

The Black Economic Empowerment in the animal feed milling industry in South Africa.

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Dedicated to: Liana

Lelanie

And

Le-Roy

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SUMMARY AND OVERVIEW

Broad base black economic empowerment redresses historical and social inequalities in a manner that does not have a negative impact on existing enterprises. Transforming existing agribusinesses create opportunities for black businessmen to contribute to the economy of the country. The Balanced Feed Manufacturers Association was established in 1945 when the need for better structuring in the industry and a mouthpiece for the feed industry to liaise with inter alia the government, was identified. The Association was closely involved in various aspects of the feed industry.

The animal feed industry forms part of the agricultural sector which has a set of rules to ensure Black Economic Empowerment in the industry. The AgriBEE Framework was established in July 2004. This draft AgriBEE framework therefore, is intended to assist all existing and potential future stakeholders and partners in the Agricultural Sector to engage in a meaningful dialogue and course of action. This will, in the shortest time possible, enables the erasing of the negative effects of our history of a dual sector and achieve outputs that can contribute to the higher society ideal of a better life for all. It also intends to assist black citizens who may have lost hope of ever participating in the agricultural sector as a consequence of alienation with a comprehensive framework for approaching new opportunities that now exist (Department of Agriculture July 2004). AgriBEE is based on two core sets of interventions. The first is related to the use of various Government instruments to promote empowerment. The second is the establishment of partnerships with the private sector. AgriBEE is neither possible nor sustainable without effective partnership.

Government's strategy for black empowerment equity looks beyond readdressing past inequalities and aims to position B-B BEE as a tool to broaden the country's economic base and accelerate growth, job creation and poverty eradication. This is achieved using a balanced approach that includes contributions and measures that readdress ownership, management, employment equity, skills development, preferential procurement, enterprise development and other residual elements of the B-B BEE scorecard.

Thereupon it draws attention to the fact that South Africa's economy performs below its potential because of the low level of income earned and generated by the majority. No economy can grow by excluding any part of its people, and an economy that is not growing cannot integrate all of its citizens in a meaningful way. As such, this strategy stresses a B-B BEE process associated with growth, development and enterprise development and not merely the redistribution of existing wealth. B-B BEE is a specific government policy to advance economic transformation in order to enhance the economic participation of black people. There is a danger, recognized by the government, that B-B BEE will simply replace the old elite with a new black one, leaving fundamental inequalities intact. At the centre of transformation, is situated a B-B BEE strategy. It must seek to readdress the imbalances of the past by distributing ownership, management and control of the country's economic resources among the majority of citizens and to ensure broader and meaningful participation in the economy by black South Africans. The success of this endeavor is required to achieve sustainable development and prosperity for all.

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ABBREVIATIONS

AFMA	Animal Feed Milling Association
AgriBEE	Agricultural Black Economic Empowerment
B-B BEE	Broad Base Black E Economic Empowerment
DTI.	Department of Trade and Industry
IFIF	International Feed Industries Federation
NAV	Net Asset Value

<p style="text-align: center;">CHAPTER 1</p> <p style="text-align: center;">INTRODUCTION TO BLACK ECONOMIC EMPOWERMENT IN THE ANIMAL FEED INDUSTRY</p>

1.1 INTRODUCTION AND BACKGROUND

The South African animal feed industry came into being in the early 1930's during the big droughts and Depression. Circumstances stimulated scientific thought on the feeding of farm animals and alternatives for feeding systems were developed. In 1935 the Lion Bridge company installed the first 5-tonne electric feed mixer in Pretoria and others soon followed.

The Balanced Feed Manufacturers Association was established in 1945 when the need for better structure in the industry and a mouthpiece for the feed industry to liaise with inter alia the government, was identified. The Association was closely involved in various aspects of the feed industry and at some stages it even imported feed raw materials. (www.afma.co.za 23 November 2006).

In 1988 the Association's name was changed to the Animal Feed Manufacturers Association and it became an Article 21 company. In 1990 it was decided to use "AFMA" as the shortened form of the name in both Afrikaans and English. Since then, the acronym AFMA has become a household name with people and institutions involved in the feed and related industries. Based on the enquiries received from over the world, AFMA is widely known.

AFMA's magazine (AFMA Matrix) and an international congress (AFMA Forum) are sustained efforts to make contact with other similar associations and membership of the International Feed Industries Federation (IFIF) plays a major role in this regard.

The animal feed industry comprises a large number of manufacturers of which 38 balance feed manufacturers and 7 premix feed manufacturers are members of the Animal Feed Manufacturers Association of South Africa (AFMA). According to the latest estimates, only one of these companies are owned by blacks while in only one other case a black manager is in control of a group's animal feed interests (The Strategic Plan for the South African Grain Industry Sept 2005). Since 1935, production in the formal feed industry (AFMA members) gradually increased from 3.9 million tons in 1997/98 to 4 million and 4.3 million tons in 2001/02 and 2004/05 respectively. The value of these feeds amounted to R6, 450 million. The total national feed production today is estimated at \pm 8 million tons and the gross value of the total feed production is calculated at \pm R12 billion per annum (www.afma.co.za - 23 November 2006).

The animal feed industry forms part of the agricultural sector which formulated its own set of rules to ensure Black Economic Empowerment in the industry. The AgriBEE Framework was established in July 2004. This draft AgriBEE framework therefore, is intended to assist all the existing and potential future stakeholders and partners in the agricultural sector to engage in a meaningful dialogue and course of action. The aim of this initiative is to, in the shortest time possible, erase the negative effects of the history of a dual sector and achieve outputs that will contribute to the higher communal ideal of a better life for all.. It also intends to assist those black citizens - who may have lost hope of ever participating in the agricultural

sector as a consequence of alienation – with a comprehensive framework for approaching anew the opportunities that now exist (Department of Agriculture July 2004).

AgriBEE is based on two core sets of interventions: The first relates to the use of various Government instruments to promote empowerment, and the second entails the establishment of partnerships with the private sector. AgriBEE is neither possible nor sustainable without effective partnership.

Broad-Based Black Economic Empowerment means the economic empowerment of all black people including women, workers, youth, people with disabilities and those living in rural areas. This is achieved through diverse but integrated socio-economic strategies (Department of Agriculture July 2004) that include, but are not limited to –

1. increasing the number of black people who manage, own and control enterprises and productive assets;
2. facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
3. human resource and skills development;
4. achieving equitable representation in all occupational categories and at all levels in the workforce;
5. preferential procurement; and
6. investment in enterprises owned or managed by black people.

Several key elements serve as pillars to B-B BEE. These elements provide

a common base for measuring the impact of policy objectives of B-B BEE across different entities and sectors within the economy.

1. Ownership
2. Management Control
3. Employment Equity
4. Preferential Procurement
5. Skills Development
6. Enterprise Development
7. Social-Economic Development

A need exists to contribute towards building an economy that will meet the needs of all our economic citizens - of all the people and the enterprises - in a coherent and sustainable manner. This will only be possible if our economy builds on the full potential of all persons and communities across the country. A meaningful participation in the economy envisages a socio-political and moral imperative to redress racial discrimination for sustainable growth. The present inequality and uneven development display definite racial characteristics that represent a threat to our fostering democracy. Therefore, an economic transformation policy must form part of the strategic approach for South African business persons.

1.2 PROBLEM STATEMENT

The Government's Black Economic Empowerment Strategy aims to address inequalities resulting from the systematic exclusion of the majority of South Africans from meaningful participation in the economy. Everybody has rights, but in reality some individuals' circumstances do not allow them to enjoy and exercise these rights. This explains the need for affirmative action and broad-based black economic empowerment. While

drafting and implementing these policies, one should always keep in mind that the previously disadvantaged people left out from the ambit of these policies, also have the right to equality and to live to the maximum of their potential.

Government's strategy for Black Empowerment Equity looks beyond readdressing past inequalities and aims to position B-B BEE as a scorecard to broaden the country's economic base and accelerate growth, job creation and poverty eradication. This is achieved using a balanced approach that includes contributions and measures that readdress ownership, management, employment equity, skills development, preferential procurement, enterprise development and other residual elements of the B-B BEE scorecard.

The process of B-B BEE is an inclusive one, and all enterprises operating within South Africa should participate in the process. This entails the acceptance and implementation of a transparent, predictable and practical process of change which will introduce certainty and stability and help to establish the guiding principles for broad based black economic empowerment in the agricultural environment. More needs to be done to link the agricultural production and processing activities with the input sector and the manufacturing industry.

Because of its historical evolution, the agricultural sector has a critical role to play in the overall socio-economic transformation of South African society and continues to play a significant role in the country's economy. The South African economy, because of market deregulation, has put all animal feed mills in a position where each individual mill has to adapt in order to reach or maintain a strong position in the economy. In addition, the impact of B-B

BEE places pressure on established animal feed mills that need moral persuasion not only to co-operate with government's B-B BEE initiatives, but also to sacrifice some resources to complement the government's economic reform efforts. An inductive examination of the possible problems and prospects of the B-B BEE programme may suggest that more than policies are required for restructuring the animal feed milling industry and achieving competitiveness, especially in the South African context. Changes are needed in the current social structure and social attitudes because these concepts form ideological barriers to the successful implementation of B-B BEE policies.

1.2.1 Animal Feed Milling Industry

The South African animal feed milling industry came into being in the early 1930s during the droughts and Depression. The droughts and Depression stimulated scientific thought on the feeding of farm animals and alternatives for feeding systems were developed. Use was made of offal / by-products of other industries, e.g. wheaten bran, groundnut, offal and brewers grain. Feed mills were erected in close proximity of these "sources".

AFMA has become a household name with people and institutions involved in the feed and related industries. Based on the enquiries received from all over the world, AFMA is internationally recognized (www.afma.co.za 23 November 2006).

Since 1935, production in the formal feed industry (AFMA members) gradually increased from 3.9 million tons in 1997/98 to 4 million tons in 2001/02 and 4.3 million tons in 2004/05. The value of these feeds amounted to R6, 450 million. The total national feed production today is

estimated at \pm 8 million tons and the gross value of the total feed production is calculated at \pm R12 billion per annum (www.afma.co.za 23 November 2006).

In 1988 the Association's name was changed to the Animal Feed Manufacturers Association and it became an Article 21 company. In 1990 it was decided to use "AFMA" as the shortened form of the name in both Afrikaans and English. Since then, the acronym AFMA has become a household name with people and institutions are involved in the feed and related industries. Based on the enquiries received from all over the world, AFMA is widely known.

The animal feed industry is represented by a large number of manufacturers of whom 38 balance feed manufacturers and/or business unities and 7 premix feed manufacturers are members of the Animal Feed Manufacturers Association of South Africa (AFMA). According to the latest estimates only one of these companies are owned by blacks while in only one case a black manager is in control of a group's animal feed interests (The Strategic Plan for the South African Grain Industry September 2005).

The animal feed industry forms part of the agricultural sector which has laid down its own set of rules to ensure Black Economic Empowerment in the industry. The AgriBEE Framework was established in July 2004. This draft AgriBEE framework therefore, is intended to assist all existing and potential future stakeholders and partners in the agricultural sector to engage in a meaningful dialogue and course of action. This will, in the shortest time possible, enables the erasing of the negative effects of our history of a dual sector and achieve outputs that can contribute to the higher national ideal of a better life for all. It also intends to assist black citizens who may have lost

hope of ever participating in the agricultural sector as a consequence of alienation with a comprehensive framework for approaching new opportunities that now exist (Department of Agriculture July 2004).

1.2.2 Broad Base Black Economic Empowerment.

The objectives of the BEE Charter are to make access to resources equitable for all South Africans; create economic opportunities to black South Africans; expand and use the existing skills base; promote employment and accelerate skills development. To achieve these objectives, we need to have a consistent approach, and an appropriate flexibility to respond to different economic and enterprise conditions. We also need the ability to measure the progress made. The use of a common scorecard by different stakeholders provides a basic framework against which to benchmark the B-B BEE process. It further facilitates the process of setting measurable targets for B-B BEE.

The Department of Trade and Industry (the DTI) has been tasked with the drafting of the Code of Good Practice on B-B BEE in accordance with the requirements of the Broad-Base Black Economic Empowerment (B-B BEE) Act no 53 of 2003. One objective of this code is to provide clarity and guidance on the interpretation and definition of B-B BEE.

