

Annexure

NCOP Budget Vote speech delivered by the Minister of Agriculture, Forestry and Fisheries, Ms Tina Joemat-Pettersson MP, on 6 June 2012 in the NCOP Chamber

The South African maize situation

In recent weeks and months various commentators and stakeholders representing divergent constituencies have raised questions and concerns about the high maize meal prices. A number of issues have to be considered to enrich the debate and guiding the way forward.

Firstly, the South African agricultural market is one of the most liberalised in the world and it was also deregulated in 1996. The result is that our agricultural sector is one of the most open sectors in the country and globally. It is in this context that we need to understand the dynamics in our grain sector, and in particular our maize sector, since local white and yellow maize prices will move between import and export parity prices. Parity prices are derived from the world market prices that are determined by fundamental supply and demand factors. In recent years variable climate and growing demand for maize in the feed and biofuel industries have increased volatility in prices and pushed prices to higher average levels than in the past. In short, more volatile and higher international prices are also reflected in the South African maize industry.

Secondly, planting decisions by producers in South Africa is based on their ability or expectation to realise a profit. The latter is determined by market prices and input costs. Our recent history has shown us that negative sentiment in the maize market resulted in producers reducing hectares planted to maize by between 40% to 50%, resulting in maize prices jumping to import parity prices overnight. This was obviously reflected in significantly higher maize meal prices. Conversely, positive market sentiment in recent years resulted in a significant expansion in production causing prices to move at export parity in recent years saving the consumer in South Africa significant amounts of money as opposed to maize being imported. For example, in 2008 at the height of global commodity prices, local maize prices were at export parity which was R1 500 per ton lower than import parity. This was because it was profitable for local maize producers to produce maize surpluses even at export parity. If this was not the case, and we did not have surpluses of maize in the country, prices would have

been R1 500 per ton higher, with devastating consequences for the poor. It would also have increased the risk of food riots as we have seen in other countries at the time significantly. In short, our producers have demonstrated that they will and can produce our staples, but that they are rationale business people that must sustain their businesses and employees, and hence they will base their business decisions on whether they will realise a profit or not.

Thirdly, as a result of the surpluses produced during the past two seasons local maize prices remained at export parity levels and in some instances prices moved below export parity levels. This created wide-spread concern that producers will be forced to cut back plantings significantly, which in turn will result in prices moving to import parity. The risks of this were already mentioned. The Department and industry stakeholders made considerable efforts at various levels to alleviate the situation by finding markets for our maize. As we know, significant amounts of maize were exported in recent months, while prices also improved considerably. It has, however, not moved to import parity since the improvement in prices created positive sentiment among producers, who in turn responded by planting sufficient area to maize. This has been discounted in the market and hence prices remain far below import parity. Had the producers not responded, the situation would have been bad concerning prices at import parity and maize meal prices much higher than is currently the case.

Fourthly, we are all aware of the high levels of poverty in our country, and hence high prices of a staple such as maize meal are of extreme concern. Over and above higher maize prices in the market, input costs in the value chain, and especially administered and regulated prices such as electricity, water and fuel, increased significantly, which assisted in pushing prices higher. Thus, on the one hand we have market forces influencing prices and on the other hand regulatory prices that are included in the price consumers pay.

Having stated the aforementioned, cognisance should be taken that the Department of Agriculture, Forestry and Fisheries is engaged in the Zero Hunger Programme to

reduce incidences of food insecurity through improving the capabilities of all South Africans to access nutritious food. It is aimed at combating hunger and its structural causes which continues to perpetuate inequality and social exclusion. This will be done through strengthening the Integrated Food Security Strategy and increasing food production and trade. In addition, the National Agricultural Marketing Council in consultation with industry stakeholders, has recently given a directive for the establishment of a Supply and Demand Estimates Committee in the grain industry. Establishment of such a committee will go a long way in creating increased transparency in the grain market in South Africa. This is also in line with the G20 initiative to establish the Agricultural Market Information System (AMIS) to improve market information and transparency in reducing price volatility.

Onderstepoort Biological Products (OBP)

The Minister appointed a new board chaired by Dr Harold Adams in the last financial year, and recently appointed Dr Steven Cornelius, as the CEO. Dr Cornelius assumed duty at the beginning of April this year.

