



**Potatoes South Africa and Free
State Agriculture AgriBEE and
Transformation Symposium**

1,2, ..., 7 Land and Equity

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15 September 2009

Overview

Background

- Why agriculture?
- Who are the stakeholders?

The current position

What is understood under empowerment

Planning for success

Moving to land transactions

Putting to practice

What next?

What is new?

Africa: Agriculture Way to Go, Continent Told

East African Business Week, 23 August 2009

Africa: Trade Carbon for Food Security

allAfrica.com, 24 August 2009

Nigerian Economic Change Accelerates on Agriculture

Bloomberg, 31 August 2009

African farmers' unions win US\$6m

Africa News, 12 August 2009

Food Prices Are Still Rising

Daily News, 31 August 2009

Three Largest Fresh Produce Markets have combined turnover of R5 billion

Farmers Weekly, 3 July 2009

Changing climate patterns a challenge to agriculture

Zimbabwe Telegraph, 3 September 2009

Treat Food Security as National Security

Chronicle, 2 September 2009

Why Agriculture?

Agricultural enterprise

- “Producer”/ “Farmer” produces food and raw materials
- Business produces goods and services for a profit
- Why profit?
 - Increase wealth
 - Meet basic needs
 - Reinvest in community
- Businesses do not operate in an economic or socio-political vacuum
- Our success is dependent on the physical *and* economic *and* socio-political climate

Reinvest

- Attitude of care to land, animals and plants must be extended towards the economic and political environment

Who are the stakeholders

Where do I farm?

Political transformation

- Important shift in political balance of power
- New administration in place

Economic transformation

- Government with mandate to establish a “better life for all”
- 30% land reform target

What does it mean?

- Access to economic opportunities

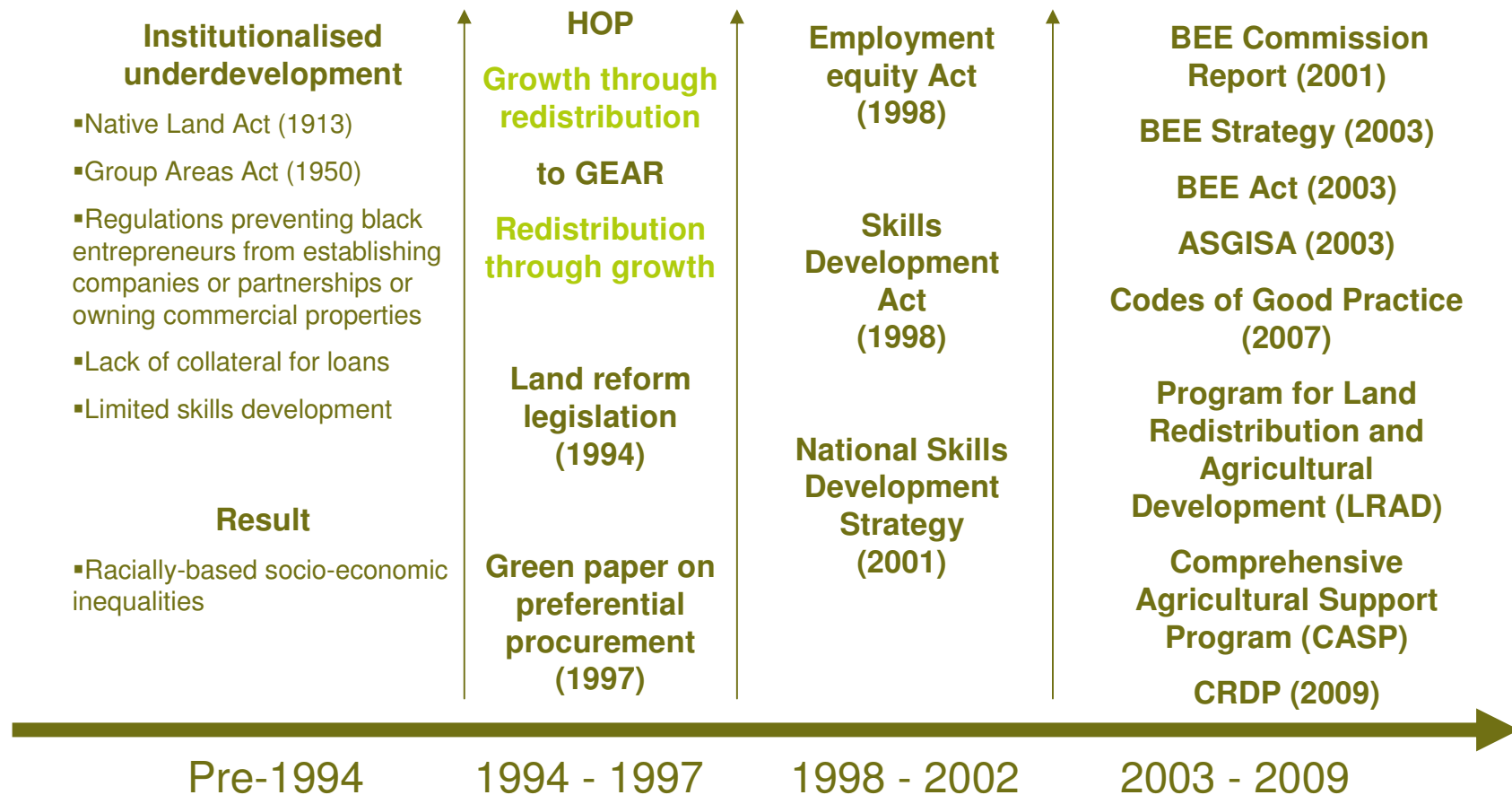
How is it done in South Africa?

