



# SAMAC Evolution Committee

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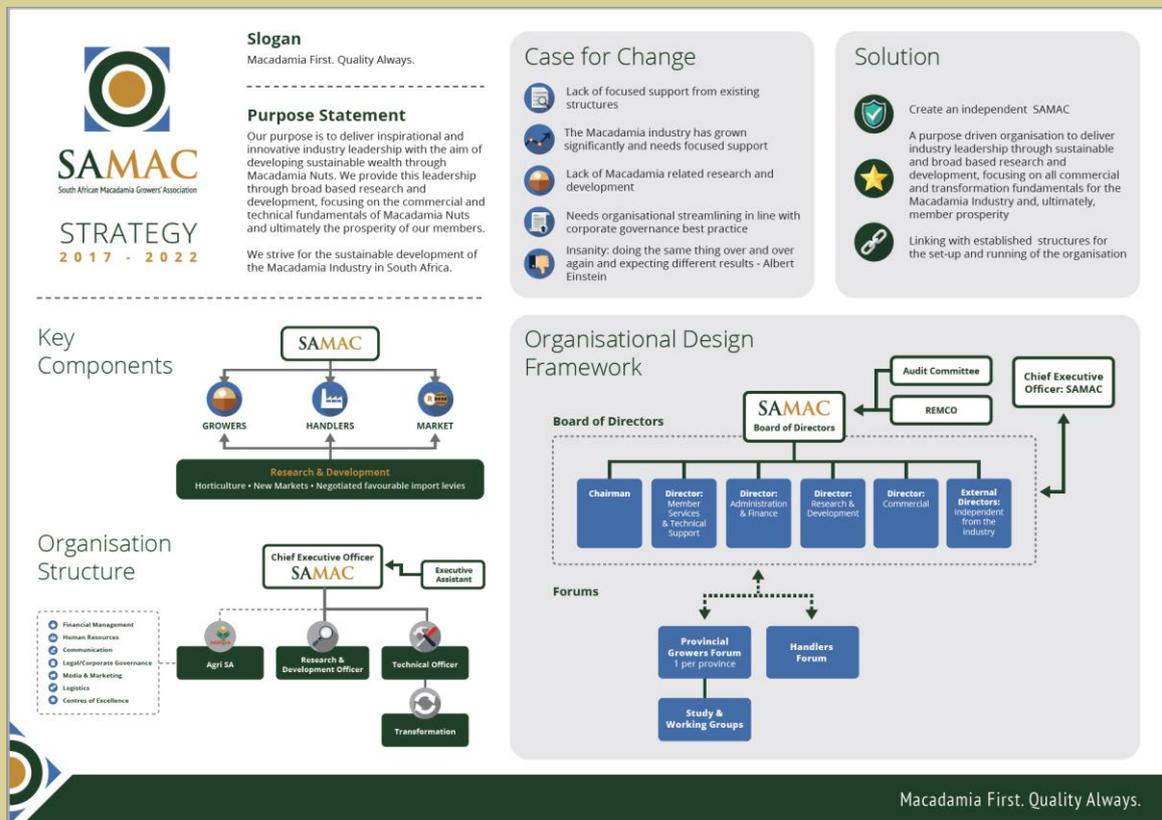
To all SAMAC members:

We have reached a stage in the project where we can share our conclusions and proposals with you all. The board has already commented on a more detailed version of what you see below, and as expected there are some differences of opinion, but also many areas of agreement. In any organisation there will always be different views on any particular issue, so we have been guided by firstly the majority view, then the principle that whatever we do must be aimed at the longer term well-being of the industry and ourselves as growers. We have taken a five year view in order to put ourselves in the best possible position to survive and thrive in what may be a challenging environment in the long run.

Please have a look at this mail and also at the SAMAC website if you need more detail (***click on the blue links below***). We look forward to your comments!

**STRATEGY**

The full [SAMAC Strategy 2017 - 2022](#) document and the [infogram](#) below can be found on the SAMAC website. Below is a brief summary of some of the key points.



