

**REPORT OF THE PORTFOLIO COMMITTEE ON PREMIER'S OFFICE; FINANCE;
ECONOMIC DEVELOPMENT AND TOURISM:**

**"PRE-TAKING THE LEGISLATURE TO THE PEOPLE" OVERSIGHT VISITS HELD
IN THE LEKWA LOCAL MUNICIPALITY, GERT SIBANDE DISTRICT, 25 AUGUST
2016 (MEGA)**

1. INTRODUCTION

Section 118 (1) (a) and (b) (i) of the Constitution of the Republic of South Africa empowers a provincial legislature to facilitate public access to and involvement in its oversight processes. In addition, sections 114 and 133 of the Constitution, read together with rules 218 and 131 of the Rules and Orders of the Mpumalanga Provincial Legislature (the Rules) directs the Legislature to hold the Executive accountable for the exercising of powers and performance of functions.

In carrying out its constitutional oversight and public participation mandate, the Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism (the Committee) conducted oversight visits in the Lekwa Local Municipality (the municipality) on 25 August 2016 during the "Pre-Taking the Legislature to the People" (TLP) event.

This report reflects the issues that emanated from the oversight activities during the said date, which will need further intervention of the Department of Economic Development and Tourism (DEDT), its parastatal Mpumalanga Economic Growth Agency (MEGA) and the Department of Agriculture, Rural Development, Land and Environmental Affairs (DARDLEA).

2. PURPOSE OF THE OVERSIGHT ACTIVITIES

The Committee assessed progress on projects that are assisted by the Department of Economic Development and Tourism (DEDT) and Mpumalanga Economic Growth Agency (MEGA). The Committee wanted to interact with project beneficiaries and ensure that the DEDT's and entity's delivery of core mandated services is fast tracked.

3. METHOD OF WORK

As per the Legislature programme, the Economic Cluster had Pre-TLP oversight visits planned for the period 24 - 25 August 2016 at the Lekwa Local Municipality. The Committee informed the entity about the Pre-TLP oversight visits to be conducted and the purpose thereof. Invitations were sent to the management of the entity and the Municipality requesting them to be part of the visits.

- On 16 August 2016, the Committee Researchers briefed the members of the Economic Cluster Committees on the projects to be visited on.
- On 25 August 2016, the Committee conducted the oversight visits at the Marnard Properties (PTY) LTD Broiler Production and Mr Mavela Isaac Buthelezi's Cattle Breeder farm.

4. OBSERVATIONS AND COMMENTS

The Committee observed the following:

- The Marnard Properties broiler production is a good story to tell; a family business which consists of two (2) females and one (1) male and is doing well despite the challenges faced in and around the project.
- The business paid-off its loan within six (6) months of receipt from MEGA (September 2011).
- The beneficiaries stated their satisfaction on the services that were provided by MEGA.
- The business has created permanent employment for seventeen (17) local individuals, including the farm manager and provides them with incentive bonuses.
- With regard to the second project, the Committee noted that things have not been easy for Mr Buthelezi since the beginning of the business in 2011.
- Mr Buthelezi has struggled to keep up with the loan repayment schedule owing a further R 393 896, 00.
- Mr Buthelezi was negatively affected by the drought which occurred in 2015 towards 2016 and was unable to sell his cattle as they were not in the condition to be sold.

5. INTERACTION WITH THE MANAGEMENT OF DEPARTMENT/ENTITY AND THE BENEFICIARIES

5.1. MARNARD PROPERTIES (PTY) LTD – BROILER PRODUCTION

Mr Thulani Nobela: Mpumalanga Economic Growth Agency (MEGA) gave an overview on the Marnard Properties broiler production.

The Marnad's Properties broiler production is located in the outskirts of Standerton in Lekwa Local Municipality. The business is owned by the Zimu families which consist of two (2) females and one (1) male. The families started with the farming operation in March 2011 on leased land from the Land Reform and Agricultural Development programme. The farm had initially eight (8) chicken houses and two (2) piggery houses when it was handed over to the Marnad business.

The purpose was to grow one-day chicks and then sell to the Early-Bird Company as their grower contract market. They received a start-up loan as emerging farmers. They received loan assistance of an amount of R350 000.00 from the Mafisa grant. The purpose of the loan assistance was to assist them with operational costs to buy feed, medication, coal, fuel and pay salaries. The business paid off its loan within six (6) months of receiving it (September 2011).

MEGA reported that regular visits were undertaken in the initial stages for advice and linking with customers and networking. The beneficiaries also stated their satisfaction on the services that were provided by MEGA. The business has created permanent employment for seventeen (17) local individuals including the farm manager. The eight (8) chicken houses carry a capacity of 25 200 chicks per cycle (35 days). The owners are considering expanding to piggery in the near future. They expressed their desire to return to MEGA for further assistance in terms of farming equipment such as tractors and for infrastructure upgrades around the farm as well.

