



Department of Agriculture
South Africa

AgriBEE

**Broad-Based Black Economic
Empowerment**

Framework for Agriculture

*“It is the acceptance of a transparent, predictable
practical and implementable process of change which
will introduce certainty and stability and not an
illusionary absence of change”*

Thabo Mbeki, 22 September 1994

Department of Agriculture

July 2004

MESSAGE FROM MINISTER DIDIZA

In his State of the Nation Address in May this year, President Mbeki announced that the Department of Agriculture would release a draft AGRIBEE framework document for discussion by July. I am pleased today, to present the framework that is another one of the critical building blocks needed for the attainment of our ideal of a non-racial, non-sexist South Africa. This AGRIBEE framework is in line with existing government policy and legislation for redress of centuries of past racial discrimination and the consequences thereof. It is another step on the path we undertook when we defined the ideals of a non-racial, non-sexist society in our Constitution and understood the obligations that imposed on all of us.

The AgriBEE Framework establishes the guiding principles for broad based black economic empowerment in agriculture in a manner that seeks to build on the experience of transformation efforts over the past decade. It was preceded by the consideration of an empowerment study commissioned by the Department, a range of focussed consultative processes led by a broad reference group and the experience of developing and implementing the Broadening Access to Agriculture Thrust and more recently the Agricultural Sector Strategy.

Broad Based Black Economic Empowerment, in Agriculture as in all other sectors needs to be understood and used as a means to an end. Given the history of injustices in our country, developed and enforced over a number of decades, this is a means to redress such imbalances.

The aim for the Agricultural sector is the attainment of the vision agreed to through the Presidential Working Group on Agriculture in November 2001 of – A United and Prosperous Sector. Our vision, which was adopted by all key stakeholders, has as its main strategic goal “To generate equitable access and participation in a globally competitive, profitable and sustainable agricultural sector contributing to a better life for all” and is underpinned by three key strategic objectives.

Following on the adoption of the Sector Plan we realised that focussed strategies needed to be implemented in order to transcend the racial divide which existed in the agricultural sector up until 1994, whilst at the same time creating an enabling environment which would stimulate growth, much needed competitiveness and innovation of the primary and secondary agricultural sectors. We had to take into account the challenges of globalisation, the absence of visible participation of women in the sector and the appalling conditions and job threats facing the

agricultural farm and industry workers. We took what we call the “Commodity Approach” which encompassed a thorough interrogation of the backward and forward linkages within the total value chain within and between various commodities.

This work has led us to recognising that more needs to be done to link the agricultural production and processing activities with the input sectors, the manufacturing industry, the consumer interests and environmental concerns. We also realised that whilst progress was being made – albeit slowly – in the development of commodity strategies, we could not leave the action of transformation and deracialisation to chance. In many cases the intended beneficiaries of the deracialisation process such as farm and industry labour were not actively involved in the definition of the desired short, medium and long-term outcomes.

This draft AGRIBEE framework therefore, is intended to assist all the existing and potential future stakeholders and partners in the Agricultural Sector to engage in a meaningful dialogue and course of action that can, in the shortest time possible erase the negative effects of our history of a dual sector and achieve outputs that can contribute to the higher societal ideal of a better life for all. It defines the building blocks for the elimination of skewed participation and inequity in the agricultural sector as a result and consequence of past racially biased policies and programme for the main components of successful agriculture. The AGRIBEE framework is complementary to the other key strategic initiatives of government to bring about growth, equity and employment and to ensure the sustainable management and use of the natural resources.

We have tried to ensure that the framework is written simply and unambiguously in order to assist the many established white farmers and business owners who regularly approach us for guidance on how they can make their contribution to Black Economic Empowerment. It is also intended to assist those of our black citizens who may have lost hope of ever participating in the agricultural sector as a consequence of alienation – with a comprehensive framework for approaching anew the opportunities that exist. It is our hope that this framework will discourage window dressing and rather inspire, clarify and assist in the acceleration of implementation of existing initiatives and of course guide the new ones that we expect to see unfold.

