

GENERAL NOTICES • ALGEMENE KENNISGEWINGS

DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT

NOTICE 646 OF 2021

PRODUCT CONTROL FOR AGRICULTURE (PROKON)

AGRICULTURAL PRODUCT STANDARDS ACT NO. 119 OF 1990

INVITATION FOR COMMENTS ON THE PROPOSED INSPECTION FEES

Product Control for Agriculture (Prokon), hereby invite comments on the proposed inspection fees. Product Control for Agriculture (Prokon) has been designated in terms of section 2(3) of the Agricultural Product Standards Act No. 119 of 1990 to apply sections 3(1)(a) and (b), 3A (1), 4A (1), 7 and 8 of the said Act, to inspect all regulated locally produced fresh fruits and vegetables, excluding potatoes, destined for sale in the Republic of South Africa.

Comments by affected stakeholders in respect of the proposed inspection fees should reach the office Product Control for Agriculture (Prokon) by not later than **30 days from the date of publication of this Notice**.

The inspections will apply to two specified categories of products, i.e. (1) own regulation products inspections and (2) shared regulation products inspections. The two categories and the proposed inspection fees, are set out in the Table.

Table

Shared regulation products	Inspection fee
Asparagus, Baby Marrow (Courgette), Aubergines / Eggplant, Cucumber, Ginger, Mushrooms, Artichokes, Broccoli, Brussel Sprouts, Butternut, Gem Squash, Carrots, Cauliflower, Celery, Chillies, Chinese Cabbage, Endives, Fennel, Green Beans, Green Onions, Green Peas, Horse-Radish, Leeks, Lettuce, Okra, Parsley, Parsnips, Peppers / Capsicums, Pumpkins, Radish, Rhubarb, Scorzoneria, Spinach, Sweetcorn, Turnips, Witloof Chicory, Beetroot, Cabbages, Sweet Potatoes and Unspecified vegetables Other Fruits: Published in Government Gazette 43613 dated 14 August 2020 – Black Berries, Blue Berries, Cactus Pear, Dragon fruit, Cranberries, Figs, Gooseberries, Granadilla, Guava, Jack fruit, Kiwi fruit, Mango, Melons, Papayas, Persimmons, Pomegranates, Quinces, Raspberries, Star Fruit, Strawberries, Watermelons.	1c/kg
Own regulation products	Inspection fee
Apples, Apricots, Avocados, Bananas, Citrus Fruit, Garlic, Grapes, Litchis, Peaches and Nectarines, Pears, Pineapples, Plums and Prunes, Onions and Shallots and Tomatoes.	1,5c/kg

The proposed inspection fees exclude value added tax (VAT).

The methodology applied to determine the said inspection fees is published hereunder. The full memorandum pertaining to the proposed inspection fees is available on the Product Control for Agriculture (Prokon) website, i.e. www.prokonsa.co.za or can be obtained by sending a request to admin@prokonsa.co.za

Comments are to be submitted in writing to:

(a) Chief Executive Officer, Mr E J Booyens, Product Control for Agriculture (Prokon), PO Box 24026, Gezina, 0031, cell: 082 388 0514, e-mail: admin@prokonsa.co.za

METHODOLOGY APPLIED TO DETERMINE THE INSPECTION FEES TO BE CHARGED ON REGULATED FRUITS AND VEGETABLES INTENDED FOR SALE IN THE REPUBLIC OF SOUTH AFRICA

1.1 PURPOSE OF METHODOLOGY DOCUMENT

The purpose of the methodology document is to outline the specific actions to be performed in respect of each regulated product, the frequency of such inspections as well as the inspection fees to be charged. This is to ensure that there is proper understanding of Prokon's role, the associated costs and the alignment of its role with the respective client's business processes with due cognisance of the parameters of Prokon's mandate in terms of its appointment as assignee of the Department of Agriculture, Land Reform and Rural Development (DALRRD).

Prokon's infrastructure and footprint, established since 1994, was a decisive factor in the company's appointment as the Ministerial assignee to conduct inspections on locally and imported regulated fresh fruits and vegetables, hence Prokon had an established infrastructure in place which it did not have to be re-establish for the purpose of market inspections and consequently the capital cost for the purpose of inspections is minimal. The aforementioned factor also made it possible for it to propose cost effective inspections fees that are fair and reasonable.

1.2 PROCESSES TO BE IMPLEMENTED TO ENSURE STAKEHOLDER PARTICIPATION

To ensure that the handling of the application is beyond reproach:

- Prokon, as an administrative body, will follow the notice and comment procedure as set out in section 4 of the Promotion of the Administrative Justice Act, Act 3 of 2000 (PAJA) in determining the inspection fees. Prokon will thus take appropriate steps to communicate the administrative action to those likely to be materially and adversely affected by such administrative action and called for comment thereon. The comments will be duly considered and, where possible, be incorporated with due cognisance of the Agricultural Products Standards Act no. 119 of 1990 and the procedures prescribed in the regulations.
- Prokon's board of directors, in cooperation with the company's managerial and technical staff, will determine the inspection fees in a rational and proper manner prior to it, together with a detailed methodology, being published as a draft notice in the government gazette as well as in four newspapers being distributed country wide, taking into account the need for it to be published in different languages.
- Sufficient time will be allowed for comment where after such comments will be duly considered and, if appropriate, be incorporated in the notice and circulated to those stakeholders that submitted comments. Should further comments be received it will be duly considered and, if appropriate, be incorporated in the notice and once again be published, affording stakeholders a final opportunity for inputs in terms of section 10 of the PAJA. Should further inputs be received it will be considered in term of relevance, and if affirmative, be incorporated in the notice.
- The final step will be to submit the draft government notice to the Department of Agriculture, Land Reform and Rural Development for approval and publication in the government gazette.