The first phase of the Code of Good Practice on B-B BEE was launched in November 2005, which covers the conceptual framework, the measurement of ownership and management control. The second phase of the Code of Good Practice on B-B BEE, covers five components of the B-B BEE scorecard:

- 1 Employment Equity
- 2 Skills Development
- 3 Preferential Procurement
- 4 Enterprise Development
- 5 Residual (social investment initiatives).

These components of the code will encourage all entities, both public and private, through the issuing of licenses, concessions, sale of assets and preferential procurement, to implement proper B-B BEE initiatives. Thus, the Code of Good Practice provides a standard framework for the measurement of broad-base black economic empowerment across all sectors of the economy.

1.2.3 Employment Equity

Every designated employer is required to design and implement an Employment Equity Plan. The purpose of the Employment Equity pPan is to enable the employer "to achieve reasonable progress towards Employment Equity", to assist in eliminating unfair discrimination in the workplace, and to achieve equitable representation of employees from designated groups by means of affirmative action measures. The Employment Equity Plan therefore must clearly set out the steps the employer plans to follow to achieve these objectives.

Every employer should be in possession of at least two documents - the Code of Good Practice and the User Guide. There is no rigid format for an Employment Equity Plan, and the act allows employers to customize the plan to suit their own needs. Employment Equity implementation needs to be supported by coherent employment practice strategies focusing on human capital development, inclusive practices and organizational culture change (L Booysen, 2007). Employment Equity and affirmative action apply

to all designated employers and their employees, particularly those employees from designated groups.

Therefore, in order to—

1. promote the constitutional right of equality and the exercise of true democracy;
2. eliminate unfair discrimination in employment;
3. ensure the implementation of employment equity to redress the effects of discrimination;
4. achieve a diverse workforce broadly representative of black people;
5. promote economic development and efficiency in the workforce.

Legislative intervention such as equal employment opportunity and affirmative action policies were introduced in various countries across the globe to address this issue of fairness and discrimination in the workplace. However, it seemed that inequality still persisted (Humphries & Grice, 1995). Mavin (2001) argued that male career models and approaches remained, and that women were being disadvantaged and marginalized when they stepped out to meet family responsibilities. Women were subtly forced to choose between upward mobility in career and family stability in the home, or even a family at all.

1.2.4 Affirmative Action.

Affirmative action ensures that qualified people from designated groups have equal opportunities in the workplace. Affirmative action ensures that qualified designated groups (black people, women and people with disabilities) have equal opportunities to find a job. They must also be equally represented in all job categories and at all levels of the workplace.

1. Affirmative action measures are measures designed to ensure that suitably qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and at all levels in the workforce of a designated employer.
2. Affirmative action measures implemented by a designated employer must include-
3. measures to identify and eliminate employment barriers, including unfair discrimination, which adversely affect people from designated groups;
4. measures designed to promote diversity in the workplace based on equal dignity and respect of all people;
5. making reasonable accommodation for people from designated groups in order to ensure that they enjoy equal opportunities and
6. are equitably represented in the workforce of a designated employer;
7. subject to subsection (3), measures to-

ensure the equitable representation of suitably qualified people from designated groups in all occupational categories and levels in the workforce; and

retain and develop people from designated groups and to implement appropriate training measures, including measures in terms of an Act of Parliament providing for skills development.

8. The measures referred to in subsection (2)(d) include preferential
9. treatment and numerical goals, but exclude quotas.
10. The rationale behind affirmative action is the endeavor to address the inequalities and injustices created by discrimination. Discrimination

means making a distinction and it is generally accepted that it normally means a legal or already impermissible decision, practice or policy that takes one of a number of legally or ethically forbidden grounds such as race, gender, sex and age into account when arriving at the distinction.

While affirmative action strategies adopted in the early 1990s were aimed at leveling the playing fields and creating equal employment opportunities for Blacks, few organisations linked this to competitive advantage and business survival (Thomas 1996). The evolution of affirmative action in South Africa is well illustrated by Herholdt and Marx's (1999) affirmative action continuum. This framework suggests that organisations can implement a range of strategies along the affirmative action continuum to realise their employment equity objectives. These range from simple short-term reactive measures focusing on the removal of barriers to the creation of equal opportunities, to complex long-term proactive measures focusing on the development of disadvantaged groups and the harnessing of diversity.

There are basically two concepts of the right to equality which materially influence the way in which affirmative action programmes are judged. The first treats affirmative action as an integral part of the right to equality, while the second treats affirmative action as an exception to the right to equality.

Affirmative action is a planned process and strategy aimed at transforming the socio-economic environment in order to create access to opportunities for the disadvantaged, based on their suitability, resulting in successful organisation and a growing economy. The Implementation of affirmative action is an important consideration in organizational dynamics and a strategic priority in South Africa. Training and developing blacks to fill

managerial positions is also fraught with the concern to avoid tokenism and is compounded by the shortage of skilled black managers. Some organizations have adopted a proactive stance to accelerate the advancement of blacks into supervisory and managerial roles (Jinabhai, Dinesh C).

An employer is not prevented from adopting or implementing employment policies and practices that are designed to achieve the adequate protection and advancement of persons or groups or categories of persons disadvantaged by unfair discrimination, in order to enable their full and equal enjoyment of all rights and freedoms. Affirmative action is an extremely sensitive issue, and an entire book can be written on this topic alone. The purpose of an affirmative action programme is to promote and encourage persons who have been discriminated against in the past. This can of course apply to any racial group, sex or class of persons (eg. physically handicapped) who have been prejudiced as a result of unfair policies, practices, attitudes and obstructions in the past.

1.3 BROAD BASE BLACK ECONOMIC EMPOWERMENT, EMPLOYMENT EQUITY AND AFFIRMATIVE ACTION

Black African people must be included in all aspects of the economy in an equitable inclusive manner. The painful and deliberate policies of colonialism and apartheid disempowered, marginalised and excluded black Africans from playing a key role in the economy of their own country. At the centre of transformation, is situated a broad-based black economic empowerment strategy. It must seek to redress the imbalances of the past

by distributing ownership, management and control of the country's economic resources to the majority of citizens and to ensure broader and meaningful participation in the economy by black Africans. The success of this endeavour is required to achieve sustainable development and prosperity for all.

While asset ownership is a key to empowerment, black South Africans often do not have the capacity to accumulate such mainstream assets on their own. In this respect Government, the Land and Agricultural Bank as well as the private sector have important contributions to make. The animal feed milling industry has a low absorption rate for skilled and trained manpower which is inconsistent with its needs.

B-B BEE is only possible if it is internalized as a core objective by all stakeholders at all levels, national, provincial and local. The approach is to promote mainstreaming of black South Africans at all levels of the animal feed milling industry activity and sizes of enterprise in the entire agricultural value chain. Redressing historical and social inequalities will be approached in a manner that does not negatively impact on successful existing enterprises. This must be done by actively and urgently committing resources and efforts toward lowering entry barriers to the sector, transforming existing animal feed mills, creating opportunities and support systems focused on new commercially viable entrants.

Key requirements for success in the animal feed mill industry are the promotion of agriculture as a business opportunity to emerging groups, the identification and fast tracking of entrepreneurship and development of technical and management skills and support systems.

Affirmative action measures are measures intended to ensure that suitably qualified employees from designated groups have equal employment

opportunities and are equitably represented in all occupational categories and at all levels of the workforce.

Such measures must include:

1. identification and elimination of barriers with an adverse impact on designated groups;
2. measures which promote diversity;
3. making reasonable accommodation for people from designated groups;
4. retention, development and training of designated groups (including skills development); and
5. preferential treatment and numerical goals to ensure equitable representation. These exclude quotas.

Designated employers are not required to take any decision regarding an employment policy or practice that would establish an absolute barrier to prospective or continued employment or advancement of people not from designated groups.

A designated employer must prepare and implement a plan to achieve employment equity, which must:

1. have objectives for each year of the plan;
2. include affirmative action measures;
3. have numerical goals for achieving equitable representation;
4. have a timetable for each year;
5. have internal monitoring and evaluation procedures, including internal dispute resolution mechanisms; and
6. identify persons, including senior managers, to monitor and implement the plan.

1.4 METHODOLOGY

1.4.1 Chapter 1 – Problem Statement

Chapter 1 undertakes to develop the problem statement in the animal feed milling industry. It continues by outlining the project objective and motivation for undertaking the study, and concludes with the research methodology.

1.4.2 Chapter 2 – Literature Study

An extensive study will be undertaken to illustrate the importance of this research. The chapter will give a detailed description of Broad Base Black Economic Empowerment, Employment Equity and Affirmative Action.

1.4.3 Chapter 3 – Empirical Study

Chapter 3 will determine and collect the correct quality of raw data required. It also sets out to develop a questionnaire that adequately addresses the output requirements, and attempts to determine the “scorecard” of black economic empowerment in the industry.

1.4.4 Chapter 4 – Conclusions and Recommendations

Recommendations and conclusions will be drawn up based on the literature study from Chapter 2 and the empirical study conducted in Chapter 3.

<p style="text-align: center;">CHAPTER 2</p> <p style="text-align: center;">BROAD BASE BLACK ECONOMIC EMPOWERMENT, EMPLOYMENT EQUITY AND AFFIRMATIVE ACTION</p>

2.1 INTRODUCTION

The Department of Labour monitors compliance with regard to black management, employment equity and skills development via employment equity plans. The Department of Trade and Industry monitors black economic empowerment via the implementation of the Code of Good Practice.

The objectives of the B-B BEE Charters are to make access to resources equitable for all South Africans; create economic opportunities for black South Africans; expand and use the existing skills base; promote employment and accelerate skills development. To achieve these objectives, we need to have consistency of approach, appropriate flexibility to respond to different economic and enterprise conditions and the ability to measure the progress. The use of a common scorecard by different stakeholders provides a basic framework against which to benchmark the B-B BEE process. It further facilitates the process of setting measurable targets for B-B BEE. The core components of the B-B BEE scorecard will measure four core elements of B-B BEE:

1. Direct empowerment through ownership and control of enterprises and assets.

2. Human resource development and employment equity.
3. Indirect empowerment through preferential procurement and enterprise development.
4. Social responsibility.

Black African people must be included in all aspects of the economy in an equitable inclusive manner. In the decades before South Africa became a democracy in 1994, the apartheid government systematically excluded African, Indian and Coloured people – collectively known as "black people" - from meaningful participation in the country's economy. Societies characterized by entrenched gender inequality or racially or ethnically defined wealth disparities, are not likely to be socially and politically stable, particularly as economic growth can easily exacerbate these inequalities.

AfgriBEE applies to the entire value chain in the South African agricultural sector, including all economic activities relating to the provision of agricultural inputs, services, farming, processing, distribution, logistics and allied activities that add value to agricultural products. The preamble to the B-B BEE in the animal feed industry is that, under apartheid, race was used to control access to South Africa's productive resources and access to skills. It continues by stating that the South Africa's economy still excludes the vast majority from ownership of productive assets and the possession of advanced skills.

It then draws attention to the fact that South Africa's economy performs below its potential because of the low level of income earned and generated by the majority. Finally, it makes an appeal for self-interest by stating that unless steps are taken to increase the effective participation of the majority in the economy, the stability and prosperity of the economy may be undermined. No economy can grow by excluding any part of its people, and

an economy that is not growing cannot integrate all of its citizens in a meaningful way. As such, this strategy stresses a B-B BEE process associated with growth, development and enterprise development and not merely the redistribution of existing wealth. There is a danger, recognized by the government, that B-B BEE will simply replace the old elite with a new black one, leaving fundamental inequalities intact. At the centre of transformation is situated a broad-based black economic empowerment strategy. It must seek to readdress the imbalances of the past by distributing ownership, management and control of the country's economic resources on the majority of citizens and to ensure broader and meaningful participation in the economy by black Africans. The success of this endeavor is required to achieve sustainable development and prosperity for all.

As part of the AgriBEE framework the objectives are to eliminate racial discrimination in the agricultural sector through implementing initiatives that mainstream Black South Africans at all levels of agricultural activity and enterprises along the entire agricultural value chain (Department of Agriculture July 2004).

In order to achieve this objective, there must be a set core components of such a strategy to provide greater clarity as well as a measure of certainty to the process of BEE which is currently being developed at national level.

