

NEWS LETTER MAY 2017

“A river cuts through rock, not because of its power, but because of its persistence”

- Jim Watkins

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1. The PALS perspective

1.1 On 15 May 2015 the Witzenberg PALS initiative was formed through the leadership, vision and co-operation of successful agri-producers in the Witzenberg area together with the Witzenberg Municipality. As PALS celebrates its second birthday on 15 May 2017, all PALS members could be rightfully proud of the milestones and achievements reached since its inception.

1.2 During the course of 2014, government and national ministers invited private organisations and organised agriculture to make presentations pertaining to the vexed issue of land reform. By that stage PALS were already in a test phase with a

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number of pilot projects. They were accordingly already in a position to host a delegation of national ministers and government officials on 6 January 2015 at Ceres in order to present the PALS initiative and to show them the practical implementation thereof.

- 1.3 The delegation was mightily impressed with the pilot projects and expressed their approval of the initiative. They undertook further to offer any such support as may be required to ensure the successful implementation of the initiative. This support was confirmed during many meetings with Directors-General and officials of the various departments and even by the national Minister of Rural Development and Land reform in his budget speech. It is thus frustrating that the requisite co-operation is not forthcoming at a time when it is desperately needed. Much has been done, but so much more can be achieved. All that is required of the various government departments is to hold themselves to their undertakings, the National Development Plan and the Constitution.
- 1.4 Land Reform was so important to the drafters of the Constitution that they incorporated an obligation in the Bill of Human Rights for government to implement land reform in accordance with the principles set out in the Constitution.
- 1.5 Notwithstanding the provisions of the Constitution and the various initiatives by the Government since 1994, land reform was not successfully implemented in South Africa. The erstwhile LRAD policy and subsidies were replaced with the “Prioritized Land Acquisition Strategy” and the so-called 50/50 policy in terms of which the state became the owner of agricultural land. This of course infringes upon the rights of all citizens, black and white, as they are hereby being deprived of their constitutional right to own land.
- 1.6 Further development areas of current government policy include the following:
 - 1.6.1 They are not able to acquire the best possible agricultural land to settle new black farming enterprises;
 - 1.6.2 Government does not have the requisite capacity to assist, mentor and support black beneficiaries;

- 1.6.3 Financial institutions are not able to provide credit against state owned land, thus depriving black beneficiaries of much needed capital;
 - 1.6.4 Beneficiaries are chosen or elected on a haphazard basis without a proper selection criteria, causing prejudice to those who are truly willing and able to farm.
- 1.7 Unfortunately these systemic failures doom these projects to a permanent dependency on state and tax payers' funds.
- 1.8 The PALS framework is able to avoid these shortcomings and offers a more sustainable alternative, in the following respects:
- 1.8.1 It is in line with the National Development Plan and supports the goals of economic and employment growth, measurable and tangible economic transformation, coupled with black empowerment and ownership;
 - 1.8.2 The major differences between the PALS model and other land reform models lie in the option of majority shareholder or sole proprietor for the black owner, compulsory mentorship, monitoring and progress analysis by the PALS Centre and benefits to both the black farmer as well as the farmworkers as group, the latter through a process of profit share;
 - 1.8.3 Black farmers obtain immediate access to the best resources, intellectual capital, networks and markets through the PALS partnership and the involvement of experienced successful commercial farmers.
- 1.9 Government departments' failure to promptly deal with subdivision and water permit applications are prejudicing black and coloured farmers. Their future in the agricultural sector is being jeopardised by the failure or inability of government departments to keep to expressly provided undertakings.
- 1.10 The failure of government to provide the required leadership and the consequent delay in the implementation of many projects, should neither discourage nor dishearten PALS members. Instead, all the strategic partners must join hands to drive PALS to its ultimate and unavoidable goal: a resounding success in land reform in South Africa. We are driven by the knowledge that through PALS land

reform and transformation is being implemented in a manner that is economically sustainable and that will ensure a future, based on sound foundations, in a manner which will inevitably convince Government and Cabinet about its undoubted merits.

1.11 Although the delay in the implementation of many of the projects could be laid at the door of government, it is unfortunately the nature of things and politics that it is not the politicians or government officials who will take responsibility for the failure to implement land reform. It is therefore up to the PALS members themselves to drive the process for the benefit of the all the stakeholders such as the employees, and the beneficiaries of the projects. Successful land reform, applied on a sustainable basis, is a non-negotiable for food security and the survival of agricultural businesses and the employment opportunities involved therewith. It is accordingly of critical importance that PALS members persevere with the drive of the initiatives and the implementation of projects, notwithstanding the many challenges and obstacles that may exist.

2 Projects

A summary of the implemented projects with regard to land, businesses, housing, training and facilities is attached hereto as an annexure.

It is quite remarkable that PALS members are involved in projects of which 27 000 hectares of high value farmland have been empowered and with a further 7 000 hectares farmland for which projects are ready to be launched and empowerment can take place. These, viewed with the value chain and housing projects, confirms the PALS initiative as the best practice model for radical economic transformation that makes sustainable economic and political sense.