Over the next few months we expect this document to promote engagement between the Department of Agriculture and the various groups, black and white, rich and poor, who are involved or who wish to become involved in agriculture on the commitments that have been included, in order to ensure that our transformation agenda is

unambiguous, comprehensive and reflective of the complexity of the agricultural sector. For its part the Department of Agriculture will establish appropriate capacity to engage, inform and ultimately oversee the implementation of the AGRIBEE. In November this year, I would like to review the comments and inputs we have received and make necessary adjustments to this document in order to take the document to Cabinet for adoption in line with Section 12 of the Broad Based Black Economic Empowerment Act of 2003.

I would like to take this opportunity to thank the departmental team, the reference group and all those individuals who have worked tirelessly to ensure we reach this stage of the process of implementing black economic empowerment in the sector.

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VISION

To pursue Broad-based Black Economic Empowerment in support of a United and Prosperous Agricultural Sector.

PREAMBLE

Noting that:

- It is government's policy to facilitate a comprehensive and structural transformation in the agriculture economy in order to achieve a United and Prosperous Agricultural Sector in partnership with the other stakeholders.
- The Constitution of the Republic of South Africa and its Bill of Rights compel the country to promote the achievement of equality through enactment of legislation and other measures designed to protect and advance persons, or categories of persons previously disadvantaged by unfair discrimination.
- The Strategic Plan for South African Agriculture, assented to by the agricultural sector on the 27th November 2001, has as its strategic objectives to enhance equitable access and participation; improve global competitiveness and profitability and ensure sustainable resources management.
- The Land Reform Programme of Government that has three main sub programmes – Restitution, Redistribution and Tenure – has as a strategic objective the transformation of the South African apartheid land regime to create an enabling environment for political, social and economic empowerment of Historically Disadvantaged Individuals. To this end the Land Reform for Agricultural Development Programme was developed as a specific intervention to support Agriculture.
- The Vision and Code of Conduct on labour relations in agriculture was signed by Organised Agriculture, Labour Unions and Government.
- The following laws of the country are intended to assist socio-economic transformation: -
 - The Broad-based Black Economic Empowerment Act (2003);
 - The Competition Act (No. 89 of 1998 as amended by Act No. 35 of 1999);

- Extension of Security of Tenure Act (No. 62 of 1997);
- The Employment Equity Act (No. 55 of 1998);
- The Skills Development Act (No. 97 Of 1998);
- Restitution of Land Rights Act (No. 22 of 1994)

Recognising that:

- From the turn of the century and under the past apartheid dispensation, race and gender was used to control access to, use of and beneficiation from South Africa's agricultural productive resources;
- Despite all efforts of the democratic government, South African society remains characterised by vast racial and gender inequalities in the distribution of, and access to opportunities, wealth, income, skills and employment;
- Lack of optimum and effective participation by the majority of South Africans in the economy could have a detrimental effect on national security and future stability of the country;
- The Agricultural Sector because of its historical evolution has a critical role to play in the overall socio-economic transformation of the South African society and continues to play a significant role in the South African economy as a contributor to food security, jobs, rural development and exports.
- The rapidly changing global environment requires that greater attention be given to innovation, competitiveness, risks management, knowledge and information management all of which require that the South African Agricultural Sector be proactive in augmenting and expanding the existing human capital pool through investing in people, employment equity, skills development and institutional transformation.

Therefore:

We the undersigned, develop this framework as our sector's deliberate attempt to redress the historical injustices and empower the historically disadvantaged South Africans in the Agricultural Sector. We affirm AgriBEE as a moral, political, social and fundamental economic imperative for our country's collective future.

1. SCOPE OF APPLICATION

AgriBEE applies to the entire value chain in the South African agricultural sector (from farm field to consumer plate), including all economic activities relating to provision of agricultural inputs, services, farming, processing, distribution, logistics and allied activities that add value to agricultural products.

2. DEFINITIONS

For the purposes of this framework document, the following terms apply:

Agriculture refers to all the economic activities associated with the production and processing of agriculture from the provision of farm inputs, farming and value addition.