The beneficiaries indicated that the Project is experiencing the following challenges:

- The contractor (Early Bird) is enforcing certain restrictions on the way in which they need to operate. The contractor imposes certain standards to be upheld by the business which comply with their policies and standards. These according to the business, are way too stringent and unnecessary.

- For one, all transport costs and collection of chicks for the early bird trucks are borne by the business and the business is not permitted to utilise its own transport. In other instances, the business will be instructed to change certain farm equipment which they are using otherwise their contracts may be cancelled. This becomes very costly for the business to implement and affects their profits negatively. In addition, the cost of chicken feed is constantly on the rise and very expensive.
- Another challenge stated by the beneficiaries was that of the high crime rate around the project (security is compromised); where there was theft of chickens on several occasions. However, that has since been curbed with the employment of the security personnel who patrol around the project at night. Further to that, there has been an extension in electricity which has provided more lighting and clearer visibility to the main area.
- The beneficiaries have indicated that they require fencing around and at the back of the project to assist in minimising the crime rate or theft of chickens.

5.1.1 FINDINGS MADE BY THE COMMITTEE

After the interaction with the entity and the beneficiaries the Committee noted the following:

1. The broiler production business needs a specialist who can assist them with the challenges experienced from Early Bird, as the contractor enforces certain restrictions on the way in which they need to operate. Furthermore, the contractor imposes certain standards to be upheld by the business which comply with their policies and standards. These according to the business, are way too stringent.
2. The Department of Agriculture, Rural Development, Land and Environmental Affairs (DARDLEA) is not involved in assisting the business to do piggery and crop farming.
3. The Department of Economic Development and Tourism (DEDT) last funded projects in the Lekwa Local Municipality in the 2011/12 financial year and no projects have been funded yet within the current financial year.

4. MEGA failed to reach its target in the Gert Sibande District for the first quarter of the 2016/17 financial year regarding disbursing loans.

5.1.2 RECOMMENDATIONS MADE BY THE COMMITTEE

After the deliberations, the Committee resolved on the following:

1. The Mpumalanga Economic Growth Agency (MEGA) should link the broiler production business with a specialist that can ensure that the correct and necessary standards are upheld, vis-à-vis the Early Bird's policies and standards.
2. Both the Department of Economic Development and Tourism (DEDT) and the Department of Agriculture, Rural Development, Land and Environmental Affairs (DARDLEA) must interact and engage to assist the business with a plan to include piggery and crop farming to be part of the project, as this will also be sustainable. MEGA (DEDT) must submit a progress report to the Committee on or before **04 November 2016**.
3. The department must secure funds to provide fencing in and around the project to alleviate and curb the theft of the chickens.
4. MEGA should ensure that the target loan disbursement is achieved for all three (3) districts within the Province and that the communities benefit from the mandate of the entity.

5.2 MR MAVELA ISAAC BUTHELEZI – CATTLE BREEDER

Mr Thulani Nobela: Mpumalanga Economic Growth Agency (MEGA) gave an overview on the cattle breeder project.

Mavela Isaac Buthelezi's farm is located in the outskirts of Morgenzon between the borders of Msukaligwa and Lekwa Local Municipalities. It is in the primary agriculture sector. Mr Mavela Buthelezi started with the farming operation in July 2011. He is leasing the 515 hectare farm from the Land Reform and Agricultural Development programme.

His initial purpose was to advance his dairy farm by purchasing cattle which were at that stage getting old. Due to circumstances beyond his control, he was unable to get a response from the Department of Agriculture (DARDLEA or national Department of Agriculture, Forestry and

Fisheries) who had shown an interest to support him. Mr Buthelezi then sold the elderly cattle in anticipation that he would receive the grant from the Department of Agriculture for the dairy farm. This did not come to fruition. When the department was not forthcoming, Mr Buthelezi approached MEGA for loan assistance. The purpose of the loan was to help Mr Buthelezi breed and grow livestock in the form of cattle and then to sell selected stock to the market.

He received a start-up loan as an emerging farmer. Mr Buthelezi was supposed to receive a loan assistance of an amount of R1 003 895.00 of which R500 000.00 was from the Mafisa grant. The purpose of the loan was to assist Mr Buthelezi to purchase a herd of 70 cows and 3 bulls as well as operational costs to buy feed, medication and pay wages. However, only the Mafisa portion of the loan was available and Mr Buthelezi used this portion to purchase a herd of 45 cows, 20 calves and 2 bulls. The remainder of the loan was never transferred to Mr Buthelezi. MEGA reported that they would provide regular visits to the farm to provide an advisory role in the operations of the farm. They would also facilitate veterinary services and link the farm with customers. Mr Buthelezi currently employs two permanent employees on the farm and also has twelve (12) goats and four (4) sheep within the farm.