3 Challenges

Although PALS is a private initiative, in the greater scheme of things, the co-operation of various government departments is an essential requirement to help develop the numerous land reform projects to their full potential. The main challenges are the following:

- 3.1 Sub-division to create new agricultural units;
- 3.2 Issuing of permits for the expansion of storage capacity surplus winter water;
- 3.3 Donation and Capital Gains Tax discount for projects;
- 3.4 Approval for the expansion of the electricity network and the deposit of green power into the existing network;
- 3.5 Recognition of PALS projects with regard to BEE scorecards and BEE scoring

The bank and business sectors will do well to contribute to better finance models. This can be achieved if these sectors understand the benefits and ultimate aims of the PALS initiative and offer their buy in and own unique solutions.

4 Development in the last 4 months: CEO's report

- 4.1 Three PALS producers received water permits following the assistance of the PALS centre.
- 4.2 The black farmers of Daytona Farming (Pty) Ltd received confirmation that they could take up shareholding in Yabantu Abattoir in Ceres.
- 4.3 National Treasury requested and considered submissions by Joubert Van Vuuren Inc and the CEO with regards to Capital Gains and Donations Tax when a delegation visited Treasury on 29 March 2017. Follow-up communications and submissions were delivered in April with a view to statutory amendments which may be promulgated during 2017.
- 4.4 AECI confirms a further training sponsorship to PALS. The 390 beneficiaries who previously received training, as well as the next group of beneficiaries, can now receive more targeted training.
- 4.5 The Department of Agriculture confirmed that PALS, as strategic partner, should facilitate co-operation between the Wolseley Community Trust and agriculture producers. Approximately 1200 hectares of land at Kluitjieskraal, Wolseley could possibly be transferred to the community during the course of 2018 or 2019.
- 4.6 Landbank, as PALS member, supports PALS with finance and credit training, the production of a promotional DVD and strategic planning.

- 4.7 Hortgro and PALS work jointly on a Jobsfund 2017 application with the exchange of relevant information where necessary.
- 4.8 PALS black farmers and beneficiaries decide at a strategic meeting that they will take steps themselves to accelerate approvals.
- 4.9 The Municipality and PALS co-operate in a number of value chain and housing projects. Special projects are also envisaged for women and the youth.
- 4.10 PALS are continually in contact with the Provincial Department of Agriculture, national government departments and other stakeholders to discuss the various challenges and to take definitive steps to enhance the implementation of projects.

5 The Future

PALS's philosophy is to do the right thing every day and on every occasion in order for us to be able to account to our children and grandchildren about the legacy we are leaving behind. Part of this strategy is to position PALS in such a way that it could convert today's challenges into opportunities for everyone so that they are able to write their own success stories for tomorrow. It is and remains the only solution for South Africa and is a success recipe on all levels and for all stake holders.

For more information visit our website: www.wpals.co.za

Kind PALS regards



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ANNEXURE: PROJECTS

1. Eyethu Intaba (1086ha Koue Bokkeveld), Bestwill (500ha Ceres), TSR Farming (295ha Koue Bokkeveld), VDM Mpho (275ha Theronberg, Ceres), La Vouere Stonefruit (150ha Ceres), Kleinbegin (250ha Tulbagh), Phakamisa Farming (1700ha Piketberg) and Ceres Cider (5ha waardeketting, Ceres) are already implemented or in the implementation phase. The further approximately 15 projects in which employee groups are holding between 30% and 100% shares (total hectares 23 000) are also land reform projects which are already implemented and in the process of restructuring. Morceaux Farming at Ceres and various other empowerment businesses are also planning further projects and the development of further land are being envisaged.
2. The implementation of Bambisane (959ha Theronberg), Kaja Farming (63ha Ceres) and Elandsrivier (60ha Prince Alfred Hamlet) are being delayed by the failure of the Director-General and/or civil servants of the Department of Rural Development and Land Affairs to approve the applications for sub-division.
3. Dasberg (4160 ha on 9 farms) in the Riviersonderend-area is a substantial project that is scheduled for implementation in June 2017. Mooiuitsig (60ha Bonnievale), Korhaanhoogte (600ha Robertson) and other planned projects in the Sondags Rivier Valley, Eastern-Cape, Mpumalanga en Northern Cape are PALS projects in other areas and provinces that are also going to make a great impact.
4. Numerous value chain projects, such as Ceres Cider, 3 Agri Park projects (Cold storage and Packing Projects), 'n fruit refinery project (3ha land), meat packing and sales in Bella Vista, manufacturing of agricultural implements, distribution of agricultural products and many others, as well as projects that are in the approval or financing phase, prior to implementation.
5. Daytona (220ha Ceres), De Heuwel (40ha Ceres), Elandsrivier (Prince Alfred's Hamlet), Bokkenfontein (Koue Bokkeveld), De Keur Leeurivier and Wolseley project, Kluitjieskraal (1200ha Wolseley) and many other projects in Ceres, Tulbagh and Koue Bokkeveld will be implemented as soon as approvals are received from the Department of Water Affairs and Sanitation and/or the Department of Rural Rural Development and Land Affairs.
6. Four housing projects on land that had been made available by private land owners also form part of the PALS initiative and will be implemented in conjunction with the various levels of government. The municipal housing project at Vredebes are going full steam ahead with agri producers who, as strategic partners, will be able to take up approximately 300 erven in order for those employees to become home owners in their own right.
7. The operations of the VUKA Trust, that was created as part of a collaboration between the Municipality, the Agricultural Association, Business Initiative, School Principals and representatives from various faith communities, include the planning of a conference centre and training facilities. It is a project for the whole community on 9 hectares of land that was made available by the agricultural sector. Sports facilities, agricultural training, conferences and a centre for the marketing of the regions numerous activities are being envisaged