



**SOUTH AFRICAN  
AGRICULTURAL PROCESSORS ASSOCIATION**

Registration No. 2005/011182/08

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**ANNUAL REPORT BY MR NDABA NTSELE, CHAIRPERSON OF THE  
SOUTH AFRICAN AGRICULTURAL PROCESSORS ASSOCIATION**

**8 APRIL 2010**

**1. Introduction**

March 2010 marked the fifth anniversary of the South African Agricultural Processors Association (SAAPA). We wish to thank all our members for their loyal support over the past five years.

**2. Board of Directors**

The current board members of SAAPA are Ms Bongie Njobe, Messrs Ndaba Ntsele (Chairperson), Nico Kruger (Vice-Chairperson), Len Hansen, Bonga Mavume, Ray Stout, Bert Weenink, with Jannie de Villiers as Executive Director. Ms Naidoo and Mr Manyi resigned as members of the Board following their departure from Pioneer Foods and Tiger Brands, respectively. Mr Zwane's membership of the Board was terminated following the resignation by Premier Foods of its membership of SAAPA.

**3. Membership**

SAAPA recently lost Premier Foods as well as Pioneer Foods as members. This coincided with their resignation from both the National Chamber of Milling as well as the South African Chamber of Baking. The current membership of SAAPA consists of the following companies/associations:

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**Directors:** N A Ntsele (Chairman) G P N Kruger (Vice-Chairman)  
L W Hansen D B Mavume B N Njobe R J Stout  
A J Weenink  
**Executive Director:** J F de Villiers

Anchor Yeast	Astral Foods
Foodcorp	McCain Foods
National Chamber of Milling (Maize and Wheat)	
Rainbow Farms	Red Meat Industry Forum
SA Breweries	Tiger Brands
Tongaat Hulett	

#### 4. Finances

The income during the 2009 financial year for membership fees was **R1,646,539**. Expenses were realised at **R1,480,465**. The total income for the 2009 financial year was **R1,728,156** which includes services rendered to non-members. This has left us with a small surplus of **R247,692**.

#### 5. Activities

During 2009 SAAPA continued to provide support to members in the areas of international trade and government policy engagements. Some of the activities which SAAPA were involved with are –

##### 5.1. *International Trade*

##### 5.1.1 **WTO Dispute: Brazil and Canada against the United States of America on Agricultural Subsidies**

South Africa participated in this dispute as a Third Party. This was the first time since the establishment of the World Trade Organisation in 1995. SAAPA was tasked to manage the process involving all relevant stakeholders, which allowed for the drafting of South Africa's Third Party submission. The Consultation Group responsible for the drafting of the submission concluded their proceedings in June 2009 after finalising the draft submission. By then it was evident that Brazil and Canada were not proceeding with the case. As a Third Party it was not an option for South Africa to push for the continuation of the case. Technically, the case is still pending and could be re-activated by either Brazil or Canada. South Africa should then be in a position to present the panel with its submission. A final report of the process, spanning over a period of 2 years, was presented by Lambert Botha (SAAPA) and Hilton Zunckel (Trade Law Chambers) to the Maize Trust as co-sponsor of the project together with the Hewlett Foundation.

### **5.1.2 Co-hosting a Workshop on Sanitary and Phyto-sanitary (SPS) Measures**

In November 2009 SAAPA, together with Trade Law Chambers, hosted a workshop for Government officials and members of the Agricultural Trade Forum on the WTO regulation of SPS measures. The workshop was funded by the Hewlett Foundation. Financial support was also received from the Department of Agriculture, Forestry and Fisheries (DAFF). A law firm based in Geneva and specialising in international trade law was invited to share their expertise in the area of SPS trade dispute resolution with participants. More than 30 participants attended the workshop with at least 14 coming from the Plant and Animal Health Division of DAFF. Case studies on SPS measures currently causing problems for certain agricultural sectors (i.e. table grapes and citrus fruit) were presented by relevant industry representatives. It was a valuable opportunity to assist Government and industry in building capacity in this very important area affecting market access for agricultural products.

Another outcome of these exercises was that the Department of Agriculture, Forestry and Fisheries has nominated Mr Lambert Botha as a potential candidate for WTO settlements.

