

The Agri SA 2017

# TRANSFORMATION REPORT

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We develop the South African Agricultural Industry.  
Ons ontwikkel die Suid-Afrikaanse Landbou Industrie.



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## Summary



**R318** MILLION  
spent on transformation



**58%**  
increase from 2015/16

Agri SA member organisations increased their contributions to transformation projects by 58% to R318 million in 2016/2017.



**108 210**  
FARMERS BENEFITTED

A total of 108 210 farmers benefitted from development programs such as training courses, mentorship programs, recapitalisation projects and social development initiatives.

# 1. Background

Transformation within the South African economy and agriculture specifically, remains a national imperative. Agri SA, through its membership base, has been actively involved in promoting transformation through numerous development programmes ranging from training courses to recapitalisation.

Agri SA's Transformation Report is geared towards promoting transformation in agriculture. This is done by identifying best practices and exploring opportunities for further growth, and, of course, finding solutions to developmental challenges.

**Over the past two years Agri SA has conducted an annual survey on farmer development. The survey aims to determine the amount spent on supporting transformation projects, the number of farmers reached by these programmes through its membership base, which consists of:**

- provincial affiliates, representing approximately 28 000 farmers;
- commodity chamber, representing 24 commodity organisations; and
- corporate chamber, representing 19 corporate entities involved in the agriculture value chain.



The survey also informs Agri SA's advocacy role and enables the organisation to pro-actively update government and other stakeholders on the development work done and challenges experienced within the sector.



## Forms of Assistance



Financial Assistance



Training and Skills Development



Mentorship Programmes



Information Sharing



Recapitalisation



Facilitation of Market Access

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## What is an 'emerging farmer'?

There is some uncertainty around the concept of 'emerging farmers'. The concept may include a range of players, such as communal farmers, smallholders and new farmers in general. However, a key consideration is the future potential of each farmer to truly become a champion of economic transformation.

For this reason the survey defines emerging farmers as:

**“Surplus-producing farmers with the real potential to become sustainable commercial farmers.”**

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### 3. Investment in Farmer Development and Number of Beneficiaries Reached



#### Amount Spent on Emerging Farmer Development

| Nr.               | Commodity Organisation                                 | Amount Spent 2015/2016 | Beneficiaries 2015/2016                                  | Amount Spent 2016/2017 | Beneficiaries 2016/2017   |
|-------------------|--|------------------------|--|------------------------|---|
| 1                 | Cotton SA  | R 1,214,000            | 1100 farmers   | R 19,730,496           | 1,470   |
| 2                 | Dried Fruits   | R 12,500,000           | 80 farmers   | R 25,230,597           | 109 individuals; 106 permanent job opportunities; 560 seasonal job opportunities  |
| 4                 | Forestry SA  | R 3,060,000            | 343 farmers  | R 3,810,000            | 15 farmers; 1 enterprise; 300 young farmers   |
| 3                 | Grain SA   | R 39,750,966           | 10 000 farmers   | R 33,405,606           | 9 588   |
| 4                 | Mohair   | R 1,538,000            | 11 farmers   |                        |   |
| 5                 | Milk Producers Organisation (MPO)                      | R 2,989,950            | 550 farmers  |                        |   |
| 6                 | National Wool Grower Association (NWGA)                | R 17,194,557           | 24 000 farmers   | R 19,558,548           | about 330 wool communities; 10 000 individual producers   |
| 7                 | Ostrich Chamber  | R 24,000,000           | 110 farmers  |                        |   |
| 8                 | South African Pork Producers Association (SAPPO)       | R 4,118,942            | 210 farmers;   | R 5,880,000            | 22 farmers; 4 enterprises and 116 trained   |
| 9                 | Red meat Producers Organisation                        | R 308,369              | 120 farmers  |                        |   |
| 10                | South African Table Grape Industry (SATGI)             | R 5,200,000            | 29 projects; 2927 extended beneficiaries                 | R 5,600,000            | 29 projects; 2 927 extended beneficiaries   |
| 11                | Southern African Macadamia Growers Association (SAMAC) | R 2,077,270            | 240 farmers  | R 1,729,000            | 20 farms  |
| 12                | Tobacco SA   | R 6,000,000            | 110 farmers  | R 5,600,000            | 70 people   |
| 13                | Vinpro   | R 1,500,000            | 40 Enterprises; 775 farmworkers trained                  | R 41,808,972           | 232 projects; 45 000 workers benefitted from Wieta; 369 persons through rehabilitation programme 44 Black economic empowerment projects; 37 black-owned brands, 980 farm residents counselled; 886 children monitored at child development and aftercare facilities; 62 crèche and aftercare workers trained; 755 workers trained |
| 14                | South African Sugar Association (SASA)                 | Not disclosed          | 5859 farmers   | R 124,827,756.23       | 6 523   |
| 15                | South African Cane Growers                             | R 8,734,766            | 20 000   | R 11,380,895           | 20 000  |
| <b>Provinces</b>  |  |                        |  |                        |   |
| 1                 | Kwanalu  | R 5,000,000            | 365 farmers  | R 5,000,000            | 594   |
| 2                 | Northern Cape  | R 3,000                | 35 farmers   |                        |   |
| <b>Corporates</b> |  |                        |  |                        |   |
| 1                 | British American Tobacco South Africa                  | R 7,400,000            | Emerging farmers 74; beneficiaries;562; 930 jobs created | R 7,200,000            | Emerging farmers 155; 1176 beneficences; 930 jobs created   |
| 2                 | Pioneer  | Not disclosed          | 11578  |                        |   |
| 3                 | Syngenta   | R 1,000,000            | 1000   | R 2,500,000            | 1 300   |
| 4                 | Santam   | R 1,798,904.56         | 500  | R 5,547,660            | 3500  |
| <b>TOTAL</b>      |  | <b>R133,385,724.56</b> | <b>82 448</b>  | <b>R318,809,530.23</b> | <b>108 210</b>  |

