

SAMAC

South African Macadamia Growers' Association

STRATEGY

2017 - 2022

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1. Introduction

SAMAC, as an industry body, has reached a scale and complexity level that requires focussed attention and must function as a stand-alone entity. By pursuing this objective, we believe the Association will be better engineered to serve the needs of the Macadamia Industry.

SAMAC as a standalone organization needs to drive its purpose, to mitigate risk, to exploit opportunities, to progress beyond its current status and most importantly to be sustainable and relevant in the future. To facilitate this progress, the decision was taken by the members to resign from SUBTROP. For purposes of setting up the standalone organization, the SAMAC Board of Directors established the Evolution Committee which was commissioned to lead and execute this process.

The Evolution Committee engaged directly with growers, handlers and other industry role players with the purpose of gathering input with respect to what outputs and outcomes members expect from SAMAC, as well as any suggestions and/or recommendations relative to the functioning of our industry body.

AGRI SA has been contracted to assist the Evolution Committee with the various actions needed to setup of the standalone organization. Multiple strategic planning sessions have been conducted. The outcome of these workshops was to finalise the strategy set out in this document.

Excellence, speed, accuracy and accountability in everything we do.

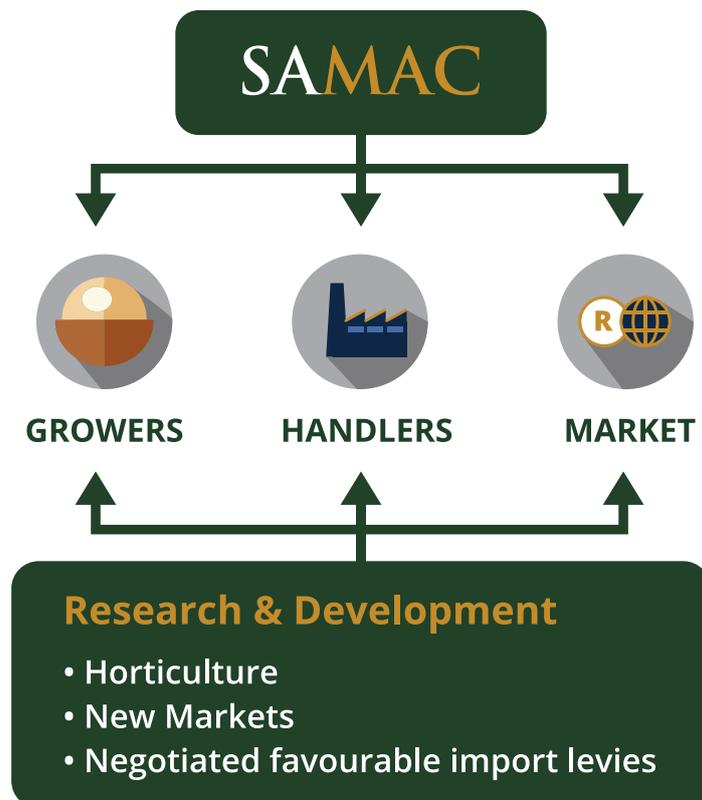
2. Strategic Intent

Strategy is a function of positioning and performance and we are repositioning ourselves!

The following points encapsulate our strategic intent for the next 5 years to 2022:

- The establishment of SAMAC as independent association for the mutual benefit of all its members.
- Tailor make a new governance and operational model in support of our strategic intent.
- Increased focus on research and development with resources applied in the following areas:
 - Horticulture.
 - Opportunities for the growing of demand for the increasing supply of Macadamias.
 - Opportunities for the opening of new markets in conjunction with the relevant stakeholders in Government and other agriculture disciplines.
- Focussed branding of our industry, telling the story of Macadamias in South Africa and beyond.
- Showing that change is one of the most powerful progressive tools available and how it will influence our industry for the better.

The diagram below gives an overview of the key components of the 2022 Strategy.



We will always put the interests of our members first!

3. Our Purpose and Goals

SAMAC Slogan

Macadamia First. Quality Always.

Purpose Statement

Our purpose is to deliver inspirational and innovative industry leadership with the aim of developing sustainable wealth through Macadamia Nuts. We provide this leadership through broad based research and development, focusing on the commercial and technical fundamentals of Macadamia Nuts and ultimately the prosperity of our members.