1.3 INSPECTION PROCESS

In terms of this document, Prokon is to inspect all regulated locally produced fresh fruits and vegetables intended for sale in the Republic of South Africa in accordance with the regulations and the company's SANAS ISO 17020 accreditation with due cognisance of the following aspects:

- Compliance with the mandate given to Prokon by the DALRRD to ensure consumer protection and instil consumer confidence.

- Compliance with Prokon's standard operating procedures (SOP) and quality management system (QMS) in terms of its SANAS accreditation.

Prokon will conduct inspections on all regulated fresh fruits and vegetables at the most appropriate frequency, point and time in order to minimise disruption and possible negative impact on the clients' businesses whilst at the same time ensure compliance with its official assignment.

1.4 THE NECESSITY FOR QUALITY ASSURANCE INSPECTIONS

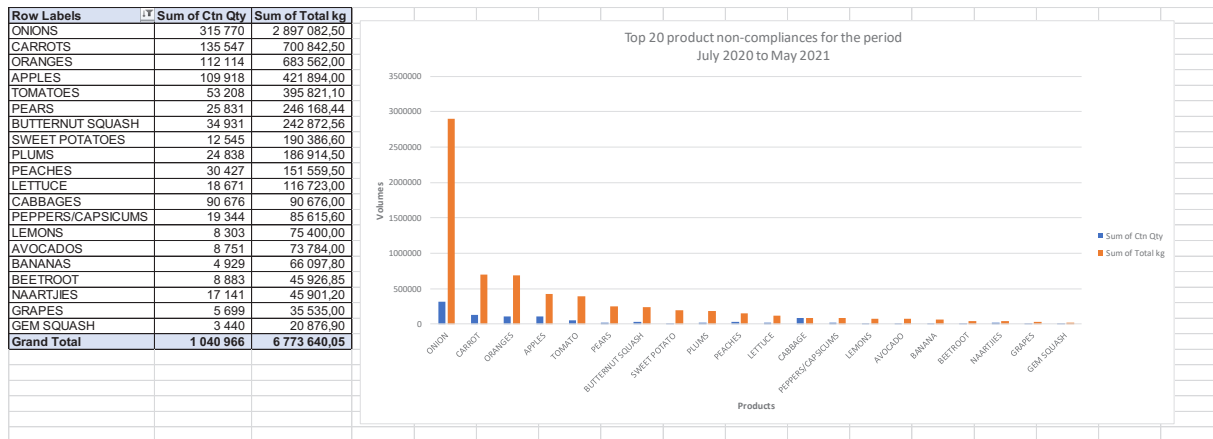
During a two-year period (June 2019 to May 2021) **4 814 directives** were issued in respect of produce at fresh produce markets, retailers, wholesalers and importers which did not comply with prescribed standards set out in the relevant regulations. The majority of non-conformances were found on fresh produce markets. The aforementioned statistics is clear proof that there is a definite need for quality assurance inspections on fresh fruits and vegetables to protect the relevant value chain as a whole as well as to ensure that the consumer purchases a product that complies with official quality and health regulations.

The following problems / non-conformances, which may differ between products, were found in respect of locally produced produce:

- Consignments are not marked, e.g., no information is provided on the packaging in respect of name / trade name of the supplier / producer and contact details, cultivar / variety, class, weight, date of packing and country of origin. This is especially the case in respect of lower class produce. (Compliance in terms of marking is extremely important in order to ensure that the origin of the product can be traced should quality and health related complaints be lodged.)
- Different sizes are packed in the same container / bag.
- Underweight packaging.
- Consignments do not comply with the official internal and external quality standards.
- Products that were harvested immaturely (ripeness).
- Incorrect sugar levels.

As far as imported produce is concerned the following are examples of the problems / non-conformances found:

- A large consignment avocado was illegally imported from Tanzania. Prokon informed the Inspectorate of the Department of Agriculture, Land Reform and Rural Development who confiscated and destroyed the consignment to the benefit of the local industry and the consumer.
- Indicating the wrong country of origin.

Table 1: Top 20 product non-compliances for the period July 2020 to May 2021**1.5 EXAMPLES OF THE POSSIBLE IMPACT ON PRODUCERS AND CONSUMERS****1.5.1 Producers**

The table demonstrates the benefits on offer to producers who deliver a quality product in terms of the stipulations set out in the official regulations.

Table 2: Average price attained after produce were downgraded

SCENARIO	Eleven producers			
	All produce delivered marked as class 1			
	Prices ranged between R22,00 and R29,00 per container delivered to the market before inspections			
	Four consignments were downgraded due to non-compliance to quality standards for class 1			
	After Prokon's inspection seven consignments were left which positively influenced the average price for class 1			
If Prokon does not conduct inspections		Prokon does inspection and downgrades	Scenario average after Prokon inspections	
Producers	Selling price R		Producers	Selling price R
A	R26,00		A	R26,00
B	R25,00		B	R25,00
C	R24,00	Downgraded to class 2		
D	R22,00	Downgraded to class 2		
E	R28,00		E	R28,00
F	R29,00		F	R29,00
G	R27,00		G	R27,00
H	R23,00	Downgraded to class 2		
I	R24,00	Downgraded to class 2		
J	R26,00		J	R26,00
K	R28,00		K	R28,00
Average	R25,64		Average	R27,00
3520 X AVE PRICE			3520 X AVE PRICE	R95 040,00
Financial benefit on 3520 containers being inspected by Prokon		R4 800,00		

1.5.2 Consumers

The scenario below demonstrates the difference in average prices of actual downgrades for the period July 2020 to May 2021 between classes. It must be taken into account that prices differ on a daily basis depending on volumes and quality supplied versus demand. The last column reflects the true price forming mechanism and how it impacts the buying power of buyers and consumers.