There is now a need to outline an approach to the definition and measurement of B-B BEE as well as the policy instruments that will be utilized to achieve these objectives. The strategy should emphasize the partnership approach to achieving B-B BEE and as such the document must address the concerns and perceived fears of all South Africans.

2.2 DEFINITIONS

2.2.1 Broad Base Black Economic Empowerment.

Broad-Based Black Economic Empowerment 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 (Department of Agriculture July 2004) that include, but are not limited to –

1. increasing the number of black people that manage, own and control enterprises and productive assets;
2. facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
3. human resource and skills development;
4. achieving equitable representation in all occupational categories and at all levels in the workforce;
5. preferential procurement; and
6. investment in enterprises owned or managed by black people.

2.2.2 Employment Equity.

Employment Equity is to eliminate unfair discrimination in the workplace, and to achieve equitable representation of employees from designated groups by means of affirmative action measures. Key role players should therefore,--

1. promote the constitutional right of equality and the exercise of true democracy;
2. eliminate unfair discrimination in employment;
3. ensure the implementation of employment equity to redress the effects of discrimination;
4. achieve a diverse workforce broadly representative of black people;
5. promote economic development and efficiency in the workforce.

2.2.3 Affirmative Action.

There are many definitions of affirmative action. A definition that is appropriate for this study is: "Affirmative action is a planned and positive process and strategy aimed at transforming socio-economic environments that have excluded individuals from disadvantaged groups, in order for such disadvantaged individuals to gain access to opportunities, including developmental opportunities, based on their suitability" (Black Management Forum 1993). According to Bendix (2001: 435), 'affirmative action' refers to the purposeful and planned placement or development of competent, or potentially competent, persons in, or to, positions from which they were debarred in the past, in an attempt to redress past disadvantages and to render the workforce more representative of the population. Affirmative action in South Africa's case also needs to be viewed in relation to the apartheid society's degree of illegitimacy. In apartheid South Africa, the absolute unquestioning nature of discrimination prevailed (Kanya Adam 2000).

Affirmative action ensures that qualified people from designated groups have equal opportunities in the workplace. Affirmative action makes sure that qualified designated groups (black people, women and people with

disabilities) have equal opportunities to find a job. In South Africa the moral imperative views affirmative action as a necessary instrument of change to influence social and economic equality that impacts on the development of blacks. Affirmative action is being rationalized in business terms for reasons other than moral concern and calls for a new breed of managers to reflect equitable corporate demographics. (Mkhwanazi, D. 1993.)

When considering government intervention to regulate labour markets, Walker (1993) notes that business leaders are generally unaccepting of such intervention. Such opposition to the employment equity legislation in South Africa has been manifested in the arguments advanced by business. Jain (1999) argues that, without government intervention in the form of employment equity legislation, little progress is made by employers to redress historical workplace inequalities.

Affirmative action is a planned process and strategy aimed at transforming the socio-economic environment in order to create access to opportunities for the disadvantaged, based on their suitability, resulting in successful organisation and a growing economy.

2.2.4 The Animal Feed Industry.

The animal feed industry forms part of the agricultural sector which set its own set of rules. The animal feed industry consists of a large number of manufacturers and circumstances stimulated scientific thought on the feeding of farm animals.

2.3 BROAD BASE BLACK ECONOMIC EMPOWERMENT

2.3.1 Ownership.

Since the demise of apartheid in South Africa, corporations have been encouraged to participate in the governmental goal of increasing corporate ownership by the black majority population. One vehicle that has arisen to help facilitate an increase in corporate ownership, is black economic empowerment (BEE) transactions. (Jackson, III, William E. 2005)

If BEE is correctly undertaken, it should not cost, but rather contribute to the growth of the industry. Ownership Implementation means to understand the different approaches to B-B BEE, how to use employee share trusts to empower your employees and a fair price for your business B-B BEE partner.

A shareholders agreement is an agreement between the holders of shares in a company (the owners of the company) and the company itself. It therefore deals with the relationship of the shareholders amongst themselves, and the relationship of the shareholders with the company. A shareholders agreement would typically deal with the ownership of shares, the disposition and alienation of shares, the management of a company, meetings of shareholders and directors, voting rights at such meetings, the composition of the board of directors and the dividend policy of the company.

The face of black economic empowerment has also changed to reflect an emphasis on the empowerment of black women. In fact, the Dti's Code of Good Practice includes specific indicators within the Generic Scorecard, dedicated to the measurement of women representation at shareholder and

top management level. BEE enterprises are categories of enterprises with representative levels of participation at, ownership, management or control by Black South Africans, described in the Broad-based Black Economic Empowerment Act, 2004.

1. A black enterprise is one that is 50,1% owned by black persons and where there is substantial management control.
2. A black empowered enterprise is one that is at least 25,1% owned by a black person and where there is substantial management control.
3. A black woman-owned enterprise is one with at least 25,1% representation of black women within the black equity and management portion.
4. A community or broad-based enterprise has an empowerment Shareholder group who represent a broad base of members such as a local community or where the benefits support a target group.
5. A cooperative or collective enterprise is an autonomous association of persons who voluntarily join together to meet their economic, social and cultural needs and aspirations through the formation of a jointly owned and democratically controlled enterprise.
6. Ownership refers to economic interests, the authority and power to manage assets, determine policies and direction of company operations.
7. Management refers to executive directors, senior management, middle management and junior management.

2.3.2 Skills development

Rapid changes in the global environment require that stakeholders work together to ensure that greater attention is given to expanding the existing human capital pool through investing in people, employment equity, skills development and institutional transformation. Commercial viability in agriculture demands sustained productivity and high levels of entrepreneurship, long term commitment, resource and skills. Agriculture in South Africa has a low absorption rate of skilled and trained labour which is inconsistent with its needs (Department of Agriculture, July 2004).

To successfully achieve skills transformation, there is a need for people with the right skills to transfer, and the willingness to transfer them. Skills development will lead to greater efficiency and competitiveness, increased productivity, and improved customer relationships. By working together all will be able to learn from each other, something also needed in South Africa.

The Agricultural sector undertakes to:-

1. Eliminate by 75% the rate of illiteracy within communities by the year 2008.
2. Eliminate completely the rate of illiteracy within communities by the year 2010.
3. Ensure that all workers in the secondary and tertiary level of the sector are functionally literate by the year 2010.

2.3.3 Preferential procurement.

It is crucial that, in business practices, external suppliers are engaged and every effort is made to hire suppliers who have strong B-B BEE credentials or are making a concerted and tangible attempt to transform their business in order to be B-B BEE compliant. In doing so, the company uses its purchase power to contribute to social and economic change in the country.

As such a preferential procurement policy and set procurement guidelines have been developed that will contribute towards overall economic growth and transformation of the country, by ensuring the constructive participation by South African black people at all levels of business in the South African economy.

The procurement guidelines are thus broadly:

- 1. Preference will be given to black and black women owned and managed businesses with regard to new suppliers.**
- 2. Encourage, using the company's strategic power as a customer to drive empowerment, transformation and development with regard to existing suppliers.**
- 3. Pay specific attention to B-B BEE Compliant SMME's and Black Women Owned SMME's so as to assist the development of new black businesses.**
- 4. Implement procurement initiatives aimed at promoting preferential procurement within.**

2.3.4 Broad Base Black Economic Empowerment Scorecard

True empowerment is about the people who can benefit the most. That is why the seven elements of the scorecard are so important. It covers charities to employment and emphasises skills training and entrepreneurial development. No one item is the be all and end all of B-B BEE. If it were, it would defeat the objectives of B-B BEE. If B-B BEE were only about putting money into enterprise development it would fail, because regrettably many new businesses do fail. If it were only about charity, South Africa would become a socialist state and our economy would fail. The various elements make B-B BEE broad-based and go towards improving society and indirectly also the economy. Without an equitable society we would have an unstable country.

There are two reasons for implementing B-B BEE –

1. Ethical/moral: This relate to uplifting and assisting the rest of the population. The arguments for this are social and political.
2. Business - it will assist all in doing business and making a profit: The “anti-bees” and anyone else should realise that making a profit is the bee all and end all of being in a business.

The B-B BEE scorecard status of a business enterprise will most definitely have a significant impact on the ability of a business to participate in trading. Business leaders and state organs will have to encourage their businesses and departments to pro-actively address their respective B-B BEE policies. A B-B BEE assessment to determine B-B BEE compliance (inclusive of B-B BEE compliance), will always be expressed in the form of a B-B BEE scorecard, which provides other businesses and state organs with a

transparent, auditable view of the B-B BEE status of the business enterprise.

Table 1.1 Black Economic Score

Element	Weighting
Ownership	20 points
Management control	10 points
Employment equity	15 points
Skills development	15 points
Preferential procurement	20 points
Enterprise development	15 points
Socio-Economic Development	5 points
Total	100 points

(Source: DTI, 2000)

The B-B BEE status of an enterprise must be raised to the next highest B-B BEE status level to the one at which it is evaluated, when:

1. black people hold more than 50% of the exercisable voting rights and more than 50% of the economic interest in that enterprise; and
2. that enterprise has achieved the full seven points under the net equity interest component of the ownership scorecard.

For example: if a company was evaluated and a score of 65 points was achieved, this will then be a level 4 contributor. When a company complies with the above, he will then be raised to a level 3 contributor.

Table 1.2 Contributor Rating Level

BEE status	Qualification (Points on Generic Scorecard)	BEE procurement recognition level
Level 1 Contributor	> 100 points	135% (eg R1=R1.35)
Level 2 Contributor	85 - 100 points	125%
Level 3 Contributor	75 - 85 points	110%
Level 4 Contributor	65 - 75 points	100% (E.g. R1=R1)
Level 5 Contributor	55 - 65 points	80%
Level 6 Contributor	45 - 55 points	60%
Level 7 Contributor	40 - 45 points	50%
Level 8 Contributor	30 - 40 points -	10%
Non-compliant Contributor	< 30 points	0 % (Eg R1=R0)

(Source: DTI, 2000)

EMPLOYMENT EQUITY

As a result of apartheid and other discriminatory laws and practices, disparities still exist as to employment, occupation and income within the national labour market. These disparities create such pronounced disadvantages for certain categories of people that they cannot be redressed simply by repealing discriminatory laws. Every designated employer is required to design and implement an employment Equity Plan. The purpose of the employment Equity Plan is to enable the employer

"to achieve reasonable progress towards employment equity", to assist in eliminating unfair discrimination in the workplace, and to achieve equitable representation of employees from designated groups by means of affirmative action measures. An Employment Equity Plan therefore must clearly set out the steps that the employer plans to follow to achieve these objectives.

Every employer should be in possession of at least two documents - the Code of Good Practice and the User Guide. There is no rigid format for an Employment Equity plan, and the act allows employers to customise the plan to suit their own needs. Employment Equity and affirmative action apply to all designated employers and their employees, particularly those employees from designated groups.

Therefore, in order to—

1. promote the constitutional right of equality and the exercise of true democracy;
2. eliminate unfair discrimination in employment;
3. ensure the implementation of employment equity to redress the effects of discrimination;
4. achieve a diverse workforce broadly representative of our people;
5. promote economic development and efficiency in the workforce; and give effect to the obligations of the Republic as a member of the International Labour Organisation.

The purpose of the Employment Equity Act (Act 55 Of 1998) is to achieve equity in the workplace by—

1. promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination; and
2. implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups, in order to ensure their equitable representation in all occupational categories and levels in the workforce.

2.5 AFFIRMATIVE ACTION

Affirmative action ensures that qualified people from designated groups have equal opportunities in the workplace. Affirmative action makes sure that qualified designated groups (black people, women and people with disabilities) have equal opportunities to find a job.

They must also be equally represented in all job categories and at all levels of the workplace.

1. Affirmative action measures are measures designed to ensure that suitably qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and at all levels in the workforce of a designated employer.
2. Affirmative action measures implemented by a designated employer must include-
 - measures to identify and eliminate employment barriers, including unfair discrimination, which adversely affect people from designated groups;
 - measures designed to further diversity in the workplace

based on equal dignity and respect of all people;
making reasonable accommodation for people from
designated groups in order to ensure that they enjoy equal
opportunities and are equitably represented in the
workforce of a designated employer;
subject to subsection (3), measures to-

ensure the equitable representation of suitably
qualified people from designated groups in all
occupational categories and levels in the workforce;
and

.1 retain and develop people from designated groups and
to implement appropriate training measures, including
measures in terms of an Act of Parliament providing for
skills development.