We strive for the sustainable development of the Macadamia Industry in South Africa.

Goals

1. Lead world class research in support of:

- continuous improvement in production yields, processing and quality
- growing the demand ahead of supply through inter alia the health benefits for consumers as reasons to increase consumption
- continuously gauge market evolution and be agile to industry changes and identify drivers of future change

2. Establish and improve collaborative government relations in order to:

- facilitate favourable market access
- leverage transformation advantages to SAMAC and beneficiaries
- ensure long term goodwill for the industry amongst legislators
- manage local and export minimum quality standards
- minimise product theft
- respond positively from a single voice to new legislation and have a unified/standardised implementation and response to change

3. Deliver value for money to growers:

- interpret and make research results available and useful to growers (publish best practices and productivity benchmarking)
- continually improve technology by connecting growers to appropriate sources for technical advice
- represent South Africa on the global Macadamia stage

4. Develop and implement a formal communications strategy to communicate:

- internally to the industry
- externally
- communicate the results and benefits of SAMAC's achievements on behalf of the industry

5. Build and maintain a professional and lean organisation to:

- deliver value and quality
- outsource to the best-in-class service providers
- focus on execution excellence for the core fundamentals

4. SWOT Analysis¹

Strengths

- The availability of the statutory levy charged per kilogram of Macadamias produced, which can be used to fund the achievement of the goals and objectives of SAMAC.
- SAMAC has traction in the market and is known as the body representing the Macadamia industry in South Africa.
- The members, specifically the Growers and Handlers are willing to support SAMAC through investment and are desirous to see it grow and fulfil its goals in support of the industry as a whole.
- The Macadamia industry in South Africa is a young industry with significant growth potential.

Weaknesses

- The chronic underfunding relative to the requirements of SAMAC through the years.
- Lack of interaction with government and the legislative decision makers.
- Lack of focus on core issues:
 - trying to keep all members happy, not being selective enough
 - lack of Board guidance / avoidance of tough decisions
 - SAMAC responding to member wants rather than focussing on the needs of the industry as reasonably expected from an industry representative body
 - indecisive guidance to SAMAC staff from board
 - excessive board time spent on operational issues rather than strategic goals
 - lack of focus at CEO level
- Leadership shortfall – not having a dedicated champion to steer and direct SAMAC.
- There is a lack of Macadamia specific skills, experience and talent. We currently seem to not have the right people in the right seat.
- Permanent staffing of SAMAC.
- Market changes and expectations are not actively monitored to ensure proactive management of such events.
- Having a reactive rather than a proactive approach, we are not keeping ahead of the curve.
- There is very little medium to long term focus and there seems to be a short term outlook for the industry only.
- Lack of strategic planning and direction for the industry.
- Lack of timely accurate data and management information.
- The existing Board of SAMAC seems to be top heavy and is apparently not functioning optimally. There is a perception that there are too many members on the Board who are not contributing to the good and proper working of the Board to ensure value for money. The Board is not taking action to direct the association on a path of sustainable growth. Directors' contributions are variable, appointment seem to be based on popularity and region rather than willingness and ability.
- SAMAC is not an effective association because it is felt that the association is not focused on the core issues which should be addressed, such as the growth of the Macadamia Industry.
- Some willing and able growers in the industry avoid serving the organisation because of perceptions of politics and mediocrity in SAMAC
- There seems to be mistrust between the handlers as well as regional and handler/processor 'politics'.
- SAMAC/Subtrop staff generally underpaid relative to required abilities

