

BUSINESS PLAN

THE MAIZE TRUST PILOT PROJECT FOR ASSISTING BLACK EMERGING MAIZE FARMERS

**Compiled by L&L Agricultural Services
on behalf of the Maize Trust**

Executive Summary

The Maize Trust, in 2007, acting in terms of the objectives as recorded in its Trust Deed, launched a pilot project to financially assist black emerging maize farmers.

The purpose and aim of assisting black emerging maize farmers is to improve the skill and ability of the farmers in order for them to be able to produce maize commercially in the Republic of South Africa.

The intention with the Maize Trust's pilot project is to assist emerging maize farmers with the cost of initial soil correction, to minimise their production risk and to mentor and guide them in becoming sustainable commercial producers of maize.

The assistance by the Trust is therefore intended to improve the maize production ability of the farmers and to aid them in obtaining crop input finance for the production of maize.

The Maize Trust introduced the pilot project as it understands and accepts the necessity and importance of improving black emerging farmers in becoming successful entrepreneurs and for the farmers to be able to operate as independent commercial farming enterprises.

It is accepted by the Trust that transformation is a long-term process, which requires a commitment for assisting the farmers concerned over a viable period of time.

It is further accepted that transformation projects will not render a financial or any other direct advantage to the Maize Trust and will only aid the specific farmers involved and the South African maize industry as a whole.

The Trust realises the importance of maintaining transformation projects, and therefore the importance of maintaining its pilot project over a specific period of time, in order to be able to achieve success with the project.

In 2007 the Maize Trust received applications for assistance to emerging maize farmers in excess of R7 million and this amount increased to more than R9 million in 2008.

Seven Agri-Businesses participated in the initiative in 2007, which benefitted a total of 332 emerging farmers. These farmers planted more than 4 000 hectares and delivered more than 10 700 tons of maize

In 2008 the Maize Trust received applications for an amount of R9 516 901 from a number of Agri-Businesses and other interested parties. The Trust approved and paid R6 300 747 to nine Agri-Businesses in respect of 585 black emerging farmers participating in the initiative. The participating emerging farmers intended to plant a total of 8 630 hectares to maize in the current production season.

Business Overview

The Maize Trust was founded in August 1998 to promote the South African maize industry. The Trust serves the industry through financial support for institutions and organisations with programmes aimed at market and production related research, the assimilation and dissemination of market information and at broadening market access for the benefit of the maize industry.

The mission of the Maize Trust is to facilitate the continuous improvement of the entire maize industry in South Africa, to ensure that the industry becomes the leader in the region and that it is internationally competitive.

The Trust Deed does not specify beneficiaries but clearly lists the objectives of the Trust. Funding from the Trust can be accessed by anybody in the industry that can demonstrate that an intended programme or project will benefit the South African maize industry. The Trust's funding is aimed at financial supporting actions and programmes, by institutions acceptable to the Trust, which are involved in the maize industry.

The general criterion for funding is that each project should have a quantifiable and measurable outcome, which is consistent with the mission and objectives of the Trust. The Trustees consider applications for funding twice a year at specified times.

Since its establishment, the Maize Trust has granted a large amount of money to a number of organisations and institutions involved in research, development and information programmes in the South African maize industry. The grants are paid from the annual income of the Trust, which is derived from dividends, interest and capital gain on the investments of the Trust. The Trust does not have any other income nor does it have any assets other than the money invested by it.

The Trustees have compiled a set of Norms and Procedures that are applicable to applications for financial assistance that are submitted to the Trust (**Appendix A**).

The objective of the Trust's pilot project for transformation is to assist black emerging maize farmers in becoming successful and competent commercial farmers of maize.

The Maize Trust is committed to the objective of the transformation project and is therefore determined for the financial assistance to the farmers concerned to be done in accordance with that objective.

Management of Pilot Project

The Trust uses established and competent Agri-Businesses to act as mentors and advisers to the farmers, so that the projects can be successfully managed and the farmers can get maximum benefit from the financial assistance rendered by the Trust.