3. The measures referred to in subsection (2) (d) include preferential treatment and numerical goals, but exclude quotas.

The rationale behind affirmative action is the endeavour to address the inequalities and injustices created by discrimination. Discrimination means making a distinction and it is generally accepted that it normally means a legal or already impermissible decision, practice or policy that takes one of a number of legally or ethically forbidden grounds such as race, gender, sex and age into account when arriving at the distinction.

There are basically two concepts of the right to equality which materially influence the way in which affirmative action programmes are judged. The

first treats affirmative action as an integral part of the right to equality while the second treats affirmative action as an exception to the right to equality. Affirmative action is a planned process and strategy aimed at transforming the socio-economic environment in order to create access to opportunities for the disadvantaged, based on their suitability, resulting in successful organisation and a growing economy. An employer is not prevented from adopting or implementing employment policies and practices that are designed to achieve the adequate protection and advancement of persons or groups or categories of persons disadvantaged by unfair discrimination, in order to enable their full and equal enjoyment of all rights and freedoms. Affirmative action is an extremely sensitive issue, and an entire book can be written on this topic alone. The purpose of an affirmative action programme is to promote and encourage persons who have been discriminated against in the past. This can of course apply to any racial group, sex or class of persons (eg. physically handicapped) who have been prejudiced as a result of unfair policies, practices, attitudes and obstructions in the past.

2.6 CONCLUSION

There is now a need to outline an approach to the definition and measurement of B-B BEE as well as the policy instruments that will be utilized to achieve these objectives. Government has the right to create legislative compulsion for transformation to take place in the South African economy. One of the means by which Government seeks to exercise the right is through legislation.

Business alliance comes in various forms of partnership, which often involve cooperative or mutual agreements between two or more. The most appealing definition in the context of this paper is namely, a partnership that

will transform South African agriculture and the animal feed industry into more efficient and competitive sectors in the global economy.

The South African economy, especially in the trade liberalisation and market deregulation spheres, put all animal feed mills in a position where each animal feed mill has to adapt in order to reach or maintain a strong position in the economy. In addition, the impact of B-B BEE places pressure on established animal feed mills which need moral persuasion not only to cooperate with government's B-B BEE initiatives, but also to sacrifice some resources to complement the government's economic reform efforts. Inductive examination of the possible problems and prospects of the B-B BEE programme may suggest that more than policies are required for restructuring the animal feed mill industry and achieving competitiveness, especially in the South African context. Changes are needed in the social structure and social attitudes because these concepts form ideological barriers to the successful implementation of B-B BEE policies.

South Africa's previous agricultural economy was characterized by high efficiency but a lack of equity. Any shock to the national economic efficiency should hopefully not stem from equity or political issues but from macro-economic variables which will increase efficiency.

B-B BEE is only possible if it is internalized as a core objective by all stakeholders at all levels, national, provincial and local. The approach is to promote mainstreaming of black South Africans at all levels of the animal feed milling industry activity and sizes of enterprise in the entire agricultural value chain. Redressing historical and social inequalities will be approached in a manner that does not negatively impact on existing successful enterprises. This must be done by actively and urgently committing

resources and efforts toward lowering entry barriers to the sector, transforming existing animal feed mills, creating opportunities and support systems focused on new commercially viable entrants.

Key requirements for success in the animal feed mill industry are the promotion of agriculture as a business opportunity to emerging groups, the identification and fast tracking of entrepreneurship and development of technical and management skills and support systems.

CHAPTER 3: EMPIRICAL STUDY

3.1 INTRODUCTION

The process of B-B BEE is an inclusive one and all enterprises operating in South Africa can, and indeed should participate in this process. This study will reveal whether the feed milling industry complies with the Government's black economic empowerment strategy as well as the AgriBEE empowerment framework.

In the context of improved co-ordination and co-operation, the Department of Agriculture commits itself in order to see that the AgriBEE framework is living up to its plan. Access to production finance seems to be one of the major factors affecting the ability of blacks to enter the animal feed milling Industry and the mainstream of agricultural activity. It is one of the major barriers preventing real black empowerment. This aspect is currently the major source of frustration for many blacks and will be addressed as a priority (Department of Agriculture). To address these problems Government can consider the following:

1. A state guarantee loan.
2. Introduction of more financial intermediaries. Given the high cost of such an institutional framework, Government would have to finance part of the transaction cost.
3. Combining production finance with market opportunities and hedging instruments through unique contracts.

In South Africa, economic transformation is part of the broader redressing agenda envisaged in the Constitution. To this end, Government has introduced legislation and policies aimed at responding to this challenge. Broad-based black economic empowerment (B-B BEE) is one such policy instrument.

Companies are expected to establish their B-B BEE credentials to demonstrate their commitment to transformation. The B-B BEE Code of Good Practice involves transferring ownership to black people and women, ensuring representation at board and managerial level, and preferential procurement of goods and services from black- and female-owned enterprises.

Those opposed to B-B BEE see it as Government interference in business. The fact that B-B BEE has benefited only a few, does not help either. Except for a minority of instant millionaires, the majority of black people remain on the periphery of the economy. A change in ownership has not led to a wider distribution of wealth, nor has it led to a greater opening up of opportunities for previously disadvantaged individuals or groups.

If lessons are to be drawn from elsewhere, education is the only sustainable instrument for broad-based black economic empowerment.

3.2 DEFINITIONS

3.2.1 Population

A population is the totality of items or things under consideration. (Levine, Stephan, Krehbiel, Berenson)

3.2.2 Random Sample

A random sample is one in which every individual or item from a frame has the same chance of selection as every other individual or item. (Levine, Stephan, Krehbiel, Berenson).

3.2.3 Questionnaire

A questionnaire is to identify all possible input variables and to determine and collect the correct quantity of raw data that is required.

3.3 RESEARCH DESIGN

3.3.1 Method of Choice for the Empirical Research

For the purpose of this study, a survey is done of the existing scenario using a questionnaire to collect the necessary data in order to draw some conclusions on the state of black economic empowerment in the animal feed milling industry. These units are animal feed manufacturers affiliated to the Animal Feed Milling Association (AFMA).

The survey provides a snapshot of the situation as it is at a particular time, with a view to analyzing patterns and trends applying to the group as a whole. The survey is based on a sample of the population of interest. The survey was done by using a questionnaire to collect the data.

Before developing the questionnaire, it was essential to identify all possible input variables for the model, then test and select those variables that have a high influence on the model. Finally, it was necessary to determine and collect the correct quantity of raw data required.

When designing questionnaires consider (Neuman, 1997:231-237):

1. Exactly what do you want to find out?
2. Why should people fill it in?
3. Will they tell the truth?
4. Length and sequence of questions
5. Wording: avoid leading, long, complicated questions, silly, rude and annoying questions.
6. The covering letter explaining who you are and what the research is for.

3.3.2 Identification and Selection of Possible Input Variables

An extensive literature study (Chapter 2) was conducted to develop an understanding of black economic empowerment in South Africa, as well as the present situation, issues, problems and future of B-B BEE in the animal feed industry. These aspects were used as the basis for formulating the input variables of the questionnaire that would be used to set up a B-B BEE scorecard.

Data collection through the questioning technique can be classified as either variables or attributes. Variables are those characteristics which are measurable, such as the amount spent on activities per annum, while attributes are characterized by conformance or non-conformance.

Determination of Population and Size

Due to the nature and limited period available for this research, the sample includes all members registered with the Animal Feed Milling Association

(AFMA). The sample taken represents around 58% of all animal feed manufactured in South Africa annually.

A full list of all companies that were used in the survey and are registered with AFMA, is given in Appendix 2.

3.4 ANALYSIS OF QUESTIONNAIRE OUTPUTS

The intent of this section is to summarise the results of the empirical research, based on the replies to the questionnaires distributed. A total of 23 questionnaires were distributed – all business unities in South Africa registered with AFMA.

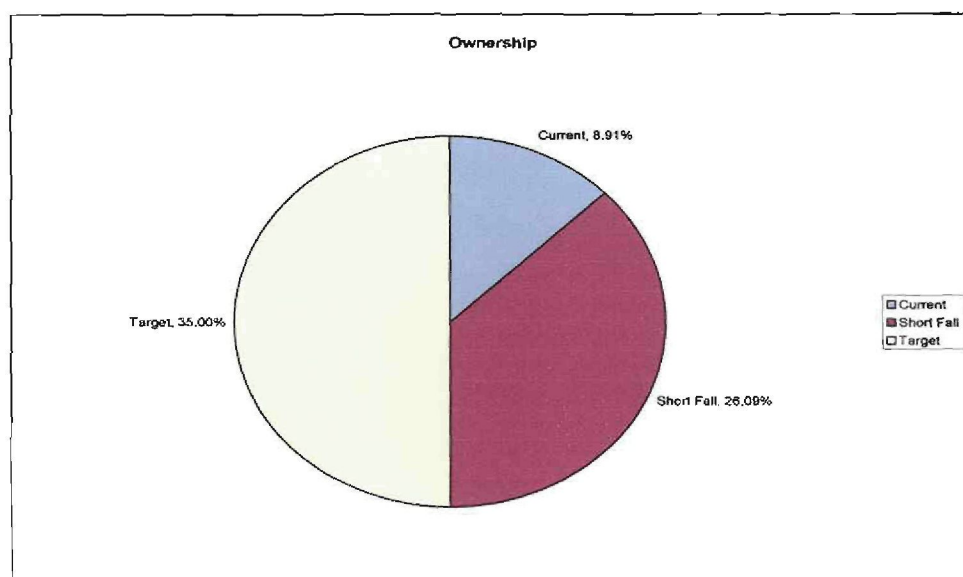
A total of 13 completed questionnaires were received and used for the purpose to complete a B-B BEE scorecard. This is a response rate of 56.5%. One questionnaire was returned as unknown and one respondent replied that they refused to answer the questionnaire. This represents an effective response rate of 65.2% of the questionnaires distributed.

3.4.1 Ownership

A breakdown of ownership of respondents in the industry is presented in figure 1.1. The AgriBEE proposed a 20% ownership by the year 2010. Currently only 8.9% ownership of existing enterprises are owned by blacks. Stakeholders in the industry will have to work towards the development and implementation of a diversity of enterprise ownership models to get to the target of the AgriBEE proposed framework.

Factors such as the lack of finance, education and skills prevent black South Africans from making substantive progress in the animal feed industry. Furthermore, these factors and previous policies and power relationships left black participants sorely underrepresented in agribusinesses in the entire value chain.

Figure 1.1: Ownership in the Industry.



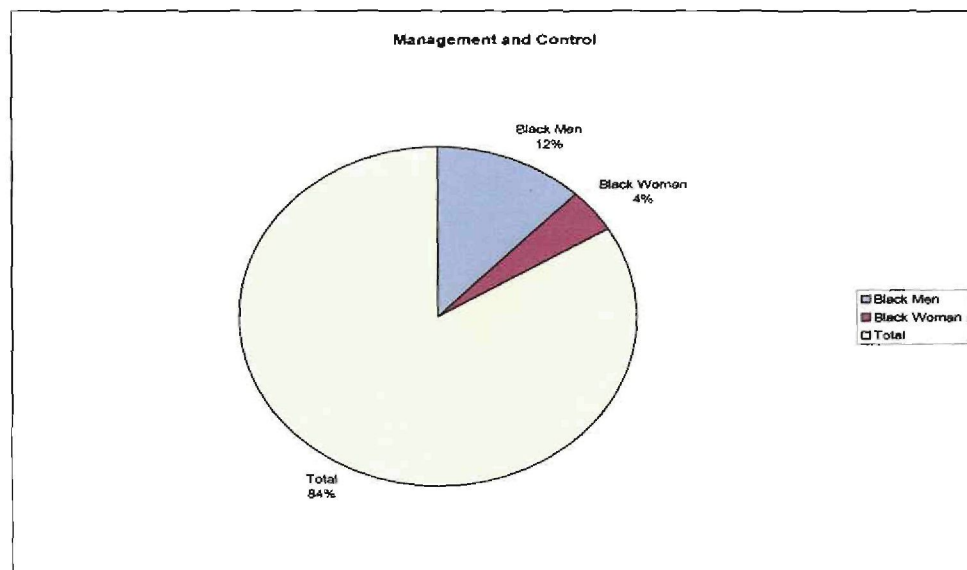
3.4.2 Management control

A breakdown of the management and control of the respondents in the industry are presented in figure 1.2. The AgriBEE proposed a 30% control by the year 2010. Currently only 12% of black men and 4% of black women manage and control existing enterprises.