¹ SAMAC Strategy session held on 22 May 2017

Opportunities

- There is significant need for the increasing of productivity through mechanization.
- The Evolution Project is great opportunity for the Macadamia industry in South Africa to make a fresh start.
- There is good product awareness globally, but there is room for improvement as far as international branding of the South African product is concerned.
- The health benefits of Macadamia Nuts can be further built on to ensure the expansion of consumption. Linked to this is the increased consumption of Macadamia Nuts in China where it is labelled as the “Hawaiian Nuts”.
- There is a significant opportunity to establish and repair mutually beneficial co-operation links with other Macadamia producing countries.
- Additional research can be done to explore alternative uses for the Macadamia Nuts and it by products, i.e. food, cosmetic and other industries.
- There is a need to increase the cracking capacity in South Africa. Currently more than 50% of production is exported as nut in shell.
- There is an opportunity to establish Bio Security Partnerships with other industries, i.e. Avocado, Litchis, Mangos and others.
- The “partnering” with AGRI SA creates opportunities for SAMAC to benefit directly from the relationships that AGRI SA has with inter alia Government Departments and other key stakeholders in the agriculture industry in South Africa and internationally.
- There is a significant opportunity to support transformation in the industry.
- SAMAC has the opportunity to restore the confidence of the industry through the taking of decisive action and showing value for money for the industry in South Africa.
- Research and development should be SAMAC’s biggest priority, specifically for:
 - Horticulture
 - Health benefits
 - Alternative uses of Macadamias
- The opening of new markets in conjunction with the relevant stakeholders in Government and other agriculture disciplines.
- There is an opportunity to increase the branding of the South African Macadamias both locally and internationally through focused public relations campaigns. This can potentially be done through the launching of new branding for SAMAC.
- Increasing demands and insistence for higher quality nuts.
- Current and on-going buoyant/growing global demand for Macadamias.
- Several years of very good grower returns, therefore a willingness to invest in SAMAC.
- A growing shift in member priorities from individual technical support towards market management and research and development.

¹ SAMAC Strategy session held on 22 May 2017

Threats

- As much as mechanization can improve productivity, it will affect labour relations and will result in labour unrest which could cripple the Macadamia industry.
- Kenya is becoming a major producer of processed nuts, but there have been cases where sub-standard products have been marketed as top quality products at reduced prices. These practices could potentially harm the Macadamia Industry as a whole.
- Revenue stagnation and rising operating costs, which will have a constant negative effect on the prosperity of the Macadamia Industry.
- Theft of produce through what is expected to be organised crime syndicates.
- Stinkbugs and other pests.
- Contamination of harvested and processed nuts.
- Over production, if the 6 million newly planted trees in China yield quality Macadamia Nuts.
- Import Duties, RSA to China 19%, Australia to China 0%.
- Land reform and farmer development
- New products which may compete directly with the Macadamia.
- Labour Relations.
- Crime and rural safety.
- Lack of support at all government levels including infrastructure development at local level.
- High input costs.
- Economic uncertainty.
- The non-renewal of the statutory levy.
- Potential correction in global prices and/or demand.
- High degree of dependence on a single market/product type (nut in shell to China). If that market is disrupted the disruption will flow through to members and SAMAC as a whole. The result may be less willingness to consider and invest in longer term industry health.

¹ SAMAC Strategy session held on 22 May 2017

5. Policy Focus and the Deployment of Expertise

Our core business includes the development of our industry on a national and international basis. This requires deep expertise in our respective fields of operation and we will always ensure that we have access to the best expertise in the industry.

SAMAC will be providing thought leadership to the stakeholders in the sector, doing advocacy work, creating discussion opportunities, being eminent in the market and having deep relationships with decision makers across the board.

These are not finite and additional focus areas will come up. We highlight focus areas identified at this stage below:

- Research and development.
- Labour and training, including:
 - Land reform.
 - Transformation.
- Trade, local and international.
- Infrastructure for horticulture and processing of Macadamia Nuts.
- Safety and security.
- Centres of Excellence.

All of the above focus areas still need to be researched in further detail.

SAMAC joined forces with AGRI SA. AGRI SA is committed to the development of agriculture in South Africa. As a non-profit organisation, it is helping to develop a stable, profitable agricultural environment within this country. Through this relationship with AGRI SA, SAMAC will inter alia have access to AGRI SA's various Centres of Excellence, including:

- Commercial and Trade.
- Natural Resources.
- Agricultural Development.
- Rural Safety.
- Labour.

The Centres of Excellence were set up to ensure proactive reaction to potential challenges, changes and threats to the Agriculture Industry, i.e. new legislation, regulations and policies. These Centres of Excellence meet twice a year to discuss issues specific to the specific dedicated Centre of Excellence. Through our association with AGRI SA, our members will have access to legal opinions, topical information and the experience of other industries within Agriculture. We have included an overview of AGRI SA in Annexure A to this document.