AgriBEE is a sectoral broad-based black economic empowerment framework intended at a deliberate and systematic support of Black South Africans to actively participate fully in the agricultural sector as owners, managers, professionals, skilled employees and consumers.

The Act is the Broad-based Black Economic Empowerment Act, 2004.

Black people is a generic term that means Africans, Coloureds and Indians.

Broad-based black economic empowerment (equitable access and participation) in agriculture means economic empowerment of all Black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated social or economic strategies, that include, but are not limited to:

- (a) Increasing the number of Black people that manage, own, and control enterprises and productive assets;
- (b) Facilitating ownership and management of enterprises and productive assets by black communities, workers, cooperatives and other collective enterprises;
- (c) Human resource and skills development of Black people;
- (d) Achieving equitable representation in all agricultural professions, occupational categories and levels in the workforce;
- (e) Preferential procurement; and
- (f) Investment in enterprises that are owned or managed by Black people.

BEE enterprises are categories of enterprises with representative levels of participation at, ownership, management or control by Black South Africans, described in the Act.

- (a) A “black enterprise” is one that is 50,1% owned by Black person(s) and where there is substantial management control.
- (b) A “black empowered enterprise” is one that is at least 25,1% owned by Black person(s) and where there is substantial management control.
- (c) A “black woman-owned enterprise” is one with at least 25,1% representation of black women within the black equity and management portion.
- (d) A “community or broad-based enterprise” has an empowerment shareholder who represents a broad base of members such as a local community or where the benefits support a target group, for example black women, people living with disabilities, the youth and workers. Shares are held *via* direct equity, non-profit organisations and or trusts.
- (e) A “cooperative or collective enterprise” is an autonomous association of persons who voluntarily join together to meet their economic, social and cultural needs and aspirations through the formation of a jointly owned and democratically controlled enterprise.
- (f) Ownership refers to economic interests, the authority and power to manage assets, determine policies and direction of the company operations.
- (g) Management refers to executive directors, senior management, middle management and junior management.

CASP means Comprehensive Agriculture Support Programme.

Enterprise is a generic term used to describe an agricultural business and includes farms business and other related services that support agriculture.

Established Industry means those individuals, groups, cooperatives or companies which were in existence prior to 1994 and had a predominantly white management, ownership and control structure.

High potential and unique agricultural land

HDI: [Historically Disadvantaged Individuals] refer to any person, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act 200 of 1993).

Mainstreaming means a process of graduating operators from lower levels of economic activity in agriculture into sustainable economic viability and integrating and recognising these operators in the mainstream economy.

Sector: The agriculture community within the entire value chain of agriculture businesses.

Sector Plan: Strategic Plan for South African Agriculture developed jointly by the Government of the Republic of South Africa, AgriSA (including Agribusiness Chamber) and NAFU, signed on 27 November 2001.

SOE: State-owned enterprise.

Stakeholders is used a broad term to describe participants in the entire agricultural value chain as well as current and potential beneficiaries of AgriBEE.

3. OBJECTIVES

The objectives of AgriBEE are to eliminate racial discrimination in the agricultural sector through implementing initiatives that mainstream Black South Africans in all levels of agricultural activity and enterprises along the entire agricultural value chain by:

- (a) Promoting equitable access and participation of Historically Disadvantaged Individuals in the entire agriculture value chain;
- (b) Deracialising land and enterprise ownership, control, skilled occupations and management of existing and new agricultural enterprises;
- (c) Unlocking the full entrepreneurial skills and potential in the sector of HDIs;
- (d) Facilitating structural changes in agricultural support systems and development initiatives to assist Black South Africans in owning, establishing, participating in and running agricultural enterprises;
- (e) Socially uplifting and restoring dignity of Black South Africans within the sector;
- (f) Increasing the extent to which communities, workers, co-operatives and other collective enterprises own and manage existing and new agricultural enterprises, increasing their access to economic activities, infrastructure and skills training;
- (g) Increasing the extent to which black women, people living with disabilities and youth own and manage existing and new agricultural enterprises, increasing their access to economic activities, infrastructure and skills training;

- (h) Empowering rural and local communities to have access to agricultural economic activities, land, agricultural infrastructure, ownership and skills.

