

PART A: STRATEGIC OVERVIEW

1. CONTEXTUAL ANALYSIS

During the 2016 State of the Nation Address (SONA), President Jacob Zuma reminded us of the global economic challenges we are currently facing and the impact it has on South Africa. He did however reiterate that South Africa remains an attractive destination for prospective investors and should be positioned as such. The President further reminded us of the “Nine-Point Plan” introduced in 2015, directed to address sluggish economic growth. In addition to the above, the following specific focus areas of the SONA can be highlighted:

- The development of Public-Private Partnerships
- Investment into Information and Communications Technology (ICT) infrastructure
- Creation of jobs through innovation
- The introduction of cost-cutting measures
- The monitoring of the performance of organs of state
- Intra-Africa trade
- Increase in exports
- Skills development

It is clear that Government will remain focused on measures to transform and stimulate the South African economy. The Industrial Policy Action Plan (IPAP) and the National Development Plan (NDP) are now more relevant than ever in order to achieve these objectives. The approval of the Department of Agriculture, Forestry and Fisheries’ (DAFF) response to the NDP, namely the Agricultural Policy Action Plan (APAP), is very specific in agriculture’s role over the next few years. The APAP specifically notes the following:

- An annual increase in gross value add for Agriculture, Forestry and Fisheries
- Increase in the number of smallholder farmers
- Increase the number of jobs by one million in 2030
- Increase the contribution of processed products to manufacturing annually
- Reduce the number of households vulnerable to food insecurity
- Percentage biomass increase of stock levels in deep water hake
- Reduced vulnerability and risks associated with climate change impacts

With further reference to the President’s Nine-Point Plan, the revitalisation of agriculture and the agro-processing value chain; and the role of State Owned-Entities (SOEs) are of particular importance.

Looking at the revitalisation of agriculture, it is reported that the number of commercial farming units in primary agriculture has reduced significantly over the years – from 120 000 in 1950 to 39 000 in 2014. As a result, fewer people have been employed

within this sector. It should however be noted that the decline in farming units is mainly as a result of an increase in the size of farms and is not necessarily a reduction in production area. This is further confirmed by the annual growth in fruit export volumes, showing a 13% increase over the past five years.

The European Union (EU) remains South Africa’s main export destination for perishable produce, with roughly 36% of all fresh fruit going to this market. This trend is however expected to change, as greater focus is being placed on exports to Asia in an attempt to diversify and so mitigate related risks. The five-year average reflects that 36.3% of exports go to the EU and 16.7% to Asia. During the 2014/2015 season 35% of exports went to the EU and 18.1% to Asia. Although not the only factor, the continuing Citrus Black Spot (CBS) saga in the EU has been a stark reminder of how our access to international markets can have far-reaching implications on South African trade.

During 2015, a total of 15 CBS interceptions were recorded, which is a huge improvement on the 28 interceptions reported during the 2014 season. The Food and Veterinary Office (FVO) visit indicated that the controls introduced by South Africa (Government and industry) paid off, as it was regarded as sufficient to reduce the risk of CBS being spread beyond the borders of South Africa. It is also a relief to report that no additional measures will therefore be introduced for the 2016 season.

Throughout 2015 and the beginning of 2016 South Africa battled one of the worst droughts and continuous heat waves in decades. The impact on fresh produce has been dire, with reduced export volumes due to smaller fruit and below par yields. The biggest concern remains the shortage of grain which poses a real threat of food security. It was reported that South Africa may run out of grain by the end of April 2016. Should this happen, circa four to six million tonnes of grain need to be imported at a less favourable exchange rate, putting further pressure on South Africa’s inflation. As a result of less produce being exported, the PPECB will face a loss of income to the value of nearly R20 million during the 2015/2016 fiscal year. It is further reported that the real impact of the drought will still be felt years from now.

