



Transformation digest

Issue No.: 06

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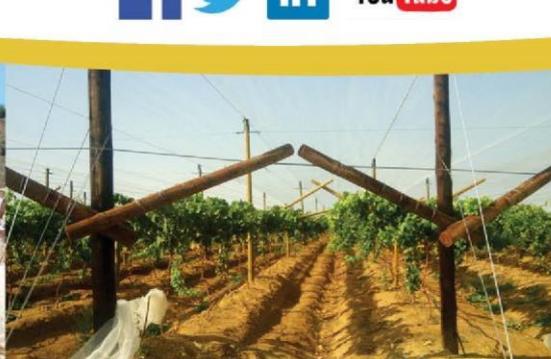
1. Transformation within the poultry industry
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National Agricultural
Marketing Council

Promoting market access for South African agriculture

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AGRI-TRANSFORMATION DIGEST

Agri-Transformation Digest is a monthly report that is produced by the National Agricultural Marketing Council through the Agricultural Industry Trusts Division. The publication aims to communicate transformation developments as they happen around the agricultural industries. The focus of this issue is on transformation in the South African poultry industry and wine industry, and health awareness benefits of avocado consumption as a promotion strategy for local market access. The division has three digests, which cover Food Agriculture Natural Resource Policy Networks (FANRPAN), Agricultural Transformation, and Agricultural Industry Trusts. Agri-Transformation Digest reports on the monthly key developments coming from the transformation activities of different Industries and Trusts.

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1. THE GOOD AND THE BAD: TRANSFORMATION IN THE POULTRY INDUSTRY

By Matsobane (BM) Mpyana

1.1. Introduction

The South African Poultry Association is a producer organisation established in 1904, with a vision to create a viable and sustainable industry contributing to economic growth and development, employment and food security. The South African poultry industry is one of the largest sectors, contributing more than 15% to GDP and employing over 108 000 (direct and indirect) people throughout the value chain, based on the successful producers adhering to environmental and ethical production norms and generating sustainable profits.

Given the size of the industry and the challenges faced, the success of the industry in achieving its vision seems impossible, unless the government puts measures in place to deal with these challenges and plays a critical role in the promotion of local produce. Given the high imports of broiler meat from countries such as Brazil, it is evident that South Africa is still unable to produce sufficient quantities of broiler meat to meet consumer demand.

1.2. Threats and challenges

The challenges faced in the South African poultry sector hinder its competitiveness and growth potential. These challenges include rising feed costs, disease outbreaks, import penetration, rising electricity tariffs and access to reliable supply, exchange rate fluctuations and access to finance and markets. The competitiveness of the poultry sector depends on the coordination of production, investment through the various levels of the value chain, economies of scale and the ability to acquire the key raw materials at a reasonable price.

The government could look at ways to increase the production of maize and soybeans, as feed for poultry production.

1.3. Transformation in the poultry sector

The South African Poultry Association has been in existence for many years. The association previously administered statutory levies; however, due to unknown reasons, the association decided to opt for voluntary levies. It seems like the move exacerbated the challenges of the sector. The industry had a surplus levy of approximately R7 million, channelled to support black-owned poultry producers to at least be able to compete and participate in the formal market, and remain profitable and sustainable.

It can be argued that to date, the sector has made a meaningful contribution to the development of black poultry farmers in South Africa. The government is hungry for a success story in this industry. Should the poultry sector be protected by the SA government from cheap imports from the likes of Brazil, the situation may change and perhaps a success story in this industry will emerge, but this will require sufficient support from the government and poultry sector partners to advance the sector and allow it to claim its spot as one of the sectors to achieve government priority areas such as food security and employment creation.

2. TRANSFORMATION WITHIN THE WINE INDUSTRY

By Elekanyani Nekhavhambe

2.1. Introduction

The National Agricultural Marketing Council (NAMC) Transformation Review Committee (TRC) conducted site visits on 3 and 4 December 2018 at the transformation companies of the wine industry¹. The visits were arranged by the Transformation Unit (TU) of the wine industry. The main purpose of the visits was to gain insight into the project's interventions and obtain information on the impact of the support.

¹ The visited enterprises are located within the Western Cape Province

2.2. Approach to transformation in the wine industry

It is noteworthy that the transformation approaches of different agricultural industries differ significantly. With that said, enterprise development in the wine industry is unique and encompasses the wine brands and the development of vineyards on the farms. A report by Vinpro indicated that 24 of the 59 existing wine brands and five of the 54 vineyard farms had been supported to date.