At the onset, there have been quite a number of news articles referring to the alleged ineffectiveness of OBP vaccines. OBP obtained ISO 9001:2008 accreditation for its quality control system in 2008 which was reconfirmed a few months ago. This system ensures that **no** vaccine batches leave the plant if they do not meet set standards. This auditing system records whether a batch has passed all the quality tests. In addition, all OBP's vaccines, similar to all other private sector animal vaccines are registered under the stringent requirements of Act 36. A system is also in place which ensures that the cold chain is maintained up to the point of sale. To ensure that the vaccine is stored and used correctly the registration requires that each vaccine is accompanied by a package insert. How the vaccine is then stored and used becomes the responsibility of the end user although the company supplements this with technical support, training and a customer complaint system.

Despite the significant growth due to Rift Valley Fever(RVF) vaccine sales in 2009/10 and 2010/11 financial years the business has stabilised at an estimated revenue of between R90m to R105m. Profits are being invested in new product development and replacing critical equipment to maintain manufacturing capacity over the short term. The emerging sector is supported through the provincial departments but also through the appointment of rural BEE distributors.

The Onderstepoort Biological Products, as a state-owned enterprise, will contribute to government programmes by means of three strategic goals, which are:

Strategic Goal 1 *will focus on building a successful, high performance organisation by funding training and branding to an amount of **R1, 4m.***

The expected outputs are improved human capital development and management; improved alignment of organisational structure to strategy; building the brand recognition of OBP; adoption of a high performance culture; designing and implementing a change enablement framework for OBP and the building of a customer-centered and service-focused business.

The highlights here are: the organisation is embarking on a new era of strategic alignment of its strategy to government priorities, more so to the strategic objectives of DAFF with a new board and CEO.

Strategic Goal 2 *will focus on improved business processes and management practices by funding operations, repair, maintenance, utilities, quality control and testing to an amount of **R71, 0m.***

The expected outputs are the optimisation of business processes through the organisation; implementation of the Enterprise Resource Planning (ERP) system; providing service delivery support throughout the organisation in the form of security, management, legal services, stakeholder, IT communication services; improved

financial management and reporting; achieving efficiencies across the vaccine production value chain; upgrading the quality and manufacturing systems to comply with local and foreign standards; effective plant and utilities management; achieving compliance to good governance throughout the organisation and developing and implementing a sustainable Corporate Social Investment (CSI) programme.

The highlights here are: the roll out of the new ERP system which will optimise business processes, the reconfirmation of OBP's ISO: 9001 accreditation and the capital expenditure to upgrade the packaging facility to meet GMP standards. DAFF and OBP will make a representation to Treasury for funding and/or allow borrowings for an upgrade of the facility and to establish a vaccine bank.

Strategic Goal 3 *will focus on building a profitable and sustainable company by funding R&D and innovation, marketing/branding and administration to an amount of **R26, 8m.***

The expected outputs are to increase OBP's market share in vaccine sales (volume and revenue); increasing revenue and profits; enhancing product development and innovation and a commitment to environmental principles in business operations.

The highlights here are: growth of the export market specifically SADC, the Minister through MINMEC and the support of Treasury will require that OBP become a supplier of first choice to all government departments who require biological products such as vaccines.

Facilities and equipment upgrade/replacement over the short term will be funded by retained earnings and profits. In 2011/12 R28,1m was earmarked for replacing/upgrading of production and packaging equipment and R1,8m for a facility upgrade. This will be increased in the 2012/13 financial year to R34m and R18,5m respectively. This is obviously not enough and as discussed earlier representations will be made to Treasury to address the shortfall of approximately R1bn to upgrade the entire facility.

Forestry Development and Regulations

To ensure the development of the sector by promoting growth of small-scale forestry farmers and communities, the department has commenced with Environmental Impact Assessments in the Eastern Cape for 13 000 ha for afforestation licences. These will result in expansion of forestry in the Eastern Cape and job creation. This is done to assist communities who have land for forestry development as this is too costly for them to undertake.

Since the signing of the Forestry Lease Agreements by DAFF and Forestry companies, R248m of rental money has been collected of which R92m has been paid to the eight land claimant communities.

Over three million trees (both fruit and indigenous) have been planted throughout the country and more emphasis was on the low cost (RDP) housing areas.

Regarding integrated fire management, there has been increased participation from the provinces which has resulted in 26 Fire Protection Associations (FPAs) registered in the last financial year. To capacitate these FPAs for fire emergencies, the department funded training on basic and advanced fire fighting. Training was also conducted for the enforcement agencies to increase capacity on enforcement of both the National Forests Act and the National Veld and Forest Fire Act.

Regarding the greening initiatives, the Arbour Week for 2012 will be held in Galeshewe, Kimberley on 1 September 2012. In order to effect the SMME strategy in this financial year, guidelines will be developed for the growers, nurseries, charcoal and honey production subsectors. To support the land reform beneficiaries a Post Settlement Framework for forestry land owners will also be developed.

