

THE MAIZE TRUST

Reg no. IT8214/98

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27 AUGUST 2008

TENTH ANNUAL GENERAL MEETING OF THE MAIZE TRUST

ADDRESS AND REPORT BY THE CHAIRPERSON OF THE BOARD OF TRUSTEES MR. J.K. (KARABO) PEELE

Ladies and Gentlemen, it is an honour for me to welcome you at this somewhat historical event, the 10th Annual General Meeting of the Maize Trust.

Most of you are probably not aware of the fact that the Maize Trust is exactly ten years old on 31 August this year. Therefore I think it is appropriate to spend some time on a few interesting statistics regarding the Trust over the past ten years.

Interesting Statistics

The start of the Maize Trust was marred by distrust and difficult conditions in 1998 and the first year was mostly spent in determining operational and funding procedures and processes. Therefore no funding was granted in the 1998 financial year and a modest amount of R8.8 million was paid to beneficiaries in 1999. This increased to an annual amount of funding in 2008 of R41.7 million, as you will see from the Trust's current financial statements.

The initial donation of R259 million that was made by the Maize Board to the Trust in 1999/2000, and to which the Board added R5 million and R25 million respectively in 2001 and 2006, has grown to a total investment amount of R806.5 million. If one should add to this the total funding and operational expenses of the Trust over the ten year period, a total amount of R340.4 million, the Trust has managed a total of R1.147 billion in funds during its existence so far.

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TRUSTEES: Mr. J.K. Peele (Chairperson) , Mr. C.K. Ferreira (Vice-Chairperson) ,
Mr. J.F. de Villiers, Mr. J.D.M. Minnaar, Mr. W.M. Ngxekana, Ms. L. Thahane.

ADMINISTRATORS: L & L Agricultural Services

The total amount of operational expenses over this period was R36.6 million and the total funding amount granted over the ten years was R303.8 million, of which R169.7 million went towards research activities and R44.9 million was paid on development and transformation projects. The balance of the funding that was granted went towards projects relating to the collection and dissemination of market information, generic marketing and industry activities, as well as the transfer of technology.

A total number of 117 beneficiaries have received funding from the Trust over the ten year period and quite a number of these beneficiaries have received funding for at least a period of five consecutive years.

Exciting new Ventures

The past two years, in particular, have produced a fair amount of new and exciting ventures for the Trust. Some examples of these are as follows:

1. Projects aimed at the improvement of maize crop and area estimates – the Trust mainly fund the development costs of these projects and the maintenance is then done by the Department of Agriculture (DoA) through the National Crop Estimates Committee. The intention is to soon conclude a formal Memorandum of Understanding between the Trust and the DoA on crop estimate matters.
2. The Bursary Scheme that was introduced by the Trust in 2007. At present there are 4 PhD and 9 MSc students who receive bursaries from the Trust. It is hoped to add another 1 PhD and 3 MSc students to this list at the beginning of 2009.
3. The three-year Generic Marketing Campaign that was launched under the name “Pap Idols” in 2007. The campaign started disappointingly, as the television time-slot that was available for the campaign, could not provide the required number of viewers. However, a new approach was introduced and it is hoped to be more successful in 2008 and 2009.
4. The funding of South Africa’s participation in the World Trade Organisation dispute on trade subsidies. This initiative has so far rendered large learning and capacity building opportunities, which have been fully utilised by the Trust. The Trust was also successful in obtaining co-funding from the International Hewlett Foundation for the capacity building efforts of this project.
5. The Pilot Project for Assistance to Emerging Maize Farmers, which was a direct result of the disappointing delay that was experienced in the development of a Special Purpose Vehicle by Government. This particular initiative of the Trust has proved very successful and other grain industries have indicated that they are to consider introducing similar projects.
6. The allocation and distribution of maize meal to the value of R1 million to help the poor in these times of high food prices. The distribution of the maize meal is to commence in September 2008 and most of the charity associations, mainly the individual hospices in all the Provinces, will receive their requirements for maize meal over a period of six months.
7. The application on behalf of all the agricultural commodity trusts to formalise tax exemption status for these trusts. This initiative is well in progress with National Treasury and the SA Revenue Service.
8. The investment allocated by the Trust for the formation of a new Company to develop and own a grain building, which is to house the important grain industry service organisations. The planning for this is well underway and the building should be completed and ready for occupation early in 2010.