## 4. Case Studies

The majority of Agri SA's members and affiliates are either actively involved in farmer development or acted as development consultants to farmers. The following case studies indicate the type of projects that are undertaken:

### 4.1 Cotton SA



Cotton SA currently provides training and mentorship to 974 farmers. These farmers organised themselves into 18 co-operatives in Nkomazi in Mpumalanga. Nkomazi is a very hot area and the soil quality is not suitable for crop cultivation. It is, however, perfect for cotton cultivation.

In the past financial year, the Department of Rural Development and Land Reform (DRDLR) contributed R7.7 million and Cotton SA, R1.2 million to this project. In 2016, 2 747 ha of land was cultivated of which 1 460 ha was planted by hand. With the assistance of Cotton SA's team, an average yield of 950 kg per ha was produced which resulted in an income of R19.95 million or R4117 per farmer per ha.



The Nkomazi area is about 11 000 ha in size, so there is ample opportunity for expansion and development. However, this is subject to the availability of funds for more agricultural implements, installing proper irrigation systems and further training. Cotton SA plans to build a processing plant in the area to bring the market closer, so to speak, and create even more employment opportunities.



**974**  
**FARMERS**

**950kg p/ha**  
 COTTON PRODUCED

**R7.7 mil**  
 Contributed by DRDLR

**2 747 ha**  
 Cultivated

**R19.95 mil**  
 Income

**R1.2 mil**  
 Contributed by Cotton SA

**1 460 ha**  
 Planted by hand

**R4 117**  
 Per farmer per ha





## 4.2 National Wool Growers Association (NWGA)

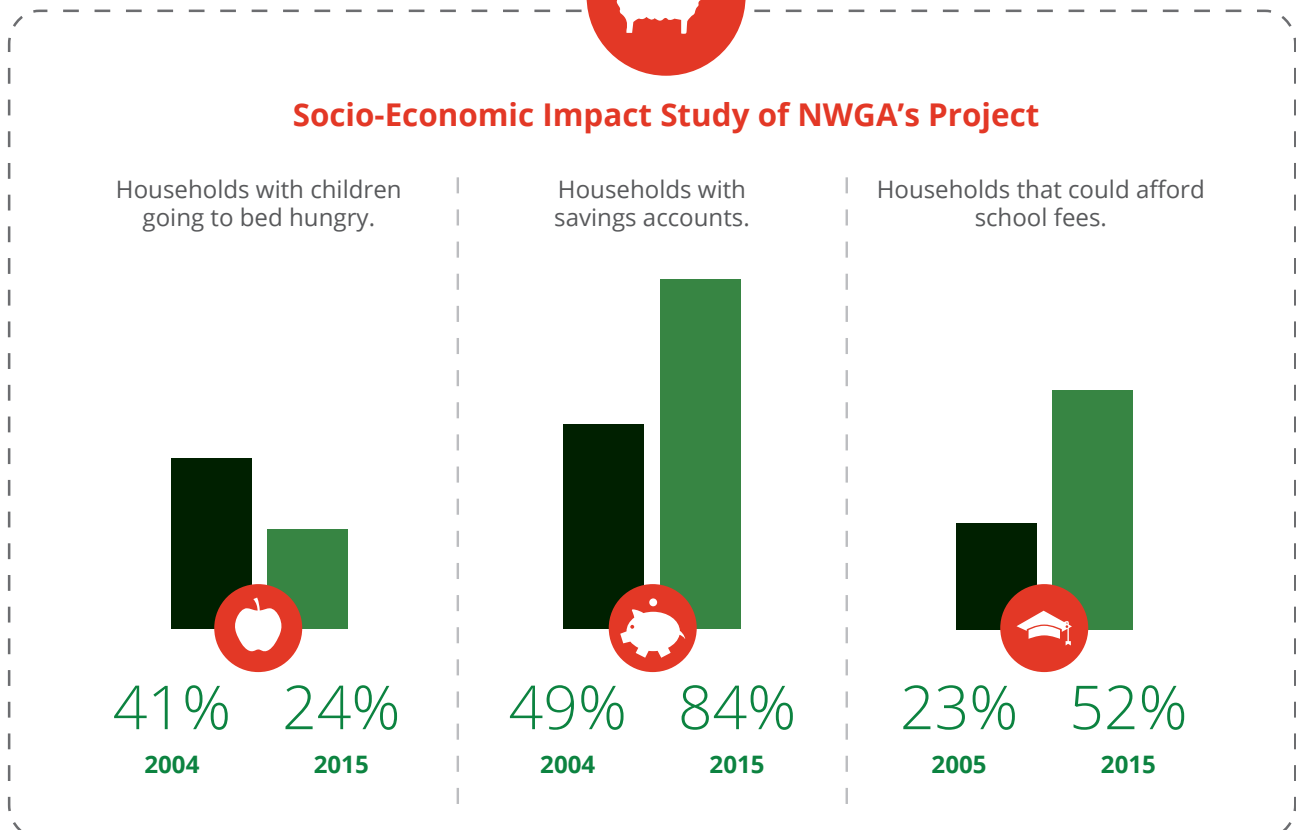
The NWGA organises and provides training and mentorship to small-scale sheep and wool farmers. During the 1997/98 financial year these farmers produced 222 610 kg wool, which were valued at R1 502 908. In 2015/16 4 462 089 kg, with a value of R233 618 025 were produced. The significant increase in production and income can largely be attributed to the training and mentorship provided by NWGA. The introduction of a ram-exchange programme improved the genetics of flocks and subsequently increased wool production.

