



Member of the Executive Council  
for Agriculture & Rural  
Development  
FREE STATE PROVINCE

**Me M O Tsopo**  
**Honorable Speaker: Free State Provincial Legislature**  
**Bloemfontein**  
**9300**

**RE: RESPONSES TO THE PORTFOLIO COMMITTEE FOR AGRICULTURE AND RURAL DEVELOPMENT**

**3. Mr. R. Jankielsohn asks the MEC responsible for Agriculture and Rural Development, Ms. M. Qabathe:**

In view of the dairy project that is being established by the Department at Vrede;

**3.1 How much money has been spent in each year since the project was initiated?**

aThe department has committed to pay the total contribution of R342 million over a period of three year in tranches of R114 million/year. The first contribution was done in two payments of R30 million and R84 million which is equal to R114 million in 2012.

**3.2 What were each of the respective amounts spent on since the project was initiated?**

- Establish 151 Ha crops for fodder (Maize crops were planted on 86Ha. 240 tons were harvested and stored in the VKB (Vrystaat Kooperasie) silo's at Vrede. Soya beans were planted on 65 ha and had a yield of 60 tons. The soya beans are also stored at the VKB silo's). The cost for seeds, fertilizers, inputs and diesel was R 319 290.
- Labour cost was R1 309 097.00.
- Construction of Silage Bunker (R5 000 000.00).
- Construction of gravel access road. The road of ±2 km has been completed (R1 200 000.00).
- Cattle shed (R500 000.00).
- Security gate and guard house (R2 600 000.00)
- Temporary Veterinary Laboratory (R300 000.00).

- Cattle Feed plant (R7 350 000.00).
- Milking Parlour (10 point static parlour & 72 point rotary parlour) and Milk Processing Plant (to process 20 000l milk per day and it should have the potential to expand to 30 000 l per day) R30 050 000.00.
- **Purchasing of farm implements:**
  - **Tractors:** 2 x Tractor John Deere 110 KWA and 2 x Tractor Tafe 61 KWA (R2 360 000.00).
  - **Equipment:** 2x Chisel ploughs with rollers, Inter row cultivator, 8 Row maize planter, Boom sprayer 800l capacity, Fertilizer spreader, 5t Cap trailer, Water browser 2500lt cap, Diesel Browser 1100lt cap, Spray gun, Generator with welding machine, Baler, Disc Mower, Disc harrow, 5 wheel rake, Long flatbed trailer, 3 x tipper trailer, Single row maize harvester, 5 kw generator, Front end loader and Fire fighter (The cost of the tractors and implements was R 3 507 494).
  - **Farm Tools:** Spanner set sizes 1-36, ring spanner and screw driver, Socket set, Heavy duty vice, Trolley jack, Pik, shovel, silage fork, axe, rake, Saw, Spot light, lamp torch, Grinder, Air compressor and Drill machine (R2 513 000.00).
  - **Purchasing of Dairy Cows:** In total 351 Dairy cows of different ages were purchased (62 x pregnant (3-5 months), 57 x Breeding cows, 70 x Calves older than 12 months, 77 x calves 9-12 months and 85 x calves 6-9 months) R6 212 000.00.
  - Land Surveyor, Agriculturists, Accounting Fees, Office Equipment, Insurance, Salaries and Wages, Professional Fees, Administration Fees, Legal Fees (R12 000 000.00).
  - Secured: Pasteurizer, Dairy Equipment, Irrigation Equipment (R37 779 613).

**3.3 Whether any outside individuals or companies have been paid any money in respect of this project, if so, a) who are these respective individuals and companies and b) what services were provided by these respective individuals and companies?**

- a) ESTINA
- b) ESTINA: Ensure the implementation of Project in the District with due skill, diligence, regularity and expedition and complete the project. At all material times complied with the relevant provisions of the Agreement, insofar as it pertains to the activities of the Project. Utilize the funds made available by the Department to the project. Ensure that sound financial management and accountability system are in place, and provide the Department (District Director) with monthly and annual reports as in line with the Monitoring and Evaluation System of the Department of Agriculture and Rural Development.

### **3.4 What is the total amount that the Department plans to spend on this project?**

The total project cost is R570 million (Five Hundred and Seventy Million) of which the department has committed to contribution R342 million (Three hundred and forty two million), over a period of three years.