Enterprise development activities: A report by Vinpro to the NAMC in 2018 indicated that from 2014 to 2017 approximately R37.9 million had been spent on enterprise development, as a central pillar of transformation. The latter component of transformation encompasses the following activities:

- Assisting black wine entrepreneurs with market access linkages, i.e. marketing reimbursement for black-owned brands;
- Assisting primary production for black-owned wine farms; and
- Supporting black-owned wine brands to access international offices for market access.

Since 2014, priority expenditure has been given to market access linkages for the black-owned brands and the promotion of black-owned brands by creating accessibility of finance and credit guarantee through Treasure Chest. Other transformation activities in the wine industry cover the support of skills and socio-economic development, as well as the support of employment equity and preferential procurement.

2.3. A snapshot of the wine industry companies visited

The work that the TU is doing towards the transformation of black-owned wine companies is commendable. Table 1 below presents certain companies that were the beneficiaries of the industry transformation funds.

Most of these companies have been in existence for a long time and are accredited with level 1 B-BBEE status. Regardless of the similar challenges they are facing,

most of them strive towards international market participation.

Table 1: Certain black-owned wine industry companies

	Trading since	B-BBEE status
Thokhozani	2007	Level 2
Bayede	2008	Level 2
Cape Dreams	2005	Level 2
Koni	2015	Level 1
Lathitha	2008	Level 1
Libby's Pride	2006	Level 1
Sesfikile	2008	Level 1
The Bridge of Hope	2005	Level 1
Thembi Wine	2009	Level 1
Women in Wine	2005	Level 1
J9 Wines	2017	Level 1
Seven Sisters	2008	Level 1
Land of Hope	2007	-
PaardenKloof (Ecology)	2001	Level 1
Dorance Wines	2003	Level 1
Ntsiki Biyela Wines (Pty) Ltd	2014	Level 1
La Ricmal Wines	2008	Level 1

Source: Vinpro report (2018)

It is commendable that the industry continues to support these projects, despite the various challenges impeding them. However, more work needs to be done for the recognition of black-owned brands on the market in order for them to compete with the already known brands. Many of the participants pointed out that competition in the markets it is too tight.

2.4. Conclusion

The industry's support of black-owned brands is crucial in transforming that node of the value chain. The brands in the industry are facing many challenges. It is the NAMC's opinion that key interventions to be considered by the TU include supporting at least one or two wine cellars that will supply wines to the brands.

3. HEALTH AWARENESS BENEFITS OF AVOCADO CONSUMPTION AS PROMOTION STRATEGY FOR LOCAL MARKET ACCESS

By Elekanyani Nekhavhambe

3.1. Introduction

On 7 November 2018, the NAMC attended a marketing symposium of the South African Subtropical Growers' Association (Subtrop), which is a representative body for the affairs of the South African Avocado Growers' Association (SAAGA), South African Litchi Growers' Association (SALGA) and South African Mango Growers' Association (SAMGA). Some of the interesting topics included "*The Perception of South African Nutrition Professionals of Avocados*". This article presents a snapshot of the lessons learned about growing South Africa's avocado consumption.

3.2. What can we say about avocados?

A lot can be said about the avocado, in particular, its nutritional components that need to be known by all. Health awareness and consumer education on the product cannot be undermined. People from both rural villages and urban areas delight in avocados for their morning meals. Avocados are used as a complementary food to traditional bread and *vetkoek* (*magwinya*). Avocados play a significant part in rural and urban foods and have high nutritional value in that they are high in energy and monounsaturated fats. Avocados are also free from cholesterol (0mg cholesterol per 100g), are a source of fibre (5.3g fibre per 100g) and virtually free from sodium.



Figure 1: A photo of avocado on bread

The health benefits of avocados cannot be limited to the ones mentioned. It is also important to note that people consume avocados with a different expectation, e.g. as a substitute for fatty products such as margarine.

3.3. Avocado market access point

Avocados can be purchased at formal markets such as Shoprite, Spar and Pick n Pay supermarkets, and informal markets such as street vendors, or both. It is the NAMC's opinion that consumers need to be aware of the health benefits of avocados, which will create market access for our local farmers. However, given the different income levels of consumers, some find avocados expensive.

3.4. Conclusion

The avocado is a complementary product to most local foods such as bread, *magwinya* and scrambled eggs, and in salads. However, little is still known about how many smallholder avocado farmers there are and their contribution to this industry.

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