERAL OWNERSHIP

In line with the Strategic Plan, the mission of this element is to enhance equitable access and participation in the agricultural Sector; to de-racialise land and Enterprise ownership; and to unlock the full entrepreneurial potential in the Sector.

Historically, the interpretation of ownership in agriculture has been understood to be dependent upon ownership of land. This AgriBEE framework makes a distinction between land and Enterprise ownership.

AgriBEE is fundamental to the long-term growth and competitiveness of the Agricultural Sector. AgriBEE activities and processes should ultimately lead to the creation of viable and sustainable Enterprises in the Agricultural Sector.

Stakeholders in the Sector will work towards the development and implementation of a diversity of Enterprise ownership models in support of AgriBEE.

All Sector Stakeholders should endeavour to source sufficient financing in order to ensure the establishment of viable and sustainable Enterprises.

Agri-Industry undertakes to: -

- 5.1.1.1. Further Black participation through ownership in the Agri-Industry by increasing the level of entitlement of Black People to participate in the Economic Interest and Exercisable Voting Rights in existing and new Enterprises. This includes the sale of equity in a Measured Enterprise, sale of assets through Qualifying Transactions and/or through share equity schemes and other forms of joint ventures with farm labourers and other Black entrepreneurs;

- 5.1.1.2. Further Black ownership in the Agricultural Sector through the sale of assets. This is achieved by selling equity in Associated Enterprises in a Qualifying Transaction. Qualifying Transactions must be scored in terms of Statement 102 of the Codes of Good Practice, which states that equivalency points may be earned under the ownership element through this mechanism. In order for an Enterprise to enjoy continued recognition for ownership on the Scorecard through a Qualifying Transaction, the Transaction must ultimately result in:
- the creation of sustainable businesses or business opportunities for Black People; and
 - the transfer of specialised skills or productive capacity to Black People; and
 - it must not result in unnecessary job-losses;
 - it must involve a separate Associated Enterprise which has:
 - no unreasonable limitations with respect to its clients or customers;
 - clients, customers or suppliers other than the Enterprise with which the Qualifying Transaction was undertaken; and
 - no operational outsourcing arrangements with the initiating Enterprise that were not concluded at arms-length on a fair and reasonable basis.

Government undertakes to:-

- 5.1.1.3. Implement all legislative and other measures at its disposal to facilitate black ownership.
- 5.1.1.4. Facilitate access to state BEE funds that are made available by government departments, State-Owned Enterprises, and financial institutions.

5.1.2. AGRICULTURAL LAND OWNERSHIP

- 5.1.2.1. It is important to deal efficiently with land reform to ensure rural stability and market certainty. The process of economic empowerment in South African agriculture starts with improved access to land for Black People and the vesting of secure tenure rights with Black People in areas where these do not exist.
- 5.1.2.2. The target set by government for Land Reform is 30% of commercial agricultural land by 2014. This is also the RDP target set in 1994. It is understood that government's delivery on land transfer targets is fundamental to the achievement of other objectives in this draft Sector Code. Farming enterprises are encouraged to participate directly in this initiative by complying with the 'Land Ownership' element of the Scorecard. Farming enterprises can score either on the Ownership Indicator, Land Ownership Indicator, or both, with the total score limited to the weighting of 20% (or 20% in the case of QSEs). Where farming enterprises choose to score on both indicators, land should not be double-counted under both elements. Furthermore, the AgriBEE Scorecard incentivises contributions to achieving in excess of the national objective of minimum 30% land transferred to Black People. To this end, farming Enterprises which transfer more than 30% of total land can progressively score up to a maximum of 5 bonus points, in proportion to the percentage of total land transferred. (Land transferred as a consequence of expropriation by government will not be eligible for bonus points).
- 5.1.2.3. Productive and sustainable agricultural use of land must be ensured in accordance with the relevant agricultural policies and Acts. Studies should be done to provide a substantive scientific basis for the development of land (also refer to the Sustainable Resource Management Act).
- 5.1.2.4. Given the need to transfer land in support of national objectives, the nature of farming and the need to support Black People in establishing viable commercial farming enterprises on the land that they receive, Measured Enterprises are encouraged to sell land in accordance with the principles and criteria attached to Qualifying Transactions outlined in paragraphs 5.1.1.1.
- 5.1.2.5. Measured Enterprises will be recognised for the sale of land to Black People in accordance with Statement 102 of the Codes of Good Practice.

Farming Enterprises undertake to: -

- 5.1.2.6. Sell agricultural land to Black People and farm workers in market based transactions on a voluntary basis in Qualifying Transactions (using the ownership element of the Scorecard as a vehicle to achieve this).
- 5.1.2.7. Lease agricultural land to Black persons in Qualifying Transactions (using the enterprise development element of the Scorecard as a vehicle to achieve this).
- 5.1.2.8. Make available agricultural land to farm workers (using the corporate social investment element of the Scorecard as a vehicle to achieve this).

Government undertakes to: -

- 5.1.2.9. Contribute to increasing access and acquisition of agricultural land by Black People, through its existing programmes;
- 5.1.2.10. Proactively acquire suitable agricultural land that comes onto the market for land redistribution;
- 5.1.2.11. Use above mentioned land (5.1.2.10) and agricultural land that reverts to the state through foreclosure of indebted farmers, for redistribution, including through long lease arrangements (e.g. 99 year lease);
- 5.1.2.12. Promote sustainable management and use of natural resources;
- 5.1.2.13. Finalise the land restitution process;
- 5.1.2.14. Encourage the development of a land lease and land rental market;
- 5.1.2.15. Promote the consolidation and tenure on traditional community land in terms of the Communal Land Rights Act of 2004; and
- 5.1.2.16. Secure the ownership, access and tenure rights of Black Designated Groups through the registration of old order rights or new order rights into freehold ownership.

5.1.3 Note:

Given the current engagement on the Land Reform Green Paper, the issue of land ownership is an issue to be further discussed and finalised immediately when a clear legislative framework has been established. Different scenarios could emanate when the Green Paper process is finalised. However, within the current framework on land reform the AgriBEE Charter propose the following:

- i) **Resolution:** Where government buys land on the open market, the seller would not be able to claim any points.
- ii) **Resolution:** In the event a voluntary seller donates land without requiring any compensation, points will be scored under land ownership only.
- iii) **Resolution:** In the event a BEE beneficiary buys land using own equity or through debt, the general principles included under Sale of Assets in the Codes of Good Practice would apply.
- iv) **Resolution:** The principles of Statement 102 of the generic Codes of Good Practice on Recognition of Sale of Assets will apply to a scenario where a seller sells a portion of his/her land and not entire farmland, as well as for any aspect on this matter not covered in the AgriBEE Sector Code.

5.2. MANAGEMENT CONTROL

The objective of this element is to increase the participation and levels of control of Black People and Black Women at board and executive management levels in the Agri-Industry. This will be achieved by increasing the absolute and relative number of Black People in these positions and by implementing mechanisms under the skills development element to ensure that secondary, tertiary and in-house training and development programmes are designed to meet the targets set under the Management Control element.

Agri-Industry undertakes to: -

- 5.2.1. Promote participation by Black People in board positions;
- 5.2.2. Promote participation by Black People in executive management positions;
- 5.2.3. Promote participation by Black Women in board and executive management positions; and
- 5.2.4. Promote participation by Black People as Independent Non-executive Board Members.

5.3. EMPLOYMENT EQUITY

Employment equity and skills development targets should be achieved within the ambit of the Employment Equity and Skills Development Acts.

The objective of the employment equity element is to increase the representation of Black People, Black Women and Black Designated Groups at Senior Management level, at Professionally Qualified, Experienced Specialist and Mid-Management level and at Skilled Technical and Academically Qualified, Junior Management, Supervisory, Foremen and Superintendent level, in the Agri-Industry. This will be achieved by increasing the absolute and relative number of Black People in these positions and by implementing mechanisms under the skills development element to ensure that secondary, tertiary and in-house training and development programmes are designed to meet the targets set under the employment equity element.