### **3.5 When will this project be completed?**

The Vrede Dairy project was initiated on the 5<sup>th</sup> of July 2012 and is envisaged to be completed by July 2015.

### **3.6 What are the expected outcomes of this project for the Free State Province?**

## **OVERARCHING BENEFITS FOR THE PROVINCE AND THE NATION**

- In line with the Agri-BEE business norms stipulated by Government, Estina proposes that a new Special Purpose vehicle (SPV) be created in which ESTINA will hold a 49% share while the remaining 51% shares will be distributed to selected Grant recipients.
- Estina will provide the required capital injection as well as the technical know-how, which will be provided by Paras.
- It is envisaged that this integrated agri-business project will become a centre of excellence for the entire Free State and even the neighbouring Provinces.

- Eventually this Project will provide On-site, in-service practical agricultural training for aspirant farmers to equip them for the profitable operation and management of their own DARD projects, albeit:
  - Primary production of livestock and agricultural produce, or
  - Value-adding and beneficiation to livestock and agricultural produce
- Basic business, financial and management skills training and in-service application
- Cooperative processing, value-adding and beneficiation of livestock and agricultural produce for all DARD projects in the Free State
- Cooperative marketing facilities into the major consumer markets of South and Southern Africa for all milk projects in the Free State thus creating the necessary critical mass and economies of scale which will unlock additional financial benefit for project participants

### **3.7 Who is the private sector partner?**

ESTINA PTY Ltd.

### **3.8 How much money will the private sector partner invest in this project?**

The total project cost is R570 million (Five Hundred and Seventy Million) of which Estina will contribute R228 million (Two hundred and twenty eight million).

### **3.9 What is the agreement between the Province and the private sector partner in terms of their investment, and**

The Department has entered into an Agreement with ESTINA for the construction and implementation of Dairy Project with infrastructure. The first phase of the Project involves setting up of a Dairy Parlour with an in-house capacity of up to 1,000 cows to supply milk to the Parlour. The dairy construction will also include among others Feed Storage, Feed-Lots and Land Cultivation for Feed on 4.400 hectares of municipal land. The second phase of the project involves setting up of a Milk and Dairy products Processing Plant to produce packaged milk and other Dairy products. Estina agrees, in pursuance of this project, for the formation of a new Legal entity Mohoma Mobung Dairy Project Pty Limited wherein Estina shall hold 49% shares

and farmers shall hold 51% shares.

- ESTINA undertakes that any information or document submitted by it in terms of the Agreement shall be true and correct.
- ESTINA also undertakes to act in good faith and afford all reasonable and necessary co-operations in fulfilling its obligations in terms of its agreement.
- Train beneficiaries according to need analysis and marketing of produce and the products both locally and internationally (if applicable to the project, the training plan as well as the marketing plan should be submitted to the district).
- Provide beneficiaries with after care or mentorship in conjunction with extension support from the Department according to the scope of work for each project.
- Shall use local labourers and provide evidence as per agreement (signed ID copies and time sheet).

The training, mentoring and support will be assessed beforehand by Glen training institute (either by itself or services provider) and if it is not satisfactory it will have to be rectified by the service provider in conjunction with Glen training institute.

The following shall further be operational duties or obligations of the Services Provider:

- shall provide warranty according to manufacturer's prescripts or as outlined by the scope of work.
- shall be responsible to ensure that they comply with environmental requirements, Municipal by-laws, applicable legislations or Acts and standards and that they obtain water rights and ploughing certificates.
- In case where livestock is procured, the service provider will have to comply with the requirements as stipulated by the State Vet in consultation with the beneficiaries.

**3.10 What guarantees does the department have that the private sector partner will meet their commitments?**

Notwithstanding anything contained in the Agreement, the Department reserves the discretion

to verify and confirm any information or document submitted by the other Parties in the performance and execution of its duties and obligations in terms of the Agreement.

The two parties have entered into a binding Agreement.

Your support is highly appreciated.



**Me. M.G. QABATHE (MPL)**  
**MEC OF AGRICULTURE AND RURAL DEVELOPMENT**  
**DATE: 13/11/2013**