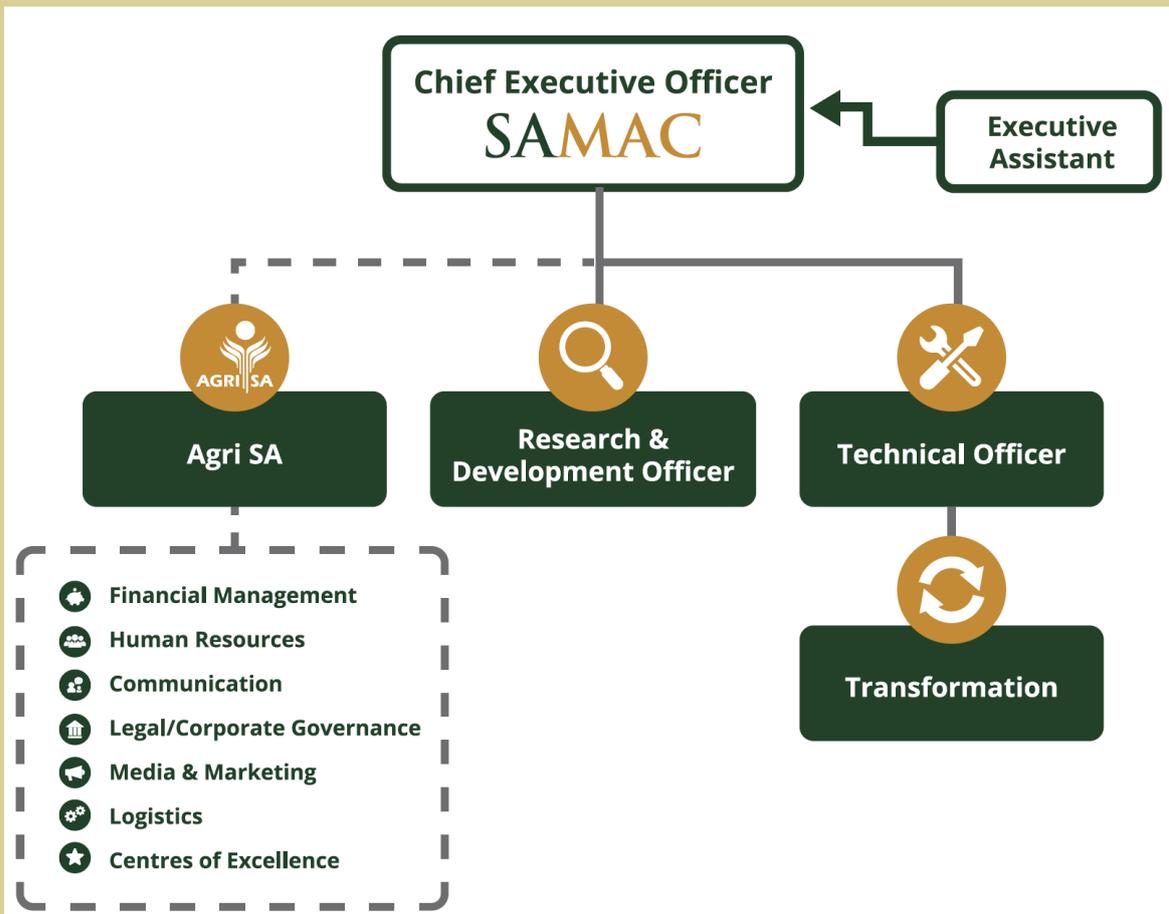
## ORGANISATION

The structure of SAMAC has been designed with some basic principles in mind. They are:

- to keep the fixed overhead costs of SAMAC to a minimum
- to employ few highly competent people, and to outsource to best-in-class contractors where practical
- to not duplicate services that are commercially available

The intention is that SAMAC is able to respond quickly to changing circumstances, including unexpectedly low or high crops, and that we can

spend more of our money on the things that will add value to us all rather than just keeping the organisation going. We have therefore outsourced a number of generic functions to AgriSA who have a proven capability and track record in those functions, and we can also use their other services on an 'pay for use' basis as needed. The proposed organogram is shown below:



For reasons of economy, ease of travel to all growing areas and internationally, access to service providers and government, the CEO and Executive assistant will be based in Centurion at AgriSA's offices. The other staff members will be located as makes most sense for each individual.

## GOVERNANCE

Most SAMAC members, including handlers, see SAMAC as a grower organisation, but with a high degree of interdependency with handlers. We also recognise that handlers exert a great deal of informal influence over growers in their region. We have therefore designed the formal voting structure of SAMAC to be largely in the hands of growers with a minority vote for handlers. In addition, the voting model amongst growers is intended to prevent any one group of growers dominating the organisation. As you will see by the spreadsheets below, control of SAMAC will be with the average grower and not a few very big growers or a large block of small growers.