- The process of economic transformation and philosophy of empowerment is formalised in legislation and policy relating to **Broad-Based** Black Economic Empowerment (BEE)
- Balanced scorecard
- BEE elements are aimed at *empowering* black South Africans to participate in the economy



Who are the stakeholders

The road to here



Who are the stakeholders

Environmental sustainability

“The scientific evidence for a rise in global temperature over the past century is unequivocal”

Dept. Environmental Affairs and
Tourism, *Long Term Mitigation Scenarios*

A 2 – 3 °C rise in temperature can slow down global economic output with 3% per annum.

The Stern Review on the Economics of Climate Change

“To avoid the risk of dangerous climate change, climate scientists predicted that global greenhouse gas emissions need to peak within the next fifteen years, and be halved relative to 1990 levels by 2050.”

Risk, Responsibility & Opportunity: The CEO's guide to climate action
PricewaterhouseCoopers

Socio economic sustainability

Economic stability and growth

The socio-economic imbalance is seen as the biggest challenge for the stability of democracy in SA

Legislation and policy

Licensing criteria

Water rights

Procurement

Consumerism

Discovery channel

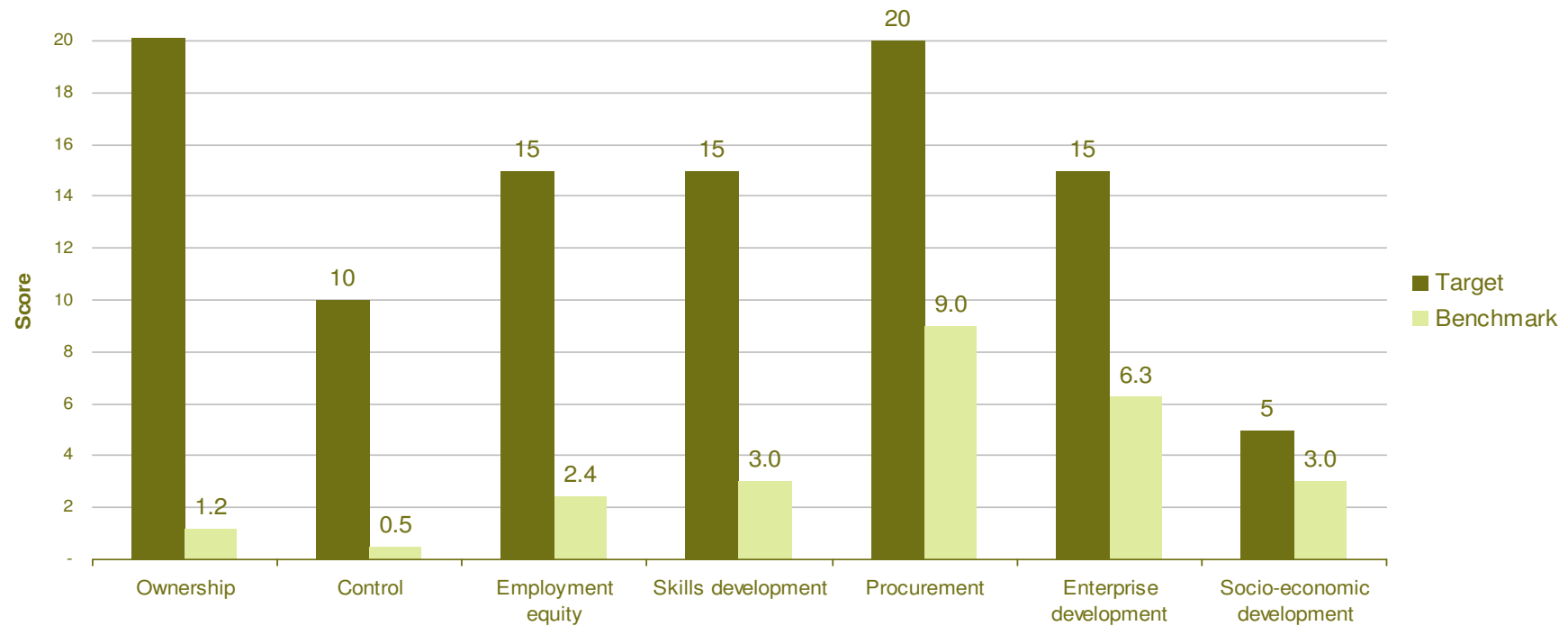
Fairtrade

The current position

Current level of BEE Compliance

Average indicative score per element at beginning of the BEE process - 25.3*

Benchmarking Black Economic Empowerment*



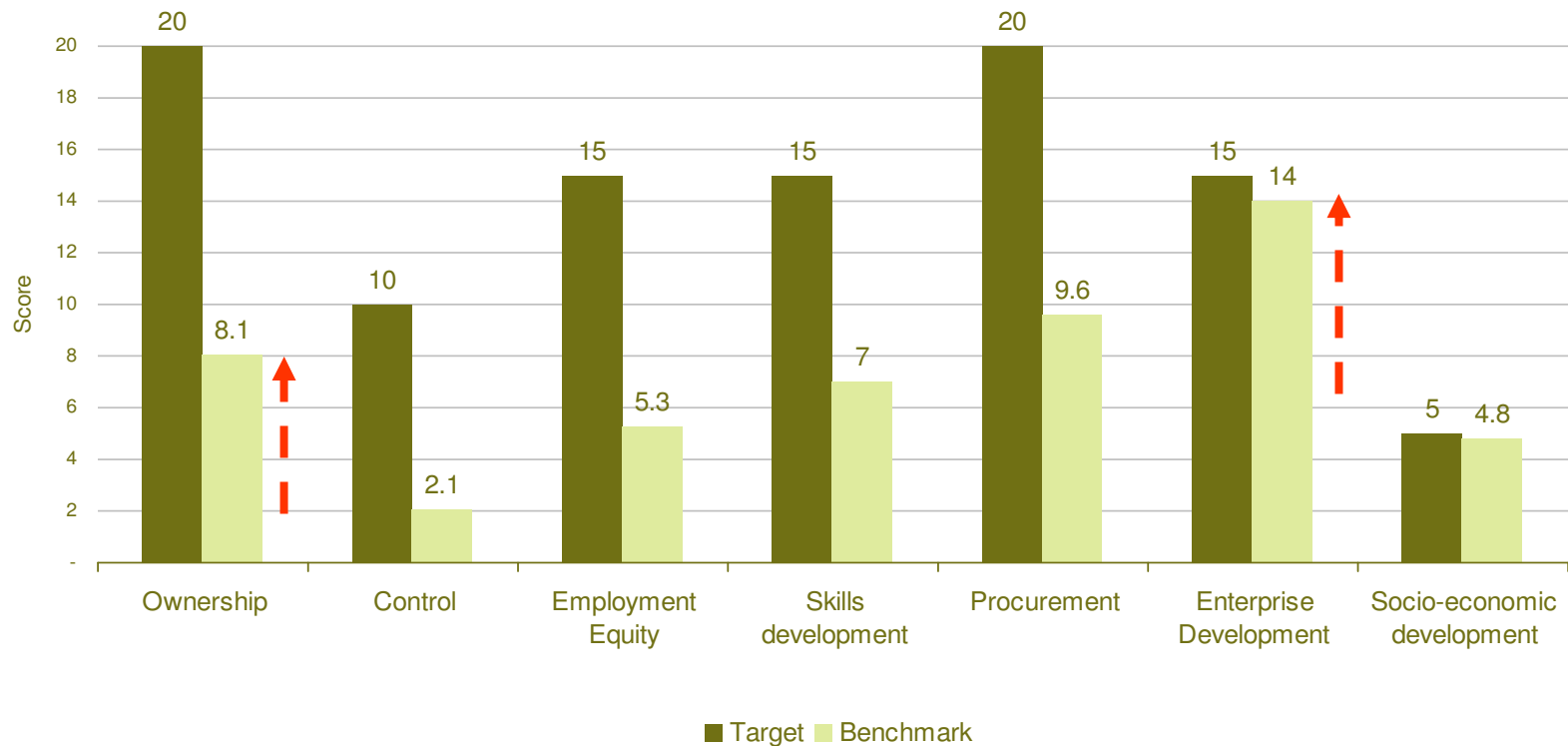
*Benchmark: 23 Enterprises in the Agricultural Value Chain; Information gathered from 2007 to 2009