An equitable representation in all occupational categories and at all levels in the industry are part of the AgriBEE framework. Management must be on executive level throughout the industry. Agriculture has a low absorption

rate of skilled and trained manpower which is inconsistent with its needs. Of particular concern is the case of graduates not being able to find employment in the animal feed industry.

Figure 1.2: Management and Control

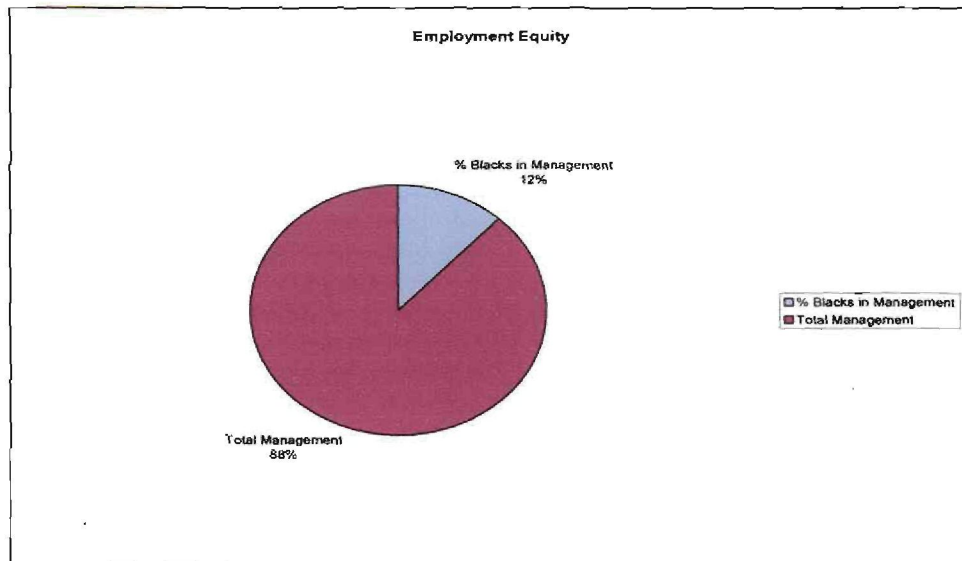


3.4.3 Employment equity

A breakdown of employment equity of the respondents in the industry is presented in figure 1.3. The AgriBEE proposed a 40% to 50% equity by the year 2010. Currently only 12% employment equity exist in the industry.

The core focus on an action plan must provide quality, timely and appropriate industry information on the changes in the environment. More attention must be given to expand the existing human capital pool through investing in people. Commercial viability in the animal feed milling industry demands sustained productivity and high levels of entrepreneurship, long term commitment, resources and skill. High levels of illiteracy in the country are also experienced and therefore also within the industry.

Figure 1.3 Employment Equity

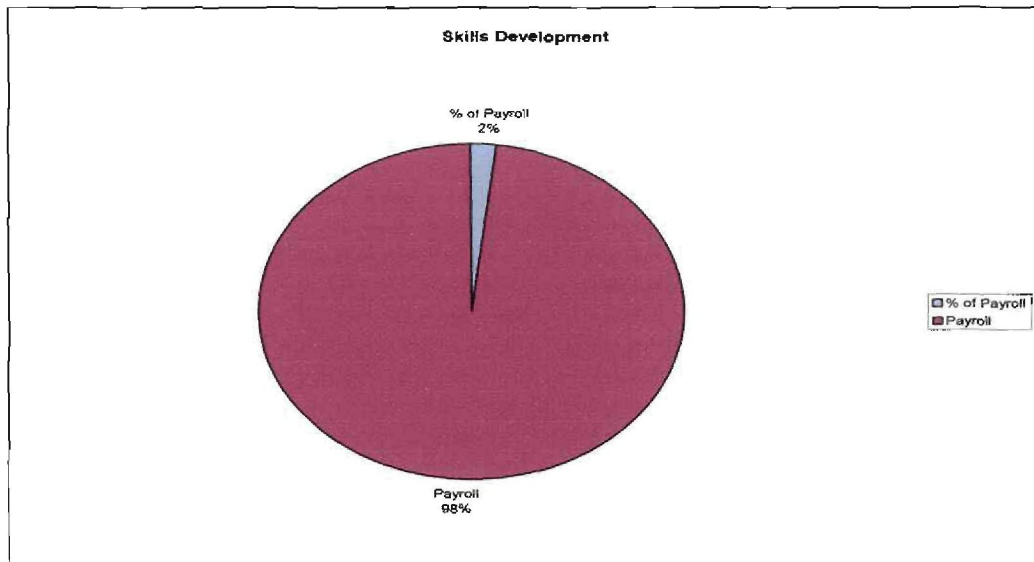


3.4.4 Skills development

Breakdowns of the skills development of the respondents in the industry are presented in figure 1.4. The AgriBEE proposed that 3% of the total payroll expenditure should have been allocated to skills development by the year 2010. Currently only 1% of payroll expenditure is provided for skills development.

A key factor for success in the industry is the promotion of the animal feed milling industry as a business opportunity to emerging blacks, the identification and fast tracking of entrepreneurship and the development of skills. There is a need for the establishment of appropriate skills and training programmes to develop workers.

Figure 1.4 Skills Development

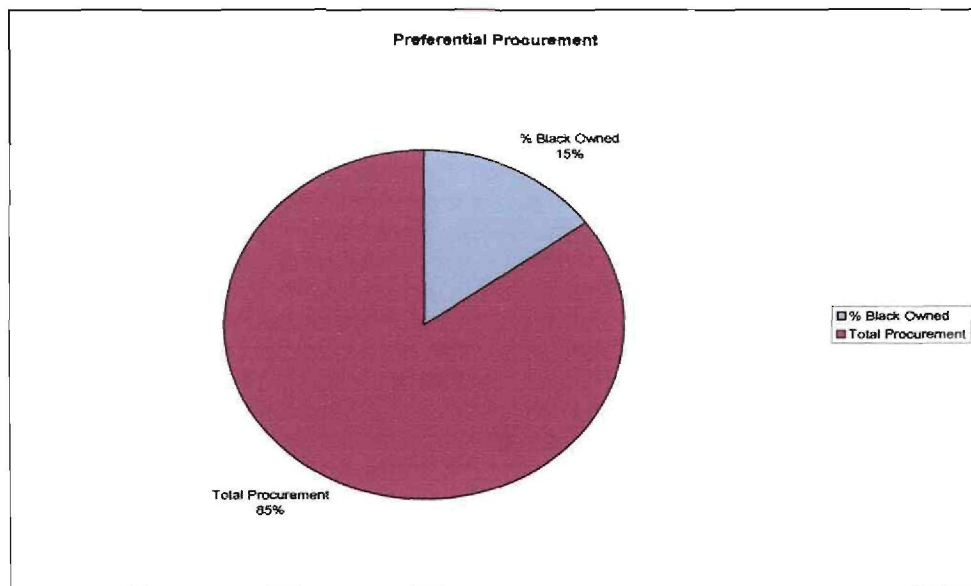


3.4.5 Preferential procurement

A breakdown of preferential procurement of the respondents in the industry is presented in figure 1.5. The AgriBEE proposed a 70% of procurement of goods and services from black owned and/or black empowered enterprises by the year 2010. Currently only 15% of total procurement spending on goods and services are from black owned and/or black empowered enterprises.

The animal feed industry must commit themselves to develop an AgriBEE procurement capacity and assistance programmes to achieve the given target. The industry must provide, where possible, black South Africans and local SME's with a preferred supplier status in all external transactions including the supply of services and goods, thus committing to a progression of procurement from such companies.

Figure 1.5 Preferential Procurement



3.4.6 Enterprise development

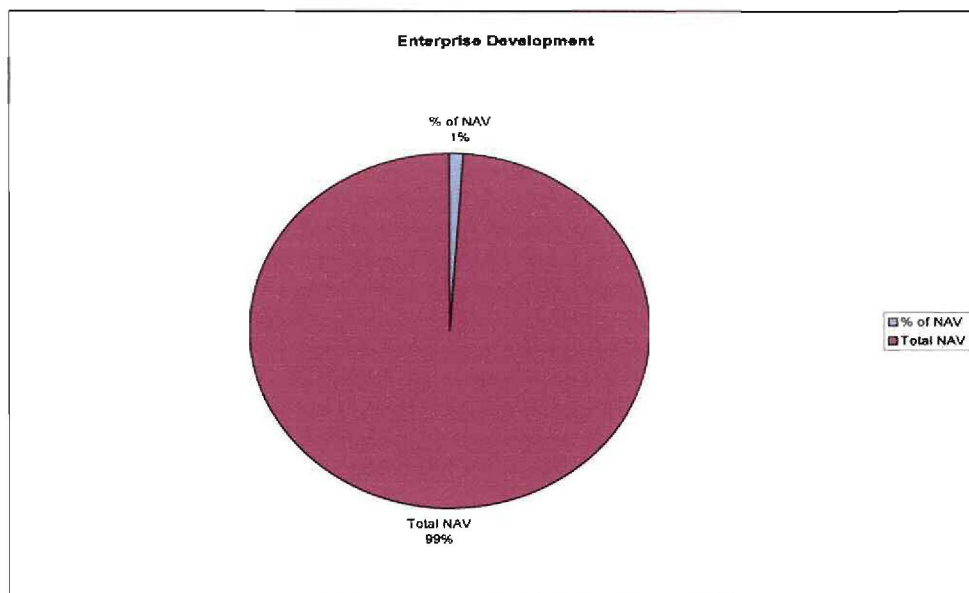
A breakdown of enterprise development of the respondents in the industry is presented in figure 1.6. The AgriBEE proposed a 15% voluntarily spending in the establishment and promotion of black owned and empowered enterprises as a percentage of Net Asset Value (NAV) by the year 2010. Currently only 1% of Net Asset Value spent is on enterprise development.

Broadening participation in the industry is one of the key objectives of the AgriBEE. Access to finance is one of the major factors affecting the ability of blacks to enter the industry. In this respect the current stakeholders in the industry can help to develop black enterprises. This can be achieved by investing in black-owned and black empowered enterprises or in joint

ventures with black-owned and black empowered enterprises that result in substantive skills transfers.

Investment in black-owned and black empowered enterprises is a crucial step in the provision of financial and intellectual capital to such enterprises. The key element to be taken into account when making these types of investment, is the provision that there must be real economic benefit.

Figure 1.6 Enterprise Development



3.4.7 Socio-economic development

A breakdown of socio-economic development of the respondents in the industry shows that less than 1% of the net profit after tax is spent on socio-economic development. The AgriBEE proposed a 5% of net profit after tax spent on socio-economic development the year 2010.

MAJOR FINDINGS

There is a need to outline an approach to the definition and measurement of B-B BEE as well as the policy instruments that will be utilized to achieve these objectives. Government has the right to create legislative compulsion for transformation to take place in the South African economy. One of the means by which Government seeks to exercise the right, is through legislation.

Business alliance comes in various forms of partnership, which often involve cooperative or mutual agreements between two or more parties. The most appealing definition in the context of this paper is namely, a partnership that will transform South African agriculture and the animal feed milling industry into more efficient and competitive sectors in the global economy.

The South African economy, especially in the trade liberalisation and market deregulation spheres, put all animal feed mills in a position where each animal feed mill has to adapt in order to reach or maintain a strong position in the economy. In addition, the impact of B-B BEE places pressure on established animal feed mills which need moral persuasion not only to cooperate with government's B-B BEE initiatives, but also to sacrifice some resources to complement the government's economic reform efforts. Inductive examination of the possible problems and prospects of the B-B BEE programme may suggest that more than policies will be required for restructuring the animal feed milling industry and achieving competitiveness, especially in the South African context. Changes are needed in the social structure and social attitudes because these concepts

form ideological barriers to the successful implementation of B-B BEE policies.