6. Brand Positioning

The branding of SAMAC will be dealt with in detail with as part of the SAMAC Evolution Programme. The following focus areas were identified during the strategic planning session held on 22 May 2017.

The following focus areas were identified and the specific results already achieved are:

- A new logo and corporate branding was designed for SAMAC.
- A slogan for SAMAC was created together with a purpose statement and goals for SAMAC going forward.
- The launching of SAMAC in its new independent association state was identified as a key step and will receive significant attention in the near future.
- In the short to medium term, attention will be given to the continuous branding management of South African Macadamias as a sophisticated product.
- SAMAC will be the South African Macadamia Growers' Organisation.

New Logo



Corporate Stationery

Letterhead



SAMAC
South African Macadamia Growers' Association

T: 011 444 3352
E: info@samac.co.za
Address line one
Address line 2
xxxx

Vat No: xxxx xx xx
Reg No: xxxx/xxx/xx

Name,

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Kind regards





www.samac.co.za
Macadamia First. Quality Always.

Corporate Stationery

Business Card



Email Signature



7. Internal Goals for SAMAC

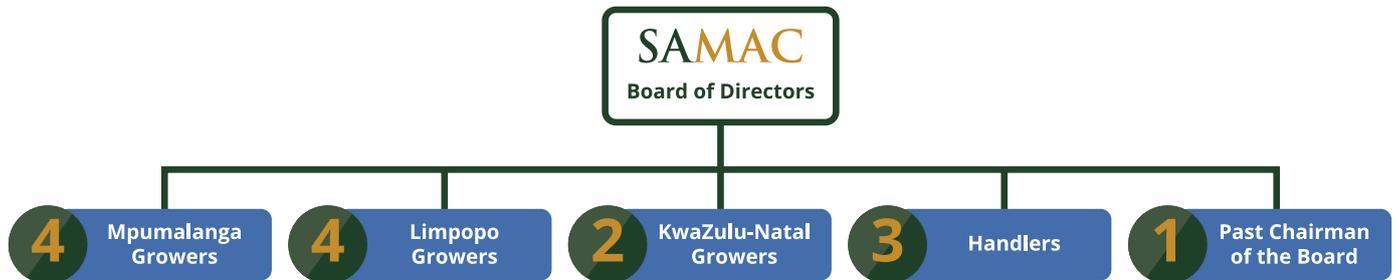
The following goals relate to SAMAC's role and structure to enable better functioning and world class execution.

- Membership growth in all classes, including Growers, Handlers, Associate, and Honorary Life Members.
- Delivering return on investment in SAMAC for the Growers by being a professionally operated association.
- The management of stakeholder relations and communication, internally and externally, to ensure the achievement of SAMAC's goals.
- Improved relations with other countries producing and consuming Macadamias for the purpose of:
 - learning and sharing new trends in terms of horticulture and processing of Macadamias.
 - the expansion of distribution and marketing of South African Macadamias.
- Improvement on the collection of levies and membership fees.
- Improvement of corporate governance structures for SAMAC.
- Improvement of financial governance for SAMAC, which includes long term financial planning and budgeting, financial reporting and the processing of financial transactions.
- Implementation of performance agreements with all employees of SAMAC and any contractor to which work may be outsourced.
- The Memorandum of Incorporation (MOI) of SAMAC needs to be aligned with the goals set by SAMAC going forward