Agri-Industry undertakes to:-

- 5.3.1. Proactively employ members of Black Designated Groups at Senior Management, Professionally Qualified, Experienced Specialist, Mid-Management, Skilled Technical and Academically Qualified, Junior Management, Supervisors, Foremen, and Superintendent Levels as prescribed in the Scorecards.

5.4. SKILLS DEVELOPMENT

Commercial viability in agriculture demands sustained productivity, high levels of entrepreneurship, long term commitment, resources and skills. The transformation demands of the Sector and rapid changes in the global environment require that more resources should be mobilised for expanding the existing human capital pool through investing in people, employment equity, skills development and institutional transformation.

Black Designated Groups are targeted under the skills development element. In addition, a focus on the development of core skills as identified by the enterprise, scarce and critical skills as identified by relevant Sector Education and Training Authority ('SETA'), must be ensured. In this respect, skills development spend on proposed learning interventions which address these skills shortages must account for 85% of the value of the actual contribution. Enterprises should engage with the relevant Sector Education and Training Authority ('SETA') for information on such learning interventions.

Agri-Industry undertakes to:-

- 5.4.1. Identify gaps in workers' training needs so as to co-operate with and complement teaching and educational institutions and to allow their workers to receive skills and in-service training;
- 5.4.2. Dedicate resources to provide for experiential training, internships, in-service training and training infrastructure for prospective agribusiness entrepreneurs, farm managers and farm labourers;
- 5.4.3. Ensure maximum use of resources provided by the Skills Levy of the relevant SETAs ;
- 5.4.4. Institute a sector-wide young professional employment and mentoring programme, which targets Black unemployed and underemployed graduates in all disciplines. Mentorship programmes shall be accredited by the relevant SETA or other agreed authority; and
- 5.4.5. Implement quantifiable and measurable in-house mentoring programmes as part of the skills development of black employees.

The relevant SETAs undertake to:-

- 5.4.6. Establish SETA-funded training programmes for farm and Enterprise workers in appropriate technical and management skills;
- 5.4.7. Fast-track the registration of learners on NQF-aligned learning programmes;
- 5.4.8. Fast-track the implementation of appropriate learnership, internship, apprenticeship, in-service and mentorship programmes required by the Sector;
- 5.4.9. Fast-track the accreditation of appropriate sectoral service providers;
- 5.4.10. Encourage, support and monitor such programmes in the private sector;
- 5.4.11. Ensure the transformation of agricultural training institutions to accelerate preferential recruitment and admission of black trainees;
- 5.4.12. Encourage quantifiable and measurable in-house mentoring programmes as part of the skills development of black employees;

- 5.4.13. Encourage the implementation of sector-wide young professional employment and mentoring programmes, which target Black unemployed and underemployed graduates in all disciplines. Mentorship programmes shall be accredited by the relevant SETA or other agreed authority; and
- 5.4.14. Provide support to QSE's and EME's in the implementation of relevant skills development initiatives, including Enterprises which are exempted from the payment of the skills development levy.

Government undertakes to:-

- 5.4.15. Provide primary education and training. This includes adult literacy and numeracy training. The State, in conjunction with the governing bodies of educational institutions and similar structures, must ensure that quality training is offered by all primary, secondary and tertiary institutions;
- 5.4.16. Encourage agricultural and agro-processing training at schools and agricultural colleges. A focused, formal agricultural and agro-processing training system which adequately equips future agriculturalists and agro-processors should be developed;
- 5.4.17. Promote agriculture and agro-processing as a competitive career option;
- 5.4.18. Undertake a review of the effective demand for human resources in the agricultural Sector;
- 5.4.19. Lead and co-ordinate a targeted programme in collaboration with education authorities, farmers' organisations, labour and the agricultural private sector to review existing education and training curricula in order to enhance technical, entrepreneurial, and management skills for Black entrants into the Sector;
- 5.4.20. Ensure the inclusion of a substantial number of Black persons from the Sector as the nucleus of strategic partners in Government overseas trade missions, technical assistance, study visits and training opportunities;
- 5.4.21. Promote functional literacy and numeracy through ABET programmes;

- 5.4.22. Encourage quantifiable and measurable in-house mentoring programmes as part of the skills development of black employees; and
- 5.4.23. Encourage the implementation of a sector-wide young professional employment and mentoring programmes, which target Black unemployed and underemployed graduates in all disciplines. Mentorship programmes shall be accredited by the relevant SETA or other agreed authority.

5.5. PREFERENTIAL PROCUREMENT

The success of the Sector's commitment to AgriBEE will largely be determined by the extent of the implementation of preferential procurement initiatives which will influence contractual relationships within the value chain. The objective of the preferential procurement element is to reward Enterprises which contribute towards broad-based BEE and to promote and encourage sustainable procurement from QSE's and EME's.

The provisions in the generic Codes of Good Practice in terms of Total Measured Procurement Spend and Exclusions from Total Measured Procurement Spend, in order to measure B-BBEE Procurement Spend, will be valid and direct the practice in this regard.

In the event of a natural disaster that has a significant impact on the structure of food supply, the AgriBEE Charter Council shall be empowered to make recommendations to revise any of the provisions, including import exclusions or mechanisms, in terms of this element in consultation with the Ministers of Agriculture and Trade and Industry.

Agri-Industry undertakes to:-

- 5.5.1. Proactively identify and implement targeted procurement strategies and policies to realise AgriBEE objectives and to meet preferential procurement targets;
- 5.5.2. Report annually on all preferential procurement spent;
- 5.5.3. Calculate preferential procurement spend on a proportional recognition basis, from suppliers with a BEE status of 30% or more on any broad-based BEE scorecard which has undergone a consultative process. The proportional recognition mechanism is contained in the table below:

BEE Status	Qualification	BEE procurement recognition level
Level One Contributor	≥100 points on a broad-based BEE Scorecard	135%
Level Two Contributor	≥85 but <100 points on a broad-based BEE Scorecard	125%
Level Three Contributor	≥75 but <85 on a broad-based BEE Scorecard	110%
Level Four Contributor	≥65 but <75 on a broad-based BEE Scorecard	100%
Level Five Contributor	≥55 but <65 on a broad-based BEE Scorecard	80%
Level Six Contributor	≥45 but <55 on a broad-based BEE Scorecard	60%
Level Seven Contributor	≥40 but <45 on a broad-based BEE Scorecard	50%
Level Eight Contributor	≥30 but <40 on a broad-based BEE Scorecard	10%
Non Compliant Contributor	<30 on a broad-based BEE Scorecard	0%

5.5.4. Progressively provide preferred supplier status to QSE's and EME's, including the supply of services and goods, in accordance with the requirements of the AgriBEE Scorecard.

Government undertakes to: -

5.5.5. Align their procurement practices with AgriBEE when procuring goods and services from the Agricultural Sector, once Sector Codes for the Agricultural Sector have been gazetted;

5.5.6. Provide Black People and QSE's preferred supplier status in the procurement of goods and services;

5.5.7. Identify, prioritise and target Black Entrepreneurs and Enterprises that contribute to Broad-based BEE, when awarding tenders and contracts to entities in the private sector; and

5.5.8. Utilise all legislative and other measures available to it, including preferential procurement, to influence the attainment of broad-based BEE objectives.

5.6. ENTERPRISE DEVELOPMENT

Enterprise development refers to the establishment, support and integration of Black Entrepreneurs in mainstream business processes. Support services such as access to finance, infrastructure, information and knowledge systems, are core pillars of sustainable empowerment initiatives.