### A socio-economic impact study of NWGA's project found that within the relevant communities -

- the number of households with children going to bed hungry has declined from 41% in 2004 to 24% in 2015 and appears set to continue downwards;
- the number of households with savings accounts has increased from 49% in 2004 to 84% in 2015 and seems set to continue upwards; and
- the number of households that could afford school fees have increased from 23% in 2005 to 52% in 2015.



### Socio-Economic Impact Study of NWGA's Project



Although substantial amounts of money are already spent on this project, there is room for development. The NWGA's current capacity only allows it to assist 330 wool producing communities involving close to 10 000 individual producers per year. However, there are currently about 1 400 wool producing communities (more than 40 000 individuals) country-wide. More funding would enable more training, higher production levels, expansion of the ram-exchange programme and result in an even greater socio-economic impact.

### 4.3 Grain SA



Grain SA has a comprehensive farmer development programme that aims to develop black commercial farmers and to contribute to household and national food security. In 2016, about 10 000 farmers were accommodated in its initiatives. Together these farmers cultivated 148 641 ha throughout the country. In 2016, close to R40 million was spent on the programme.

Grain SA encourages farmers to organise study groups in their areas to serve as a platform where farmers can access knowledge and training. In 2016, a total of 9 754 farmers participated in study groups in 10 regions throughout the country. Farmers' days are also organised where farmers get the opportunity to meet the various role players in the grain sector. In 2016, 3 177 farmers' days were held throughout the country.

In another initiative a special programme was designed for advanced and commercial black farmers. The identified farmers received one year of intensive support. In 2016, 136 candidates were assisted. As part of the advanced farmer initiative, 16 farmers received recapitalisation (RECAP) funding. National Treasury's Jobs Fund also allocated funding to 103 farmers. Moreover, comprehensive training courses are also presented, covering themes ranging from production to marketing.



#### Farmer Development Programme

10 000  
Farmers

148 641 ha  
Cultivated

R40 mil  
Spent on programme

#### Knowledge & Training

9 754  
Farmers participated  
in study groups

10  
Regions across  
the country

3 177  
Farmers'  
days

#### Advanced Farmer Initiative

136  
Candidates  
assisted

16  
Farmers received  
recapitalisation

103  
Farmers were  
allocated funding



## 4.4 South African Pork Producers' Organisation (SAPPO)

SAPPO's development programme for new producers mainly focuses on training, which takes place on developing pig units, at farmers' days and by means of study groups among developing farmers.

Farmers who are close to becoming commercial producers receive intensive mentorship that mainly takes place at pig units. Those already farming commercially receive regular focused attention. In 2017, Pork SA mentored 22 such farmers throughout the country. SAPPO also funds regular veterinarian visits. SAPPO's current capacity also allows it to be financially responsible for four developing farms. In the financial year 2016/17, SAPPO spent R 5 880 000 on development work.