On the positive side, the weak rand makes it more attractive for South African exporters to supply foreign markets, slightly reducing the impact of the reduced export volumes. South Africa however remains a net importer and the weak rand will therefore put continuous pressure on the already battling economy.



The PPECB further takes note of the President's view of the role of SOEs like the PPECB. It is believed that Government's role is predominantly policy making and should rely more on SOEs to implement its policies. To this end, the PPECB has applied to play an even greater role in supporting the DAFF in delivering a comprehensive inspection and food safety service. As a National Public Entity, the PPECB has a national footprint and defined competencies to further support Government. The PPECB will therefore continue to invest in its analytical laboratory by increasing its scope of analyses and service offering over the medium term. This initiative is also well aligned and in support of the quest to increase exports by ensuring compliance with international food safety standards, thereby keeping South African produce competitive.

One of the enabling milestones of the NDP is for South Africa to **"play a leading role in continental development and economic integration"**. To this end, the PPECB has responded and has since entered into a Service Level Agreement (SLA) to assist Namibian authorities to establish an inspection body similar to the services rendered by the PPECB. During the 2015 grape season, the PPECB deployed 15 inspectors in Namibia to assist and train Namibian counterparts Agro-Marketing and Trade Agency (AMTA) on relevant inspection methods.

Another NDP and APAP-articulated imperative related to the agricultural sector is the **"realisation of a food trade surplus, with one third produced by small-scale farmers and households"**. The PPECB is continuing with its efforts to up-skill smallholder farmers in collaboration with sister SOEs and the DAFF. Initiatives are specifically focused on General Agricultural Practices, Food Safety and Quality. The ensuing year will see the PPECB increasing its number of farmers trained and make concerted efforts to collaborate with other entities in consolidating efforts and fast-tracking the entity's transformation agenda.

Over the past three years, the PPECB has made significant investment in its national ICT infrastructure and converted from a manual inspection platform to an electronic platform. For this purpose, more than 300 inspectors have been issued with tablets to date. During the 2016/2017 fiscal year, the entity will continue to invest on this front by adding more modules to the electronic platform, taking it a step closer to the ultimate goal of electronic certification. This initiative is directed at speeding up verifications, reducing the use of paper, increasing efficiencies and keeping South Africa competitive internationally.

Finally, in addition to the above, the entity will introduce the following initiatives during the 2016/2017 fiscal year:

- Research and Development (R&D) will be re-introduced in the organisation. It is essential to keep abreast with the latest developments in an attempt to remain relevant and operate more efficiently. Although R&D and innovation will be driven as separate business units within the PPECB, the units have been structured to support one another in order to maximise output
- Finally, the PPECB is committed to contribute to the transformation agenda of Government. The PPECB Board has now added Transformation as a strategic objective to the existing fold. Transformation will be driven internally and externally, mainly capitalising on the PPECB's core competencies

This strategic plan remains mindful of the fact that the PPECB, as an SOE, is mandated to execute two mandates. Firstly, the inspection of listed agricultural produce in terms of the Agricultural Product Standards Act. Secondly, to oversee the export of perishable produce by ensuring adherence to cold chain protocols, among other things.

During a strategic session held in November 2015, the PPECB Board highlighted the following focus areas:

- To review the current inspection methodology and align it with global trends
- To add Transformation as a fourth strategic objective and define it within the context of the PPECB
- To re-introduce R&D into the PPECB in order to keep abreast with the latest developments
- To re-position the PPECB laboratory in order to play a greater role in supporting government and the export industry
- To continue with the investment in ICT in order to create a stable infrastructure to support mobile technology

Finally, the PPECB as an organisation must evolve with the times without losing focus of its core mandates. The CEO and the Executive Team need to ensure that the PPECB remains an employer of choice; that it adopts current technology to streamline its operations; that it adheres to the Public Finance Management Act (PFMA) and the corporate governance expected of it as a national public entity; that it remains financially sustainable in a volatile agricultural environment; and that it continues to have a strong stakeholder focus. The accompanying strategy is therefore required to address all of the above issues that encompass the PPECB as an ongoing business concern.