Table 3: Product downgrades and the impact thereof on the true price forming mechanism and how it impacts the buying power of buyers and consumers.

Products / Downgrades	Actual downgrades				
	Container quantity	Total kg	Ave R /kg	Difference between class 1 and other classes	Price differences (Total kg x difference between class 1 and other classes)
Onions					
Class 1			R6,76		
Downgraded to class 2	240162	2 218 563,50	R3,86	R2,90	R6 433 834,15
Downgraded to class 3	64925	596 189,00	R3,74	R3,02	R1 800 490,78
Downgraded to lowest class	10683	82 330,00	R1,69	R5,07	R417 413,10
					R8 651 738,03
Carrots					
Class 1			R4,20		
Downgraded to class 2	84838	416 627,50	R3,11	R1,09	R454 123,98
Downgraded to class 3	46208	257 348,00	R2,12	R2,08	R535 283,84
Downgraded to lowest class	4501	26 867,00	R1,50	R2,70	R72 540,90
					R1 061 948,72
Oranges					
Class 1			R5,47		
Downgraded to class 2	16476	117 756,00	R4,84	R0,63	R74 186,28
Downgraded to class 3	33582	170 234,00	R3,49	R1,98	R337 063,32
Downgraded to lowest class	62056	395 572,00	R3,00	R2,47	R977 062,84
					R1 388 312,44
Apples					
Class 1			R12,54		
Downgraded to class 2	26255	99 512,00	R7,44	R5,10	R507 511,20
Downgraded to class 3	70540	231 686,00	R4,01	R8,53	R1 976 281,58
Downgraded to lowest class	13123	90 696,00	R1,93	R10,61	R962 284,56
					R3 446 077,34
Tomatoes					
Class 1			R11,10		
Downgraded to class 2	39523	253 612,40	R8,12	R2,98	R755 764,95
Downgraded to class 3	9371	99 019,00	R6,68	R4,42	R437 663,98
Downgraded to lowest class	4314	43 189,70	R4,71	R6,39	R275 982,18
					R1 469 411,12
				Total	R16 017 487,64

1.6 PROKON'S APPOINTMENT AS ASSIGNEE

Prokon's Ministerial appointment as assignee of the Department of Agriculture, Land Reform and Rural Development to conduct inspections on produce for sale in the republic of South Africa are in accordance with the Agricultural Products Standards Act, No. 119 of 1990 and can be summarised as follows:

- Prokon's appointment as assignee to conduct inspections on potatoes was originally published in Notice 232 of 1994. On 21 September 2010 Prokon's mandate to conduct inspections on potatoes was revised to incorporate all inspections at wholesale (national fresh produce markets) and retail level (at all different retailers in South Africa).
- Prokon's was appointed on 17 May 2016 as assignee to conduct inspections on all other regulated local produced and imported fresh fruits, vegetables and flowers.

1.7 BROAD BASED EXPERIENCE IN QUALITY ASSURANCE INSPECTIONS

The quality assurance inspections conducted on the other regulated local produced and imported fresh fruits, vegetables by Prokon inspectors during the past three years, afforded the company the ideal platform to gained valuable broad-based experience and product knowledge to refine the inspection process to the benefit of all stakeholder in the fresh produce supply chain. The exposure allowed Prokon the ability to identify the primary participants in the fresh produce flow channel, and thus inspection points,

as fresh produce markets (handling approximately 47% of all fresh produce and accommodate all spectrum of buyers), distribution centres to retail outlets as well as independent packers and pack houses. These points were also identified as the most cost effective for the supply chain as a whole, as well as the fact that it allows for the optimal use of resources.

However, as fresh produce markets and distributions centres handle the bulk of fresh produce in terms of, e.g., variety, quality and classes the higher percentage of inspections are conducted at these points. It follows that the number of downgrades and directives are issued on fresh produce markets closely followed by distribution centres /retails outlets. It is important that the issuing of directives should not be seen as a penalisation of the suppliers, but rather as a way to assist them to identify and address the problem to their benefit (better price). Through analysing our data Prokon has detected a real improvement in the quality and adherence to marking requirements in the market environment.

1.8 INSPECTION FEES

Prokon, as a non-profit company, operates on a cost recovery basis for the purpose of its Ministerial appointment as assignee on 17 May 2016 in terms of section 2(3)(a) of the Agricultural Products Standards Act, 1990 (Act 119 of 1990) for the application of section 3(1)(a) and (b), 3A(1), 4A(1), 7 and 8 in respect of inspection of fresh vegetables, fruits and flowers. The determination of the new inspection fees has been determined according to the income and expenses specific to the business unit in question, and will thus be fair and reasonable for all stakeholders in the supply chain.

Cognisance must also be taken of the fact that the data used in determining the inspection fees are based on the actual volumes in the past year of a broad spectrum of produce and quality sold on fresh produce markets, as well as the fact that it is publicly available. The statistics on volumes handled by the other stakeholders are confidential and Prokon unfortunately has no access to it.

1.9 CATEGORIES OF PRODUCTS TO BE INSPECTED

Current legislation makes provision for two specified categories of products to be inspected. As the said categories represent an extensive spectrum of fresh produce sold on the fresh produce markets it is, after consultation with role players, recommended that the matter be simplified by dividing the products in two categories, i.e., (1) Own regulation products inspections and (2) Shared regulation products inspections. The two categories, what the inspections entail and the products it will apply to, are set out in Table 1.

The regulated fruits and vegetables subject to inspection, as set out in Table 4, were published under Government Notice 1 of 2017 in Government Gazette 40537 dated 6 January 2017 and in Government Gazette 43613 dated 14 August 2020.

