

DIRECTORATE: AGRO-PROCESSING

POTCHEFSTROOM AGRICULTURAL COLLEGE STUDENT EXPOSURE PROGRAMME

Presenter: Mr Bheki Dlamini
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REPUBLIC OF SOUTH AFRICA

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Definition

- Agro-processing refers to the sub-sector of the manufacturing that beneficiates primary materials and intermediate goods from agricultural, fisheries and forestry based sectors.
- Agriculture and agro-processing- crucial economic sectors to transform the economy through sustainable employment creation, business opportunities, investment attraction and growing export base.
- This sector has a firm backward linkage with the primary sectors and forward linkages with the secondary as well as tertiary sectors of the economy.
- The upstream sector is characterised by phases such as pre-feasibility, feasibility, business planning and production the entire production processes.
- The downstream sector consists of sorting, grading, packaging, processing, drying facilities, wholesalers, retailers, restaurants, ect..



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Subsectors

The food processing industry has 12 downstream sub sectors:

meat processing; dairy products; preservation of food and vegetables; canning and preserving fish; fruit canning and jams; vegetable and animal oils and fats; grain mill products; sugar mills and refineries; chocolate and sugar confectionery; prepared animal foods; bakery products and other food products, such as starch and starch products; and ready-made meals.



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Purpose of the Chief Directorate

- The Chief Directorate oversees the development of the various sub-sectors in agro-processing by providing strategic interventions to increase production and competition and grow exports.
- To achieve this, the directorate develops policies, sub-sector strategies, programmes and projects in consultation with the various affected industries.



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Objectives of the Chief Directorate / Directorate

- To understand the agro-processing institutional support system, and actively align and build the capacity of key stakeholder across the various spheres of government in order for the agro-processing system to work more effectively.
- Support the mature agro-processing subsectors to higher growth paths through critical interventions along the value-chain
- Identify and facilitate investments by the private sector and the state in critical market-enabling agri-infra-structure that unlocks opportunities for agglomeration and rural development.



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Objectives of the Chief Directorate / Directorate Cont.

- Facilitate the development of high opportunity/ high growth niche sectors that have significant export potential
- Facilitate strategic mega-investments which are transformative to the sector, create jobs and unlock value-chain potential
- Develop high potential food processing suppliers on scale through facilitating upgrading programmes in partnership with the retailers and large agri-business players.



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CHIEF DIRECTORATE: AGROPROCESSING AND FORESTRY BASED INDUSTRIES

Director: Major Agro processing

Purpose: To coordinated work related to the major agro-processing value-chains and developing the capability of South Africa's agro-processing institutional system.

Functions:

- Conducting research and analysis for the major agroprocessing sectors
- Developing and reviewing policies, strategies in the mature agro-processing sectors, and targeting key interventions along the value-chain.
- Monitoring and evaluating policies, strategies and interventions in the major agro-processing sectors

Directorate: Niche Agro processing

Purpose: To coordinate support for key niche-sectors and facilitating the upgrading of suppliers in partnership with the retailers and large agri-producer

Functions

- Facilitation of support to niche agro processing sectors
- Support provincial players to deal with on-ground projects
- Strengthen private sector Engagements through structured forums
- Supplier upgrading and Implementation of quality standards
- Increased participation, competitiveness and integration of marginalized processors into the agriculture value chain

Directorate: Forestry Based Industries

Purpose: To design and implement policies, strategies and programmes to develop the forestry manufacturing and related sectors of the economy.

Functions

- Create a platform for research, innovation and growth of new of new forestry subsectors;
- To review, develop and facilitate the implementation of policies, strategies and interventions in forestry subsectors;
- To promote investment in **growing subsectors** such as packaging and tissue paper, dissolved wood pulp,
- Place **mature subsectors** (furniture, charcoal and saw milling) on high growth paths through competitiveness enhancement
- Facilitate the development of **nascent subsectors** (nano cellulose) which are expected to replace mature subsectors in the long-run;
- Develop innovative industrial practices to lower the costs of construction products and thereby contribute to rural development; and
- Secure strategic mega-investments which are transformative to the sector create jobs and unlock value-chain potential



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Agro-processing sectors

HST01: Live animals

HST02: Meat and edible meat offal

HST03: Fish and crustaceans, molluscs and other aquatic invertebrates

HST04: Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included

HST05: Products of animal origin, not elsewhere specified or included

HST06: Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage

HST07: Edible vegetables and certain roots and tubers

HST08: Edible fruit and nuts; peel of citrus fruit or melons

HST09: Coffee, tea, maté and spices

HST10: Cereals

HST11: Products of the milling industry; malt; starches; inulin; wheat gluten

HST12: Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder

HST13: Lac; gums, resins and other vegetable saps and extracts

HST14: Vegetable plaiting materials; vegetable products not elsewhere specified or included