Trade

The Directorate: International Trade interacts on a six-weekly basis through the Trade Forum with provincial departments of agriculture through representatives of the provinces that are also members of the Trade Forum. Report back is given with regard to all trade negotiations that is taking place and also with regard to implementation of trade agreements. The forum is used to getting inputs from industry and provinces on the negotiations.

The Minister of Agriculture, Forestry and Fisheries has signed a Memorandum of Understanding with the World Trade Centre (ITC) for cooperation with the ITC through the Directorate: International Trade, to develop a training programme for DAFF and provincial departments' employees. The training is to increase knowledge with regard to market research and the use of the tools and data of the ITC. The first cycle of training has been done and the second one is currently underway after the directorate, in collaboration with the ITC, changed the training to also have some of the training conducted online.

The Directorate: International Trade has conducted trade awareness workshops in all provinces over the last few years with the last workshop taking place in February 2012 in Gauteng. The purpose of these workshops is to inform participants on what is involved in the process of exporting of products to increase awareness in provinces regarding exports.

Water Use

One of the initiatives which the Department of Agriculture, Forestry and Fisheries set out as contribution to the Medium Term Strategic Framework and the governments' job creation initiative is to revitalise smallholder irrigation schemes. Smallholder irrigation schemes have the potential to make significant local socio-economic impact. They also contribute to improved food security and poverty alleviation and increased employment in their local areas. However, a large number of smallholder irrigation schemes have collapsed, while the rest are suffering considerably reduced efficiency, due to various

problems and constraints. Because of the importance of these schemes (in terms of socio economy, food security and poverty alleviation especially on local level) their effective revitalisation is extremely important. Several factors should be considered to ensure successful revitalisation, and these are:

- All relevant stakeholders must be identified and their roles and responsibilities clearly spelled out
- Training of farmers on crops, crop suitability, different irrigation systems and selection of crops and irrigation systems, etc.
- Participation of government must not be top down, i.e. enforce a particular model but one where the farmers' preferences are considered, among other things
- The inherent qualities of natural resources should guide the priorities of revitalisation.

The Department of Agriculture, Forestry and Fisheries will continue to partner with provincial departments who have identified priority smallholder irrigation schemes as part of the revitalisation priorities. The department will also continue to work closely with the Department of Water Affairs in ensuring that the equitable transfer of access to water to historically disadvantaged individuals is achieved through the Water Allocation Reform Programme.

In 2010/11, the department allocated about R124 million from the Comprehensive Agriculture Support Programme (CASP) funds for interventions which addressed water reticulation, refurbishment and installation of irrigation systems, building of dams and subsurface drainage canals as well as the continued revitalisation for the Makhathini, Vaalharts and Taung irrigation schemes.

The department allocated R60 million from CASP funding to ensure that about 250 ha are brought under production in 2011/12 where an estimated 62 jobs will be created. These efforts will address issues like fixing leaking canals, broken pumps and in some instances change technology to ensure that efficient measures are utilised and that water is not wasted.

In 2011/12, about R126 million was allocated from the CASP and Ilima/Letsema funds to address interventions which address water use for agricultural production.

In 2012/13, a decision was made that a collaborative programme would be undertaken for the revitalisation of Vaalharts and Taung and funding would be sourced for the refurbishment of the whole irrigation scheme. Under the CASP and Ilima/Letsema programme, R15 million has been allocated to the Makhathini Irrigation Scheme to address construction of subsurface drainage canals, refurbishment and installation of irrigation systems. An additional allocation of R145 600m was provided for water and irrigation-related initiatives which will address food security on household and community levels.

Disaster Risk Management System

The department focused on the establishment and maintenance of effective early warning and mitigation systems for the sector through the following activities:

- Compiled and issued monthly advisories and extreme weather warnings for mitigation of disaster risks as per Disaster Management Act, 2002 (Act No. 57 of 2002).
- Monitored the implementation of disaster risk measures in the sector to identify the gaps and implement corrective measures.
- Conducted understanding, interpretation and usage of weather and climate information to agriculture workshops for disaster risk preparedness by the sector.
- Developed drought and flood coping strategies to further assist in the regulation of disaster risks as well as response capacity. Drought coping strategies were published in all official languages.