Table 4

Shared regulation products inspections	Products
- Confirming marking requirements - External quality - Sizing - Overall appearance	Published under Government Notice 1 of 2017 in Government Gazette 40537 dated 6 January 2017 – Asparagus, Baby Marrow (Courgette), Aubergines / Eggplant, Cucumber, Ginger, Mushrooms, Artichokes, Broccoli, Brussel Sprouts, Butternut, Gem Squash, Carrots, Cauliflower, Celery, Chillies, Chinese Cabbage, Endives, Fennel, Green Beans, Green Onions, Green Peas, Horse-Radish, Leeks, Lettuce, Okra, Parsley, Parsnips, Peppers / Capsicums, Pumpkins, Radish, Rhubarb, Scorzonera, Spinach, Sweetcorn, Turnips, Witloof Chicory, Beetroot, Cabbages, Sweet Potatoes and Unspecified vegetables Other Fruits: Published in Government Gazette 43613 dated 14 August 2020 – Black Berries, Blue Berries,

	Cactus Pear, Dragon fruit, Cranberries, Figs, Gooseberries, Granadilla, Guava, Jack fruit, Kiwi fruit, Mango, Melons, Papayas, Persimmons, Pomegranates, Quinces, Raspberries, Star Fruit, Strawberries, Watermelons.
Own regulation products inspections	Products
• Confirming marking requirements. • External and internal quality • Sizing • Overall appearance • Sugar content • Ripeness and maturity testing on avocado • Dry matter testing on avocados, if necessary • Determining whether product is seeded or seedless • Deep cutting to determine if split stone is present on stone fruits • Determining sugar / starch ratio • Destructive testing as prescribed in more detailed categories	Published under Government Notice 1 of 2017 in Government Gazette 40537 dated 6 January 2017 and Government Gazette 43613 dated 14 August 2020 – Apples, Apricots, Avocados, Bananas, Citrus Fruit, Garlic, Grapes, Litchis, Peaches and Nectarines, Pears, Pineapples, Plums and Prunes, Onions and Shallots and Tomatoes.

1.10 FREQUENCY OF INSPECTIONS

In 2017 it was the understanding that inspections must be conducted on a daily basis. Based on Prokon's experience during the past 18 months we are confident that by conducting two inspections per product per week would suffice to conduct a proper quality assurance survey per product line as well as allowing for the identification of quality problems and conveyance of such information to producers, producer organisation and other institutions in the fresh produce supply chain in order to rectify the problems and prevent the reoccurrence thereof. In addition, a twice a week inspection of products optimises the cost / inspection ratio, minimises cost and is sufficient to ensure that non-conforming produce do not reach the consumer.

The suggested frequency of twice a week inspection has also been tested and accepted in the retail environment during the past three years.

1.11 HUMAN RESOURCES TO RENDER INSPECTION SERVICES

The personnel are based on the current personnel component required to render the inspection service at the identified inspection points. However, in order to render the said service at the required level it will be necessary to appoint four additional inspectors during the coming year. These inspectors will be based in Johannesburg, Durban, Cape Town and Polokwane.

The salaries and administrative fees can be kept to a minimum due to a business- and infrastructure established over a period of 27 years and existing service contracts with stakeholders. (The explanatory notes as set out in **Annexure B, pp. 12 to 15** have reference to Annexure A.)

The human resources component required to render the inspection service is set out in **Annexure A, p. 10 to 11 (see notes 2 and 3)**.

The personnel cost per office as set out in **Annexure A** is based on the proposal of Blue Horizon (Pty) Ltd (as part of **Annexure A**).

Prokon has been making use of the services of Blue Horizon (Pty) Ltd since 2013 for human resources consultation and benchmarking of remuneration packages.

The remuneration package for the aforementioned personnel component is based on market remuneration benchmark and design conducted by Blue Horizon (Pty) Ltd in 2020. Remuneration data for the agricultural sector was acquired from one of the four remuneration and rewards survey service providers in South Africa, Price Waterhouse Coopers (PWC). The market surveys provide data at the lower, median and upper quartile which is projected to a specific date for implementation within the year the benchmark data becomes available and before the new benchmark is surveyed by PWC. These values are updated annually to provide CPI related remuneration values in order to provide defensible pay structures for that financial year.

The Prokon Board of Directors decided to base the remuneration of inspectors on the lower quartile as set out in **Annexure A** of the **Memorandum in respect of the determination of new inspection fees on regulated fresh fruits and vegetables**.

1.12 EXPENSES

The total of expenses for both the retail environment (blue column) and the fresh produce markets (yellow column) are set out in **Annexure A, p. 10** and are divided into the following categories, i.e., general, administrative and overhead expenses.

The yellow column represents a summary of the market expenses, as indicated in **Annexure A** and was used to determine the inspection fee.

1.13 CATEGORIES AND INSPECTION FEES

The revised categories and inspection fees to be charged by Prokon will be promulgated by the DALRRD in terms of the Agricultural Product Standards Act, No. 119 of 1990 and to be promulgated in the Government Gazette. The revised categories and inspection fees will come into operation on a date to be determined and will then apply until further notice.

With reference to the calculation of the inspection fees different options were considered such as:

- Fee per kilogram.
- Fee per hour.
- Fee per consignment.
- Fee per inspection.

Prokon recommends that the inspection fee per kilogram be introduced. The options set out hereunder were considered but produced unreasonable and irrational results. The methodology suggested by Prokon is the inspection per kilogram which produced fees that were fair, reasonable and equitable. The latter three options were decided against because calculations have proven it to be costly and unfair as explained hereunder.

Fee per hour: If Prokon charges per hour, such method will benefit the producer / owner who delivers a large consignment to the detriment of the producer / owner who delivers a small consignment based on the time spent to conduct the different inspections.

Example: Producer / owner A delivers 200 containers and inspection time is ten minutes. This producer / owner will pay R480 (excluding VAT) per hour or part thereof. Producer / owner B delivers 2 500

containers and the inspection time is 50 minutes. This producer / owner will also pay R480 (excluding VAT) per hour or part thereof.