4. COMMITMENTS

All stakeholders commit to the underlying principles of the AGRIBEE Framework and undertake to work to create an enabling environment for the empowerment of HDIs by delivering on the following: -

4.1 AGRICULTURAL LAND

High potential and unique agricultural land is a critical but limited and scarce resource in South Africa. Stakeholders shall work together to ensure that HDIs have ownership, leasehold and or use of high-potential and unique agricultural land.

The Established Industry undertakes to:-

- Contribute to the realisation of country's objective of ensuring that **[30%]** of agricultural land is owned by Black South Africans by the year 2014;
- Contribute to an additional target to make available **[20%]** of own existing high potential and unique agricultural land for lease by Black South Africans by year 2014;
- Make available **[15%]** of existing high potential and unique agricultural land for acquisition or lease by 2010;
- Support legislative and development initiatives intended to secure tenure rights to agricultural land in all areas;
- Make available **[10%]** of own agricultural land to farm workers for their own animal and plant production activities.

Government undertakes to:-

- Contribute through its existing programmes to increasing access and acquisition of agricultural land by Black South Africans;
- Proactively acquiring suitable agricultural land that comes on the market for land redistribution;
- Use agricultural land that reverts to the state through foreclosure of indebted farmers for redistribution;
- Promote the development of a thriving, viable land rental/lease system;
- Promote sustainable management and use of natural resources.

Black South African landowners and users undertake to:-

- Ensure productive and sustainable use of high potential and unique agricultural land.

4.2 HUMAN RESOURCES DEVELOPMENT

Rapid changes in the global environment require that Stakeholders work together to ensure greater attention is given to expanding the existing human capital pool through investing in people, employment equity, skills development and institutional transformation. Commercial viability in agriculture demands sustained productivity and high levels of entrepreneurship, long term commitment, resources and skills. Agriculture in South Africa has a low absorption rate of skilled and trained labour that is inconsistent with its needs. This is evidenced by the huge proportion of agricultural graduates not being able to find employment. High levels of illiteracy in the country are also experienced within farming communities.

The Sector undertakes to:-

- Eliminate by 75% the rate of illiteracy within farming communities by year 2008;
- Eliminate completely the rate of illiteracy within farming communities by year 2010;
- Ensure that all workers in the secondary and tertiary level of the sector are functionally literate and numerate by year 2010;

- Establish training programmes for farm and enterprise workers in appropriate technical and management skills by July 2005.
- Collaborate in ensuring maximum use of resources of the relevant Sector Education and Training Authorities [PAETA, Food and Beverage Sector and SETASA] to achieve the above targets;
- Institute a sector-wide young professionals employment and mentoring programme, which targets 5 000 black unemployed and underemployed graduates per annum for the next 5 years in all disciplines starting in 2005 financial year, mentorship programmes shall be accredited by the relevant SETA or other agreed authority.

The Established Industry undertakes to:-

- Develop by July 2005 a mentorship programme by existing and retired knowledgeable experts and entrepreneurs as one of the mechanisms for transferring skills to new Black entrants. Such a mentorship programme will have clearly defined guidelines and criteria for participation, as well as an effective monitoring system;

Government undertakes to:-

- Promote agriculture as a career and will in 2005 undertake a review of the effective demand for human resources in the agricultural sector ;
- Lead and coordinate a targeted programme in collaboration with education authorities, farmers' organisations and the agricultural private sector to review existing education and training curricula in order to enhance technical, entrepreneurial and management skills for Black entrants into the sector by 2006;
- Ensure the inclusion of a substantial number of Black persons from the sector as the nucleus of strategic partners in Government overseas trade missions, technical assistance, study visits and training opportunities.