South Africa's previous agricultural economy was characterized by high efficiency but a lack of equity. Any shock to the national economic efficiency should hopefully not stem from equity or political issues, but from macro-economic variables which will increase efficiency.

CHAPTER 4: MAJOR RECOMMENDATIONS AND CONCLUSIONS

4.1 RECOMMENDATIONS

Focused strategies need to be implemented in order to transcend the racial divide that exists in the animal feed milling industry. At the same time an enabling environment should be created which will stimulate growth together with much needed competitiveness and innovation in the industry. The industry has to take into account the challenges of globalization, the absence of visible participation of blacks and black women in the sector, and also the appalling conditions and job threats facing the industry.

This work has led to recognizing that more needs to be done to link the agricultural production and processing activities to government's policy and legislation. The Department and animal feed Milling industry must establish an appropriate capacity to engage, inform and ultimately oversee the implementation of the AgriBEE framework.

4.2 CONCLUSIONS

South Africa's previous agricultural economy was characterized by high efficiency, but a lack of equity and ownership. No economy can grow by

excluding any part of its population, and an economy that is not growing cannot integrate all of its citizens in a meaningful way. The AgriBEE framework is in line with existing government policy and legislation for redressing centuries of past racial discrimination and the consequences thereof. The AgriBEE Framework establishes the guiding principles for broad base black economic empowerment in agriculture in a manner that seeks to build on the experience of transformation efforts over the past decade.

Broad Base Black Economic Empowerment, in agriculture as in all other sectors, needs to be understood and used as a means to an end. Given the history of injustices in our country, developed and enforced over a number of decades, this is a means to redress such imbalances. The animal feed milling industry must affirm AgriBEE as a moral, political, social and fundamental economic imperative for the country's future. B-B BEE must apply to the entire value chain in the South African agricultural sector.

There is a danger that black economic empowerment (BEE) will leave fundamental inequalities. Therefore the strategy of a broad base Government approach of a situated black economic empowerment within the context of a broader strategy to focus on historically disadvantaged people, and particularly black people, women, youth and the disabled, are for all intents and purposes of great value.

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Appendix 1

List of Companies Approached

NAAM/NAME	ADRES/ ADDRESS	TEL, FAKS / FAX, E-POS / E-MAIL	KONTAK/ CONTACT	VOER/ FEED
AFGRI Animal Feeds*	Head Office Private Bag X2001 Isando 1600	T : (011) 281 3600 F : (011) 281 3601 hcottle@afgri.co.za ErhardB@afgri.co.za	Mr H Cottle	1,2,3,4, 5,6,8,9, 10, 12
AquaNutro (Pty) Ltd	P.O Box 45 Malmesbury 7299	T : (022) 482 4575 F : (022) 487 2411 dirk@aquanutro.com	Mr Dirk van der Linde	8,11
Bio-Minerales (Pty) Ltd 01/09/2002	P.O. Box 21 Wonderfontein 1101	T : (013) 246 7451 F : (013) 246 7450 biomin@xsinet.co.za	Mr Jan van Loggerenberg	2,17
Crane Feeds (Pty) Ltd	P.O Box 1974 Matsapha Swaziland	T : (09268) 518 4287 F : (09268) 518 4442 crane@farmsservices.co.za	Mr Joggie van Stryp	1,3,4
Epol a Division of Rainbow Farms (Pty) Ltd*	Head Office P.O Box 101 Pinegowrie 2123	T : (011) 438 7500 F : (011) 438 7600 chrissvn@epol.co.za TedC@epol.co.za	Mr Chris van Niekerk Mr Ted Clark	1,2,3,4, 5,6,7,8, 9,10,11, 12
Esco Feeds (Pty) Ltd 01/06/2004	P.O Box 571 Estcourt 3310	T : (036) 352 2193 F : (036) 352 6632 escofeeds@futurenet.co.za	Mr Brian Greaves	1,2
Horizon Voere (Edms) Bpk 01/08/2004	P.O Box 2303 Klerksdorp 2570	T : (018) 469 3896 F : (018) 469 4020 horizonfeeds@cybertrade.co.za	Mr Henk Alberts	4,3,5
Kanhym (Edms) Bpk	Posbus 89 Middelburg 1050	T : (013) 249 7800 F : (013) 249 7807 mill@kanhym.co.za	Dr WH van Zyl	1,3,4,5
KK Animal Nutrition	P.O. Box 10520 Centurion 0046	T : (012) 665 5797 F : (012) 665 3230 phennning@kkan.com	Dr Pieter Henning	2,8,9
Meadow Feeds*	Head Office P.O. Box 4946 Randburg 2125	T : (011) 463 1419 F : (011) 463 7322 emilyv@meadowfeeds.co.za	Mr Chris Schutte	1,2,3,4, 5,6,7,8, 9,10,11, 12
Molatek (Pty) Ltd	Posbus 47 Malelane 1400	T : (013) 791 1036 F : (013) 790 0095 DuPlessisF@tsb.co.za	Mnr Fanie du Plessis	2,3
Noordwes Voere	Posbus 1173 Lichtenburg 2740	T : (018) 632 4053 F : (018) 632 4934 nwv@isdnet.co.za	Mnr Pierre Lombard	1,2,3,4, 5,6,7,9
NOVA Feeds (Pty) Ltd (Previously Bokomo Feeds)	P.O. Box 700 Malmesbury 7300	T : (022) 487 9100 F : (022) 482 3752 tvanlill@pioneerfoods.co.za tsegoale@pioneerfoods.co.za hkotze@pioneerfoods.co.za	Mr Thinus van Lill Mr Thabi Segoale Mr Hugo Kotzé	1,2,3,4,5,6,7,10,12
Nutrex KZN (Pty) Ltd	P.O Box 179 Umlaas Road 3730	T : (031) 785 1575 F : (031) 785 2983 tedw@nutrexkzn.co.za	Mr Ted Waters Mr V Singh	1,3,4,5, 10
Profile Feeds (Pty)Ltd 01/03/2000	P.O Box 692 Suider-Paarl 7624	T : (021) 875 5890 F : (021) 875 5261 mwprfeed@mweb.co.za	Mr Hannes v/d Westhuizen Mr Johan de Clercq	4,5
Prolakto Voere	Posbus 524 Bethal 2310	T : (017) 647 0195 F : (017) 647 0195 prolakto@yebo.co.za	Mnr Pieter Odendaal	1,2,3,10
Queensfeed 01/03/2000	P.O Box 1530 Queenstown 5320	T : (045) 858 8805 F : (045) 858 8807 stoffel@ovk.co.za	Mr Stoffel Gouws	1,2,3,5, 12
Rocklands Poultry (Pty) Ltd 01/08/2002	P.O Box 124 Uitenhage 6230	T : (041) 995 1700 F : (041) 922 9066 Mmanley@sovfco.co.za	Mr Mark Manley	4,5,3,10, 1

NAAM/NAME	ADRES/ ADDRESS	TEL, FAKS/ FAX , E-POS/ E-MAIL	KONTAK/ CONTACT	VOER/ FEED
Rossgro Voere (Edms) Bpk 01/03/2006	Posbus 2410 Delmas 2210	T : (013) 665 1999 F : (013) 665 1999 naude@hgg.co.za	Mnr Naude Rossouw	4
Senwesko Voere	Posbus 52 Viljoenskroon 9520	T : (056) 344 2200 F : (056) 343 2272 gerard.senwesko@senwes.co.za loutjied.senwesko@senwes.co.za	Mnr Gerard van Zyl Mnr Loutjie Dunn	1,2,3,4, 5,6,7,9, 10, 12
TWK Landbou Bpk 01/10/2005	Posbus 128 Piet Retief 2380	T : (017) 826 2147 F : (017) 826 1647 mkondo.veevoer@twkagri.com	Mnr Ben Holtzhausen	1,2,3,4,5,6,7,8,9,10
Veekos (Edms) Bpk	Posbus 55 Upington 8800	T : (054) 331 1351 F : (054) 332 5959 dirk@veekos.co.za	Mr Dirk Vorster Mnr Hannes Esterhuysen	1,2,4,5, 6,8,12
Voermol Feeds (Pty) Ltd 01/09/2004	P.O Box 13 Maidstone 4380 Dr. Jasper Coetzee Voermol Feeds P.O. Box 12022 Die Boord 7613	T : (032) 439 5599/5850 F : (032) 944 6636 info@voermol.co.za jasperco@iafrica.com Philip.strydom@voermol.co.za	Mr Jimmy Clelland Dr Jasper Coetzee Mr Philip Strydom	4,5,10

TIPE VOER / TYPE OF FEED

- 1 Suiwel / Diary
- 2 Bees en skaap / Beef and sheep
- 3 Varke / Pigs
- 4 Lêhoenders / Layers
- 5 Roosterkuikens / Broilers
- 6 Perde / Horses
- 7 Honde / Dogs
- 8 Ander veevoermengsels / Other mixtures
- 9 Konsentrate / Concentrates
- 10 Braaikuiken teelouers / Broiler breeders
- 11 Akwakultuurvoedsel / Aquaculture Feed
- 12 Volstruise / Ostriches
- 15 Voormengsels / Premixes
- 16 Handelaar / Trader
- 17 Vervaardigers van grondstowwe / Manufacturers of raw materials
- 18 Manufacturers and Suppliers of equipment

Appendix 2

Example of Questionnaire

BLACK ECONOMIC EMPOWERMENT STATUS

1. Type of Company.

	Close Corporation (CC)		Private Company (Pty) Ltd
	Public Company (Ltd)		Other Type

2. In which geographical area is the business situated?

3. Geographical areas of branches.

4. Does your business have a current B-B BEE rating?

5. If yes, what is it?

6. Which level provider would you want your business to be within the next three years?

Level 1	
Level 2	
Level 3	
Level 4	
Level 5	
Level 6	
Level 7	
NONE	

7. Total turnover per annum.

	Less than R5 million		R35 - R50 million
	R5 - R15 million		R50 - R100 million
	R15 - R25 million		R100 - R300 million
	R25 - R35 million		More than R300 million

8. Does your company have equity shareholding by the following groups? If yes by what percentage (%)?

	Yes	%	No
Black (Colored, Asian and African)			
Disabled			
Women			

		Population		Gender		
Name of Corporation or Individual with shareholding	% Shareholding	B	W	M	F	Age

9. Board of Directors

	Black	White	Total
Number			
Percentage			

Name of Directors/Executive Members	Position	B/A/I/C/W	M/F

10. Executive and Senior Management.

	Black	White	Total
Number			
Percentage			

Name of Directors/Executive Members	Position	B/A/I/C/W	M/F

11. How many people do you employ according to the following breakdown?

	Black	White	Total	%
Middle Management				
Junior/Supervisors				
All lower Grades				
Total				

12. Please reply to the following questions in respect of your company's expenditure for the past financial year.

12.1 Skills development expenditure	Percentage
a) Expenditure as a % of total payroll	
b) % of skills development expenditure spent on black employees	

12.2 Procurement expenditure	Percentage
a) % procurement of goods and services from black owned and/or black empowered enterprises.	
b) Amount spent on procurement of goods and services from black SME's and engendered enterprises.	

12.3 Enterprise Development	Percentage
a) Amount voluntarily invested/spent in the establishment of black owned enterprises. (As a % of Net Profit after Tax)	

13. What does your company wish to achieve with equity shareholding by the following people? If yes, by what percentage (%)?

	Yes	%	No
Black (Coloured, Asian and African)			
Disabled			
Women			

[illegible]

14. Projected Board of Directors within the next three years

	Black	White	Total
Number			
Percentage			

[illegible]

15. Executive and Senior Management within the next three years?

	Black	White	Total
Number			
Percentage			

[illegible]

16. Indicate the numerical distribution of people (number) you want to employ within
the next three years in the following categories

	Black	White	Total	%
Middle Management				
Junior/Supervisors				
All lower Grades				
Total				

17. How does your business promote employees?

In House	
By Training	
Human Resource policy	
Other	
If other, specify	

18. Where does your business recruit new employees?

Internally	
Open market	
Formally disadvantage areas	
Universities	
Other	
If other, specify	

19. Please answer the following questions regarding your company's expenditure for the next three financial years.

19.1 Skills development expenditure	Percentage
a) Expenditure as a % of total payroll	
b) % of skills development expenditure spent on black employees	

19.2 Procurement expenditure	Percentage
a) % of procurement of goods and services from black owned and/or black empowered enterprises.	
b) Amount spent on procurement of goods and services from black SME's and engendered enterprises.	