Fee per consignment: If Prokon charges per consignment (A consignment can be described (1) as a quantity of a specific product of the same class belonging to the same producer / owner which is delivered at any one time under cover of the same consignment note, delivery note or receipt note, or is delivered by the same vehicle, or (2) if such quantity subdivided into different classes, size groups, cultivars, trademark or types of packaging), such method will benefit the producer / owner who delivers two consignments to the detriment of the producer who delivers ten or more consignment, based on the fee per consignment.

Example: Producer / owner A delivers two consignments of 1 000 containers each and the inspection fee is R100 per consignment. This producer / owner will pay R200 (excluding VAT) for 2 000 containers. Producer / owner B delivers ten consignments of 200 containers each and also pays R100 per consignment. This producer / owner will pay R1 000 (excluding VAT) for 2 000 containers.

Fee per inspection: If Prokon charges per inspection such method will benefit the producer / owner who delivers 2 500 containers to the detriment of the producer / owner who delivers 200 containers.

Example: Producer / owner A delivers 2 500 containers and the inspection fee amounts to R600. Producer / owner B delivers 200 containers and the inspection fee also amounts to R600 per consignment.

Explanatory note: Producer / owner A delivers 200 containers of 5 kg each and will pay R15 as an inspection fee if charged per kilogram, whereas producer / owner B who delivers 2 500 containers of 5 kg each will pay R112.50 as an inspection fee.

Table 5: Comparative example between the different inspection fee calculation options

Options	Delivery examples	Inspection fees (R)
Per hour (R480)	200 containers (5 kg)	480
	2 500 containers (5 kg)	480
Per consignment (R100)	2 consignments (110 containers x 5 kg)	200
	10 consignments (110 containers x 5 kg)	1 000
Per inspection	200 containers (5 kg)	600
	2 500 containers (5 kg)	600
Per kilogram	1 000 kg	15
	7 500 kg	112.50

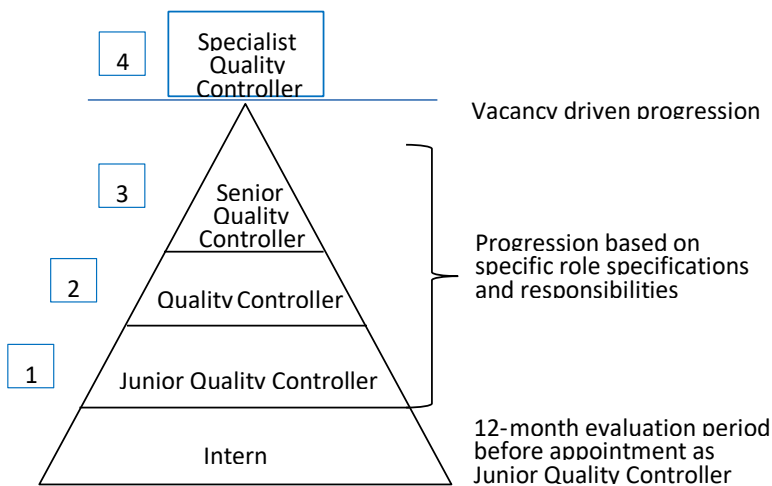
The proposed revised categories and inspection fees, excluding VAT, are set out in **Annexure C, pp. 16 to 18**.

The table above represents the proposed fees for two inspection categories as indicated in **Item 1.9: Categories of products to be inspected** above (shared regulation products inspections and own regulation products inspections). The proposed inspections fees for shared regulation products inspections amounts to 1c per kilogram and that for own regulation products inspections 1.5c per kilogram. These fees are calculated on a cost recovery basis as pointed out in the methodology document. (See **Annexure D, p. 19.**)