#### SAMAC voting model

Growers	t DNIS	#votes	Approx.		% vote
			# growers	total votes	
	0-50	1	300	300	21
	>50-100	2	300	600	42
	>100-175	4	50	200	14
	>175-300	6	30	180	13
	>300-500	8	14	112	8
	>500	10	4	40	3
	Totals		698	1432	100

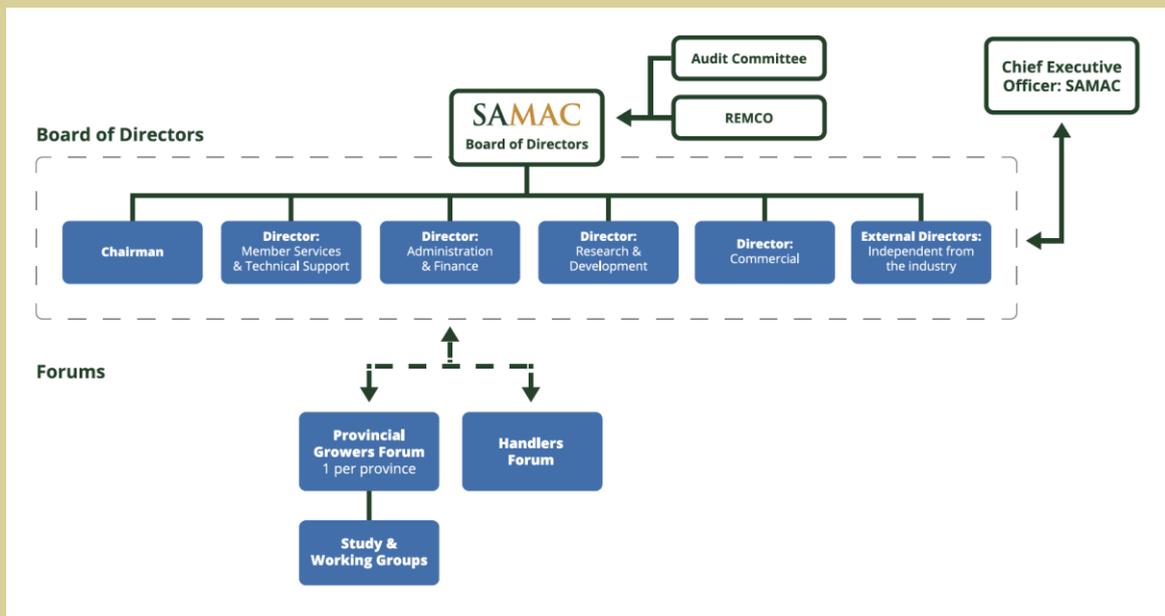
Handlers	t DNIS	#votes	# handlers	total votes	% vote
	>2000-4000	4	5	20	23
	>4000-6000	6	3	18	20
	>6000-10000	8	2	16	18
	>10000	10	1	10	11
	Totals		23	88	100

Please note that the numbers above are based on our best estimates for the next few years. The model may need to be adjusted from time to time to reflect the industry's development.

The board of SAMAC will initially comprise four grower non-executive directors,

at least one of whom will be from each of the three current producing provinces (Limpopo, KwaZulu Natal and Mpumalanga), and one external non-executive director in line with current best practice. Two more external directors could be appointed if the need arises. The CEO will not be a director, but will participate in all board activities except for having a formal board vote.

The role of directors is to change: currently regional grower directors are expected to perform a communications role between the growing regions and the board through study group participation, and to represent their constituents' interests. In the new board the directors will firstly have a designated area of responsibility (such as member services, finance, R&D etc), and secondly will be expected to focus on the strategic management of SAMAC as a whole rather than active participation in operational issues. The communications role will mostly be picked up by the CEO and his/her staff under normal circumstances. Directors will be involved in study group activities only as necessary and on invitation of a study group. The CEO will also act as the primary link between the handlers' forum and the board.



More detail on the proposed governance framework for SAMAC can be found in

the [Memorandum Of Incorporation](#) (MOI) and the [The Role and Duties of SAMAC Directors](#) on SAMAC's website.