19.3 Enterprise Development	Percentage
a) Amount voluntarily invested/spent in the establishment of black owned enterprises. (As a % of Net Profit after Tax)	

20. What is the company's policy for the future regarding BBBEE?

21. How will you encourage Black transformation? (Tick only 1 box)

Focus on Advertising	
Head Hunting	
Organizational Development	
Internal Promotion	
Recruitment	
None of the Above	

If marked none in the above, please motivate?

22. How is your business going to achieve your vision?

Appendix 3

B-B BEE Scorecard

Generic Scorecard - Animal Feed Milling Industry.

(Based on Non Splinted Scores)

BEE SCORECARD WEIGHTINGS AND TARGETS

EQUITY OWNERSHIP AND CONTROL							
Core Component	Indicators	Total Weighting	Short Term Target (2010)	Current Performanc	Conversion Factor	Raw Score	Total Score
A. Equity Ownership	a) % Equity Shareholding held by black people.	20%	25.10%	8.91%	3.98	35%	7.10%
						Total Score	7.10%
B. Control	c) % Of Black Directors (Executive and Non Executive) .	10%	40.00%	16.00%	2.50	40%	4.00%
						Total Score	4.00%

HUMAN RESOURCES DEVELOPMENT

Core Component	Indicators	Total Weighting	Short Term Target (2010)	Current Performanc	Conversion Factor	Raw Score	Total Score
C. Employment Equity	a) % Black people in executive and senior management (E Band) (Grades 19 - 23)	15%	40.00%	7.00%	0.50	4%	0.53%
	b) % Black of middle management and professional staff. (D Band) (Grades 14 - 18)		35.00%	18.00%	2.86	10%	1.54%
	c) % Black staff in junior management and professional staff (C Band) (Grades 9 - 13)		40.00%	12.00%	2.50	6%	0.90%
	d) % Of black staff in the lower grades (B Bands) (Grade 4 - 8)		60.00%	12.00%	1.67	4%	0.60%
	e) % Of black staff in the lower grades (A Bands) (Grade 1 - 3)		75.00%	92.00%	1.33	25%	3.68%
Total score						7.25%	

D. Skills Development	a) Expenditure as a percentage of total payroll.	15%	3.00%	1.00%	33.33	13%	2.00%
	b) % Of skills development expenditure spent on black employees.		55.00%	1.00%	1.82	1%	0.11%
	c) Number of Learner ships provided per anum.(% of Learner ships per Total Staff Complement)		7.14%	0.00%	14.00	0%	0.00%
					Total Score		2%

ENTERPRISE DEVELOPMENT

Core Component	Indicators	Total Weighting	Short Term Target (2010)	Current Performance Status	Conversion Factor	Raw Score	Total Score
E. Preferential Procurement	a) A percentage of procurement of goods and services from black owned and/or black empowered enterprises (as a proportion of total discretionary procurement spending).	20%	55%	15.00%	1.82	14%	2.73%
	b) Amount spent on procurement of goods and services from black SME;s and engendered enterprises (as a proportion of a) above).		20%	2.00%	5.00	5%	1.00%

Total Score	3.73%
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ENTERPRISE DEVELOPMENT

Core Component	Indicators	Total Weighting	Short Term Target (2010)	Current Performance Status	Conversion Factor	Raw Score	Total Score
F. ENTERPRISE DEVELOPMENT	a) Amount voluntarily invested / spent in the establishment and promotion of black owned and empowered enterprises. (As a % of Net Asset Value - NAV).	15%	3.00%	1.00%	33.33	33%	5.00%

Total Score	5.00%
-------------	-------

SOCIAL DEVELOPMENT

Core Component	Indicators	Total Weighting	Short Term Target (2010)	Current Performance Status	Conversion Factor	Raw Score	Total Score
G. Corporate Social Investment	a) Corporate social investment (As a % of net profit after tax NAPT).	5%	1.00%	0.00%	100.00	0%	0.00%
	b) Corporate social investment in black communities / or organisations. (as a % of a) above).		65.00%	1.00%	1.54	1%	0.04%

Total Score	0.04%
-------------	-------

Summary of Scores

Equity Ownership	7.10%
Governance & Management Control	4.00%
Employment Equity	7.25%
Skills Development	2.11%
Preferential Procurement	3.73%
Enterprise Development	5.00%
Social Development	0.04%
Total Score	29.22%

Rating

Limited (Poor)

RATING	
Good	65% and Above
Satisfactory	41% - 64.9%
Limited (Poor)	40% and Below

New Ratings

Level 1	100 and Above
Level 2	85 - 100
Level 3	75 - 84.9
Level 4	65 - 74.9
Level 5	55 - 64.9
Level 6	45 - 54.9
Level 7	40 - 44.9
Level 8	30 - 39.9
Non Compliant Contributor	Up to 30

Appendix 4

AgriBEE Broad-Based Black Economic Empowerment Framework for Agriculture



Department of Agriculture
South Africa

AgriBEE

Broad-Based Black Economic Empowerment Framework for Agriculture

*“It is the acceptance of a transparent, predictable
practical and implementable process of change which
will introduce certainty and stability and not an
illusionary absence of change”*

Thabo Mbeki, 22 September 1994

Department of Agriculture
July 2004

MESSAGE FROM MINISTER DIDIZA

In his State of the Nation Address in May this year, President Mbeki announced that the Department of Agriculture would release a draft AGRIBEE framework document for discussion by July. I am pleased today, to present the framework that is another one of the critical building blocks needed for the attainment of our ideal of a non-racial, non-sexist South Africa. This AGRIBEE framework is in line with existing government policy and legislation for redress of centuries of past racial discrimination and the consequences thereof. It is another step on the path we undertook when we defined the ideals of a non-racial, non-sexist society in our Constitution and understood the obligations that imposed on all of us.

The AgriBEE Framework establishes the guiding principles for broad based black economic empowerment in agriculture in a manner that seeks to build on the experience of transformation efforts over the past decade. It was preceded by the consideration of an empowerment study commissioned by the Department, a range of focussed consultative processes led by a broad reference group and the experience of developing and implementing the Broadening Access to Agriculture Thrust and more recently the Agricultural Sector Strategy.

Broad Based Black Economic Empowerment, in Agriculture as in all other sectors needs to be understood and used as a means to an end. Given the history of injustices in our country, developed and enforced over a number of decades, this is a means to redress such imbalances.

The aim for the Agricultural sector is the attainment of the vision agreed to through the Presidential Working Group on Agriculture in November 2001 of – A United and Prosperous Sector. Our vision, which was adopted by all key stakeholders, has as its main strategic goal “To generate equitable access and participation in a globally competitive, profitable and sustainable agricultural sector contributing to a better life for all” and is underpinned by three key strategic objectives.

Following on the adoption of the Sector Plan we realised that focussed strategies needed to be implemented in order to transcend the racial divide which existed in the agricultural sector up until 1994, whilst at the same time creating an enabling environment which would stimulate growth, much needed competitiveness and innovation of the primary and secondary agricultural sectors. We had to take into account the challenges of globalisation, the absence of visible participation of women in the sector and the appalling conditions and job threats facing the

agricultural farm and industry workers. We took what we call the “Commodity Approach” which encompassed a thorough interrogation of the backward and forward linkages within the total value chain within and between various commodities.

This work has led us to recognising that more needs to be done to link the agricultural production and processing activities with the input sectors, the manufacturing industry, the consumer interests and environmental concerns. We also realised that whilst progress was being made – albeit slowly – in the development of commodity strategies, we could not leave the action of transformation and deracialisation to chance. In many cases the intended beneficiaries of the deracialisation process such as farm and industry labour were not actively involved in the definition of the desired short, medium and long-term outcomes.

This draft AGRIBEE framework therefore, is intended to assist all the existing and potential future stakeholders and partners in the Agricultural Sector to engage in a meaningful dialogue and course of action that can, in the shortest time possible erase the negative effects of our history of a dual sector and achieve outputs that can contribute to the higher societal ideal of a better life for all. It defines the building blocks for the elimination of skewed participation and inequity in the agricultural sector as a result and consequence of past racially biased policies and programme for the main components of successful agriculture. The AGRIBEE framework is complementary to the other key strategic initiatives of government to bring about growth, equity and employment and to ensure the sustainable management and use of the natural resources.

We have tried to ensure that the framework is written simply and unambiguously in order to assist the many established white farmers and business owners who regularly approach us for guidance on how they can make their contribution to Black Economic Empowerment. It is also intended to assist those of our black citizens who may have lost hope of ever participating in the agricultural sector as a consequence of alienation – with a comprehensive framework for approaching anew the opportunities that exist. It is our hope that this framework will discourage window dressing and rather inspire, clarify and assist in the acceleration of implementation of existing initiatives and of course guide the new ones that we expect to see unfold.

Over the next few months we expect this document to promote engagement between the Department of Agriculture and the various groups, black and white, rich and poor, who are involved or who wish to become involved in agriculture on the commitments that have been included, in order to ensure that our transformation agenda is

unambiguous, comprehensive and reflective of the complexity of the agricultural sector. For its part the Department of Agriculture will establish appropriate capacity to engage, inform and ultimately oversee the implementation of the AGRIBEE. In November this year, I would like to review the comments and inputs we have received and make necessary adjustments to this document in order to take the document to Cabinet for adoption in line with Section 12 of the Broad Based Black Economic Empowerment Act of 2003.

I would like to take this opportunity to thank the departmental team, the reference group and all those individuals who have worked tirelessly to ensure we reach this stage of the process of implementing black economic empowerment in the sector.

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VISION

To pursue Broad-based Black Economic Empowerment in support of a United and Prosperous Agricultural Sector.

PREAMBLE

Noting that:

- It is government's policy to facilitate a comprehensive and structural transformation in the agriculture economy in order to achieve a United and Prosperous Agricultural Sector in partnership with the other stakeholders.
- The Constitution of the Republic of South Africa and its Bill of Rights compel the country to promote the achievement of equality through enactment of legislation and other measures designed to protect and advance persons, or categories of persons previously disadvantaged by unfair discrimination.
- The Strategic Plan for South African Agriculture, assented to by the agricultural sector on the 27th November 2001, has as its strategic objectives to enhance equitable access and participation; improve global competitiveness and profitability and ensure sustainable resources management.
- The Land Reform Programme of Government that has three main sub programmes – Restitution, Redistribution and Tenure – has as a strategic objective the transformation of the South African apartheid land regime to create an enabling environment for political, social and economic empowerment of Historically Disadvantaged Individuals. To this end the Land Reform for Agricultural Development Programme was developed as a specific intervention to support Agriculture.
- The Vision and Code of Conduct on labour relations in agriculture was signed by Organised Agriculture, Labour Unions and Government.
- The following laws of the country are intended to assist socio-economic transformation: -
 - The Broad-based Black Economic Empowerment Act (2003);
 - The Competition Act (No. 89 of 1998 as amended by Act No. 35 of 1999);

- Extension of Security of Tenure Act (No. 62 of 1997);
- The Employment Equity Act (No. 55 of 1998);
- The Skills Development Act (No. 97 Of 1998);
- Restitution of Land Rights Act (No. 22 of 1994)

Recognising that:

- From the turn of the century and under the past apartheid dispensation, race and gender was used to control access to, use of and beneficiation from South Africa's agricultural productive resources;
- Despite all efforts of the democratic government, South African society remains characterised by vast racial and gender inequalities in the distribution of, and access to opportunities, wealth, income, skills and employment;
- Lack of optimum and effective participation by the majority of South Africans in the economy could have a detrimental effect on national security and future stability of the country;
- The Agricultural Sector because of its historical evolution has a critical role to play in the overall socio-economic transformation of the South African society and continues to play a significant role in the South African economy as a contributor to food security, jobs, rural development and exports.
- The rapidly changing global environment requires that greater attention be given to innovation, competitiveness, risks management, knowledge and information management all of which require that the South African Agricultural Sector be proactive in augmenting and expanding the existing human capital pool through investing in people, employment equity, skills development and institutional transformation.