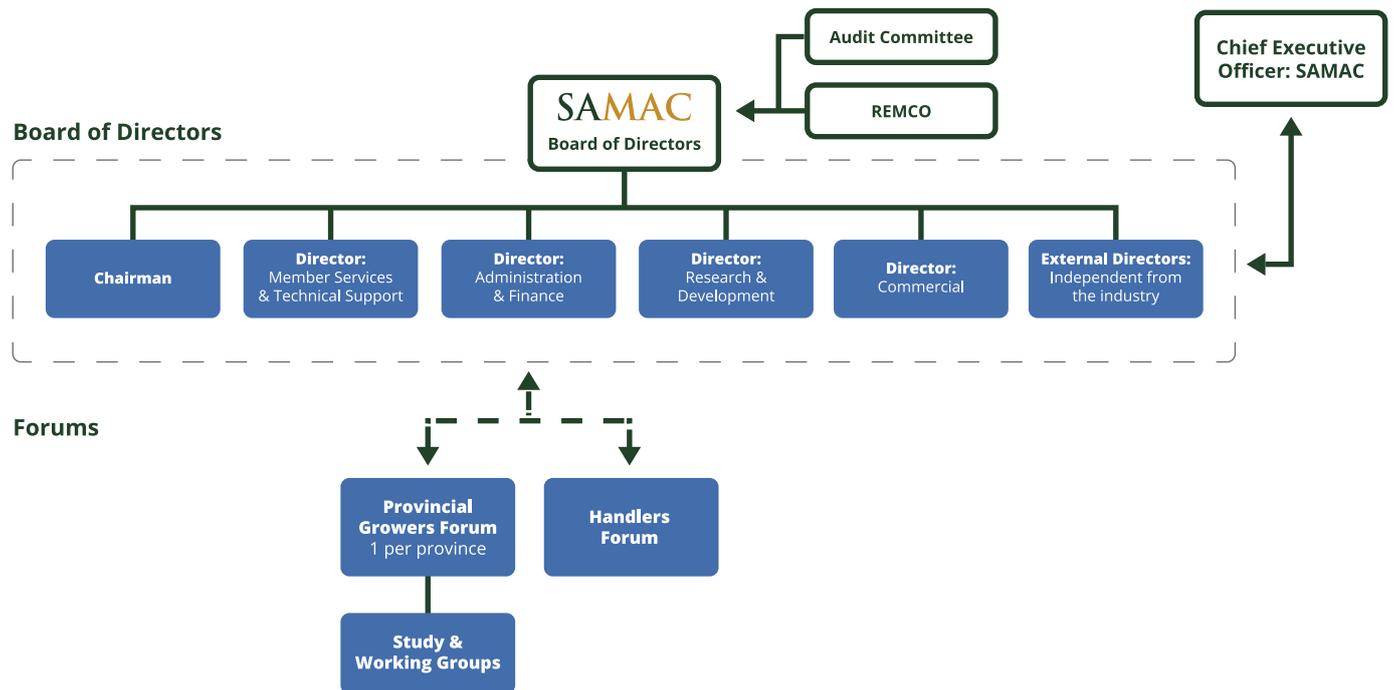
8. Organisational Design Framework

8.1 Board of Directors

At present the SAMAC Board of Directors consists of 14 members.



It is proposed that the composition of the Board of Directors be reconsidered as per the diagram below.



The following proposals regarding the new structure and composition of the Board of Directors are presented:

- Professional Indemnity insurance cover should be taken out for Directors and newly elected board members will be given training on their roles and requirements as Directors.
- The term of membership for Directors should be a minimum of two years, with a maximum of three consecutive terms in the same portfolio, with the option of serving in another portfolio for a further two years. A director, if elected, may serve on the board for a maximum of four consecutive terms, after which a “cooling off” period of one term (two years) will be mandatory before being eligible for re-election again.
- Directors should be remunerated for attendance of meetings, as well as all time and contributions made, at a fixed fee per meeting.
- The Chairman and at least three of the directors must be Grower Members and will be elected by the members of SAMAC at the Annual General Meeting (AGM).
- It has been identified that there is a need to ensure continuity for the board that will be tasked with the set-up and bringing into operation a SAMAC in its new format as a standalone organisation. The following proposals are therefore made for this phase, which should take a minimum of two years:
 - The existing board members will be replaced at the time of the election of the new board at the 2017 AGM. These existing board members must still be available for consultation until the end of March 2018.
 - The election of the new board members will be undertaken on the following basis:
 - Each province must nominate a minimum of one candidate for each of the following portfolios, namely, Chairman, Director: Member Services and Technical Support, Director: Research and Development and Director: Commercial. One individual may be nominated for more than one portfolio.
 - For voting purposes, the portfolios are ranked in the following order: Chairman, Director Research and Development, Director: Commercial and Director: Member Services and Technical Support. The individual receiving the highest number of votes for each of the portfolios will be duly elected.
 - For an interim period of the first two terms, each major growing province, namely Limpopo, Mpumalanga and KZN will have at least one Director elected to the Board of Directors.
 - The Director: Administration and Finance must be appointed as an external and independent director, not linked to the Macadamia industry in any way.
 - Past and present members of the SAMAC Evolution Committee are not eligible for election to the board of directors of SAMAC for an interim period of two years, commencing from the AGM in Sep 2017.
 - The Evolution Committee members will have observer and advisor status on the SAMAC Board of Directors for a period of two years, commencing at the AGM in Sep 2017. They will not have voting rights on the Board. At least one member of the Evolution Committee must attend each Board meeting during this period.
- The CEO of SAMAC will be a non-statutory member of the Board and will report to the Board.
- The external and independent directors should be individuals with no direct interest in the Macadamia Industry. There may be a minimum of one external director, with a maximum of three.
- The past chairman of the Board will not automatically be a member of the Board as in the past.