PART A: STRATEGIC OVERVIEW (CONTINUED)

2. VISION, MISSION, VALUES

The **VISION** of the PPECB is to enable its customers to be the preferred suppliers of perishable products worldwide.

This vision is supported by the PPECB's **MISSION** to empower its people to execute our mandates to ensure the integrity of their customers' products.

This mission is further underpinned by the PPECB's **VALUES** of:

Professionalism

We aspire to doing the job right the first time, while displaying a positive attitude towards our relationships with our clients, colleagues and stakeholders.

Accountability

We proactively assume responsibility for all our deliverables and areas of influence through creating and maintaining an environment which fosters guidance and empowers employees to take ownership of their actions.

Passion

We are driven and committed to continually serve our stakeholders with energy and enthusiasm.

Integrity

We uphold the highest standards of honesty, impartiality and confidentiality in the execution of our duties, services and stakeholder relationships.

Confidence

We believe in our people, processes, proficiency and in-depth knowledge which enables us to deliver our duties and services with conviction and excellence.

Collaboration

We actively engage in building and maintaining relationships in which we share information and exchange innovative ideas with all stakeholders.

3. LEGISLATIVE AND POLICY MANDATES

The PPECB is mainly governed by the Perishable Products Export Control (PPEC) Act (Act No. 9 of 1983) and the Agricultural Product Standards (APS) Act (Act No. 119 of 1990). In terms of this legislation, the PPECB is responsible to oversee the export of perishable produce. This is achieved through the inspection of listed agricultural products and management of the cold chain.

Both the PPEC Act and the APS Act are currently under review and have been published for public comment. The PPECB is hopeful that the amended legislation will be passed by parliament during the latter part of 2016. To date, there have been no significant changes to legislation impacting directly on the mandate of the PPECB.

4. POLICY MANDATES

Informed by the National Growth Path (NGP) and the National Development Plan (NDP), the Medium-Term Strategic Framework (MTSF) places great emphasis on smallholder farmer development and rural employment, among other things.

As subject matter experts for the inspection for listed agricultural products, the management of the cold chain and food safety certification targeted at the export market, the PPECB is committed to support Government in achieving these objectives.

The PPECB has formulated policies that will promote and facilitate achievement of these objectives and has further introduced programmes directing organisational resources accordingly.

5. SITUATIONAL ANALYSIS

5.1 Expenditure Framework

The 2016/2017 budget is informed by four main drivers namely: (1) the delivery of statutory services; (2) the execution of the Board-approved strategic plan; (3) the mitigation of the main risk areas in the PPECB's service delivery priorities, and; (4) moving towards electronic export certification.

The spending focus over the medium term will be on continued service delivery without compromising the integrity of product quality and continued contribution towards social responsibility in building capacity and assisting smallholder farmers as well as focusing on establishing a professional and well trained staff complement that can add value to the perishable export industry.

5.2 Expenditure Trends

Between 2012/2013 and 2015/2016, total expenditure grew from R198 million to R282 million at an average of 12.8% per annum. The reasons for these increases are mainly due to expenditure residing mainly in employment, travel and accommodation costs, all of which increased annually in excess of Consumer Price Index (CPI), coupled with continued pressure to increase staff resources to ensure compliance



to the DAFF mandate and mitigate risks such as the current Citrus Black Spot issue. Computer costs are also increasing over the Medium-Term Expenditure Framework (MTEF) period due to the mobile technology strategy adopted by the PPECB in order to enhance the competitiveness of the South African agriculture industry.

From 2016/2017, expenditure is set to increase for the next five years by an average annual rate of 10.6% to R492 million in 2020/2021. It is assumed that the activity base used in 2015/2016 will track the growth in exports. The activity base refers to the operational resources deployed, kilometres travelled and relief duty days. Computer expenses increase by an average of 12% due to the introduction of mobile technology in PPECB's business.