The Agri-Businesses annually, upon invitation by the Trust (**Appendix B**), submit funding applications for consideration, which are considered and approved, or rejected, by the Trust on merit. The applications are done in a prescribed format and contain the

information required by the Maize Trust in respect of the transformation projects **(Appendix C)**.

The financial assistance to the emerging farmers is rendered by funding the costs of:

- (a) the acquisition, transport and application of lime, which includes the cost of an initial soil analysis on 2 (two) hectare grids of the lands, which are to be planted in terms of the Trust's transformation project and that is occupied by the participating farmers; and
- (b) all or a portion of the crop insurance premiums that the participating farmers are to pay in respect of comprehensive crop insurance for the maize that is to be planted; and
- (c) all or a portion of the mentorship expenses, or extension services, that are provided to the farmers by the Agri-Businesses concerned.

The conditions of the Maize Trust for rendering financial assistance to the emerging maize farmers are as follows:

- (a) no part-time farmers and only bona-fide farmers are assisted, except where this is allowed in terms of a particular Government programme that applies to the farmers who are being funded;
- (b) the assistance is only granted for a three-year period in respect of the emerging farmers who are involved in the projects;
- (c) no liming or related costs are paid after the first year of the projects concerned;
- (d) only 66% of the actual cost of insurance premiums and mentorship are paid in the second year of the projects, with a further scaling down in the third and final year, within the discretion of the Trust;
- (e) no new farmers are to be added to the projects after the first year of funding, other than those who are included by specific resolution of the Trust upon recommendation by the Agri-Businesses involved;
- (f) only projects that are mentored and managed by Agri-Businesses that are approved by the Trust will be assisted;

- (g) the farmers who are assisted in terms of the Trust's transformation projects will be compelled to plant maize throughout the three years that they receive financial assistance from the Trust;
- (h) all savings by the Agri-Businesses have to be declared to the Trust and will be set off against future payments to the Agri-Businesses in terms of the projects or have to be paid back by the Agri-Businesses to the Trust upon demand; and
- (i) assistance to an emerging farmer will cease when that farmer achieves a production of 250 tons of grain per annum or an average yield of 1,5 tons per hectare on dry land and 10 tons per hectare on irrigated lands.

Practical Operations of Pilot Project

Proper bi-annual reporting is done by the Agri-Businesses to the Trust and this ultimately determines the continued participation and involvement of the Agri-Businesses and of the specific emerging farmers over the full period of the funding that is granted by the Trust.

The Trust from time to time arranges physical visits to the emerging farmers, which visits are normally done before or after each maize production season.

No specific format is prescribed by the Trust in respect of the progress reports that are to be submitted by the Agri-Businesses, except that the reports should clearly indicate at least the following information:

- (a) Identification of the project and the project leader.
- (b) The actions that have been taken with regard to the project.
- (c) The progress that has been made with the project.
- (d) The results that have been achieved.
- (e) Any problems that have been encountered with the project.
- (f) Milestones that have not been achieved and reasons for that.

- (g) A detailed budget and expenditure statement of the allocation of the funds that were granted by the Trust in respect of each project.
- (h) The achievements by the emerging maize farmers relating to improved production practices and maize yields.
- (i) An identification list of the emerging farmers who have joined, or left the project during the period covered by the progress report concerned.
- (j) An identification of the farmers in the project who have progressed to commercial farmer status (a minimum of 250 tons of grain delivered commercially in a year is currently used as criterion).
- (k) The actual hectares involved in the funded project in respect of each farmer involved.
- (l) The overall financial advantage that was achieved by the project, i.e. what total assistance in monetary value could be provided by the Agri-Businesses to the farmers, as a result of the Trust's funding.

Maize Trust Management Structure

The Trust does not have personnel, but makes use of the services of a part time investment adviser on a contractual basis to advise the Trustees on the investment of the Trust's funds. The administrative services of the Trust are contracted out to an independent body. The Trustees are not remunerated for their services and are only reimbursed for their direct and indirect expenses in performing their duties on behalf of the Trust. The Board of Trustees comprises six members and is appointed for a term of two years. Three of the Trustees are appointed by specific maize industry sectors, while the other three Trustees are appointed by the Minister for Agriculture and Land Affairs.