Furthermore, a Disaster Risk Management System was developed where policies, risk reduction initiatives and post-disaster recovery and rehabilitation activities were performed. These activities include:

- Mentorship Programme (MAP) aimed at capacitating provincial departments of agriculture officials operating under disaster risk management space.
- Awareness campaigns with the intention of creating awareness in the sector.
- Consultative forums such as the National Agricultural Disaster Risk Management Committee (NADRMCO) and the National Drought Task Team (NDTT) established to engage stakeholders in the sector on issues of mutual interest.
- Post-disaster recovery and rehabilitation.

Disaster Assistance Scheme

- Disaster assistance schemes were established to provide assistance to the farming communities affected by disasters within the country. The following schemes were established and implemented: The Veld Fire Assistance Scheme was established for the eight provinces (excluding Western Cape) that were affected by the fires. The affected farming communities were provided with livestock feed and assisted with the repair of agricultural infrastructure.
- The Flood Assistance Scheme was developed for the Western Cape Province where affected farming communities were assisted with the repair of agricultural infrastructure as well as soil rehabilitation. Furthermore, the Drought Assistance Scheme was developed for the Eastern and Western Cape provinces for the repair of infrastructure for water for livestock as well as the provision of livestock feed to affected communities.
- Mpumalanga and Limpopo provinces were affected by the floods. The assessments have been completed and currently verification of damages as well as costing for the repair work is being undertaken by the Department of Cooperative Governance and Traditional Affairs (COGTA). The decision will be informed by the verification reports.

Migratory Pest Control

- Weekly blackfly larvae monitoring was done in Bree, Fish, Gamtoos, Orange and Sunday Rivers. A total of 45 blackfly larvae control operations were done at the control costs of R10 467m.

- A Locust outbreak was reported and controlled in 275 locust districts. Altogether 1 436 locust control contractors and 119 private controllers were used to control the outbreak. A total of 53 795 hopper bands, 14 023 adult swarms and 5 441 mixed swarms were controlled on 4 478 farms.
- A Quelea outbreak was reported and controlled. Altogether 242 control operations were done and 252, 3m Quelea were controlled on 2 899 hectares of the roosts at the control costs of R21 257m. The potential damage of small grain crops averted was 40 367 tonnes and the potential loss to producers averted was R145 321m.

Climate Change

- The South African Agricultural Greenhouse Gas (GHG) Inventory for 2004 was developed to address the unavailability of GHG emissions data, determining the level of GHG emissions from the agriculture sector as well as building capacity within DAFF. Furthermore, to provide sound and vigorous data the sector developed a long-term GHG inventory database which drives and informs future government policy on GHG inventory emissions and its impact on development over the next decade.
- The department also developed the Atlas of Climate Change and the South African Agricultural Sector which investigate the first to fourth order impacts of climate change on agriculture.
- A preliminary investigation on the Vulnerability Assessment to Climate Change in the south western parts of Free State Province was conducted. The main aim of the study was to identify two vulnerable areas in the Province due to the impact of climate change and variability.
- The National Climate Change Conference and African Ministerial Summit were held to prepare and inform the sector's position for COP17. During COP17 the department hosted three high level side events, three technical side events and was also allocated an exhibition stall to showcase the agriculture, forestry and fisheries products, systems and projects of adaptation and mitigation on climate change.

Gazette of the Section 9 AgriBEE Sector Codes for Compliance

The Section 9 (5) has been gazetted by the Minister of Trade and Industry. The Council underwent road shows for public comments within 60 days from its publication on March 26 April 2012. The road shows were done at District levels and most Provinces have been finalised. After the closing date all the public comments will be considered by the Department of Trade and Industry together with Working Group 1 of the AgriBEE Charter Council. Publication for the Gazette of the AgriBEE Sector Codes by the Department of Trade and Industry will be done one month after the closing date. An MOU was signed with Landbank to be an administrator and manager of the fund to provide effective and efficient service in respect of this fund.

Cooperatives Indaba

A successful Cooperatives Indaba took place in April this year where representatives from all agricultural cooperatives were invited. All the nine Provinces were represented. The purpose of the Indaba was to talk about how we could improve effectiveness of the Cooperatives as they are critical promoting food security, creating employment and raising income and help to reduce poverty. A report on the outcomes of this Indaba has been compiled.

Masibambisane and Zero Hunger

We have committed ourselves to making our theme for this financial year – *“Working Together for Food Security”* – a reality - by partnering with the Masibambisane Rural Development Initiative (MRDI), other like-minded government departments and the private sector to ensure eradication of poverty and stimulate our rural economy through our ‘Zero Hunger Programme’.

The MRDI is a non-profit organization whose underlying concept and philosophy is the self-help principle of the ‘Community by the Community’ designed to fight hunger.