Agri-Industry undertakes to:-

- 5.6.1. Strengthen and accelerate the development of the operational and financial capacity of Black entrepreneurs;
- 5.6.2. Provide mentoring, access to inputs, credit, infrastructure, markets, technology and extension services where applicable. Mentoring, as part of the enterprise development element, refers to the provision of technical and/ or general business assistance and support to Black emerging farmers, land reform beneficiaries and Black entrepreneurs.
- 5.6.3. Support land reform beneficiaries and Black Persons to create sustainable businesses through the transfer of specialised skills in mentorship programmes. Such support (as well as the types of support described in paragraph 5.6.2 above) will be eligible for points under the enterprise development element provided it is quantified to a Rand value in terms of the opportunity cost of time spent on mentoring and/or other enterprise development endeavours. Support to land reform beneficiaries will enjoy enhanced recognition at a multiple of 1.3 of the Rand value of the actual contribution. Enterprises should engage with the relevant SETA for information on such learning interventions;
- 5.6.4. Commit cumulative enterprise development contributions which assist and accelerate the development of black entrepreneurs, as a percentage of cumulative net profit after tax measured from the Inception Date to the date of measurement as a criterion for measurement;
- 5.6.5. Lease agricultural land to Black Entrepreneurs which meets the criteria for qualifying transactions in terms of paragraph 5.1.1.2.

5.6.6. Enhanced Recognition will be enjoyed for certain types of enterprise development initiatives, at a multiple of the Rand value of the actual contribution. These initiatives and their corresponding multipliers are listed below:

Enterprise Development Initiative	Multiple
Initiatives which directly contribute towards the creation of employment opportunities in rural communities and, in particular, in any geographic areas identified in government's integrated sustainable rural development and urban renewal programmes (See conditions below)	1.5
Initiatives which assist and accelerate the development of Black Owned EME's	1.25
Initiatives which assist and accelerate the development of beneficiary entities which produce or sell goods and/ or services not previously produced or manufactured in South Africa	1.5
Contributions in respect of warehousing funds (provided these funds do not own an equity interest in the Measured Enterprise)	1.25
Support to Land Reform beneficiaries in terms of mentoring or extension services, capital provision, input supply and market access opportunities, access to technology and infrastructure	1.5

For the purpose of verification, new Enterprise Development Initiatives or projects are defined as green field projects that include, but are not limited to, those that support the Industrial Policy Action Plan. Points will be scored for permanent employees based on the following sliding scale: Year 1: 100% points; Year 2: 70% points and Year 3: 30% points. Additionally, should there be a percentage decrease in employment, there would be a pro rata percentage decrease in percentage points scored.

Government undertakes to:-

- 5.6.7. Ensure the creation of an enabling environment to support agriculture;
- 5.6.8. Continue with, and further develop, the implementation of the Comprehensive Agricultural Support Programme ('CASAP') and other government programmes;
- 5.6.9. Implement MAFISA (Micro-Agricultural Financial Institutions of South Africa) and other government financing facilities to further enterprise development;

- 5.6.10. Establish Public-Private Partnerships to improve service delivery; and
- 5.6.11. Activate Land Bank funding opportunities and financial products for black farmers.

5.7 SOCIO-ECONOMIC DEVELOPMENT (SED)

Socio-economic development refers to contributions that are related to the agricultural industry and contributions actually initiated and implemented in favour of Black People with the specific objective of facilitating access to the economy. These initiatives should be motivated by the objective of providing Black People with social and economic opportunities and to establish a socio-economic environment conducive to these opportunities. Priority should therefore be given to implementing income generating socio economic initiatives that create sustainable livelihood for beneficiaries. In this regard a Measured Entity must consult and provide proof that it consulted with the beneficiaries to establish their needs.

Due to the need to improve the living and working conditions of the farm workers in the agricultural sector, any SED initiative should be over and above the wage accruable to the beneficiary. Proof must be submitted to Verification Agencies that in any case that the benefit that is claimed for, is separate and over and above SED initiative to the pay package, and in this regard a maximum of 50% of the 10 points can be scored. It should also be noted that there needs to be a contract in place between the enterprise/employer and the employees whose salary packages have been restructured for the purpose of scoring points under this category.

Farming Enterprises undertake to:-

- 5.7.1. Contribute to socio-economic development initiatives in respect of rural community members, workers and their families and seasonal workers, in particular. The following is a non-exhaustive list of examples, but all such contributions are conditional:
 - 5.7.1.1. Provision of good quality housing, including access to clean water, sanitation and electricity;
 - 5.7.1.2. Provision of recreational facilities as well as running costs in this regard;
 - 5.7.1.3. Provision or implementation of, health care programmes and related services (with due consideration for HIV/AIDS programmes);

- 5.7.1.4. Meeting the transport requirements of workers and their dependents, such as transport to clinics and hospitals, transportation of workers' products to the market, etc. in line with transport legislation and regulations;
 - 5.7.1.5. Implementation of retirement, funeral and related schemes provided they are separate from the pay package of beneficiaries;
 - 5.7.1.6. Investment in, and/or provision of support to, farm and/or rural schools;
 - 5.7.1.7. Engagement in collective contributions to social development;
 - 5.7.1.8. Provision of ABET to seasonal workers, rural community members and family of staff members (whether casual or permanent) to increase literacy levels amongst rural South Africans;
 - 5.7.1.9. Maintenance of bursary schemes to enable Black People to gain access to tertiary education institutions.
- 5.7.2. Contribute to corporate social investment initiatives and/or land available to farm workers. In such cases, the Measured Enterprise will be awarded points in proportion to the target achieved for their contributions.

Agribusiness Enterprises undertake to:-

- 5.7.3. Contribute to social development and industry specific initiatives. The following is a non-exhaustive list of examples:
- 5.7.3.1 support for community education facilities; education programmes aimed at promoting the agricultural industry; and bursaries and scholarships to encourage learners to study agricultural sciences;
 - 5.7.3.2. contributions to community training programmes aimed at skills development for the unemployed and ABET;
 - 5.7.3.3. participation in development programmes for the youth and other designated groups;

- 5.7.3.4. support for programmes in conservation projects; community clean-up programmes and preservation of the natural environment that have direct and tangible benefits to the beneficiaries of B-BBEE;
- 5.7.3.5. promotion of job creation programmes in the agricultural and agricultural related Sectors, external to the business;
- 5.7.3.6. support for development programmes to develop new talent for arts and culture;
- 5.7.3.7. support community clinics and community health programmes (with due consideration for HIV/AIDS programmes); and
- 5.7.3.8. participate in and support sports development programmes.

6. GOVERNANCE

6.1 An AgriBEE Charter Council has been established and will report to the Black Economic Empowerment Advisory Council, appointed in terms of the Act and the Minister of Trade and Industry, on progress made by the Sector in terms of the AgriBEE Charter.

6.2 The fundamental principles of the AgriBEE Charter Council are as follows:

- The AgriBEE Charter Council will be established as an independent body with a mandate to oversee the implementation of the AgriBEE Charter;
- The AgriBEE Charter Council will address issues of principle relating to the implementation of the Charter;
- The AgriBEE Charter Council will conduct reviews and take decisions;
- The AgriBEE Charter Council will consider whether the targets and implementation strategies are still appropriate, and if not how they should be varied should there be a material change in the circumstances or the environment in which the Charter has to be implemented;
- There will be equitable composition of Stakeholders in the members of the AgriBEE Charter Council.
- Decisions of the Charter Council will be taken on a consensual basis. If, on any issue, the Charter Council is unable to achieve consensus, there will be a dispute-breaking mechanism in the Charter Council either by some agreed mechanism within the Charter Council, or by reference to arbitration or mediation.

6.3 The Charter Council should be tasked with ensuring that the verification of BEE contributions in the Agricultural Sector:

- consists of a valid and reliable process that is practical and legally defensible;
- is an accessible, flexible and cost effective system for the industry which may include electronic systems such as e-filing of BEE contribution data and self assessment tools;
- is subject to audit by agencies appointed in terms of the Codes of Good Practice;
- includes the issuing of qualified and unqualified BEE verification certificates, which respond to the unique needs of the Sector; and
- is universal and generally accepted and nationally recognised standards.