The current Trustees and service providers to the Trust are listed hereunder:

Trustees:	<u>Name</u>	<u>Representing</u>
	Mr. J.K. (Karabo) Peele	Minister of Agriculture (Chairman)
	Mr. J.F. (Jannie) de Villiers	Maize Processors

Mr. C.K. (Neels) Ferreira	Yellow Maize Producers (<i>Vice-Chairman</i>)
Mr. J.D.M. Minnaar	White Maize Producers
Mr. W.M. (Welcome) Ngxekana	Minister of Agriculture
Ms. L. (Lerato) Thahane	Minister of Agriculture

Auditors: The Ashton CA (SA) Group

Investment Advisors: Ginsburg Asset Consulting (Pty) Ltd

Administrators: L&L Agricultural Services cc

Legal and Regulatory Environment

The Maize Trust is a non-discretionary trust registered in terms of South African law related to trusts. The Trustees have the fiduciary responsibility to ensure that the projects funded by the Trust are properly executed and that the funding is utilised in accordance with the conditions imposed by the Trust and the objectives as set out in the Trust Deed.

The Trust's auditors perform an audit twice a year, an interim audit at the end of December and a final audit at the end of June of every year. The annual financial statements of the Trust are submitted to all the role-players in the maize industry, which includes the Minister of Agriculture and the National Agricultural Marketing Council, at the Annual General Meeting of the Trust that is normally held at the end of August of each year. As far as the Trust's pilot project is concerned, a media statement is also released annually.

The Trust keeps proper and accurate records of all the amounts contributed to all projects that are funded by the Trust, which includes the individual amounts paid annually to each of the Agri-Businesses that participate in the Trust's pilot project. The progress reports of the Agri-Businesses, in turn, depict the individual amounts that are

utilised in respect of each participating emerging farmer and proper records thereon are kept by the Agri-Businesses involved.

A provincial breakdown of the amounts funded by the Trust during 2007 and 2008 is enclosed, in order to show the national distribution of the pilot project funding by the Trust in those two years (**Appendix E**)

Monitoring and Budgeting

In most instances the Provincial Departments of Agriculture are actively involved, in conjunction with the relevant Agri-Businesses, in the identification and screening of suitable black emerging farmers to be assisted by the Maize Trust in terms of its Pilot Project. The Provincial Departments of Agriculture, through their extension officers, also play a vital role in monitoring the progress of the projects and the development of the individual farmers. These Provincial Departments of Agriculture also often assist the emerging farmers by means of donations in kind or with funds in terms of the project criteria. The extension officers further provide the farmers with advice and guidance in their farming operations and financial planning.

It is suggested that, should the National Department of Agriculture contribute to the Trust's Pilot Project, it be involved in the monitoring of the projects, together with the Trustees, by including one or more representatives of the Department on the Trust's Committee that is mandated to oversee the Pilot Project of the Trust. The final agreement in this regard should form part of the formal Memorandum of Agreement between the National Department of Agriculture and the Maize Trust, once the business plan is accepted.

The next funding applications for the Maize Trust's Pilot Project are to be submitted to the Trust before the end of August 2009. The provisional amounts and names of the emerging farmers that are to be applied for by the Agri-Businesses in these submissions, are as set out in **Appendix F**.

Appendices:

- A Norms and Procedures of the Maize Trust relating to Financial Assistance**
- B Invitation for funding proposals with regard to Emerging Farmer Assistance**
- C Executive Summary for submission of Funding Applications to the Trust**
- D Example of Annual Media Release by the Trust regarding the Pilot Project**
- E Provincial Breakdown of Pilot Project Funding during 2007 and 2008**
- F Provisional Budget and List of Farmers to be assisted by the Trust (Aug. 09)**

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