The beneficiary indicated that the Project is experiencing the following challenges:

- Mr Buthelezi has struggled to keep up with the loan repayment schedule, owing a further R393 896. 00.
- The project was negatively affected by the drought which occurred in 2015 going into 2016. As a result, he was unable to sell cattle as they were not in the condition to be sold. On occasions before the drought, he would sell his cattle on auctions held in Ermelo at least once a year (in December) as well as supply selected herd to the abattoir in Ermelo.
- Initially, the owner had a dairy farming on his business plan; however, he was then advised that dairy farming will not be viable according to MEGA's feasibility study.
- Mr Buthelezi mentioned that one of the biggest challenges he faces is theft and vandalism in his farm. Many of his equipment has been vandalised and stolen while he was hospitalised, which has derailed his operations.
- Mr Buthelezi stated that the fence around the farm is in a dire condition and the Department of Agriculture, Rural Development, Land and Environmental Affairs

(DARDLEA) had indicated to him that they would assist but that has not yet been done. He is also in need of other farm equipment such as Tractors, etc.

- The access road to the farm poses a challenge as it is in a dire condition; furthermore, they cannot acquire assistance since the farm is situated between both the Lekwa and Msukaligwa Local Municipalities.
- He further mentioned that he has had to cut off the electricity supply because the bill was escalating out of control.
- Mr Buthelezi lastly mentioned that they need an abattoir in the area as Ermelo was too far and sometimes the prices at which he sells his cattle at the auctions is too low. An abattoir would allow them to sell the cattle directly to customers.

The Committee, after the briefing, deduced that there is a probability that Mr Buthelezi could have been a contributing factor towards the vandalism of the equipment around the farm. Though he did indicate his passion towards dairy farming and production onset, Mr Buthelezi should be assisted in the operations of the farm going forward.

5.2.1 FINDINGS MADE BY THE COMMITTEE

After the interaction with the entity and the beneficiaries the Committee noted the following:

1. Mr Buthelezi diverted from the initial dairy cattle with the hope that the Department of Agriculture, Rural Development, Land and Environmental Affairs (DARDLEA) would assist in providing him with the cattle necessary for dairy production.
2. The dairy production building is not in a good condition and the cables have been vandalised.
3. MEGA reported that they would provide regular visits to the farm to provide an advisory role in the operations of the farm and do a feasibility study on the viability of funding the cattle farming and production.
4. There is no good fencing in and around the project.
5. The market or demand for dairy farming might not be feasible and as a result, this can negatively affect production.
6. Mr Buthelezi's farm is located between the borders of Msukaligwa and Lekwa Local Municipalities, of which the road is in a dire condition.

5.2.2 RECOMMENDATIONS MADE BY THE COMMITTEE

After the deliberations, the Committee resolved on the following:

1. The Head of Department (HOD) of the DEDT must interact with the HOD of the DARDLEA in assisting Mr Buthelezi to source funds necessary for the cattle to be utilised in dairy farming and production.
2. MEGA must provide regular visits to the farm to provide an advisory role in the operations of the farm, including dairy production.
3. MEGA must ascertain the viability of funding and approving the second loan in Mr Buthelezi's name for the dairy farming and production.
4. The Head of Department (HOD) of the DEDT must interact with the HOD of the DARDLEA in assisting Mr Buthelezi, as per their indication, to secure funds that will assist Mr Buthelezi to replace the fence around the farm as the lack of proper fencing poses a security risk.
5. The Head of Department (HOD) of the DEDT must interact and liaise with the HOD of the DARDLEA in ascertaining whether or not there is still a market or demand for dairy farming and production in the area.
6. The MEC of DEDT should liaise with the Mayors of the two local municipalities (Lekwa and Msukaligwa) as well as interact and engage with the Department of Public Works, Roads and Transport (DPWRT) to ascertain which municipality is responsible to address the maintenance of the access road to the farm.

The Committee moves that the House adopts the report with the above recommendations.

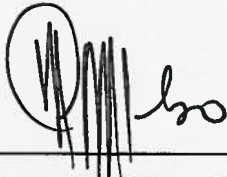
6. CONCLUSION

The Chairperson would like to take this opportunity to thank the Members of the Portfolio Committee for their active participation and constructive contributions during the Pre-TLP oversight visits.

In addition, the Chairperson extends a word of appreciation to the senior management official for availing himself to deliberate on matters pertaining to the above mentioned projects.

The Chairperson would also like to thank the support staff for contributing to the production of this report.

Unless otherwise stated a report detailing progress in the implementation of all recommendations in this report should be forwarded to the Committee by 07 September 2016 and thereafter on a quarterly basis.



**HON FV MLOMBO (MPL),
CHAIRPERSON:
PORTFOLIO COMMITTEE ON
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ECONOMIC DEVELOPMENT AND TOURISM**

31. 08. 2016

DATE