7. DEFINITIONS

For the purposes of clarification and to avoid ambiguity, the following terms apply to this Charter:

- 7.1. **ABET** means Adult Basic Education and Training as determined by the National Qualification Authority.
- 7.2. **Accreditation Body** means the South African National Accreditation System or any other Entity appointed by the Minister for Trade and Industry from time to time.
 - a. accrediting Verification Agencies; and
 - b. developing, maintaining and enforcing the Verification Standards.
- 7.3. **Acquisition debt** means the debts of:
 - a. black participants incurred in financing their purchase of their equity instruments in the Measured Entity; and
 - b. juristic persons or trusts found in the chain of ownership between the eventual black Participants and the Measured Entity but excluding debts incurred by the Measured Entity for the same purpose as those in (a).
- 7.4. **AgriBEE** is a Sectoral Transformation Charter as defined in Section 12 of the Broad-Based Black Economic Empowerment Act 53 of 2003.
- 7.5. **AgriBEE Scorecard** means the Broad-Based BEE scorecard published in the Government Gazette in terms of Section 9 of the Act. The Indicative Scorecard attached to this Charter document should be regarded as an indication of what is likely to be included in possible, future Sector Codes for agriculture.
- 7.6. **AgriBEE QSE Scorecard** means the Broad-Based BEE scorecard for Qualifying Small Enterprises published in the Government Gazette in terms of Section 9 of the Act. The Indicative AgriBEE QSE Scorecard attached to this Charter document should be regarded as an indication of what is likely to be included in possible, future Sector Codes for agriculture. It could be used in the interim by the sector for measuring BEE contribution until the S9 Sector Codes are finalised.
- 7.7. **Agriculture** refers to all the economic activities associated with the production and processing of agricultural products as defined in section 2.1.
- 7.8. **Agricultural Products** are as defined by the Marketing of Agricultural Products Act No. 47 of 1996.

- 7.9. **Agri-Industry** refers to the combination of **Farming Enterprises** and **Agribusiness Enterprises**.
- 7.10. **Approved Socio-economic Development Contributions** means monetary or non-monetary contributions carried out for the benefit of any projects approved for this purpose by any organ of state or sectors including without limitation:
- a. profits focusing on environmental conservation, awareness, education and waste management; and
 - b. projects targeting infrastructural development, enterprise creation or reconstruction in underdeveloped areas, rural communities or geographic areas identified in the government's integrated sustainable rural development or urban renewal programmes.
- 7.11. **Associated Enterprise** means an Entity with which a Seller has concluded a Qualifying Transaction
- 7.12. **B-BBEE** means an Entity with which a Seller has concluded a Qualifying Transaction.
- 7.13. **BEE controlled company** means a juristic person, having share holding or similar members interest in which black participants enjoy a right to Exercisable Voting Rights that is more than 50% of the total such rights measured using the Flow Through Principle.
- 7.14. **BEE owned company** means juristic person, having share holding or similar members interest, that is BEE controlled, in which black participants enjoy a right to Economic interest that is more than 50% of the total such rights measured using the Flow Through Principle.
- 7.15. **BEE Procurement Recognition Level** means the percentage BEE Procurement Recognition Levels as determined:
- a. for Enterprises that are neither Qualifying Small Enterprises nor Exempted Micro-Enterprises, using statement 000;
 - b. for Qualifying Small Enterprises, using statement 800; and
 - c. for Exempted Micro-Enterprises, a deemed BEE procurement Recognition of 100% and BEE Status of Level 4 Contributor under statement 800.
- 7.16. **BEE Status** means the BEE status of a beneficiary of Enterprise Development Contributions as determined under:
- a. Statement 800 for Qualifying Small Enterprises and Exempted Micro Enterprises; and
 - b. Statement 000 for all other Enterprises.

- 7.17. **Benefit Factor** means a factor specified in the Benefit Factor Matrix applicable to fixing the monetary value of Enterprise Development and Socio Economic Development Contributions claimable under statement 600, 700, 806 and 807.
- 7.18. **Benefit Factor Matrix** means the Benefit Factor Matrix for Enterprise Development and socio Economic Development Contributions annexed to statement 600, 700, 806 and 807.
- 7.19. **Black Designated Groups**
- a. means unemployed black people not attending and not required by law to attend an educational institution and not awaiting admission to an educational institution;
 - b. Black people who are youth as defined in the National Youth Commission Act of 1996;
 - c. Black people who are persons with disabilities as defined in the Code of Good Practise on employment of people with disabilities issued under the Employment Equity Act;
 - d. Black people living in rural and under-developed areas.
 - e. Black women.
- 7.20. **Black new entrants** means black participants who hold rights of ownership in a Measured Entity and who, before holding the Equity Instrument in the Measured Entity, have not held equity instruments in any other Entity which has a total value of more than R20 000,000, measured using a standard valuation method.
- 7.21. **Black People** has the meaning defined in the Act qualified as including only natural persons who are citizens of the Republic of South Africa by birth or descent; or are citizens of the Republic of South Africa by naturalisation:
- a. occurring before the commencement date of the constitution of the Republic of South Africa Act of 1993; or
 - b. occurring after the commencement date of the Constitution of the Republic of South Africa Act of 1993, but who, within the Apartheid policy would have qualified for naturalisation before then.
- 7.22. **Black Professional Service Provider** means Black Individuals who provide services of a professional nature.
- 7.23. **Board** means those persons appointed by the Participants of a Measured Entity to undertake the management control of the Measured Entity. The Board is distinguishable from the Senior and Other Top Management by virtue of the fact that Senior and Other Top Management are primarily active in the operational day-to-day management while the Board is primarily active in the control function of the Measured Entity. This does not imply that members of the Board cannot also be Senior and Other Top Management. The term Board does not include persons appointed to that body as alternates.

- 7.24. **Broad-based Black Economic Empowerment (as defined in the Act)** means the economic empowerment of all Black People including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to-
- increasing the number of Black People that manage, own and control Enterprises and productive assets;
 - facilitating ownership and management of Enterprises and productive assets by communities, workers, cooperatives and other collective Enterprises;
 - human resource and skills development;
 - achieving equitable representation in all occupational categories and levels in the workforce;
 - preferential procurement; and
 - investment in Enterprises that are owned or managed by Black People;
- 7.25. **Broad-Based Ownership Scheme** means a ownership scheme which meets the rules set out in Annexe 1008.
- 7.26. **Certified Learning Programme** means any Learning Programme for which the Measured Entity has:
- a. any form of independent written certification as referred to in the "Learning Achievements" column of the Learning Programmes Matrix; or if it does not have such certification;
 - b. an enrolment certificate issued by the independent person responsible for the issue of the certification referred to in statement 400 and 804 confirming the employee has:
 - (i) enrolled for, is attending and is making satisfactory progress in the Learning Programme; or
 - (ii) enrolled for but not attended the Learning; or
 - (iii) attended the Training Programme but has failed an evaluation of their learning progress.
- 7.27. **The Act** means the Broad-Based Black Economic Empowerment Act 53 of 2003.
- 7.28. **Charter** means the AgriBEE Transformation Charter, including the Indicative AgriBEE Scorecard and the Indicative AgriQSE Scorecard
- 7.29. **Company Act** means the Companies Act 61 of 1973 as amended or substituted.

- 7.30. **Company limited by guarantee** means a company as referred to in section 19(1) (b) of the Companies Act.
- 7.31. **Competent person** means a person who has acquired through training, qualification and experience the knowledge and skills necessary for undertaking any task assigned to them under the codes.
- 7.32. **Core Skills** means skills that are:
- a. value-adding to the activities of the Measured Entity in line with its core business;
 - b. in areas the Measured Entity cannot outsource; or
 - c. within the production/operational part of the Measured Entity's value-chain, as opposed to the supply side, services or downstream operations.
- 7.33. **Critical Skills** means those skills identified as being critical by any SETA.
- 7.34. **Disabled Employees** has the meaning defined in the Code of Good Practise on Key Aspects of Disability in the Workplace issued under section 54 of the Employment Equity Act.
- 7.35. **EAP** means Economically Active Population as determined and published by State SA. The operative EAP for the purpose of any calculation under the Codes will be the most recently published EAP.
- 7.36. **Economic interest** means a claim against an Entity representing a return on ownership on the Entity similar in nature to a dividend right, measured using the Flow Through and, where applicable, the Modified Through Principles.
- 7.37. **EEC Act** means the Employment Equity Act of 1998, as amended.
- 7.38. **EE Regulations** means the regulations under the Employment Equity Act.