The current position

Potential level of BEE Compliance

Average indicative score after proposed initiatives have been implemented – 51.08*

Benchmarking Black Economic Empowerment*



*Benchmark: 23 Enterprises in the Agricultural Value Chain; Information gathered from 2007 to 2009

The current position

Status of Land Reform

Total Land Transfers Under S.A. Land Reform Programmes 1994 - 2009

Programme Hectares	Ha redistributed 2006	Ha redistributed 2009	Target 2014
Redistribution	1,477,956	3 200 000	21 400 000
Restitution (land claims)	1,007,247	2 300 000	3 200 000
State land disposal	761,524	?	?
Tenure reform	126,519	?	?
Total	3,373,246	5 500 000	24 600 000

*Source: Land reform in South Africa: Progress to date – Edward Lahiff
cbourguignon@worldbank.org, Rural development Strategic Plan, 2009/2010*

The current position

Status of Land Redistribution

Incremental approach for 30% target: 2008/2014:

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	Total
Estimated ha per annum	1.500 mil	2.800 mil	3.800 mil	4.411 mil	4.600 mil	4.300 mil	21.411 mil*
Average price per ha	R3 294	R3 617	R3 971	R4 360	R 4 788	R5 257	
Total estimated funding required	R4.941b	R10.128b	R15.090b	R19.231b	R22.025b	R22.606b	R94.021b
Current baseline	R2.616b	R3.308b	R3.789b	R4.016b	R 4.257	R 4.512	R22.498b
Shortfall	R2.325b	R6.820b	R11.301b	R15.215b	R17.768b	R18.094b	R71.523b

Source: Rural development Strategic Plan, 2009/2010

What is understood under empowerment?

What do I
need to
participate
effectively in
the economy

What should be the
order of events?

Basic needs are met

Focus of socio-economic development

Product or service to sell

Focus of enterprise development and
skills development

Access to quality jobs

Focus of skills development and employment
equity

Market for product or service

Focus of preferential procurement

Control and decision making i.r.o.
economic resources

- Focus of ownership and control
- Can only be successful and sustainable if
above elements are addressed effectively

Laying the right foundations

Strategic planning

- Determining appetite
- Understanding the process

Implementation

- Working within strategy
- Continuous monitoring
- Equity or Enterprise Development

Staying informed

- Transparent communication
- Identifying “bottle necks”

Verification/realignment

- “Are we still on track?”