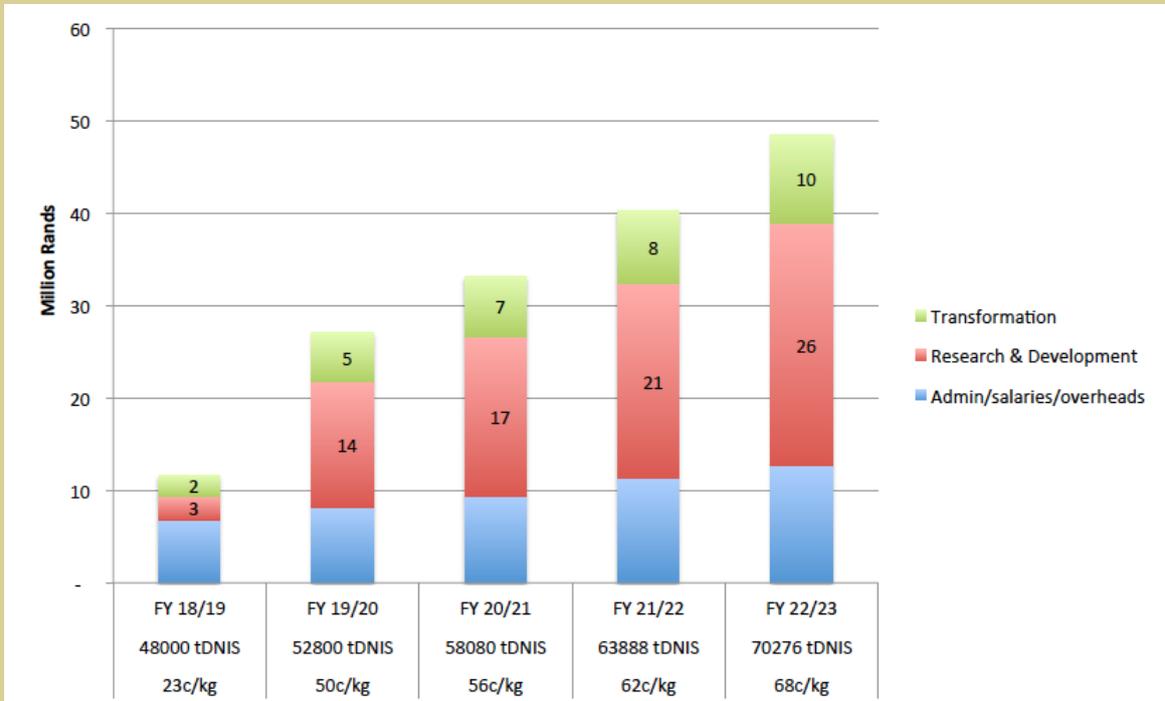
## **BUDGET AND STATUTORY LEVY**

Most SAMAC members believe that a statutory levy is necessary to enable SAMAC to fulfil its mandate. No viable alternatives presented themselves, so the EC is proposing that a statutory be approved for the next four year period starting at the end of 2018. The amount of the levy has been based on what growers are expecting SAMAC to deliver, a reasonable and affordable percentage of the farm gate return to growers, and a mid-point of grower opinion as to what amount would be acceptable provided SAMAC delivers value for money. The EC is proposing a levy of 50c/kg DNIS in 2019 rising by 6c/kg each year to 68c/kg DNIS for the 2022 season.

As mentioned above, the EC has also budgeted on the basis of constraining fixed and administrative overheads (blue bars below) through a small permanent staffing to enable us to spend a far greater percentage of our revenue on the things that matter to members such as research and special projects (red bars below).

Both the increased crop expected over the next few years and also the increased levy amount as shown below give us the ability to increase our R&D and projects 9-fold from about R 3 million to R 26 million. The budget here represents an attempt to address many years of marginal funding of SAMAC, and with the benefit of hindsight, should maybe have been done a decade ago before the current 'bull run' started. You will find an interesting comparison of how little we re-invest in our industry in both absolute and percentage terms relative to other tree nut organisations around the world in [Tree Nut Industry Body Comparison](#) on the SAMAC website.

Note however that we are limited to the current 23c/kg for the 2018/19 financial year (2018 season) and will only be able to make significant changes after that.



A brief discussion in [Statutory Levy Proposal](#) and a high level [Income Statement and Assumptions](#) and [Income statement ratio analysis](#) are available on the SAMAC website.

## CORPORATE

## IDENTITY

In support of the idea that SAMAC is in a process of renewal, we have developed a new corporate identity as shown below. More examples of how this will be used can be seen in the [SAMAC Strategy 2017-2022](#) document on the SAMAC website.



## **APPOINTMENT OF CEO**

The EC has identified several strong candidates for the position of CEO, but no decisions are yet made, and we will probably not make a final decision or appoint anybody before the statutory levy is confirmed. We believe that this will put us in a stronger position of being able to offer more certainty to the right candidate.

## **FINALLY ....**

As you are probably already aware, our AGM and research symposium are coming up in early September, followed the same week by two other meetings in Tzaneen and Nelspruit. At these meetings we as members need to be ready to vote on the following:

- the proposed MOI

- electing new board members
- renewal of the statutory levy

We need to get formal motions out within the next 10 to 12 days, so we now have about a week before we need to start making any changes required and preparing the formal motions and proposals for the AGM, calling for director nominations and so on. We will be sending out information regarding the nomination of directors by each province during the next few days.

In the interim, please consider our proposals above and let us have your comments as soon as possible.

Regards,

Peter

Spangenberg

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