ANNEXURE A					
PRODUCT CONTROL FOR AGRICULTURE					
EXPENSES SUMMARY					
	NOTES	2021/2022 BUDGET 100%	Excluding Potatoes and Imports	Retail	Market
Total Expenses		19 233 535,00	9 851 352,85	4 015 614,73	5 835 738,12
Total Remuneration		13 014 150,95	6 110 143,87	3 081 956,57	3 028 187,30
Remuneration	1		46,95%	50,44%	49,56%
Chief Executive Officer	2				
Operations Manager	1				
Administrative /Financial Manager	1				
Administrative Officers	5				
Database Officers	2				
Senior Quality Controllers (Inspector)	6				
Quality Controllers II (Inspector)	29				
Junior Quality Controllers (Inspector)	10				
Inspector Assistants	32				
Wages	3	1 605 764,05	1 605 764,05	-	1 605 764,05
Wages		1 554 764,05	1 554 764,05	-	1 554 764,05
Relief Wages		51 000,00	51 000,00	-	51 000,00
General Expenses		2 178 520,00	1 022 815,14	300 467,32	693 982,04
Relief Arrangement	4	118 100,00	55 447,95	27 912,50	27 480,00
Bank Charges	5	104 860,00	49 231,77	24 783,27	24 399,27
Printing and Stationery	6	92 260,00	43 316,07	-	43 316,07
Repair and Maintenance	7	76 600,00	35 963,70	-	35 963,70
Office Rent	8	510 390,00	239 628,11	71 888,43	167 739,67
Equipment Rent	9	115 000,00	53 992,50	-	53 992,50
Labels	10	26 000,00	12 207,00	6 145,00	6 049,79
Postage	11	22 500,00	10 563,75	5 317,79	5 235,39
Relationship Management	12	24 500,00	11 502,75	5 790,48	5 700,76
Protective and Company Ware	13	102 850,00	48 288,08	24 308,22	23 931,57
Travel and Accommodation	14	312 600,00	146 765,70	73 881,85	72 737,08
Congress, AGM Attendance	15	115 000,00	53 992,50	-	53 992,50
Computer Software	16	35 700,00	16 761,15	8 437,56	8 306,83
Mobile Phones	17	173 620,00	81 514,59	41 034,44	40 398,63
Landlines	18	82 420,00	38 696,19	-	38 696,19
Internet	19	92 800,00	43 569,60	-	43 569,60
Consumable Stock	20	68 300,00	32 066,85	-	32 066,85
Refreshments	21	44 720,00	20 996,04	10 569,41	10 405,64
Fuel and Oil	22	20 900,00	9 812,55	9 812,55	-
Repair and Maintenance Vehicles	23	33 600,00	15 775,20	15 775,20	-
Licences	24	5 800,00	2 723,10	2 723,10	-
Administration Fees		1 512 000,00	709 884,00	377 916,42	331 424,37
Management Committee (Personnel)	25	45 500,00	21 362,25	10 753,76	10 587,13
Board Meetings	26	90 000,00	42 255,00	21 271,17	20 941,58
Data Base - Freshmark Systems	27	100 000,00	46 950,00	-	46 950,00
E-Click Electronic Software System	28	165 000,00	77 467,50	38 997,14	38 392,89
Contract Expenses (DC visits)	29	190 000,00	89 205,00	89 205,00	-
Professional Services	30	200 000,00	93 900,00	47 269,26	46 536,84
Communication (Industry and Consumer)	31	65 000,00	30 517,50	15 258,75	15 258,75
Subscriptions	32	1 000,00	469,50	236,35	232,68
Training Expenses (Inspectors)	33	120 000,00	56 340,00	28 361,56	27 922,10
Training Expenses (Emerging Farmers)	34	300 000,00	140 850,00	70 903,89	69 805,26
Auditor's Remuneration	35	37 500,00	17 606,25	8 862,99	8 725,66
Inspector Transfer Fees	36	20 000,00	9 390,00	4 726,93	4 653,68
Insurance	37	118 000,00	55 401,00	27 888,86	27 456,74
Business Review	38	60 000,00	28 170,00	14 180,78	13 961,05
Total		46 333 951,35			
1 201 786,77					

Overhead Expenses			547 100,00	256 863,45	99 726,26	155 438,77
Financial Administration	39		360 000,00	169 020,00	55 776,60	111 553,20
Remuneration Administration	40		104 600,00	49 109,70	24 554,85	24 554,85
Administrative Services	41		65 000,00	30 517,50	15 258,75	15 258,75
Membership Fees	42		17 500,00	8 216,25	4 136,06	4 071,97
Depreciation			376 000,00	176 532,00	155 548,17	20 941,58
Depreciation Equipment	43		45 000,00	21 127,50	10 635,58	10 470,79
Depreciation Computer Equipment	44		45 000,00	21 127,50	10 635,58	10 470,79
Depreciation Vehicles	45		286 000,00	134 277,00	134 277,00	-

Prokon inspector remuneration structuring 2020



Prokon QC Payscale Design				
	Grade	Total Guaranteed Package Annual		
Market LQ	C3		289788	
Max = Market Median	C3		359112	
Min = 0.85 of the LQ			246320	
Range Spread of each scale			46%	
Midpoint			302716	
Pay Scales		Min	Mid	Max
Junior Quality Controller I		179415	220680	261945
Quality Controller II		221499	272444	323389
Senior Quality Controller		273456	336351	399246

Source: Blue Horizon (Pty) Ltd – 2020

Prokon has been making use of the services of Blue Horizon (Pty) Ltd since 2013 for human resources consultation and benchmarking of remuneration packages.

The remuneration package for the aforementioned personnel component is based on market remuneration benchmark and design conducted by Blue Horizon (Pty) Ltd in 2020. Remuneration data

for the agricultural sector was acquired from one of the four remuneration and rewards survey service providers in South Africa, Price Waterhouse Coopers (PWC). The market surveys provide data at the lower, median and upper quartile which is projected to a specific date for implementation within the year the benchmark data becomes available and before the new benchmark is surveyed by PWC. These values are updated annually to provide CPI related remuneration values in order to provide defensible pay structures for that financial year.

The Prokon Board of Directors decided to base the remuneration of inspectors on the lower quartile as set out in **Annexure A** of the **Memorandum in respect of the determination of new inspection fees on regulated fresh fruits and vegetables**.

ANNEXURE B

Explanatory notes in respect of total expenditure (The explanatory notes have reference to Annexure A)

The expenditure listed in the explanatory notes hereunder is proportionately divided between the three core business units, i.e. fresh produce markets, retail and imports.

No.	Category	Explanation
	Remuneration	
1	Total Remuneration	Total remuneration amounts to R14 619 915.00. When potatoes and imports are excluded, it amounts to R7 715 907.92 (52.78% of total remuneration) of which R3 081 956. 57 (21.08%) apply to the retail trade and R4 633 951. 35 (31.7%) to fresh produce markets.
2	Remuneration	Remuneration is based on the personnel component required to render the inspections service set out in the methodology. The specific positions and numbers are indicated in the blue column under the heading Remuneration. The remuneration of management and the administrative personnel (Chief Executive Officer, Operations Manager, Administrative and Financial Manager, five administrative officers and two Database Officers) is based on actual salaries. The remuneration of Inspectors (45) is based on industry norms which was confirmed by a study conducted by Blue Horizon during 2020 (see Annexure A) in order to benchmark the remuneration of all of Prokon's inspectors and some of the administrative personnel. Prokon's Board of Directors took the decision to base the remuneration on the minimum pay scale with due cognisance of what applies in the fresh produce industry in order to retain qualified and component personnel, especially inspection personnel.
3	Wages	Wages apply to 32 general workers who assist the inspectors, and are actual wages. They are paid the minimum wage prescribed in the official wage determination applicable to general workers.
	General Expenses	
4	Relief Arrangement	Cost to provide relief if a staff member goes on vacation / sick leave.