- Each of the Provincial Growers' forums will meet at least once a year. The CEO and Directors of SAMAC will attend representative forum meetings at the discretion of the Board. The Provincial Growers' forums will be required to give feedback on their meetings to their respective provinces and the SAMAC Board.
- A weighted voting system was developed whereby growers and handlers will be allocated weighted votes in line with their contribution to the Macadamia Industry. The weighting of votes per member will be calculated based on a rolling three years' production or handling volumes. This voting system may be changed by the Board as per industry demands. Voting processes and requirements will be set in detail in the SAMAC MOI. In some instances voting will be done by show of hands during the course of a meeting, where the weighted voting system will not be applicable. The voting system to be applied will be communicated to members as per legislated requirements. The weighted voting system proposed is set out below:

Weighted Voting System – Growers

Average production in tonnes over the past three years	Number of votes
0 to 50	1
>50 to 100	2
>100 to 175	4
>175 to 300	6
>300 to 500	8
>500	10

Weighted Voting System – Handlers

Average production in tonnes over the past three years	Number of votes
0 to 2000	2
>2000 to 4000	4
>4000 to 6000	6
>6000 to 10 000	8
>10 000	10

8.2 Corporate Governance Framework

Legally speaking there are only three structures that non-profit organisations can choose from in South Africa to organise its activities. These are trusts, voluntary associations and non-profit companies. SAMAC is currently a voluntary association, even though the organisation has been long established, with a relatively significant budget. At present the Constitution regulates all the functioning of the Association.

It is recommended that SAMAC be established as a non-profit company. The reasons for this recommendation include:

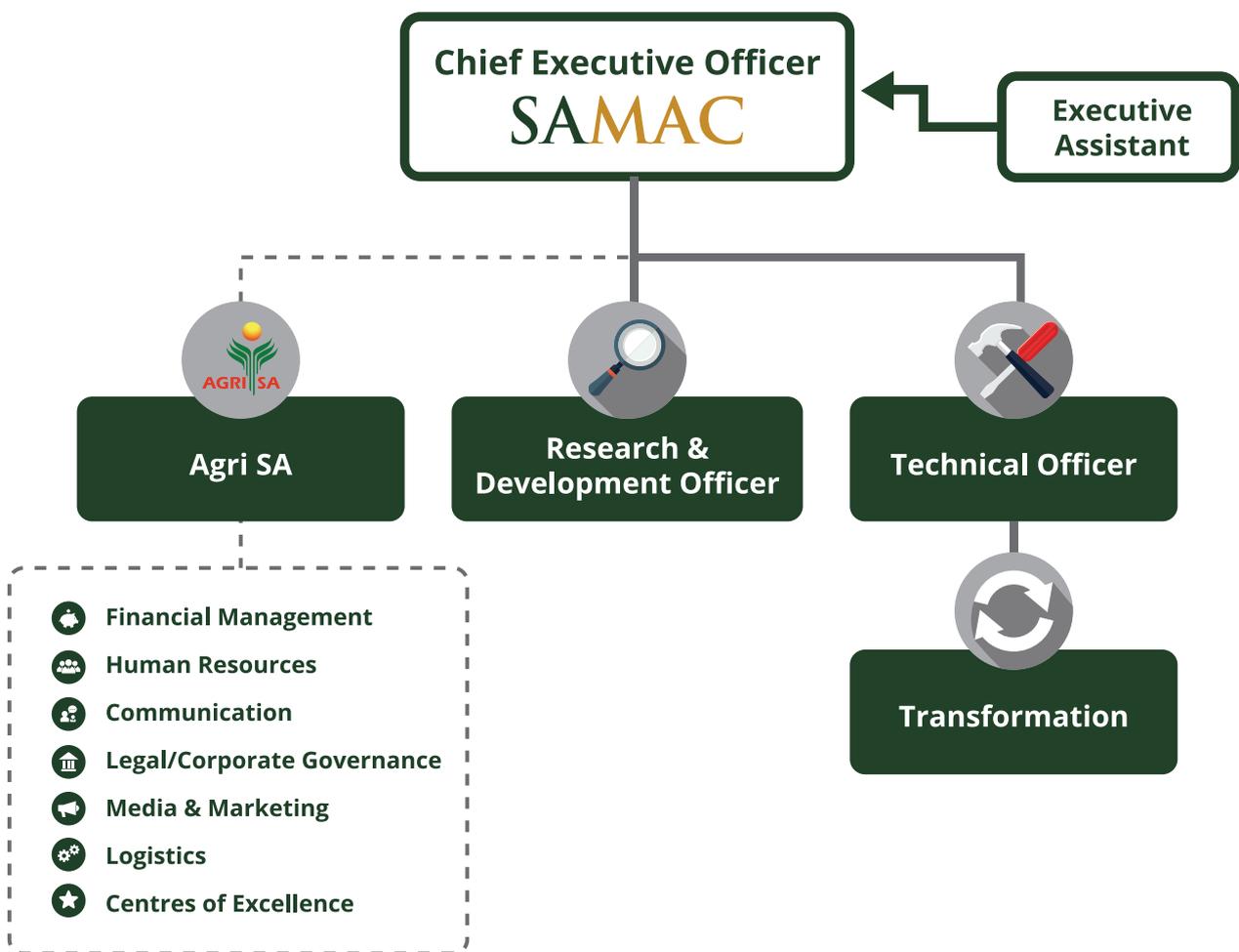
- A company has a two-tiered governance structure consisting of the members and directors. The members exercise their powers in general meetings. Members have the power to appoint and remove directors, amend the founding documents of the company, and dispose of the organisation's assets. The directors have broad executive responsibility.
- To support and enhance a good corporate governance structure because SAMAC is a large and sophisticated organisation, the non-profit company is the better form of legal entity for our purposes.
- The Memorandum of Incorporation will replace the Constitution of SAMAC. There is no impact on the federal nature of the organisation. It will be aligned to the strategy and organisational framework of SAMAC.
- The majority of corporate governance requirements are prescribed by law, inter alia The Companies Act.
- Conduct, confidentiality, conflict of interest etc. are automatically regulated.
- The Board will have the power to ensure streamlined decision making.

8.3 Organisation Structure of SAMAC

It is recommended that a Chief Executive Officer be appointed for SAMAC. The CEO will need an executive assistant once appointed. This individual will be recruited as soon as the CEO has been appointed. In addition, SAMAC will need the services of technical officer and a research and development minimum with exceptional project management skills.

The CEO and his/her executive assistant will be based at the offices of AGRI SA in Centurion. Other individuals will be based as per the industry demands and placement requirements.

The proposed organogram is set out below:



9. Conclusion

SAMAC must be adaptable and resilient in the face of a changing external environment. At the same time, it is important that we strike a balance between the aspects of SAMAC that make it truly distinctive. Finding the balance and making the right measure of adaptation and gauging the “market” impact will take time, learning and re-calibration. No precise model exists for translating our actions into the desired outcomes. Thus, this strategy should be treated as a living document, subject to course corrections along the way.

Annual reviews of progress against the major strategic objectives will be conducted to assess how effective the current plan has been in meeting the objectives. If it is found that the plan has not successfully met many or most of its objectives, we may need to explore more far-reaching options. This is an ambitious but manageable plan with many actionable elements. Not all good things can be done at once; some sequencing is inevitable, especially for elements that will require additional resources or clear points of focus. We will need to seize on opportunities for efficiencies and savings in terms of both time and money.

Through the successful implementation of this plan, SAMAC will better-prepare its staff for positions of leadership and impact, enable SAMAC to leave a bigger mark on the world through research and service, build a robust revenue stream to support its mission, bolster its reputation, diversify its partnerships - the next generation of global leaders.