### **5.1.3 Attending the 7<sup>th</sup> WTO Ministerial Meeting**

SAAPA (Mr Lambert Botha) was nominated by Business Unity South Africa (BUSA) to represent its members (both agricultural and non-agricultural businesses) as part of the Government delegation to the 7<sup>th</sup> WTO Ministerial Meeting in Geneva in December 2009. In its follow-up report to BUSA, SAAPA has submitted certain proposals which will allow for more effective participation by BUSA in future WTO meetings. These proposals will form part of internal discussions within BUSA.

### **5.1.4 Participation in the 47<sup>th</sup> Agricultural Economics Association of South Africa (AEASA) Conference**

At the request of one of its members, SAAPA made a presentation at the 47<sup>th</sup> AEASA Conference on the legality of certain export restrictions imposed by Namibia. SAAPA is currently assisting the member in discussions with the South African Government in an attempt to resolve the matter.

### **5.1.5 Participation in public forums dealing with aspects of international trade**

SAAPA continues to participate and represent its members on the Agricultural Trade Forum as well as within BUSA and Nedlac. SAAPA was nominated to assist the Trade Policy Committee of BUSA in the area of international trade regulation and climate change. It was also requested within the Nedlac Trade Committee (Teselico) to co-ordinate inputs for the SACU-India Preferential Trade Agreement on behalf of South Africa's agricultural sector.

The University of Pretoria annually invites the Executive Director as a guest lecturer for post graduate students on matters of international trade.

### **5.1.6 Tariff related support**

Members approached SAAPA to assist them with various matters related to import duties. Currently SAAPA is dealing with the South African Revenue Service in a tariff classification matter on behalf of a member. Several tariff amendment applications have been prepared by SAAPA in consultation with a member for submission to the International Trade Administration Commission. Assistance is also being provided with respect to a particular rebate provision which will allow a certain member to import raw material without paying the hefty import duty of 20% ad valorem. General enquiries from members related to customs duties are attended to on a regular basis.

### **5.1.7 Support provided with respect to SPS related matters**

As market access barriers in the form of tariffs are eroded through multilateral and bilateral trade agreements, barriers in the form of SPS measures increasingly become an issue for importers and exporters. SAAPA is called upon to assist in raising and resolving these matters with relevant officials within Government.

A legal opinion was requested from SAAPA regarding the lawfulness under WTO law of certain practices related to the treatment of pest risk analyses followed by a particular trading partner of South Africa. Indications are that SAAPA may be requested to provide further assistance should this matter evolve into a formal trade dispute.

SAAPA is in the process of assisting a particular member in facilitating access to South Africa of grandparent poultry stock from Brazil.

### 5.1.8 Support provided with respect to other market access matters

SAAPA is assisting members in all matters related to market access barriers, whether on imports into the South African market or exports into other markets.

Currently SAAPA is providing support to (i) a member regarding export restrictions imposed by Namibia on the export of live stock to South Africa (ii) members with an interest in wheat flour regarding the abuse of the wheat flour rebate by certain of our SACU partners; (iii) members with an interest in wheat flour in a matter related to the closure by Swaziland of its border to imports of wheat flour from South Africa; (iv) and a member with an export interest into Egypt with identifying and reducing newly introduced importation charges.

## 5.2. Government Engagements on policies and related matters

### 5.2.1 Food security

The NAMC finally completed the transport cost study in agriculture and a workshop in this regard will be organised. Government's lack of response on the continuing deterioration of the country's infrastructure as well as *Transnet Freight Rail's* poor service delivery still remain Food Security concerns. We specifically raised these issues with the Minister of Public Enterprises, Ms Barbara Hogan, at a meeting organized by BUSA. It was clear from the Minister's response that Government is aware of Food Security imperatives and the inherent shift from rail to road. She indicated that *Transnet Freight Rail* was instructed to make redressing the situation its number one mandate. The impact of infrastructure on Food Security was also brought to the attention of Minister Rod Davies of **the dti** as well as Chairperson of the Portfolio Committee on Agriculture, Mr Mlungisi Johnson. We will continue calling for government spending on infrastructure investment and remain hopeful that our government eventually comes to the fore.

Through the assistance of one of our Board members, Mr Bonga Mavume, our contact with the Chairperson of the Portfolio Committee has already bore some fruit. Requests for more information regarding matters on food security have been addressed.

