

Dear Sir / Madam

PROGRESS AND BREAKTHROUGHS IN COOPERATION WITH THE GOVERNMENT

Witzenberg PALS (NPC) is now nearly one year in existence since the Witzenberg PALS company was formalised in May 2015 to replace the Witzenberg Partnership.

1. Challenges and Priorities

In 2015 progress was slow with regards to certain aspects, but since the beginning of 2016 we experienced an urgency from the different Government departments. The following aspects are currently the main priorities:

- 1.1 Electricity: Eskom's moratorium on new growth.
- 1.2 Recognition to participating producers: NDP security and BEE Status.
- 1.3 Water permits: Storing of non-allotted surplus winter water.
- 1.4 Tax: Exemption against Capital Gains and Donations Tax.

2. PALS projects

Currently, the PALS initiative consists of the following projects:

- 2.1 55 land reform projects;
- 2.2 20 value chain projects;
- 2.3 4 housing projects;
- 2.4 4 training projects;
- 2.5 Support to Ceres Karoo farmers and Karoo land reform project;
- 2.6 14 existing LRAD shareholding projects.

Mpy Reg Nr / Co Reg No: 2015/164704/08
Telefoon / Telephone: 023 316 1191
E-pos / E-mail: lennox@wpals.co.za
Posbus / P O Box: 79 CERES, 6835
Voortrekkerstraat / Voortrekker Street 84
CERES 6835

Direkteure / Directors: Pieter du Toit (Chair), Raymond Koopstad (Vice Chair), Francois Malan (Member Executive Committee), Tommy Mona, Petri Fourie, Inus Oosthuizen, Jaffie Galant, Nicholas Dicey, Peter Wolfaardt, Robert Graaff

We were advised by the Department of Agriculture to “lock” the abovementioned projects and project list on 30 April 2016. The reason for this is that the different Government departments can then focus on expediting the implementation of this list. Detailed information and maps are compiled for each project. Projects that are received after 30 April 2016 will then have to wait for implementation in a next phase.

It is extremely important that you urgently contact the PALS centre if you have not received your membership certificate and/or you did not receive confirmation that your project is registered as part of the existing list of projects. You can still submit projects until the end of April 2016 and you are also welcome to contact the centre for opportunities that assist black farmers and businesses. We will also send a personal e-mail to all registered PALS members to confirm the status of implementation of their project and specific aspects thereof such as the updated project map and land classification.

3. Electricity and Eskom

We previously reported to you regarding Eskom’s bottleneck which prevents new electricity applications and the devastating effect this can have on economic growth in our area. This aspect is of extreme importance to all farmers and businesses in our area and will prevent any economic growth if it is not resolved.

Several suggestions are currently being discussed with Eskom and the Government in order to solve this problem. The joint task team of Witzenberg PALS and Agri Witzenberg has requested a meeting with Eskom’s Chief Executive Officer, Mr Brian Molefe. We will also request the relevant members of cabinet via Witzenberg PALS to assist us with this challenge. We will report to you regarding this matter as soon as we receive their feedback.

4. Recognition of Participating Producers

This aspect was discussed with the Government’s PALS committee and we are also sending our proposals and communications to the Ministers of Rural Development and Land Reform, Minister of Agriculture and Fisheries and Minister of Water Affairs and Sanitation. Our suggestion is that this matter can be expedited with a decision at cabinet level. We requested that the Government makes a decision as provided for in the National Development Plan, namely that participating producers receive recognition in return for their involvement to make PALS projects successful. BEE status is currently the most important issue. In terms of the new BEE score sheet, all farming businesses end up with a BEE score of lower than their previous level and will drop several levels. Our suggestion is that the implementation of PALS projects and the continuous compliance with certain conditions which will be frequently monitored by the PALS centre, should ensure a Level 4 BEE status for participating producers.

The possibility of granting participating producers security of their water rights on other land, is also a proposal which we are currently busy refining. The uncompleted process of land claims in the rest of the country will probably prevent recognition in terms of the NDP’s other proposal, namely security of other land. Our request is, therefore, confirmation of participating producers’ current water rights and security of these rights for an agreed period.

5. Water

In 2015 we were delayed with the implementation of many projects as a result of this aspect. We believe that we have now made the necessary breakthrough. After studying certain documents and a meeting with the Head of the Western Cape's Department of Water and Sanitation, it was confirmed that the storing of non-allotted surplus winter water is also in line with the department's own reports and investigations. The principle that surplus winter water is available for storing in Witzenberg was confirmed by Mr Rashid Khan in a meeting on 7 March 2016. The enlargement of dams and storing of surplus winter water is also a good strategy against global warming.