BEE Scorecard and AgriBEE Scorecard

Element	Target	Generic Codes	AgriBEE Charter
Ownership	25%+1	20	-
Land ownership or General ownership	30% commercial land sold or 25%+1	-	20
Management control	50%	10	10
Employment equity	60% - 80% management	15	10
Skills development	3% salaries/wages, 5% learnerships	15	20
Preferential procurement	All purchases: 70% EME/QSE's: 15% 50% black owned: 20%	20	20
Enterprise development	3% NPAT	15	10
Socio-economic	1% NPAT	5	10

What options are available

Sale of land to new unrelated entity

- No further involvement
- Disinvestment for agriculture

Sale of land and joint operation

- Land sold to new entity (100% or less)
- Operated jointly through:
 - Profit sharing
 - Operational agreement
 - Joint ownership in operations
 - Leasing back land at market related rate

Enterprise
development

Selling equity

- Accommodate new shareholders in enterprise
- Joint operation and decision making
- Internal focus (employees) or investor

Equity

Sources of funding

- Commercial finance institutions
- Venture capitalists/agribusinesses
- IDC, Landbank
- International donor funds
 - Grants
 - Strategic investments
- LRAD, CASP (grant funding)

What questions should be asked?

1 What would my continued level of involvement be?

Mentorship, new partners, joint operation and decision making?

2 Do I have all the information?

How will the project I am considering impact my business and empowerment status?

3 What structure will I be able to operate within?

What would be practical?
What would be sustainable?
Would this work for **me**?

4 Would finance be available?

Considering the available options
Does the cash flows make sense?
Will expectations be met?

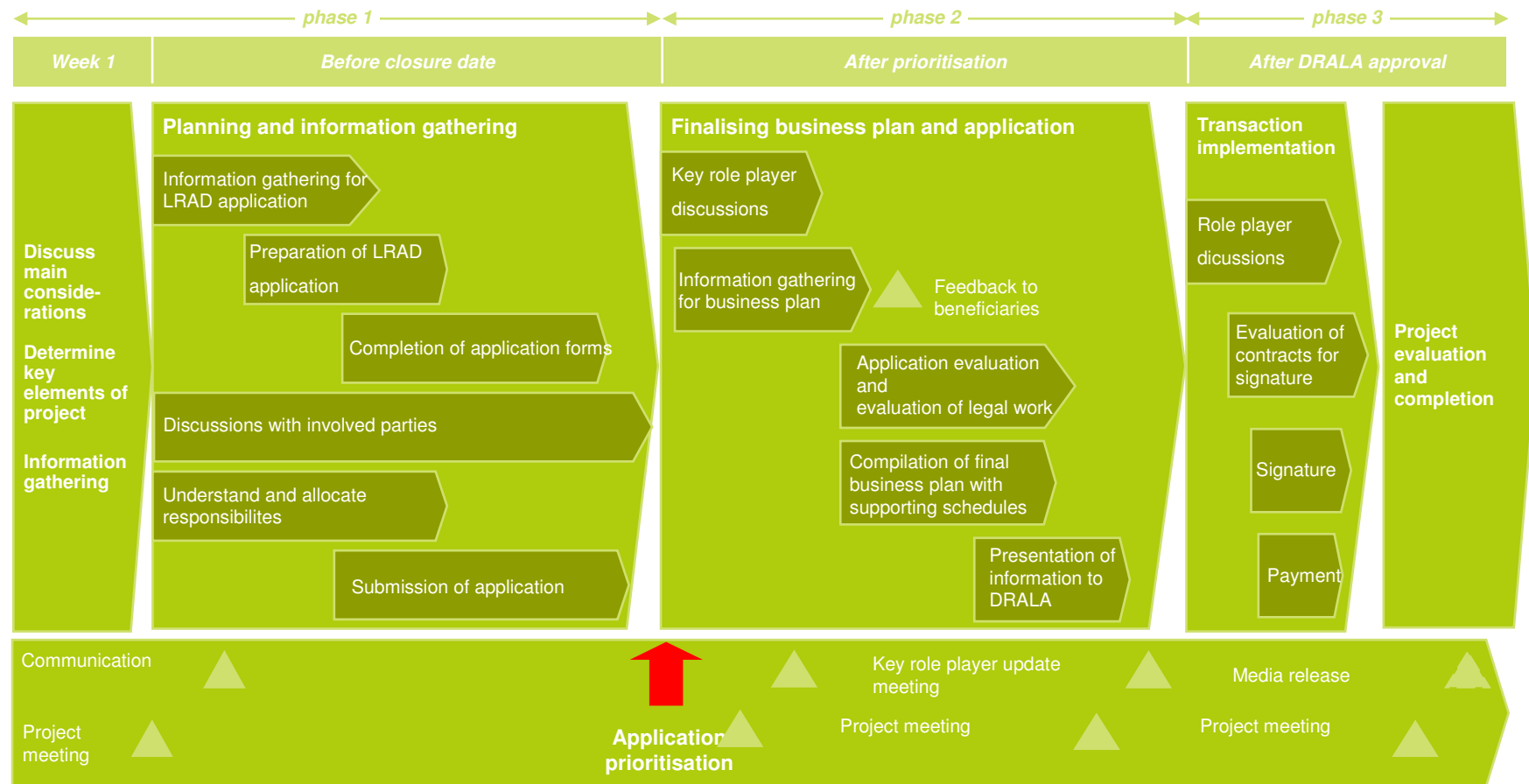
5 Are we ready?