### 5.2.2 Agricultural Sector Plan Review

Change in the administrative leadership posed huge challenges on the progress of most projects that had already gained momentum. One of the areas where we were actively involved in was the *Agricultural Sector Plan Review* process, which was already at a stage of implementing the recommendations. The process has become stagnant since the new administration took office and the department has not been able to

clarify its status. This is indeed one issue we intend taking up with the Minister should that opportunity arise. It would be sad seeing such a wealth of ground work done in this process being abandoned only to the detriment of the entire sector. We are hopeful that projects that were already underway would be invoked once the administrative shuffling or overhauling process is complete.

### **5.2.3 Electricity**

One aspect that continues to threaten the country's Food Security status is the ever-increasing *electricity tariffs*. As you are aware, the National Energy Regulator has approved a multi-year electricity tariff increase of 24.8% this year, 25.8% in 2011 and 25.9% in 2012. This is lower than the power utility's request for an increase of 35% per annum over the next three years. We have forwarded our objection to Eskom's tariff increase application to NERSA. Our position is that the annual tariff increase not only would exacerbate production costs but would also fuel food inflation to the detriment of the poor and economy at large.

### **5.2.4 Water availability and quality**

Another topical issue of great concern especially in the food processing fraternity is the water quality and quantity. The importance of water quality and quantity available for agricultural production and food processing cannot be over-emphasized. Members would recall that a decision was made previously to address this issue at industry level. There was also a proposal to establish a Food Security and Water Quality Chair based either at the CSIR or university institution for further studies in this regard.

### **5.2.5 Trade policy and strategy framework**

The one area likely to show some activity is the finalisation of the SA Trade Policy and Strategy Framework document. The DTI has released the document for stakeholder comments and it has been reported that Cabinet approved the NEDLAC process in this regard. It is a pleasure to highlight that the draft document indeed incorporated the principles of the *Agricultural Tariff Policy* developed under the leadership of the Department of Agriculture, Forestry and Fisheries. We have forwarded our comments through BUSA some of which comments were subsequently presented as part of BUSA's presentation at NEDLAC Teselico and before the Portfolio Committee on Trade and Industry.

### 5.2.6 AgriBEE

The appointed **AgriBEE** Charter Council has assumed its duties and already convened at least two/three meetings so far. Mr Hamish McBain is still the industry's representative in the Council. There are reports that some of the Council members were not involved in the process from the onset and bringing them up to speed is likely to retard progress.

### 5.2.7 Competition Law

Some of our members are being investigated for anti-competitive behaviour. I can only but call on the leaders in the industry to co-operate with the Competition Commission in the process to clean up our act.

### 5.3. *Engagement with the media*

One area that relatively calmed down compared to the previous year is the **media coverage**. This is probably due to the fact that food price crisis does not flood the media circle as was the case then. Incidentally, Stats SA reported that food inflation fell below the lower limit of the SA Reserve Bank's target inflation bracket. Inflation on food and non alcoholic beverages slowed down to 2.4% year-on-year (i.e January 2009 to January 2010). For obvious reasons, we heard very little of such intriguing news covered in the media. Jannie continues to play a significant liaison role and participates in various forums. His efforts are, as always, applauded in this regard. It takes a very strong courage and a well-anchored tenacity to ensure proper industry guidance under the current institutional challenges caused by the country's regulatory framework.

## 6. Conclusion

We can expect to see this year (2010) the ratification and implementation of the SACU-Mercosur Agreement. Negotiations with India on the conclusion of a preferential trade agreement should as a minimum result in the finalisation of offers for mutual concessions on market access. A '*stock-taking*' session is planned for the WTO in March 2010 to assess the progress (or lack thereof) that has been made in the Doha Round of Multilateral Negotiations. It should not come as a surprise if the Round is only concluded in 2011 after the mid-term elections in the United States later this year. The strength of the cohesive forces within SACU will further be tested during the ongoing negotiations with the European Union on the conclusion of an Economic Partnership Agreement. All this makes for, what promises to be, another eventful year in the area of international trade regulation.

SAAPA will continue to engage in a constructive manner with all stakeholders involved to promote the interest of its members and to avail capacity where required.

**NDABA NTSELE**

Chairperson

23 March 2010