As part of rolling out our Zero Hunger Programme, the Department of Agriculture, Forestry and Fisheries will continue to work together with its partners, which include the MRDI, national departments; provincial government; municipalities as well as the private sector in ensuring good coordination of our grand efforts and the integration of resources. To date, 14 tractors and associated implements have been rolled out by the DAFF in the provinces where Masibambisane has already been launched. Masibambisane has already been launched in KwaZulu-Natal, Mpumalanga and the Eastern Cape.

The Zero Hunger Programme, which dovetails nicely with Masibambisane, is a concept we borrowed from the Brazillians through which we will eradicate hunger and food insecurity for all South Africans through the production of affordable, good quality food. The produce by the subsistence and smallholder farmers will be sold through the government's 'Food Purchase Programme', which means that the produce will get a market b selling to the school feeding scheme; hospitals; prisons and other government insititutions.

Plant Production and Health

The continued marginalization of rural communities is evident in the lack of adequate information of livestock maintained in such communities. Over the past few years the department has, together with key partners such as relevant provincial departments of Agriculture, the ARC, traditional leaders and community members, completed surveys on the status of indigenous farm animals maintained by rural communities in Gauteng, Northwest and Free State provinces. This information now enables us to monitor the trends of farm animal genetic resources in these areas.

In the current financial year, we will extend our focus on indigenous farm animals by collaborating with key partners to monitor the genetic diversity of indigenous Zulu sheep in the Zululand municipality in KwaZulu-Natal. There are already indications that this resource could be particularly useful for low input animal production systems – an

obvious benefit for smallholder farmers. Further, we believe that the increased use of this breed would increase its numbers and contribute to conservation efforts to save it from extinction.

To further ensure the conservation of indigenous food crops, the department will continue its participatory conservation projects in the Mpumalanga Province. In these projects, plots of indigenous crops would be established in collaboration with the National Plant Genetic Resources Centre. The Centre will assist farmers to identify the relevant crops to be planted and the maintenance of the established plantings.

Plant Production

Support and contributions to the implementation of conservation agriculture (CA) continued, in partnership with Directorate Land Use and Soil Management and the Food and Agriculture Organisation (FAO) of the United Nations, specifically through continuous participation in the following areas:

- The National Conservation Agriculture Task Force;
- Development of the CA constitution during stakeholder meetings;
- Formulation of a draft national policy on conservation agriculture in 2009;
- Presentation of conservation agriculture production systems to farmers in workshops and demonstration trials for the roll-out of CA in Limpopo, North West, Kwa-Zulu Natal and Mpumalanga in 2009;
- Participation in a side event of the COP 17 conference in Durban on sustainable production systems in agriculture and forestry;

Pilot projects were implemented in several provinces (Limpopo, Eastern Cape and KwaZulu Natal). This was accomplished in collaboration with the Agricultural Research Council (ARC) and the Food and Agriculture Organization (FAO) of the United Nations. As a follow-up to the commitments made at COP 17, DAFF will promote Climate-Smart Agriculture, primarily through conservation agriculture and agro-ecology.

In support of the provincial departments of agriculture, commodity strategies have been developed for Grain, Cotton, Fruit and Vegetables, as well as a Turn-Around strategy for Wheat production and inputs to a support package for winter crops and the Soybean Strategy with *the dti*. The developed strategies are not yet funded, however, although some of their elements may be implemented through the Zero Hunger Strategy, CASP and the Ilima-Letsema programme. The mechanization support programme to all provinces provides an important means to increase the efficiency and capacity to utilize natural resources for the production of food and other commodities as well as the optimum contribution of these to the socio-economic value chain.

Plant Health

A phytosanitary protocol for import of apples from the USA (Pacific North West area) was concluded in 2009, and Maize grain was exported for the first time to Venezuela in 2011. The first use of irradiation as a phytosanitary measure in South Africa took place successfully in March 2012, when a consignment of irradiated table grapes was exported to the USA.

In order to respond comprehensively to the management of regulated pests and diseases, DAFF, in close collaboration with the South African fruit industries, conducts an early warning surveillance programme for quarantine fruit flies. This has been successfully maintained and expanded from 2006 to date. Moreover, DAFF-Industry technical forums continue to identify, prioritise and manage risks posed by *Bactrocera invadens*. Working closely with Industry, DAFF has successfully identified, reported and dealt with a number of detections of this quarantine fruit fly in the Limpopo Province according to an agreed Action Plan. Although this has maintained the country's lucrative fruit export markets so far, production and exports are still under threat. Accordingly, appropriate management and vigilance is required for imports as well as in-transit consignments of host commodities from countries where this pest has already occurred.

#End#