Am I, my family and the persons I wish to empower ready for the process?

Moving to land transactions

The LRAD process

Timeline



Key success factors

- **Planning**
 - Structure
 - Governance, risk & compliance
 - Tax
 - Operational
 - Return on investment
 - Number of beneficiaries
 - Management control
 - Risk sharing
- **Communication** (internal & external)
- **Documentation**
 - Accuracy of projections
 - Aligned to business objectives
- **Project management**

Constraints

Government

Uncertainty, Lack of funding, Political agenda's

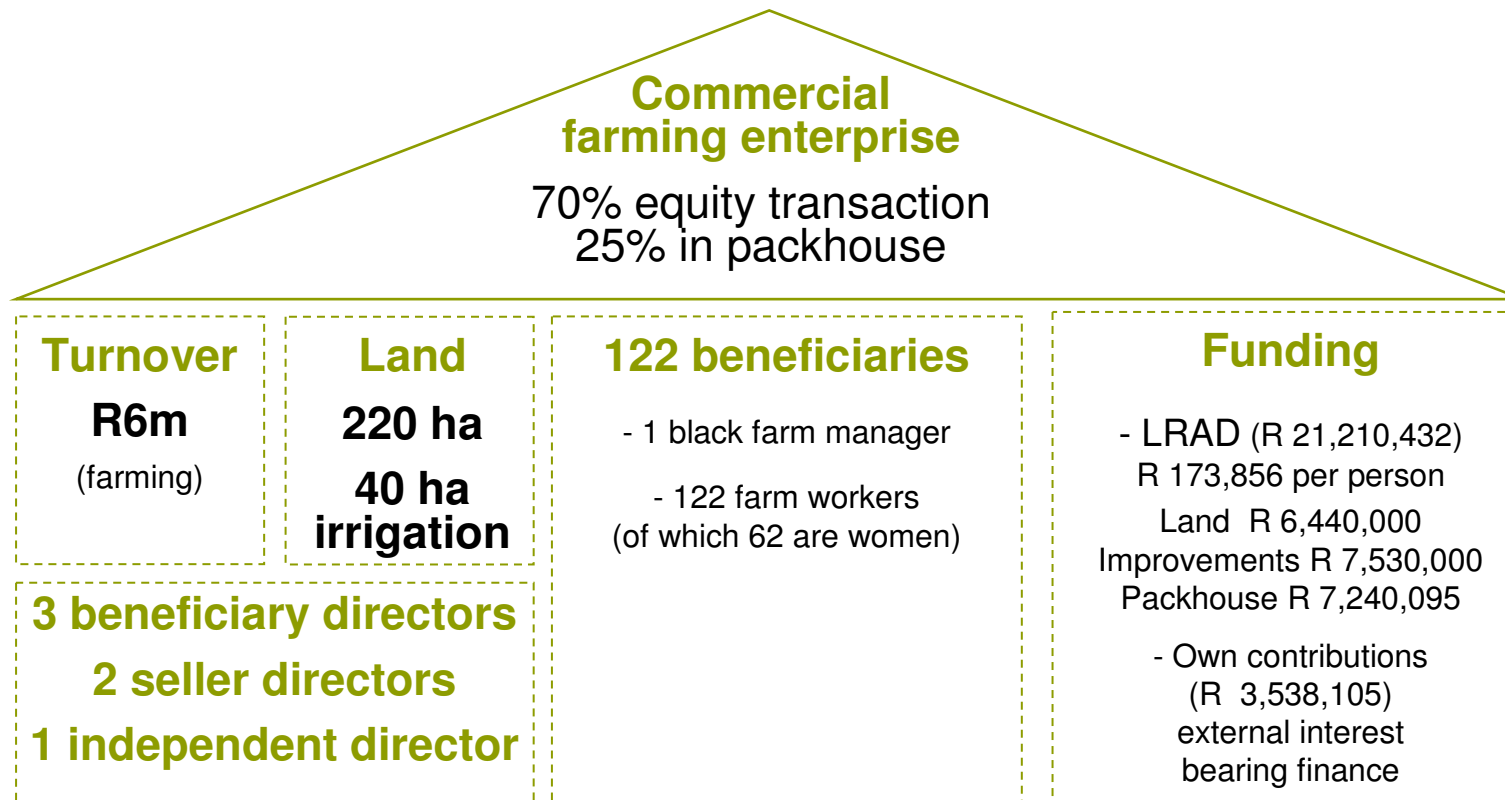
Beneficiaries

Expectations, Lack of capacity, Working capital, Market access

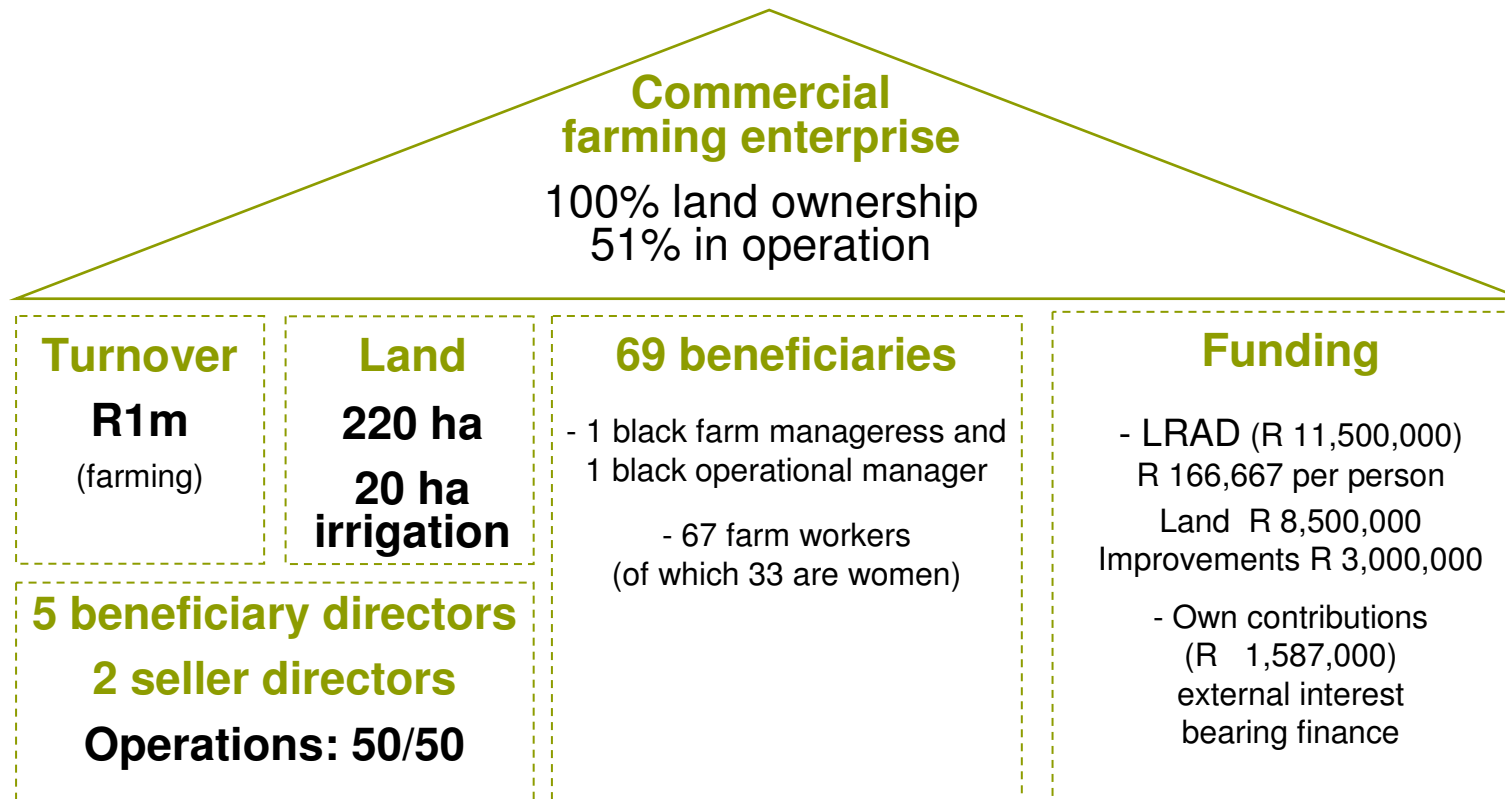
Producers

Valuations (cyclical nature of business), Variability of dividend streams, Timing