Monitoring Measures

The Trust continues to monitor the performance of beneficiaries through appropriate progress reports and physical visits. This system of monitoring has proved successful and has, from time to time, resulted in savings on different projects that were funded, or even the recovery of funding from some beneficiaries. The amounts involved are stipulated in the Financial Statements and I am not dealing with them individually. These protective measures obviously have an effect on the expenses of the Trust, but are deemed necessary in order to protect the assets of the Trust and to ensure that the funding is properly utilised by the beneficiaries concerned.

These measures will therefore remain in place in the future, as it is a fiduciary duty and responsibility of the Trustees to ensure the proper utilisation of funding.

Board of Trustees

During the past financial year the Trustees remained unchanged since the previous year, with the exception of one new Trustee, namely Ms. Lerato Thahane. Ms. Thahane was nominated by the Minister of Agriculture in the place of Dr. Phil Mohlahlane and she officially accepted office during August 2007. The remaining Trustees are listed in the Financial Statements of the Trust.

The terms of office of all of the present Trustees will expire at different dates during 2009 and new nominations will be requested in due time from the relevant nominating bodies.

Efficiency of the Trust

The Trustees are continuously busy with efforts to improve the efficiency of the Trust, particularly with regard to the funding of projects, the monitoring thereof, the management of the Trust's investments and the communication by the Trust. In this regard I have to mention the very positive contribution that is made by each of the Trustees, which is a clear sign of their involvement and interest in the maize industry and Trust affairs.

Investment Performance

Although the financial markets are very volatile from time to time, the Trust's investments are still delivering outstanding returns. In this regard I particularly wish to thank the Trust's Investment Adviser, Mr. James Downie, as well as the Asset Managers of the Trust for the excellent returns that were achieved. The Trust still makes use of the services of the same three Asset Managers, namely Allan Gray, Oasis and Foord Asset Managers.

As can be seen from the Trust's current Financial Statements (for the period ended 30 June 2008), the net growth on the Trust's capital significantly exceeds the donations of capital that were made by the Maize Board over time. This makes it possible for the Trust to increase its funding to beneficiaries and to give consideration to additional applications every year.

The important figures for the Trust can be summarised as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Asset value	472 214 925	685 475 617	861 735 916	814 903 007
Income derived	112 111 422	187 932 847	221 463 959	118 396 756
Beneficiary allocations	20 810 902	52 637 535	66 333 330	42 255 754
Operational expenses*	1 526 462	1 482 393	1 516 282	2 016 447

*It is important to note that the operational expenses of the Trust only constitute approximately 1,7% of the Trust's income for the 2008 financial year and is less than 0,25% of the total asset value of the Trust. This is truly a negligible figure and an achievement in itself.

As is the case since the inception of the Trust, it once again received an unqualified audit report, which proves the efficient operations and management of the affairs of the Trust by all concerned.

Summaries of Funding Projects

Schedules that show the research and development projects, which were funded by the Trust over the past year, were already made available to you prior to the meeting. The Financial Statements further set out the funding projects that were approved by the Trust over the year. You will notice from these figures that the Trust has experienced an increase in the case of market access and transformation projects that are aimed at the developing sector of the maize industry.

The Trust continuously revises its Norms, Procedures and Conditions of Funding in order to make it more user-friendly and to ensure that applications for funding are uniform and in compliance with the requirements of the Trust. The payment method by the Trust to beneficiaries has again been amended from that applicable in prior years. A circular in this regard was sent to all concerned in the course of the year.

No further donation was received from the Maize Board during the year. The Board continues with its efforts to recover outstanding levies and hopefully it will be in a position to make further donations to the Trust before its final demise, which the Trust could then utilise for the benefit of the entire maize industry.

The Trust's total contribution to the maize industry over the past four years, in terms of the three objectives of the Trust, is shown below:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Market/Production research	14 807 754	23 318 761	24 804 299	20 351 901
Market information	4 883 413	4 360 682	5 418 340	5 127 245
Market access	6 237 023	6 663 687	11 324 852	16 076 709