HST15: Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes

HST16: Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates

HST17: Sugars and sugar confectionery

HST18: Cocoa and cocoa preparations

HST19: Preparations of cereals, flour, starch or milk; pastrycooks' products

HST20: Preparations of vegetables, fruit, nuts or other parts of plants

HST21: Miscellaneous edible preparations

HST22: Beverages, spirits and vinegar

HST23: Residues and waste from the food industries; prepared animal fodder



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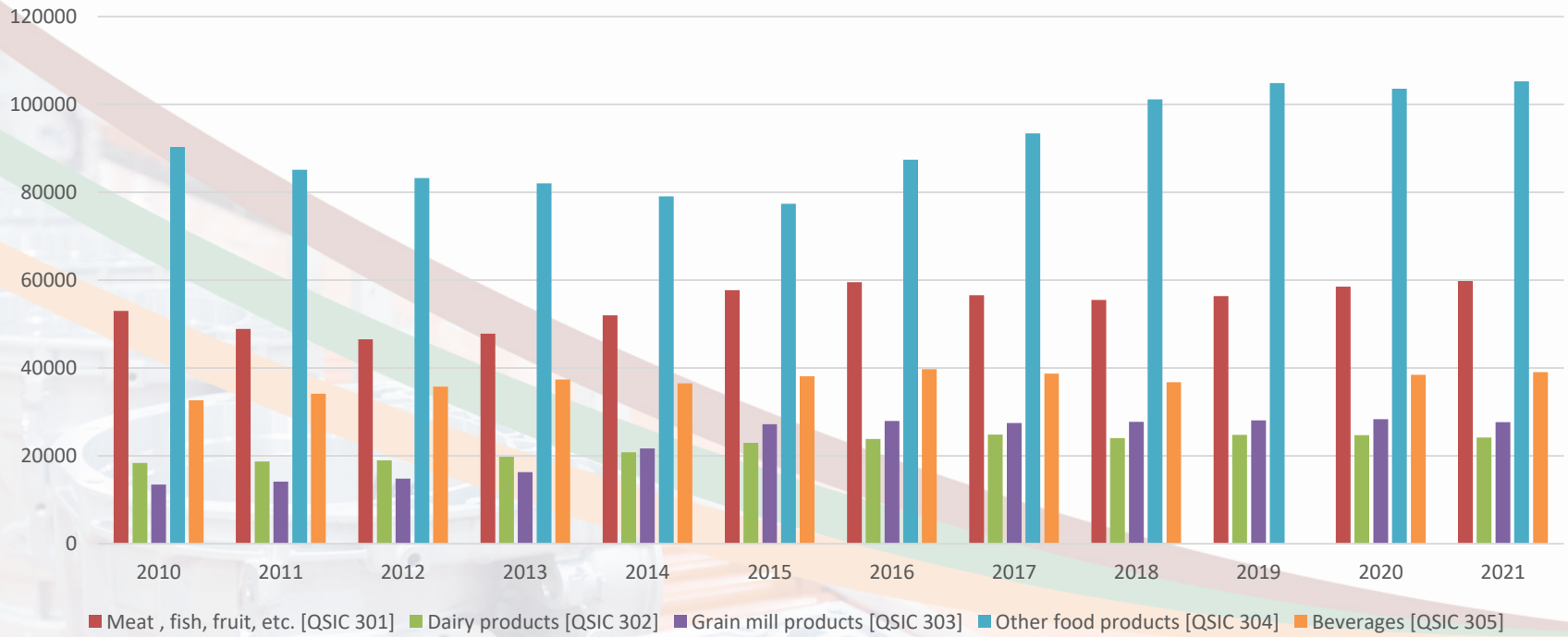
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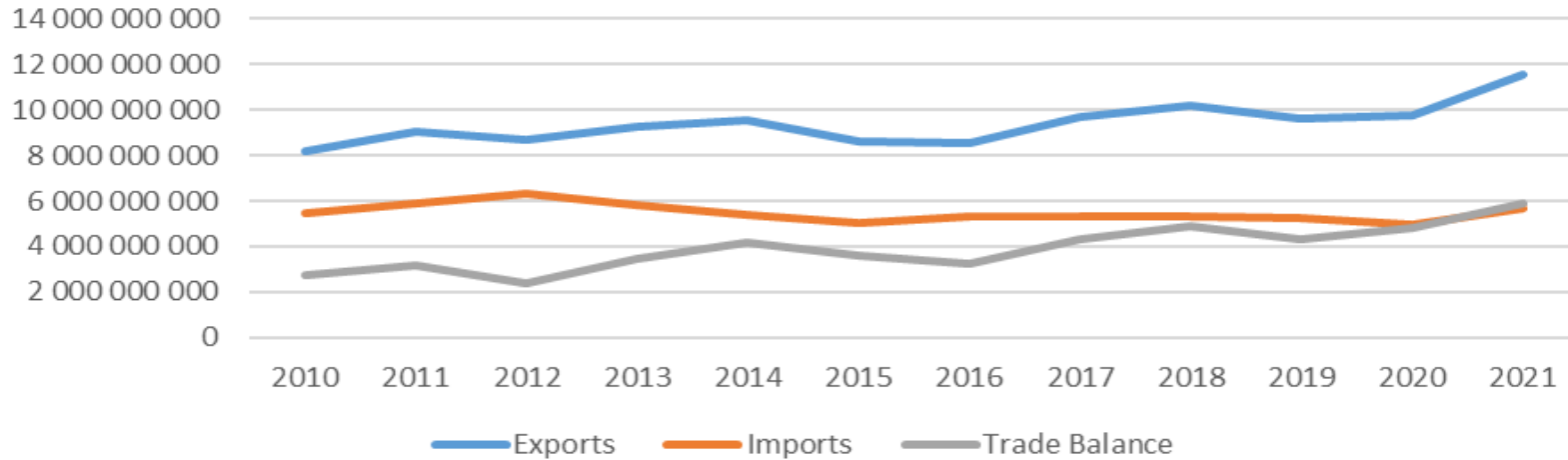
EMPLOYMENT