4.3 EMPLOYMENT EQUITY

In keeping with Employment Equity Act and the Skills Development Act all enterprises in the sector undertake to:

- Progressively achieve a [**30%**] representativity of black people at executive management of each enterprise by year 2006;
- Progressively achieve a [**50%**] representativity of black people at senior management of each enterprise by year 2008;
- Progressively achieve a [**60%**] representativity of black people at middle management of each enterprise by year 2008;

- Progressively achieve a [**70%**] representativity of black people at junior management of each enterprise by year 2008;
- Progressively achieve a [**10%**] representativity of black women at executive management of each enterprise by year 2006;
- Progressively achieve a [**25%**] representativity of black women at senior management of each enterprise by year 2008;
- Progressively achieve a [**30%**] representativity of black women at middle management of each enterprise by year 2008;
- Progressively achieve a [**45%**] representativity of black women at junior management of each enterprise by year 2008.

These targets are geared toward achieving a representative management outlook in all enterprises by year 2014 which in turn will reinforce and consolidate the AGRIBEE outcomes.

4.4 ENTERPRISE OWNERSHIP AND EQUITY

Key to broad based black economic empowerment in agriculture is the ownership of assets and enterprises within the sector. Historically, the interpretation of ownership in agriculture has been understood to be dependant upon ownership of land. This AGRIBEE framework makes a distinction between land and enterprise ownership. Stakeholders in the sector will work towards the development and implementation of a diversity of enterprise ownership models in support of AGRIBEE.

The Established Industry under takes to: -

- Ensure [**35%**] black ownership of existing and new enterprises by 2008;
- Ensure that where investment initiatives are undertaken on the African continent, [**10%**] of the portion of the South African investment is allocated to Black South Africans;
- Enter into joint ventures and partnership arrangements to ensure that [**30%**] of export market opportunities accrue to black owned enterprises by 2007;
- Ensure [**10%**] farm worker ownership of farm level enterprises by 2008.

4.5 PROCUREMENT AND CONTRACTS

The success of the commitments in this AGRIBEE framework is also influenced by the procurement and contractual behaviour of the retail, tourism, distribution and consumer sectors. In keeping with the spirit of this framework document all enterprises in the sector undertake to:

- Implement targeted procurement strategies and policies to realise BEE. The target will be [**50%**] of the total value of all procurement from BEE companies by 2010 and [**70%**] by 2014;
- Report annually on all BEE procurement spend;
- Progressively provide, where possible, Black South Africans and local SMEs a [**50%**] preferred supplier status including the supply of services and goods over a five-year period;
- Contractual agreements will be based on immediate (monthly) payments for work rendered by black companies to allow the smooth running of operations and maintenance of quality results by end of October 2005.

4.6 AGRICULTURAL SUPPORT SERVICES

Support services such as access to finance, infrastructure, information and knowledge systems, are core pillars of sustainable empowerment initiatives. The Stakeholders recognise the fact that transformation challenges to overcome the history of dualism still exist in the agricultural sector.

The Established Industry undertakes to:-

- Engage the Financial Sector in order to ensure that through its Financial Charter opportunities for Black Economic Empowerment in the agricultural sector are realised;
- Ensure meaningful access to and use of infrastructure, assets and support services capacity that accumulated to them as a result of past apartheid policies to black enterprises in the sector by 2007;
- Comprehensively apply existing BEE principles and available opportunities to provide support services for the realisation of AGRIBEE.

Government undertakes to:-

- Ensure the creation of an enabling environment to support agriculture;
- Continue with the implementation of the Comprehensive Agricultural Support Programme.

Black people in the sector undertake to:-

- Proactively participate in the processes that define the need for agricultural support services and the subsequent design in the delivery of those.

5. MONITORING, EVALUATION AND REPORTING

Monitoring of broad based BEE and codes of good practise is determined in the Broad Based Black Economic Empowerment Act of 2003.

- Each institution within the sector undertakes to fully disclose and report [within its annual report], progress towards achieving the commitments. The first such annual report will be for the 2005 financial year.
- Specific areas of reporting shall include the following: - % high potential and unique agricultural land disposal and transfer to HDIs; Human Resource Development Programmes in place; Employment Equity and Representativity targets achieved; BEE procurement spend; Agricultural Support Services initiatives.
- A scorecard will be developed as an integral part of the AGRIBEE framework.

SIGNATORIES

[Comprehensive list to be finalised at the end of the consultative process]