- 7.39. **Elements** means the measurable quantitative or qualitative elements of BEE compliance in the Generic Scorecard and the Primary Codes.
- 7.40. **Employee** bears the meaning as defined in the Labour Relations Act 66 of 1995 as amended.
- 7.41. **Employee Ownership Scheme** means a worker or employee scheme.
- 7.42. **Enterprise** means a natural or juristic person conducting a business, trade or profession in the Republic of South Africa. Unless the context otherwise indicates, Enterprises include, without limitation, a Measured Enterprise and an Associated Enterprise. Different types of Enterprises within the Sector are defined as follows:
- **Agribusiness Enterprises** means those individuals, groups, cooperatives or companies engaged in other agricultural activities as defined in the scope
 - **Farming Enterprises** means those individuals, groups, co-operatives or companies engaged in primary agricultural production activities as defined in the scope.
- 7.43. **Entrepreneur** means a person who starts and / or operates a business which includes identifying opportunities in the market, taking risks with a view of being rewarded with profits.
- 7.44. **Entity** means a natural or a juristic person conducting a business, trade or profession in the Republic of South Africa.
- 7.45. **Enterprise Development Contributions** means monetary or non-monetary contributions carried out for the following beneficiaries, with the objective of contributing to the development, sustainability and financial and operational independence of those beneficiaries:
- a. Category A Enterprise Development Contributions involves Enterprise Development Contributions to Exempted Micro-Enterprises or Qualifying Small Enterprises which are 50% black owned or black women owned;
 - b. Category B Enterprise Development Contributions involves Enterprise Development Contributions to any other Entity that is 50% black owned or black women owned; or 25% black owned or black women owned with a BEE status of between Level One and Level Six.
- 7.46. **Equity Equivalent Contribution** means an equity equivalent contribution made by a Multinational under an Equity Equivalent Programme.

- 7.47. **Equity Equivalent Programme** means a public programme or scheme of any government department, provincial or local government in the Republic of South Africa or any other programme approved by the Minister as an Equity Equivalent Programme.
- 7.48. **Equity Instrument** means the instrument by which a Participant holds rights of ownership in an Enterprise.
- 7.49. **Equivalency Percentage** means a percentage ownership performance for all the indicators in the Associated Enterprise's Ownership Scorecard arising from a Qualifying Transaction included in the Ownership Scorecard of the beneficiary entity.
- 7.50. **Executive Members of the Board** mean those members of the Board who are executive directors as defined in the King Report;
- 7.51. **Exempted Micro Enterprise** means an Entity with an annual turnover of less than R5 (five) million (refer also to Section 2.5).
- 7.52. **Exercisable Voting Right** means a voting right of a Participant that is not subject to any limit;
- 7.53. **Global Practice** means a globally and uniformly applied practice of a Multinational, restricting alienation of equity in or the sale of businesses in its regional operations. The practice must have existed before the promulgation of the Act.
- 7.54. **Grant Contribution** means the monetary value of Qualifying Contributions made by the Measured Entity to a beneficiary in the form of grants, donations, discounts and other similar quantifiable benefits which are not recoverable by the Measured Entity.
- 7.55. **Government** means the national, provincial and local spheres of government and State-Owned Enterprises which are distinctive, interdependent and interrelated.
- 7.56. **Higher Education Institution** means a higher education institution as defined under the Higher Education Act of 1997.
- 7.57. **Inception Date** means a date specified by a Measured Entity as being the date from which its Contributions are measurable before the commencement date of statement 600, 700, 806 and 807 of the B-BBEE Codes of Good Practice.
- 7.58. **Independent Non-Executive Board Members** means those members of the Board that are independent directors as defined in the King Report.
- 7.59. **Indicator Percentage** means the percentage compliance of the Associated Entity for all the indicators of the Associated Enterprise Ownership Scorecard. The calculation of Indicator Percentage follows the rules in statement 100 using the actual percentage compliance for each indicator and not the resulting scores.
- 7.60. **King Report** means the King Report on Corporate Governance for South Africa 2002 by the King Committee on Corporate Governance of the Institute of Directors in Southern Africa.
- 7.61. **Learning Programmes** means any learning programme set out in the Learning Programme Matrix.
- 7.62. **Learning Programme Matrix** means the Learning Programme Matrix annexed as Annexe "400A" 804(A) in statement 400 and 804.

- 7.63. **Leviable Amount** bears the meaning as defined in the Skills Development Levies Act of 1999 as determined using the Fourth Schedule to the Income Tax Act.
- 7.64. **Management Fees** means the total Economic Interest received by a Broad-Based Ownership Scheme in any year less the amounts distributed or applied to beneficiaries and the amounts reserved for future distribution or application.
- 7.65. **Mandated Investments** means any investments made by or through any third party regulated by legislation on behalf of the actual owner of the funds, pursuant to a mandate given by the owner to a third party, which mandate is governed by that legislation. Some examples of domestic mandated investments and the portions of those investments subject to the exclusion principle are contained in Annexe 100A attached to statement 100.
- 7.66. **Measured Enterprise** means an Entity as well as an organ of state or public entity subject to measurement under the Codes.
- 7.67. **Multinational Business** means a Measured Entity with a business in the Republic of South Africa and elsewhere which maintain its international headquarters outside the Republic.
- 7.68. **National Skills Development** means the national skills development strategy referred to in section 5(1)(a)(ii) of the Skills Development Act.
- 7.69. **Net Profit After Tax** means the operating profit of a measured entity after tax. It incorporates both the equity / loss figures and abnormal items, but excludes extra ordinary items as determined by (GAAP) Generally Accepted Accounting Practices.
- 7.70. **Net Profit Before Tax** means the operating profit of a measured entity before tax. It incorporates both the equity / loss figures and abnormal items, but excludes extra ordinary items as determined by (GAAP) Generally Accepted Accounting Practices.
- 7.71. **Net Value** means the percentage resulting from the formula in Annexe 100(C) of statement 100.
- 7.72. **Net-value Date** means the later occurring of the date of commencement of statement 100 and the date upon which the earliest of all still operative transactions undertaken by the Measured Entity Measured Entities in order to achieve black rights of ownership, became effective and unconditional.
- 7.73. **Non-profit Organisation** means a non-profit organisation registered under the Non-Profit Organisation Act of 1997.
- 7.74. **Outsourced Labour Expenditure** means any expenditure incurred in:
- a. procuring the services of or from a labour broker; and
 - b. procuring the services of any person who receives any remuneration or to whom any remuneration accrues because of any services rendered by such person to or on behalf of a labour broker.

- 7.75. **Ownership Fulfilment** has the same meaning as referred to in the ownership scorecard in statement 100.
- 7.76. **Participant** means a natural person holding rights of ownership in a Measured Entity.
- 7.77. **Priority Skills** means Core, Critical and Scarce Skills as well as any skills specifically identified:
- a. in a Sector Skills Plan issued by the Department of Labour of the republic of South Africa; and
 - b. by the Joint Initiative for Priority Skills Acquisition (JIPSA) established as part of the Accelerated and Shared Growth Initiative – South Africa (ASGISA).
- 7.78. **Private Equity Fund** means a third party fund through which investments are made on behalf of the actual owner of the funds pursuant to a mandate given by that person to the private equity fund.
- 7.79. **Professionally Qualified, Experienced Specialists and Mid-management** in terms of the Employment Equity element, is as per the EEA9 Form issued as a regulation under the Employment Equity Act.
- 7.80. **Public Benefit Organisation** means an entity as defined in section 30 of the Income Tax Act of 1962.
- 7.81. **Qualifying Small Enterprise (QSE)** means a Qualifying Small Entity that qualifies for measurement under the qualifying small Entity scorecard with a turnover of between R5 million and R35 million. "Qualifying Enterprise Development Contributions" is a collective term describing Category A and B Enterprise Development Contributions and in particular Enterprise Development Contributions targeting black owned EME's and QSE's, and black youth in rural and underdeveloped areas in statement 600.
- 7.82. **Qualifying Enterprise Development Contribution** is a collective term describing category A and B enterprise development contribution and in particular enterprise development contributions targeting black owned EME's and QSE's, and black youth in rural and underdeveloped areas in statement 600 of the B-BBEE Codes of Good Practice.
- 7.83. **Qualifying Transaction** means a sale of a business, valuable business assets, and shares or land that results in the creation of sustainable business opportunities and transfer of specialised skills or productive capacity for black people.
- 7.84. **Realisation Points** means the Ownership Fulfilment points added to the Net Value points in the ownership scorecard.
- 7.85. **Related Enterprise** means an Entity controlled by a Measured Entity whether directly or indirectly controlled by the natural persons who have direct or indirect control over that Measured Entity or the immediate family of those natural persons.