A LRAD example – equity transaction



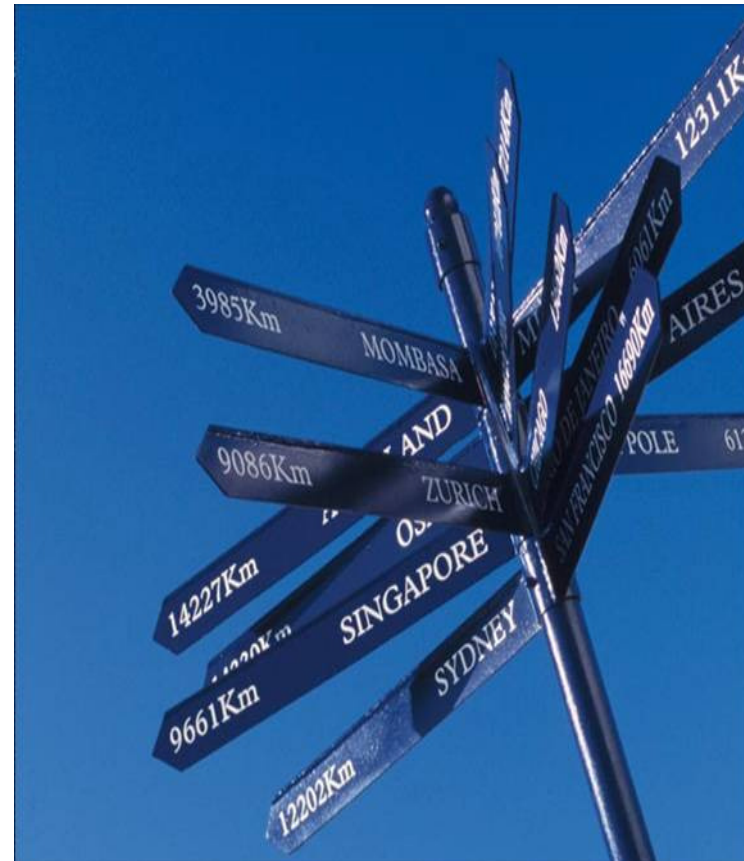
A LRAD example – enterprise development



The road ahead

What next?

- Should I or should I not?
 - Stakeholders
- Can I be part of the solution?
 - Develop own destiny
- Where do I start?
 - Opportunities
- Learning the new lingo?
 - Listen and engage



Questions?

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