5	Bank Charges	Normal bank charges payable on current account, based on income generated by each business unit.
6	Printing and Stationery	Printing and stationery (paper, pens, staples, etc.) required to perform the service.
7	Repair and Maintenance	Repair and maintenance of equipment used for inspections, e.g., scales and trollies.
8	Office Rent	Rental payable in respect of 16 offices rented. These offices serve as bases for conducting inspections on fresh produce markets, distribution centres and retail outlets, wholesalers and ports of entry.
9	Equipment Rent	Cost of rental of equipment such as copiers and fax machines.
10	Labels	Additional labels to be affixed to containers when inspections are conducted for traceability purposes.
11	Postage	Primarily to send parcels (e.g., colour plates, documentation, protective ware and inspection equipment) to Prokon offices.
12	Relationship Management	Funding to establish and maintain relations with stakeholders in the fresh produce value chain.
13	Protective and Company Wear	Protective wear worn by inspectors such as dust coats, overalls, freezer jackets and safety shoes.
14	Travel and Accommodation	Operational related travel and accommodation expenses for personnel to conduct their duties and attendance of industry and producer meetings to report on inspection related matters.
15	Conferences, AGMs and Workshops	Expenses to attend (travel, accommodation, registration of fresh produce industry body conferences and AGMs, e.g., Potatoes SA, Produce Marketing Association and African Potato Association, international workshops offered by KCB and the International Quality Standards Harmonization Meeting in Europe.
16	Computer Software	Purchasing of computer software required to conduct inspections.
17	Mobile Phones	For use by management and inspectors in conducting daily tasks (taking inspection photos, scan barcodes, take GPS points), to communicate with one another and submit inspection information.
18	Landlines	Used as a back-up for communication purposes and to send faxes.
19	Internet	Used by all staff to conduct daily business activities, e.g., by inspectors as the inspection program is Internet based.
20	Consumable Stock	For example, knives, side cutters, ink and stamping pads, Iodine to determine starch content, specifically for inspections on regulated fresh fruits and vegetables.
21	Refreshments	For example, tea, coffee and sugar.
22	Fuel and oil	For travelling and upkeep of existing company pool vehicles to perform daily duties.

23	Repair and maintenance Vehicles	Servicing, tyres and general repairs to existing company pool cars.
24	Licences	Annual renewal of licences of existing company pool cars vehicles.
	Administration fees	
25	Management Committee (personnel)	Quarterly meetings – Head office management and regional managers, e.g., to appraise operational performance across all regions and to strategize current and future inspection activities.
26	Board Meetings	2 Board meetings, 2 Risk and Audit Committee meetings, 1 AGM.
27	Data Base – Fresh Mark Systems	Payments to access data such as daily, monthly and yearly market volumes and sales as well as obtaining data on product, classes, cultivars and packaging sizes, when required.
28	E-Click Electronic Software System	Electronic inspection equipment for daily inspections at inspection points (retail, wholesale, fresh produce markets).
29	Contract Expenses (Distribution Centre Visits)	Transport expenses to conduct inspections at distribution centres and other outlets, where necessary. (This expenditure applies to retail inspections only.)
30	Professional Services	Professional services, e.g., SANAS, SEESA and SETA affiliation, legal opinions, design of production aids (colour plate book and tomato quality inspection guide), promotional material and sample testing.
31	Communication (Industry and Consumer)	Direct communication with the industry and the consumer, articles in the agricultural and consumer media and brochures to create awareness about the company's services to the industry and to inform consumers about the role Prokon plays to ensure quality produce reaching their households.
32	Subscriptions	Renewal of industry magazine subscriptions, etc.
33	Training Expenses (Inspectors)	Training expenses incurred to ensure that personnel are at all times geared to render top quality services and are abreast of latest developments.
34	Training Expenses (Emerging Farmers)	Training expenses incurred to train emerging famers to ensure that their products comply with official quality standards, e.g., packaging, size groups and marking. This will ensure that their consignments are market ready and thus prevent downgrading and furthermore being prohibited from being sold.
35	Auditors' remuneration	Auditors' fees in respect of annual audit.
36	Inspector Transfer Fees	Costs related to personnel being transferred to a different office and/or inspection point.
37	Insurance	Insurance premiums in respect of vehicles, equipment, etc.
38	Business Review	Cost to produce Prokon's Annual Business Review (compilation, lay-out and printing).

	Overhead expenses	
39	Financial Administration	Payment for external financial administration service.
40	Remuneration Administration	Payment for external remuneration administration service.
41	Administrative Services	Payment for external administrative service.
42	Membership fees	Payment of fees for membership fees of industry bodies, e.g., Produce Marketing Association (PMA).
	Depreciation	
43	Depreciation – Equipment	Provision for depreciation of existing equipment, e.g., office furniture that is written-off over three years.
44	Depreciation – Computer Equipment	Provision for depreciation of existing computer equipment, e.g., laptops and cellular phones that are written-off over three years.
45	Depreciation – Vehicles	Provision for the depreciation of seven existing motor pool vehicles which are written-off in terms of the company's motor vehicle policy.