- 7.86. **Rights of Ownership** is a collective term for the right to Economic Interest and the rights to Exercisable Voting Rights.
- 7.87. **Scarce Skills** are those skills identified as being scarce by any SETA.
- 7.88. **The Scorecard** refers to the Indicative AgriBEE Scorecard or the Indicative AgriQSE Scorecard – whichever is applicable in the context in which the term is employed.
- 7.89. **Section 21 Company** means an association not for gain incorporated under section 21 of the Companies Act.
- 7.90. **Sector** means the Agricultural Sector as defined in the Scope in paragraph 2.1.
- 7.91. **Sector Code** means a Code in statement 003 in the B-BBEE Codes of Good Practice which is applicable to a particular sector.
- 7.92. **Sector Plan** means the Strategic Plan for South African Agriculture developed jointly by the Government of the Republic of South Africa, Agri SA (including Agribusiness Chamber) and NAFU, signed on 27 November 2001.
- 7.93. **Seller** means the Entity or the person concluding a Qualifying Transaction with the Associated Enterprise.
- 7.94. **Senior Management** in terms of the Employment Equity element, is as per the EEA9 Form issued as a regulation under the Employment Equity Act
- 7.95. **Senior Top Management** means Employees of a Measured Entity who are:
- (a) members of the occupation category of "Top Management" as defined using the EE Regulations as qualified in a Sector Code;
 - (b) appointment by or on the authority of the Board to undertake the day-to-day management of that Measured Entity and who:
 - (i) have individual responsibility for the overall management and for the financial management of that Measured Entity; and
 - (ii) actively involved in developing and implementing the Measured Entity's overall strategy.
- 7.96. **Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen, Superintendents** in terms of the Employment Equity element, is as per the EEA9 Form issued as a regulation under the Employment Equity Act
- 7.97. **Skills Development Expenditure** comprises the money that a Measured Entity spends on skills development. It excludes the skills development levy payable by the Measured Entity under the Skills Development Levies Act.

- 7.98. **Socio-Economic Development Contributions** is a collective term for Socio-Economic development programmes and contributions, approved Socio-Economic development programmes and sector specific programmes.
- 7.99. **Socio-Economic Development Programmes**
- (a) Socio-Economic development Programmes commonly take the following forms:
- (i) develop programmes for women, youth, people with disabilities, people living in rural areas;
 - (ii) support of healthcare and HIV/AIDS programmes;
 - (iii) support for education programmes, resources and materials at primary, secondary and tertiary education level, as well as bursaries and scholarships;
 - (iv) community training, skills development for unemployed people and adult basic education and training; or
 - (v) support of arts, cultural or sporting development programmes.
- 7.100. **A stakeholder is** used as a broad term to describe participants in the entire agricultural value chain as well as current and potential beneficiaries of AgriBEE including government.
- 7.101. **State-Owned Enterprise:** State-Owned Enterprise means Public Entity defined as-
- a government business Enterprise; or
 - a board, commission, company, corporation, fund or other entity (other than a national government business Enterprise) which is
 - established in terms of national legislation;
 - fully or substantially funded either from the National Revenue Fund, or by way of a tax, levy or other money imposed in terms of national legislation; and
 - accountable to Parliament;
- 7.102. **Standard Valuation Method** means a standard valuation method for an asset, an Economic Interest, or any other instrument or right relevant to measurement under statement 100, undertaken using normal valuation methods that represent standard market practise.
- 7.103. **Start-up Enterprise** means a recently formed or incorporated Entity that has been in operation for less than 1 year. A start-up enterprise does not include any newly constituted enterprise which merely a continuation of a pre-existing enterprise.
- 7.104. **Subsidiary** has the meaning defined in section 1(3) of the Companies Act.
- 7.105. **Superior Contributor** to BEE is a Level One to Level Four Contributor to BEE.

- 7.106. **Supplier** means any supplier or service provider to a Measured Entity if any portion of the supply or service provision falls within the definition of Total Measured Procurement Spend.
- 7.107. **Target** means the Targets for the various elements in the Indicative AgriBEE and AgriQSE Scorecards.
- 7.108. **the Act** means the Broad-Based Black Economic Empowerment Act 53 of 2003.
- 7.109. **the Codes** means the Codes of Good Practice including all the statements as issued under the section 9 of the Act.
- 7.110. **the Generic Scorecard** means the balanced BEE scorecard as contained in statement 100.
- 7.111. **the PFMA** means the Public Finance Management Act 1 of 1999 as amended.
- 7.112. **the QSE Scorecard** means the QSE scorecard referred to in statement 800.
- 7.113. **the Skills Development Act** means the Skills Development Act of 1998.
- 7.114. **the Skills Development Levies Act** means the Skills Development Levies Act of 1999.
- 7.115. **The Strategy Document** means the document entitled "South Africa's Economic Transformation – A Strategy for Broad-Based Black Economic Empowerment" published by the Department of Trade and Industry in March 2003 as amended or substituted under section 11 of the Act.
- 7.116. **Third Party Rights** means third party legal or commercial rights that restrict, withhold or defer any benefit associated with ownership of any Equity Instrument. Third party rights include only those rights:
- a. created against a black Participant to ensure, for a lender, repayment of a loan advanced to that Participant for financing their purchase of their equity instrument in the Measured Entity;
 - b. held against a juristic person or trust that is in the chain of ownership between the Measured Entity and that the eventual black Participant serving the same purpose mentioned in (a) above.
- 7.117. **Top Manager** means employees of a Measured Entity who hold rights of ownership, serve on the Board, undertake the day to day management, have overall responsibility for the overall financial management and are actively involved in developing and implementing the overall strategy of the Measured Entity.

- 7.118. **Total Labour Cost** means the total amount of remuneration paid by an Entity to its employee's determined using section 3(4) of the Skills Development Levies Act of 1999 and the Forth Schedule of the Income Tax Act of 1962.
- 7.119. **Total Revenue** means the total income of an Entity from its operations as determined under South African Generally Accepted Accounting Practice.
- 7.120. **Transformation Charter** means the Sectoral transformation charters referred to in section 12 of the Act;
- 7.121. **Uncertified Learning Programme** means any Learning Programme of the Measured Entity that is not a Certified Learning Programme.
- 7.122. **Unincorporated Joint Venture** means a joint venture between two or more Measured Entities effected by agreement without incorporation.
- 7.123. **Value-Adding Enterprise** means an Entity registered as a vendor under the Value-Added Tax of 1991, whose Net Profit Before Tax summed with its Total Labour Cost exceeds 25% of the value of its Total Revenue.
- 7.124. **Voting Right** means a voting right attaching to an Equity instrument owned by or held for a Participant measured using the Flow-Through Principle or the Control Principle.
- 7.125. **Weighing** means the weightings applied to the various Elements in the Generic Scorecard.
- 7.126. **Workplace Skills Plan** means the plan of a Measured Entity approved by the relevant SETA.
- 7.127. **50% black owned** means an Entity in which:
- black people hold more than 50% of the exercisable voting rights as determined under Code series 100;
 - black people hold more than 50% of the economic interest as determined under Code series 100; and
 - has earned all the points for Net Value under statement 100.
- 7.128. **50% black women owned** means an Entity in which:
- black women hold more than 50% of the exercisable voting rights as determined under code series 100;
 - black women hold more than 50% of the economic interest as determined under Code series 100; and
 - has earned all the points for Net Value under statement 100.