5.3 Revenue Trends

It is assumed that between 2016/2017 and 2020/2021, total income will increase by 11% over the planning period. The 11% increase is based on an initial 8% inflationary adjustment to levies and 3% growth rate in product volumes expected.

The volume growth on statutory services projects citrus fruit inspected volumes will increase by 2% per annum, and deciduous fruit inspected volumes by 3% per annum. A 3% growth is assumed for all other products and services. Interest income is assumed to marginally reduce due to shortfalls in the first two years. Interest rates are expected to remain firm.

5.4 Personnel Information

The period ending 2020/2021 is informed by the two major objectives above, namely fulfilment of the mandate from Government and execution of the strategic plan approved by the Board. Over the past decade the PPECB became increasingly under-resourced to meet these objectives.

The period ending 2020/2021 will continue to address human resource constraints to ensure that the PPECB meets its mandate and strategic goals. Employment costs of R187 million in 2015/2016 is set to increase to R323 million over the five years, which is an average of 10.5%. Salaries, including promotions, are adjusted by an average of 6% per annum and growth in employment is 4.5%. The PPECB is a service-oriented entity and as such 66% of total expenditure is made up of personnel costs. The vacancy rate is kept at 5% of total staff over the five-year period.

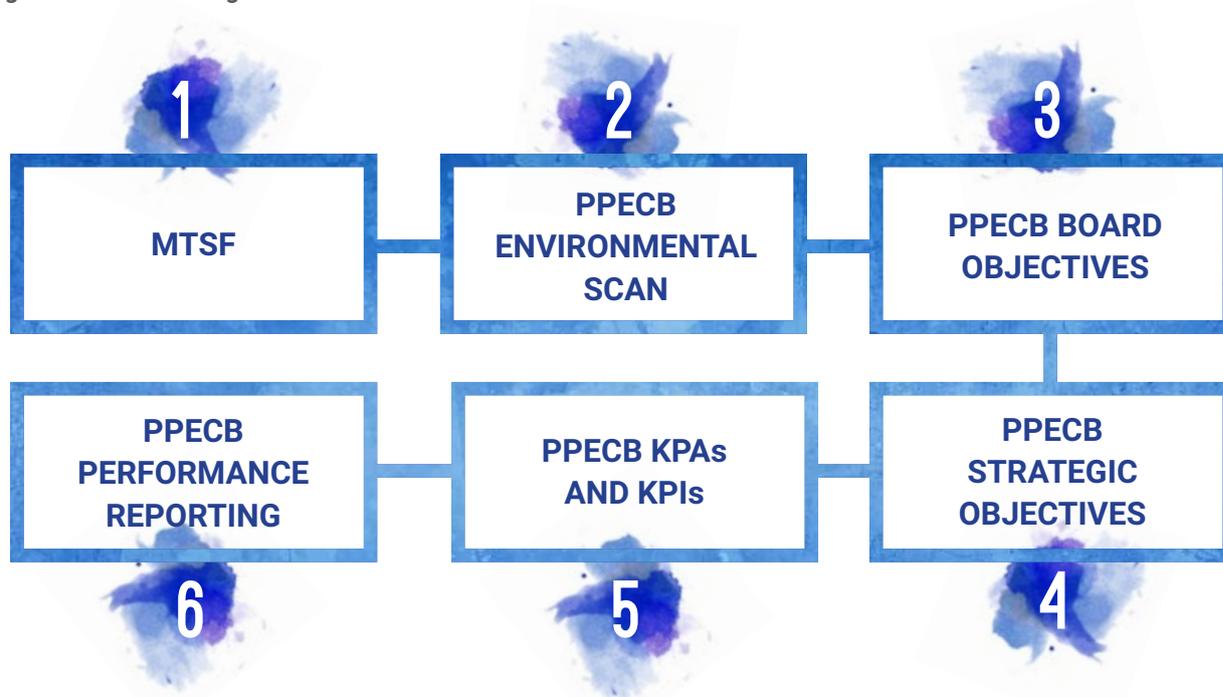
PART A: STRATEGIC OVERVIEW (CONTINUED)