Therefore:

We the undersigned, develop this framework as our sector's deliberate attempt to redress the historical injustices and empower the historically disadvantaged South Africans in the Agricultural Sector. We affirm AgriBEE as a moral, political, social and fundamental economic imperative for our country's collective future.

1. SCOPE OF APPLICATION

AgriBEE applies to the entire value chain in the South African agricultural sector (from farm field to consumer plate), including all economic activities relating to provision of agricultural inputs, services, farming, processing, distribution, logistics and allied activities that add value to agricultural products.

2. DEFINITIONS

For the purposes of this framework document, the following terms apply:

Agriculture refers to all the economic activities associated with the production and processing of agriculture from the provision of farm inputs, farming and value addition.

AgriBEE is a sectoral broad-based black economic empowerment framework intended at a deliberate and systematic support of Black South Africans to actively participate fully in the agricultural sector as owners, managers, professionals, skilled employees and consumers.

The Act is the Broad-based Black Economic Empowerment Act, 2004.

Black people is a generic term that means Africans, Coloureds and Indians.

Broad-based black economic empowerment (equitable access and participation) in agriculture means economic empowerment of all Black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated social or economic strategies, that include, but are not limited to:

- (a) Increasing the number of Black people that manage, own, and control enterprises and productive assets;
- (b) Facilitating ownership and management of enterprises and productive assets by black communities, workers, cooperatives and other collective enterprises;
- (c) Human resource and skills development of Black people;
- (d) Achieving equitable representation in all agricultural professions, occupational categories and levels in the workforce;
- (e) Preferential procurement; and
- (f) Investment in enterprises that are owned or managed by Black people.

BEE enterprises are categories of enterprises with representative levels of participation at, ownership, management or control by Black South Africans, described in the Act.

- (a) A “black enterprise” is one that is 50,1% owned by Black person(s) and where there is substantial management control.
- (b) A “black empowered enterprise” is one that is at least 25,1% owned by Black person(s) and where there is substantial management control.
- (c) A “black woman-owned enterprise” is one with at least 25,1% representation of black women within the black equity and management portion.
- (d) A “community or broad-based enterprise” has an empowerment shareholder who represents a broad base of members such as a local community or where the benefits support a target group, for example black women, people living with disabilities, the youth and workers. Shares are held *via* direct equity, non-profit organisations and or trusts.
- (e) A “cooperative or collective enterprise” is an autonomous association of persons who voluntarily join together to meet their economic, social and cultural needs and aspirations through the formation of a jointly owned and democratically controlled enterprise.
- (f) Ownership refers to economic interests, the authority and power to manage assets, determine policies and direction of the company operations.
- (g) Management refers to executive directors, senior management, middle management and junior management.

CASP means Comprehensive Agriculture Support Programme.

Enterprise is a generic term used to describe an agricultural business and includes farms business and other related services that support agriculture.

Established Industry means those individuals, groups, cooperatives or companies which were in existence prior to 1994 and had a predominantly white management, ownership and control structure.

High potential and unique agricultural land

HDI: [Historically Disadvantaged Individuals] refer to any person, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act 200 of 1993).

Mainstreaming means a process of graduating operators from lower levels of economic activity in agriculture into sustainable economic viability and integrating and recognising these operators in the mainstream economy.

Sector: The agriculture community within the entire value chain of agriculture businesses.

Sector Plan: Strategic Plan for South African Agriculture developed jointly by the Government of the Republic of South Africa, AgriSA (including Agribusiness Chamber) and NAFU, signed on 27 November 2001.

SOE: State-owned enterprise.

Stakeholders is used a broad term to describe participants in the entire agricultural value chain as well as current and potential beneficiaries of AgriBEE.

3. OBJECTIVES

The objectives of AgriBEE are to eliminate racial discrimination in the agricultural sector through implementing initiatives that mainstream Black South Africans in all levels of agricultural activity and enterprises along the entire agricultural value chain by:

- (a) Promoting equitable access and participation of Historically Disadvantaged Individuals in the entire agriculture value chain;
- (b) Deracialising land and enterprise ownership, control, skilled occupations and management of existing and new agricultural enterprises;
- (c) Unlocking the full entrepreneurial skills and potential in the sector of HDIs;
- (d) Facilitating structural changes in agricultural support systems and development initiatives to assist Black South Africans in owning, establishing, participating in and running agricultural enterprises;
- (e) Socially uplifting and restoring dignity of Black South Africans within the sector;
- (f) 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;
- (g) Increasing the extent to which black women, people living with disabilities and youth own and manage existing and new agricultural enterprises, increasing their access to economic activities, infrastructure and skills training;

- (h) Empowering rural and local communities to have access to agricultural economic activities, land, agricultural infrastructure, ownership and skills.

4. COMMITMENTS

All stakeholders commit to the underlying principles of the AGRIBEE Framework and undertake to work to create an enabling environment for the empowerment of HDIs by delivering on the following: -

4.1 AGRICULTURAL LAND

High potential and unique agricultural land is a critical but limited and scarce resource in South Africa. Stakeholders shall work together to ensure that HDIs have ownership, leasehold and or use of high-potential and unique agricultural land.

The Established Industry undertakes to:-

- Contribute to the realisation of country's objective of ensuring that [**30%**] of agricultural land is owned by Black South Africans by the year 2014;
- Contribute to an additional target to make available [**20%**] of own existing high potential and unique agricultural land for lease by Black South Africans by year 2014;
- Make available [**15%**] of existing high potential and unique agricultural land for acquisition or lease by 2010;
- Support legislative and development initiatives intended to secure tenure rights to agricultural land in all areas;
- Make available [**10%**] of own agricultural land to farm workers for their own animal and plant production activities.

Government undertakes to:-

- Contribute through its existing programmes to increasing access and acquisition of agricultural land by Black South Africans;
- Proactively acquiring suitable agricultural land that comes on the market for land redistribution;
- Use agricultural land that reverts to the state through foreclosure of indebted farmers for redistribution;
- Promote the development of a thriving, viable land rental/lease system;
- Promote sustainable management and use of natural resources.

Black South African landowners and users undertake to:-

- Ensure productive and sustainable use of high potential and unique agricultural land.

4.2 HUMAN RESOURCES DEVELOPMENT

Rapid changes in the global environment require that Stakeholders work together to ensure greater attention is given to expanding the existing human capital pool through investing in people, employment equity, skills development and institutional transformation. Commercial viability in agriculture demands sustained productivity and high levels of entrepreneurship, long term commitment, resources and skills. Agriculture in South Africa has a low absorption rate of skilled and trained labour that is inconsistent with its needs. This is evidenced by the huge proportion of agricultural graduates not being able to find employment. High levels of illiteracy in the country are also experienced within farming communities.

The Sector undertakes to:-

- Eliminate by 75% the rate of illiteracy within farming communities by year 2008;
- Eliminate completely the rate of illiteracy within farming communities by year 2010;
- Ensure that all workers in the secondary and tertiary level of the sector are functionally literate and numerate by year 2010;

- Establish training programmes for farm and enterprise workers in appropriate technical and management skills by July 2005.
- Collaborate in ensuring maximum use of resources of the relevant Sector Education and Training Authorities [PAETA, Food and Beverage Sector and SETASA] to achieve the above targets;
- Institute a sector-wide young professionals employment and mentoring programme, which targets 5 000 black unemployed and underemployed graduates per annum for the next 5 years in all disciplines starting in 2005 financial year, mentorship programmes shall be accredited by the relevant SETA or other agreed authority.

The Established Industry undertakes to:-

- Develop by July 2005 a mentorship programme by existing and retired knowledgeable experts and entrepreneurs as one of the mechanisms for transferring skills to new Black entrants. Such a mentorship programme will have clearly defined guidelines and criteria for participation, as well as an effective monitoring system;

Government undertakes to:-

- Promote agriculture as a career and will in 2005 undertake a review of the effective demand for human resources in the agricultural sector ;
- Lead and coordinate a targeted programme in collaboration with education authorities, farmers' organisations 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 by 2006;
- 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.

4.3 EMPLOYMENT EQUITY

In keeping with Employment Equity Act and the Skills Development Act all enterprises in the sector undertake to:

- Progressively achieve a [**30%**] representativity of black people at executive management of each enterprise by year 2006;
- Progressively achieve a [**50%**] representativity of black people at senior management of each enterprise by year 2008;
- Progressively achieve a [**60%**] representativity of black people at middle management of each enterprise by year 2008;

- Progressively achieve a [**70%**] representativity of black people at junior management of each enterprise by year 2008;
- Progressively achieve a [**10%**] representativity of black women at executive management of each enterprise by year 2006;
- Progressively achieve a [**25%**] representativity of black women at senior management of each enterprise by year 2008;
- Progressively achieve a [**30%**] representativity of black women at middle management of each enterprise by year 2008;
- Progressively achieve a [**45%**] representativity of black women at junior management of each enterprise by year 2008.

These targets are geared toward achieving a representative management outlook in all enterprises by year 2014 which in turn will reinforce and consolidate the AGRIBEE outcomes.

4.4 ENTERPRISE OWNERSHIP AND EQUITY

Key to broad based black economic empowerment in agriculture is the ownership of assets and enterprises within the sector. Historically, the interpretation of ownership in agriculture has been understood to be dependant upon ownership of land. This AGRIBEE framework makes a distinction between land and enterprise ownership. Stakeholders in the sector will work towards the development and implementation of a diversity of enterprise ownership models in support of AGRIBEE.

The Established Industry under takes to: -

- Ensure [**35%**] black ownership of existing and new enterprises by 2008;
- Ensure that where investment initiatives are undertaken on the African continent, [**10%**] of the portion of the South African investment is allocated to Black South Africans;
- Enter into joint ventures and partnership arrangements to ensure that [**30%**] of export market opportunities accrue to black owned enterprises by 2007;
- Ensure [**10%**] farm worker ownership of farm level enterprises by 2008.

4.5 PROCUREMENT AND CONTRACTS

The success of the commitments in this AGRIBEE framework is also influenced by the procurement and contractual behaviour of the retail, tourism, distribution and consumer sectors. In keeping with the spirit of this framework document all enterprises in the sector undertake to:

- Implement targeted procurement strategies and policies to realise BEE. The target will be [**50%**] of the total value of all procurement from BEE companies by 2010 and [**70%**] by 2014;
- Report annually on all BEE procurement spend;
- Progressively provide, where possible, Black South Africans and local SMEs a [**50%**] preferred supplier status including the supply of services and goods over a five-year period;
- Contractual agreements will be based on immediate (monthly) payments for work rendered by black companies to allow the smooth running of operations and maintenance of quality results by end of October 2005.

4.6 AGRICULTURAL SUPPORT SERVICES

Support services such as access to finance, infrastructure, information and knowledge systems, are core pillars of sustainable empowerment initiatives. The Stakeholders recognise the fact that transformation challenges to overcome the history of dualism still exist in the agricultural sector.

The Established Industry undertakes to:-

- Engage the Financial Sector in order to ensure that through its Financial Charter opportunities for Black Economic Empowerment in the agricultural sector are realised;
- Ensure meaningful access to and use of infrastructure, assets and support services capacity that accumulated to them as a result of past apartheid policies to black enterprises in the sector by 2007;
- Comprehensively apply existing BEE principles and available opportunities to provide support services for the realisation of AGRIBEE.

Government undertakes to:-

- Ensure the creation of an enabling environment to support agriculture;
- Continue with the implementation of the Comprehensive Agricultural Support Programme.

Black people in the sector undertake to:-

- Proactively participate in the processes that define the need for agricultural support services and the subsequent design in the delivery of those.

5. MONITORING, EVALUATION AND REPORTING

Monitoring of broad based BEE and codes of good practise is determined in the Broad Based Black Economic Empowerment Act of 2003.

- Each institution within the sector undertakes to fully disclose and report [within its annual report], progress towards achieving the commitments. The first such annual report will be for the 2005 financial year.
- Specific areas of reporting shall include the following: - % high potential and unique agricultural land disposal and transfer to HDIs; Human Resource Development Programmes in place; Employment Equity and Representativity targets achieved; BEE procurement spend; Agricultural Support Services initiatives.
- A scorecard will be developed as an integral part of the AGRIBEE framework.

SIGNATORIES

[Comprehensive list to be finalised at the end of the consultative process]