7.129. **30% black women owned** means an Entity in which:

- a. black women hold more than 30% of the exercisable voting rights as determined under code series 100;
- b. black women hold more than 30% of the economic interest as determined under Code series 100; and
- c. has earned all the points for Net Value under Statement 100.

The definitions in the B-BBEE Act (53 of 2003) and the Codes of Good Practice, as published by the Department of Trade and Industry, will prevail in cases where clarity regarding definitions is required.

AgriBEE SCORECARD

The AgriBEE Sector Code (Scorecard) enjoys equal status with that of any other code, including the Generic Codes of Good Practice.

Measurement Principles:

- A Measured Enterprise's score for a particular indicator is calculated by dividing the enterprise's actual contribution (as described by the relevant indicator) by the corresponding target
- The result is multiplied by the corresponding indicator weighting points to obtain a score for that indicator
- Where the enterprise attains a score in excess of the indicator weighting points, the enterprise shall only be entitled to the corresponding weighting points
- The score for an element is the sum of indicator scores under that element
- A Measured Enterprise's overall BEE score out of 100 will determine its BEE status and BEE procurement recognition level

Targets contained in the AgriBEE Scorecard are based on those contained in the Broad-Based Black Economic Empowerment Codes of Good Practice as published by the Department of Trade and Industry, February 2007, as well as on stakeholder inputs, comments and recommendations. Where no substantive reasons for deviation from targets contained in the Codes of Good Practice were put forward by stakeholders, targets have largely remained aligned with those contained in the Codes of Good Practice.

Attention is drawn to Clause 5.1.2.2 in terms of ownership for enterprises.

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ELEMENT	Weighting	Indicator Category	Indicator	Indicator Weighting Points	TARGET
Ownership	20%	Voting rights	Exercisable Voting Rights in the Enterprise in the hands of black people	3	25% + 1 vote
			Exercisable Voting Rights in the enterprise in the hands of black women	2	10%
	Economic interest	Economic Interest in the enterprise to which black people are entitled	4	25%	
		Economic Interest in the Enterprise to which black women are entitled	2	10%	
		Economic interest in the Enterprise to which black designated groups, deemed participants in distribution schemes or employee schemes; participants in co-operatives, are entitled	1	2.5%	
	Realisation points	Ownership fulfilment	1	No Restrictions	
	Realisation points	Net Equity Interest Achieved accordingly: (See CoGP) 10% of the Target (Year 1) 20% of the Target (Year 2) 40% of the Target (Year 3-4) 60% of the Target (Year 5-6) 80% of the Target (Year 7-8) 100% of the Target (Year 9-10)	7	25%	
	Bonus points	Involvement in the ownership of the Enterprise of black new entrants; black disabled people, black youth and black Deemed Participants of Broad-Based Ownership Schemes; or black Participants in Co-operatives	3	Bonus per each level of 5%	

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Land Ownership	20%		Commercial agricultural land transferred or sold to black people (The full detail of this matter can only be finalized once the legislative framework emanating from the current Land Reform Green Paper has been established. Until such time, the provisions of this Sector Code, read in conjunction with Statement 102, Recognition of Sale of Assets of the Codes of Good Practice, will be valid for measurement purposes.	20	30%

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		<p>Bonus points</p>	<p>Contribution to achieving in excess of 30% land transfer.</p> <p>Note: Given the need to transfer land in support of national objectives, the nature of farming and the need to support Black People in establishing viable commercial farming Enterprises on the land that they receive, Measured Enterprises are encouraged to sell land in accordance with the principles and criteria attached to Qualifying Transactions as outlined below. However, these criteria and principles will only apply for a period of 5 years following the sale of land, where after the Measured Enterprise will enjoy continued recognition for ownership contributions. This refersexclusively to title deed land transfer.</p> <p>Further Black participation through ownership in the Agri-Industry by increasing the level of entitlement of Black People to participate in the Economic Interest and Exercisable Voting Rights in existing and new Enterprises. This includes the sale of equity in a Measured Enterprise, sale of assets throughQualifying Transactions and/or through share equity schemes and other forms of joint ventures with farm labourers and other Black entrepreneurs</p> <p>(Commercial agricultural land transferred or sold to black people (The full detail of this matter can only be finalized once the legislative framework emanating from the current Land Reform Green Paper has been established. In the interim those paragraph 5.1.3 of this Code shall apply. The provisions of this Sector Code, read in conjunction with Statement 102, Recognition of Sale of Assets of the Codes of Good Practice, will be valid for measurement purposes.</p>	<p>5</p>	<p>30% (Bonus point per each percentage of land transferred above 30% of total land)</p>
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Management Control	10%	Board Participation	Percentage of exercisable Voting Rights held by Members of the Board who are black people to the total of all Voting Rights exercised by all members of the Board	3	50%	
			Executive Members of the board who are black people	1	50%	
			Executive Members of the board who are black women	1	25%	
		Top Management Participation	Percentage that Senior Top Management who are black people constitute of the total number of Senior Top Management	2	40%	
			Percentage that Senior Top Management who are black women constitute of the total number of Senior Top Management	1	20%	
			Percentage that Other Top Management who are black people constitute of the total number of Other Top Management	1	40%	
			Percentage that Other Top Management who are black women constitute of the total number of Other Top Management	1	20%	
		Bonus Points	Percentage that black people who are Independent Non-executive Board Members constitute of the total number of Independent Non-executive Board Members	1	40%	

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Employment Equity	10%	Black people with disabilities employed in by the Measured Enterprise as a percentage of all full-time employees	2	3%
		Black people employed by the Measured Enterprise at Senior Management level as a percentage of employees at Senior Management level	2	60%
		Black women employed by the Measured Enterprise at Senior Management level as a percentage of employees at Senior Management level	2	30%
		Black people employed by the Measured Enterprise at Professionally Qualified, Experienced Specialist and Mid-management level as a percentage of employees at Professionally Qualified, Experienced Specialist and Mid-management level	2	75%
		Black women employed by the Measured Enterprise at Professionally Qualified, Experienced Specialist and Mid-management level as a percentage of employees at Professionally Qualified, Experienced Specialist and Mid-management level	1	40%
		Black people employed by the Measured Enterprise at Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents as a percentage of employees at Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents level	1	80%
		Bonus point for meeting or exceeding the EAP target in each category above	3	

Skills Development		20%	Skills Development Spend	7	2%
Skills development spend on black employees as a percentage of Leviable Amount. (85% of spend focused on core skills as identified by the enterprise and critical skills as identified by the relevant SETA).					
Skills development spend on black women as a percentage of Leviable Amount (85% of spend focused on core skills as identified by the enterprise and critical skills as identified by the relevant SETA).				2	0.93%
Spend on black employees with disabilities as a percentage of Leviable Amount				1	0.2%
Number of black employees participating in training programmes that lead to recognised qualifications as percentage of total employees.				3	5%
Number of black women participating in training programmes that lead to recognised qualifications as percentage of total employees				2	2.5%
Number of people who are members of Black Designated Groups participating in training programmes that lead to recognised qualifications as percentage of total employees .				3	1%
Number of Black employees participating in ABET Training.				2	1%
Bonus points				2	70%

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<p>Preferential Procurement</p>	<p>20%</p>	<p>Preferential Procurement Spend</p>	<p>BEE procurement spend from Suppliers based on the BEE procurement recognition system contained in section 5.5 of the Sector Code</p>	<p>12</p>	<p>70%</p>	
				<p>BEE procurement spend from Qualifying Small Enterprises in accordance with the BEE procurement recognition system contained in section 5.5 of the Code</p>	<p>2</p>	<p>15%</p>
				<p>BEE procurement spend from Exempted Micro Enterprises in accordance with the BEE procurement recognition system contained in section 5.5 of the Code</p>	<p>1</p>	<p>5%</p>
				<p>BEE procurement spend from suppliers that are 50% black owned as a percentage of Total Measured Procurement Spend.</p>	<p>3</p>	<p>12%</p>
				<p>BEE procurement spend from suppliers that are 30% black women owned as a percentage of Total Measured Procurement Spend.</p>	<p>2</p>	<p>8%</p>