All projects that need approval in terms of the Water Act must, therefore, finalise their applications and submit it to the PALS centre. We will then forward it directly to the National Deputy Director General of Water Affairs and Sanitation. The Deputy Director General, Mr Anil Singh, has made the effort to attend our previous meeting of PALS directors to confirm that they will expedite water applications for PALS projects.

6. Tax

The transfer of farms by PALS producers to new PALS companies can in some instances have negative Capital Gains Tax or Donations Tax consequences. We have in this regard communicated with the Chief Legal Advisor of SARS who confirmed that a legislative amendment is envisaged in this regard. Section 56 of the Income Tax Act already contains a similar provision. The good news is that the Minister of Finance in Annexure C of his Budget speech confirmed that the necessary legislative amendment is envisaged for land reform initiatives in line with the National Development Plan.

7. General

7.1 Training

The further training of certain project beneficiaries as nominated by existing projects, has already commenced. The training is coordinated by the PALS office and Koue Bokkeveld Training Centre. We thank all producers who afforded their employees with the opportunity to receive this training during normal working hours.

7.2 Liaising

The project team liaise on daily a basis with private institutions and Government departments. We experience tremendous interest in the PALS initiative and the progress with the initiative from the business sector, academic world and even foreign companies. Several methods of financing PALS projects are currently being investigated. Economic advisors of private institutions and Master's degree students are doing research and writing reports on the PALS initiative.

Positive engagements with the Department of Rural Development and Land Reform and their Director General, Mr Mdu Shabane, and his officials occur on a continuous basis. The head of Department of Agriculture: Western Cape, Miss Joyene Isaacs, and a team from her department visited us on two occasions to discuss practical applications and to assist us with advice and information. We are excited about the urgency we experience

from officials from these departments to assist the PALS initiative. As mentioned above, we were also visited by the Deputy Director-General of the Department Water and Sanitation, Mr Anil Singh, and we are currently arranging a follow-up visit.

We are privileged to work together with an industry organisation such as Hortgro and are grateful for their expertise and support. Hortgro has also made a donation to PALS and plays a vital role in certain projects, especially with new developments on existing black owned farms.

The cooperation with the officials and councillors of Witzenberg Municipality is another positive factor which strongly supports this initiative.

The CEO of the Agricultural Marketing Council, Mr Ronald Ramabulana, is also advising us on certain aspects and assists with coordinating urgent issues.

7.3 Agripark and Value Chain

Several Agripark projects were already submitted to the municipality and Department of Rural Development and Land Reform. Should these projects be approved and funded, new black PALS producers will not only have access to the value chain as provided for in all PALS projects, but will then also have the opportunity to procure shares in value chain businesses. The Witzenberg Municipality coordinates the Agripark development. Concerns about the financing thereof by Department of Rural Development and Land Reform will hopefully be resolved soon.

8. Budget

Our five-year budget was initially based on certain estimates regarding contributions from the private sector and Government departments. In this regard, we have not yet made the necessary breakthroughs. We have now received a donation from Department of Agriculture: Western Cape and believe that other departments will also follow suit, especially in light of the fact that the PALS centre operates as a Comprehensive Rural Development Desk.

The service providers with whom you as producers do business with, can be motivated by yourself to make donations to the Witzenberg PALS centre on the basis that they will get the advantage of a tax deduction and a certificate. A donation to Witzenberg PALS (NPC) will also earn points on their BEE score sheet. We call on all of our producers to request service providers and other businesses to support the PALS centre financially.

9. PALS membership meeting May 2016

We will send a separate letter to members with a date for the yearly PALS members' meeting. We hope that the Ministers who visited us on 6 January 2015 and their Director Generals will also be prepared and available to attend this meeting as our special guests.

We thank you for your support to the PALS initiative and confirm that the value of this initiative is not only measured in terms of successful projects, but also in terms of investor confidence, good relations and hope for a better future.

All of us are confronted on a daily basis with negative news in the media. In Witzenberg we write our own story which will inspire the country and will ensure a better future for all our children.

Yours faithfully

Gerrit van Vuuren
PALS Project Leader

Lennox Plaatjies
Chief Operating Officer



WITZENBERG PALS (PARTNERS IN AGRI LAND SOLUTIONS)

Telefoon / Telephone: 023 316 1191

E-pos / E-mail: lennox@wpals.co.za / gerrit@jvanvuuren.co.za

Posbus / P O Box: 79 CERES, 6835

Voortrekkerstraat / Voortrekker Street 84
CERES 6835