FOOD PROCESSING EMPLOYMENT



Trade balance

Food processing trade balance



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Agro-processing Support Scheme (APSS)

- The Agro-processing sector – Potential to become industrial impetus that can **create jobs** and address some of the country's macro-economic challenges;
- Among the sectors identified by the **IPAP** and **NDP** for its potential to spur growth and create jobs, due to its backward linkages with the primary agricultural sector;
- Among the sectors that has the highest **employment multipliers** in the economy;
- Sector remains largely **concentrated** - entry and active participation of SMEs is limited;
- **Ageing** production facilities, obsolete technology and non-compliance to regulatory prescripts;



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QUALIFYING PROCESSES AND PROJECTS

- Food and Beverage
- Furniture Manufacturing
- Fibre Processing
- Feed Production
- Fertilizer Production



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APSS – GRANT

- 20% to 30% cost sharing grant to a maximum of R20 m, over a two-year investment period.

Type of Applicant	Historical cost of assets	Qualifying Investment costs	Grant Percentage	Maximum grant amount
New Entity	N/A	R1m to R10m	30%	R3 m
Existing Entity	≤ R 10 m	R1m to R10m	30%	R3 m
New Entity	N/A	> R 10 m	20%	R20 m
Existing Entity	> R 10 m	> R10 m	20%	R20 m



QUALIFYING COSTS

- New machinery, equipment, tools and Forklifts;
- New commercial vehicles;
- Buildings;
- Competitiveness improvement interventions.



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APSS – ELIGIBILITY CRITERIA

- **Completed application form & Business Plan** with detailed Agro-processing / beneficiation activities, budget plans, projected income statement and Balance sheet for a period of at least 3 years for the project.
- **Project:** to exhibit economic merit;
- **Submission of application:** within designated application window period, prior to start of processing / beneficiation; otherwise non compliance;
- **Existing entities:** submission of financial statements reviewed by independent external auditor or accredited person - not older than 18 months.
- **Approved entity:** may not reduce employment for a 12- month period prior to date of application. Maintenance for duration of incentive period;
- **Minimum qualifying investment size** (including competitiveness improvement cost – at least R1 m.



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APSS – MANDATORY CONDITIONS

- Registered Legal entity;
- Taxpayer in good standing;
- Involvement in new Agro-processing / beneficiation operation or in expanding or upgrading of existing operation;
- B-BBEE compliant (achieve **levels 1 to 4**) & submit **valid B-BBEE certificate** of compliance;
- Project to boost local capacity of identified product (s);
- Adherence to minimum wage & legislative requirements governing the sector;
- Demonstrate that **50%** of inputs will be sourced from SA suppliers & at least **30%** of inputs to be sourced from black South Africans, otherwise motivation required;
- Commencement date of project / activities applied for – within 90 calendar days after approval of application.



APPLICATION PROCESS

Application:

- Applicant obtains Programme guidelines and application form from **the dti** website (www.thedti.gov.za) under Financial Assistance (incentives) tab;
- Applicant e-mails the completed, signed application form with supporting documents to apssapplications@thedti.gov.za

Basic Evaluation:

- The applicant will receive an acknowledgement letter from the Programme Administration;
- If the application has outstanding documents, then the applicant is contacted and provided with a timeframe within which to provide outstanding information

Adjudication:

- Application is approved, rejected or referred back for additional information.
- The decision of the Adjudication Committee is final.
- Letter confirming approval of the application and the claim form will be forwarded to the applicant within a specified timeframe.

Appeal:

- Within 30 calendar days



Thank you