ANNEXURE C			
Products sold on fresh produce markets			
Own regulation products		Shared regulation products	
Product	Kg	Product	Kg
Apples	153 010 111,20	Artichokes	10 435,60
Apricots	825 363,10	Asparagus	33 332,90
Avocados	24 296 673,30	Baby Marrows	789 633,00
Bananas	209 023 833,50	Beetroot	6 521 472,00
Cherries	298 388,30	Blueberries	578 436,60
Cocktail Avocados	6 234,00	Brinjals	2 356 670,00
Cocktail Tomatoes	1 229 360,50	Broccoli / Cauliflower	432 354,50
Exotic Citrus	20 035 110,10	Broccoli	3 211 659,60
Garlic	2 107 081,90	Brussel Sprouts	50 316,00
Grapefruits	3 348 262,50	Butter Lettuce	134 988,70
Grapes	19 418 804,10	Butternuts	95 255 939,00
Lemons	26 121 814,50	Cabbages	124 456 418,00
Limes	602 081,00	Calabash	159 432,00
Litchis	903 460,10	Carrots	145 629 190,10
Mandarins	21 955 991,20	Cauliflower	4 349 482,20
Nectarines	8 120 682,20	Celery	946 015,20
Onions	405 889 819,00	Chillies	13 638 857,60
Oranges	109 598 563,30	Chinese Cabbage	286 469,90
Peaches	13 177 620,30	Chives	6 918,90
Pears	46 280 892,00	Coriander	450 756,30
Pickle onions	2 390 772,00	Cucumber	244 277,40
Pineapples	21 998 089,50	Custard Apple	27 163,50
Plums	15 028 712,80	Dragon Fruit	26 311,60
Prunes	571 515,40	Endives	9 300,00
Shallots	65 621,40	English Cucumber	22 586 028,30
Tomatoes	274 733 850,00	Fennel	87 008,00
Totals	1 381 038 707,20	Figs	163 588,70
Total kg inspectable per year	815 248 206,81	Fresh Dates	22 351,70
%	59,0%	Gem Squash	6 158 083,00
See notes to explain %		Ginger	1 375 651,40
		Gooseberries	18 977,00

		Granadilla	408 000,70
		Green Beans	9 879 224,50
		Green Mealies	579 179,10
		Green Onions	4 836,70
		Green Peas	105 181,00
		Guava	1 917 731,60
		Horse Radish	13 246,00
		Hubbard Squash	27 482 411,00
		Jackfruit	1 432,00
		Kale	178 914,10
		Kiwi	720 947,40
		Kohlrabi	12 742,00
		Kumquats	144 513,50
		Leeks	808 672,40
		Lemon Grass	1 275,10
		Lettuce	17 753 408,00
	22	Liquats	225,00
		Mangoes	20 343 800,80
		Marrows	2 609 193,50
		Morogo	48 535,80
		Mulberries	65,80
		Mushrooms	1 317 874,60
		Muskmelons	4 001 455,00
		Okra	2 830 299,00
		Other berries	177 493,70
		Paprika	162 557,60
		Parsley	370 891,20
		Parsnip	64 825,00
		Patty pans	422 539,90
		Paw Paw Papino	5 057 364,50
		Peppers	62 969 409,10
		Persimmons	614 953,60
		Piquant Peppers	8 668,40
		Pomegranate	381 780,70
		Prickly Pears	1 170 553,90
		Pumpkin	53 330 271,00
		Quinches	24 921,00
		Radishes	137 959,90
		Raspberries	212 686,30
		Red Cabbage	997 163,50
		Rhubarb	13 080,50
		Spinach	20 583 556,30
		Spring Onions	630 955,40
		Star Fruit	147,50
		Strawberries	2 227 173,10
		Sweet Melons	3 416 289,50
		Sweet potatoes	26 292 468,70
		Sweet corn	2 194 479,10
		Turnips	661 823,00
		Watermelons	59 657 351,00
		Totals	762 962 046,70
		Total kg inspectable per year	454 902 398,95
	23	%	59,6%
		See notes to explain %	

Simplified fee calculations			
			Per year kg
Products with own regulations	Total kg inspectable of product with own regulations		815 248 206,81
Products with shared regulations	Total kg inspectable of products sharing a regulation		454 902 398,95
	Total		1 270 150 605,76
Per day kg (365 days - 52 Sundays - 14 Holidays) = 299 days			
			2 726 582,63
			1 521 412,71
			4 247 995,34
Income % according to inspection time of categories			
		60,00%	
		40,00%	
		100,00%	
	Twice a week inspection kg	52 Weeks in a year kg	
Products with own regulations	5 453 165,26	283 564 593,67	
Products with shared regulations	3 042 825,41	158 226 921,37	
Total	8 495 990,67	441 791 515,05	
	Fee per kg	Projected income per year	
Products with own regulations	R0,015	R4 253 468,91	
Products with shared regulations	R0,010	R1 582 269,21	
Total		R5 835 738,12	
	Budget to be covered by fees	R5 835 738,12	
	Over(+) / Under (-) budget	R0,00	
Fee calculations			
	1	2	3
	Per year kilogram (From page 22 & 23)	Per day total (Devide per year kg by 299)	Twice per week (Per day x 2)
Products with own regulations	815 248 206,81	2 726 582,63	5 453 165,26
Products sharing a regulation	454 902 398,95	1 521 412,71	3 042 825,41
Total	1 270 150 605,76	4 247 995,34	8 495 990,67
	4	5	
	52 Week total (Twice per week x 52)	Projected income per year (Twice per week x 0,015 and 0,01)	
Products with own regulations	283 564 593,67	R 4 253 468,91	
Products sharing a regulation	158 226 921,37	R 1 582 269,21	
Total	441 791 515,05	R 5 835 738,12	
Notes			
% calculated from grand total for each category due to the following:			
* Documentation unavailable or received too late for the inspector to conduct an inspection times of markets (04h00 to 10h00)			
* Due to the limited number of inspectors per market to ensure the cost effectiveness of inspections			
* Each inspector can only inspect a certain number of inspections (volumes / consignments) per hour			
* Non-conformities of products prolong the time spent on inspections and thus reduce the number of inspections that can be conducted as the product has to be physically stamped, electronically re-graded, and the market agent as well as the producer informed			

ANNEXURE D