### Development Programme for New Producers



**22**  
Farmers  
Mentored

**4**  
Developing  
Farms

**R5.88 mil**  
Spent on  
Development Work

The number of successful developing projects in North-West, KwaZulu-Natal, the Western and Eastern Cape and in Gauteng proves that some developing pig farmers are already crossing the bridge from subsistence farming to becoming commercially successful.

## 5. Challenges and Possible Solutions

In the course of research the following challenges and possible solutions were mentioned most frequently:



A shortage of capital exists to fund operations and production since many emerging farmers do not own their land and subsequently cannot provide security for loans. Financial illiteracy exacerbates the problem. Transferring title deeds to farmers already cultivating land will therefore enable access to finance by way of security for long-term loans. However, this should be accompanied by continuous financial literacy training and mentorship.



The cost of irrigation systems hamper production. Hence, providing financial assistance to procure proper infrastructure and irrigation systems will increase and improve production.

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The cost of basic agricultural implements constrains productivity and subsequently production. Introducing share schemes among smallholders, especially in communal areas, as well as mobile cooler rooms, shearing units and abattoirs can mitigate this challenge. Creating financing options for smallholders to procure implements has already proved to be a solution that should be explored further.

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The cost of transport to markets forces produce into informal markets which results in lower profits. Introducing schemes where transport is facilitated collectively or shared among regions has proved to be one of the ways in which this challenge can be addressed.

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Minimum loan requirements constrains productivity and inhibits job creation. The existing exemption process has saved jobs, but seen in the context of costly agricultural implements, which impedes productivity, the cost of labour remains a challenge.

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The cost of livestock as well as animal feed constrains expansion and production. Several programmes already exist for smallholders that make the procurement of livestock more affordable and easier to finance. Hence, the replication of such models should be explored. The improvement of the genetics of existing herds and flocks has also proved to be a more affordable alternative than buying new livestock.

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Emerging farmers, as well as government extension officers lack commodity-specific expertise. Hence, extension officers are not able to give advice on crop-specific production issues. Several commodity organisations have already partnered with government to assist with the training of extension officers and it is recommended that this practice be replicated throughout the industry. It is also worth considering creating digital platforms where knowledge and skills are virtually transferred.

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Allocation of government grants and loans is, in most cases, non-aligned with the timing of production cycles. Hence, loans and grants are received either too late or too early. This is an administrative problem and should be addressed accordingly.



Strict local and export market requirements, as well as costly certification impede further development and market accessibility. Going forward, innovative and flexible payment measures will have to be considered to make certification affordable. Ensuring compliance is a matter that will ease once the above challenges are addressed.



Conflict among co-operatives' members and within traditional socio-cultural structures constrains production and expansion. Conflict and socio-cultural practices should be respected, however, where possible conflict should be mediated by a third party with the understanding that mediating disputes properly will unlock even more of the economic benefits of agriculture for the parties concerned.

## 6. Conclusion

Farming is a science and a farm is a business that can only be sustainable if, like any other business, it is profitable. Hence, transformation in the agricultural sector is intertwined with commodity-specific and business management training and skills. Commodity organisations already specialise in the latter and should therefore be approached and assisted in their existing developmental endeavours.

This approach to development is already in place and offers emerging farmers access knowledge, industry structures and platforms where skills are taught. These organisations follow a hands-on approach where farmers are mentored and offered advice for a number of years, ensuring sustainable development. The significant increase in the communal sheep farmers' production illustrates the value and impact of NWGA's continuous assistance over the past 20 years. The same is true in the case of Grain SA that, over a number of years, has created an extensive, countrywide development programme.

Expectation management is another important principle that forms part of the above-mentioned programmes. Commodity organisations constantly remind emerging farmers how income is generated and how cash flow should be managed during off-season or drought conditions. Hence, development is approached as an ongoing process that should be aligned with the scientific production potential and financial capacity of the farm.

The involvement and contribution of government in especially Grain SA's, Cotton SA's and NWGA's programmes should also be acknowledged and commended. Commodity organisations often lack the financial capacity to fully assist farmers. Given the success of farmers who partner with commodity organisations, strengthening their financial and resource capacity is key for future development within the agricultural sector.

## 7. Request

The National Development Plan (NDP), South Africa's official macro policy framework for development, positions emerging farmers as central to the economic development and stability of rural communities. Not only is the employment creating potential of emerging farms listed as 442 500 by 2030, but the development of these farmers is also seen as a means to ensure food security in rural communities and to the alleviation of poverty. Moreover, the development of emerging farmers and making land accessible and their enterprises sustainable is an imperative against the background of South Africa's historic injustices and transformation in agriculture. Agri SA's members and affiliates is actively pursuing the goals of the NDP through is various development initiatives. By spending R318 million, 108 210 farmers were reached. With R1 billion, close to 500 000 farmers be developed.



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