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Enterprise Development	10%	Enterprise Development Spend	Cumulative contributions made by the Measured Entity to enterprise Development as a percentage of cumulative net profit after tax measured from the commencement / Inception Date to the date of measurement	10	3% of NPAT
		Bonus Points	Enterprise development contributions that directly increase employment levels in preceding year	2	One point for every 5% proven increase in permanent employment on previous year's permanent employment
			Lease of 20% of land or capital assets on a long term basis to black persons which meets the criteria of a qualifying transaction as outlined in paragraph 5.1.1.2	2	Lease longer than 10 years

Socio-economic Development	10%	SED Spend and/or Land available to farm workers ¹	Cumulative Rand value of SED contributions as a percentage of net profit after tax over five years measured from the commencement date of this Code or the Inception Date over 10 years of the Code period and/or Land made available to farm workers measured from the commencement date of this Code or the Inception Date over 10 years of the Code period	10	1,0% of NPAT 10% Land
		Bonus Point	SED contributions benefiting black people in rural communities or geographic areas identified in government's intergrated sustainable development programme and urban renewal programme	1	

¹Enterprises that have fully contributed to the ownership element of the scorecard have an option of only contributing to the SED portion of this element which will then have a corresponding 10 weighting points.

AgriBEE QSE SCORECARD

The gazetting of AgriBEE Sector Code in terms of Section 9 of the Act evidences the commitment by all stakeholders to promote and implement BEE in the agricultural sector. The AgriBEE Sector Code (Scorecard) enjoys equal status with that of any other code, including the Generic Codes of Good Practice.

Targets contained in the AgriBEE QSE Scorecard are based on those contained in the Broad-Based Black Economic Empowerment Codes of Good Practice as published by the Department of Trade and Industry, February 2007, as well as on stakeholder inputs, comments and recommendations. Where no substantive reasons for deviation from targets contained in the Codes of Good Practice were put forward by stakeholders, targets have largely remained aligned with those contained in the Codes of Good Practice.

A **Qualifying Small Enterprise ('QSE')** is an Enterprise which qualifies for BEE compliance measurement in terms of the Agricultural Qualifying Small Enterprise Scorecard by nature of having total revenue of more than R5 million (subject to adjustment) but less than R35 million.

An **Exempted Micro Enterprise ('EME')** is an Enterprise which qualifies for BEE compliance exemption by nature of the fact that the Enterprise has an annual turnover of less than R5 million and meets the principles of non-circumvention as defined in the Codes of Good Practice Code 000 Statement 000. EME's will enjoy a deemed BEE recognition level of either Level 3 or 4 (as defined in the Codes of Good Practice), and sufficient evidence of qualification as an Exempted Micro-enterprise is an auditor's certificate or similar certificate issued by an accounting officer or verification agency. However, EME's are encouraged to contribute to transformation in agriculture, particularly in the areas of skills development and socio-economic development and are therefore incentivised to increase their BEE status, as outlined in this Code.

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Element	AgriBEE QSE Scorecard Weighting	Generic QSE Scorecard Weighting
Ownership	20 points	25 points
Management control	20 points	25 points
Employment equity	20 points	25 points
Skills Development	20 points	25 points
Preferential procurement	20 points	25 points
Enterprise development	20 points	25 points
Residual	20 points	25 points

- A Qualifying Small Enterprise **must** elect to be measured using, **at least**, five of the seven elements of the AgriBEE Scorecard according to its own choice. In the agricultural sector, majority of the farmers fall in the category of QSE and as such, there is a need for them to select five (5) elements instead of four (4) elements prescribed in the Generic Codes of Good Practice for the purpose of fasttracking transformation in the sector.
- Each indicator will have a weighting of 20 percent, resulting in a total of 140 available BEE points.
- When electing to be measured using more than five of the seven elements, the BEE Status must be determined using the maximum number of BEE points available to it.

For the purpose of fast-tracking transformation (equity ownership) and incentivizing QSEs in the agricultural sector, an enterprise that gets 20 points for this element, qualifies for a multiplier of 1.25 on top of the 20 points, provided that enterprise has achieved the 25% target in full. This is also a sector endeavor to encourage broad-based empowerment, and ownership has always been a core transformation consideration of the sector.

Measurement Principles:

- A Measured Enterprise's score for a particular indicator is calculated by dividing the enterprise's actual contribution (as described by the relevant indicator) by the corresponding target
- The result is multiplied by the corresponding indicator weighting points to obtain a score for that indicator
- Where the enterprise attains a score in excess of the indicator weighting points, the enterprise shall only be entitled to the corresponding weighting points
- The score for an element is the sum of indicator scores under that element
- A measured enterprise's overall BEE score out of 100 will determine its BEE status and BEE procurement recognition level

ELEMENT	WEIGHTING	CATEGORY	INDICATOR	INDICATOR WEIGHTING POINTS	TARGET
OWNERSHIP	20%	Voting rights	Exercisable Voting Rights in the Enterprise in the hands of black people	5	25%+ 1 vote
		Economic interest	Economic interest in the Enterprise to which black people are entitled	7	25%
		Realisation points	Ownership fulfillment	1	Yes
		Net equity interest	10% of the Target (Year 1)	7	25%
			20% of the Target (Year 2)		
			40% of the Target (Year 3,4)		
			60% of the Target (Year 5,6)		
	80% of the Target (Year 7,8)				
	100% of the Target (Year 9,10)				
Bonus points	Involvement in the ownership of the Enterprise of: - Black Disabled People - Black Youth - Black Women and/or - Broad-based Ownership Schemes	3	10%		

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LAND OWNERSHIP	20%		Commercial agricultural land transferred or sold to black people (The full detail of this matter can only be finalized once the legislative framework emanating from the current Land Reform Green Paper has been established. In the interim paragraph 5.1.3 of this Code shall apply. The provisions of this Sector Code, read in conjunction with Statement 102, Recognition of Sale of Assets of the Codes of Good Practice, will be valid for measurement purposes.	20	30%
		Bonus points	Contribution to achieving in excess of 30% land transfer. Bonus point per each percentage of land transferred above 30% of total land	5	30%

MANAGEMENT ENT	20%	Owner- Manager Participation	Black representation at Owner-manager level	20	50.1%
		Bonus Points	Black women representation at Owner-manager level	2	10%
EMPLOYMENT EQUITY	20%		Black representation at Manager-Controller level	6	60%
			Black women representation at Manager-Controller level	6	30%
			Black employees as percentage of total employees	4	70%
			Black women as percentage of total employees	4	35%
SKILLS DEVELOPMENT	20%		Bonus point for meeting or exceeding the EAP targets in each category above	2	
			Employee enrollment/ involvement in Recognised Training Programmes	5	30%
			Skills development spend on black employees in addition to Skills Development Levy (except where the enterprise is exempted from payment of the skills development levy) as a percentage of the Leviable Amount (or as a percentage of total annual payroll, for entities exempted from the skills development levy). (85% of spend focused on core skills as identified by the enterprise and critical skills as identified by the relevant SETA).	15	2%
PREFERENTIAL PROCUREMENT	20%	Bonus points	Percentage of employees at ABET level 3	2	70%
			BEE procurement spend from suppliers in accordance with the BEE procurement recognition system contained in section 5.5 of the Sector Code.	20	50%

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ENTERPRISE DEVELOPMENT	20%		Cumulative contribution to enterprise development as a percentage of cumulative net profit after tax measured from the Commencement / Inception Date to the date of measurement	20	3% of NPAT
		Bonus points	Lease of 20% land or capital assets on a long term basis to black persons which meets the criteria of a qualifying transaction as outlined in paragraph 5.1.1.2.	3	Lease longer than 10 years
Socio-economic Development (SED)	20%	SED Spend and/or Land available to farm workers ¹	Cumulative Rand value of socio economic development contributions as a percentage of net profit after tax over five years and/or Land made available to farm workers measured from the commencement date of this Code or the Inception Date over 10 years of the Code period	20	1% of NPAT
					10% (land for farm labourers)

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