Perishable Products Export Control Board MTEF for the period ending March 2021

Statement of Financial Performance	Audited Outcome			Revised Estimate	Average Growth Rate %	As % of Total %	Medium-Term Estimate					Average Growth Rate %	As % of Total %
	2012/2013	2013/2014	2014/2015				2015/2016	2012/2013 to 2015/2016	2016/2017	2017/2018	2018/2019		
R thousand													
Revenue													
Sale of goods and services	189 998	217 678	245 481	268 623	12.2	97.8	320 141	355 357	392 669	433 899	485 967	11.0	98.5
Interest received	4 469	5 405	5 366	3 769	(5.5)	2.	4 526	4 843	5 182	5 545	5 933	7.0	1.2
Transfers received	600	600	600	600	0.0	0.2	848	848	848	848	848	0.0	0.3
Total revenue	195 067	223 683	251 447	272 992	11.8	100.0	325 515	319 942	353 754	387 170	423 753	10.9	100.0
Expenses													
Compensation of employees	135 326	151 356	176 688	186 592	7.7	67.5	216 589	238 248	263 264	290 907	322 906	10.5	66.0
Goods and services	59 443	72 212	80 873	91 844	9.5	31.4	105 178	115 696	127 265	139 992	158 191	10.7	32.0
Depreciation	1 528	2 499	3 595	3 428	28.4	1.1	6 156	7 018	8 000	9 120	10 397	14.0	2.0
Interest paid	13	13	10	10	(25.3)	0.0	13	13	13	13	14	1.0	0.0
Total expenses	196 310	226 080	261 136	281 874	12.8	100.0	327 936	360 975	398 543	440 032	491 508	10.6	100.0
Surplus/(Deficit)	(1 243)	(2 397)	(9 689)	(8 800)			(2 421)	73	156	259	1 240		



5.5 Organisational Planning Process



5.6 Monitoring and Evaluation

The PPECB monitors and evaluates its performance against pre-determined objectives listed per sub-programme. Although progress against stated targets is reported quarterly, monthly divisional discussions in terms of performance progress are held. Organisational performance reports are escalated to executive meetings, whereafter it gets approved by the Board, before submission to the Executive Authority.

Great emphasis is placed on evidence-based monitoring, which gets audited on a regular basis. The PPECB currently uses a manual reporting system, coordinated by a senior manager within the organisation. The effective monitoring and reporting on organisational performance rests with the office of the CEO.

6. STRATEGIC OUTCOME-ORIENTED GOALS

The PPECB has defined the following key strategic objectives:

- **Strategic Objective 1 (SO1):** Enhance the credibility of the South African export certificate
- **Strategic Objective 2 (SO2):** Support the export competitiveness of South Africa's perishable products industries
- **Strategic Objective 3 (SO3):** Strengthen the PPECB's capacity to provide a professional suite of services for its customers
- **Strategic Objective 4 (SO4):** Contribute to the socio-economic transformation of the agricultural sector

These strategic objectives have further been linked to strategic programmes that will drive the achievement of the organisation's mission and vision.

Below is a tabular illustration of the respective programmes linked to the organisational strategic objectives:

STRATEGIC OBJECTIVES (SO)	PROGRAMMES
(SO1) Enhancing the credibility of the South African export certificate	Programmes 1, 2, 3 and 4
(SO2) Support the export competitiveness of South Africa's perishable products industries	Programmes 3 and 4
(SO3) Strengthen the PPECB's capacity to provide a professional suite of services for its customers	Programmes 1 and 2
(SO4) Contribute to the socio-economic transformation of the agricultural sector	Programme 4