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**The NRMDP Changing Lives in KZN:
The Showcase of Mhlumayo
Custom Feeding Programme**

**Small white bean contract
deal produces expected
fruits**

**Norms and standards for
comprehensive producer
support**





THE AGRI-PRENEUR QUARTERLY: A PUBLICATION BY THE SMALLHOLDER UNIT OF THE NAMC

PREFACE

This is the second publication of the Agri-preneur edition from the National Agricultural Marketing Council (NAMC). The Agri-preneur aims to communicate business-related information among smallholder farmers. Agriculture is a business and therefore this edition was designed to share information on business development and to update farmers on the dynamics of current and future markets. Smallholder farmers face several challenges in their business environment which negatively affect the marketing of their commodities. Through this publication, the NAMC will communicate research findings and business practices that address smallholder challenges, including development in the agricultural sector. It is believed that this publication will assist smallholders to develop strategies, adopt models, and become part of the value chain by marketing commodities that meet quality standards and are safe for consumption.

Presented in this second publication are the following topics:

- (1) National Red Development Meat Program (NRMDP) launches in KZN;
- (2) Market segmentation and compliance research report;
- (3) Dry bean market deal contract produces expected fruits;
- (4) Norms and Standards for comprehensive producer support;
- (5) Poultry Value Chain in rural villages of South Africa;
- (6) Basic commodities price watch and forecasts.

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1. The NRMDP Changing Lives in KZN: The Showcase of Mhlumayo Custom Feeding Programme

by Bonani Nyhodo, Xolile Ngetu and Sifiso Ntombela



On the 30th June 2015 there was a flurry of activity in KwaZulu-Natal Province (KZN) when the rural community of KZN witnessed another showcase of a Custom Feeding Programme (CFP) in Ladysmith. The hosting venue was Mhlumayo, a growing rural area under the rule of the Sithole Tribal Authority and the Indaka Local Municipality of the uThukela District Municipality in KZN. This day managed to attract rural development practitioners and agriculturalists from various agencies across all provinces.

Speaking during the feedlot showcase, Chief Sithole said that Mhlumayo is an underrated area with an overwhelming potential for livestock production. The Chief went on to sincerely express his happiness with the Department of Rural Development and Land Reform (DRDLR) for supporting the establishment of the NRMDP. The Deputy Minister of the DRDLR, the Honourable Ms C. Mashego-Dlamini, was in attendance and she re-affirmed her department's commitment to improving the lives of those living in rural areas.

Just over 3000 people converged at the feedlot arena, welcomed by the beautiful Mountain of Lenge complemented by the heart-warming smile and smell of the place, blown slowly by the echoing breeze towards uThukela River. The feedlot showcase was organised into three

well-coordinated stages: i) the formal opening of Mhlumayo CFP, ii) the showcasing of the KZN arm of NRMDP, and iii) facilitation of the cattle auction. This day saw farmers from all districts of KZN in attendance, and they were much inspired by the CFP and auction facilities.

The NRMDP is financed by the DRDLR and is facilitated by the National Agricultural Marketing Council (NAMC). Construction of the facility was carried out in 2013 and the CFP has been in operation since 2014 as a pilot phase, built at a cost of R2 million. The feedlot has an animal intake capacity of 900 livestock, and a few metres away is the impressive, independent auction pen. The Deputy Minister of DRDLR was impressed with the turn-around of the project and, according to her, it was pleasing to see the investment made by her department in the NRMDP.

The Mhlumayo Farmers' Association representatives (from Siyaphambili Livestock Association and Ikusasalemfuyo Livestock Association) were delighted to finally realise a dream of feeding the animals for few month before they are sold to the markets. Since 2008, the associations, together with the Tribal Authority, have been persistently knocking on government and private sector doors for assistance with the improvement of livestock, as shown in Picture 1.



Picture 1: Mhlumayo Custom Feedlot

Part of the activities of the day was the auctioning of animals to various buyers, which highlighted the linkage of livestock farming to transport logistics (see picture 2). It became very clear on the day, considering the number of trucks (over four big trucks) that loaded all the sold animals, together with the number of bakkies (many) that transported the animals from households to the auction facility, ***that this facility means business for the transport sector.*** The coordination of the auction alone created a number of jobs for the people who were handling the animals and this was clearly visible – ***short-term job opportunities were created.***



Picture 2: Transporting of sold animals

The Deputy Minister of Rural Development and Land Reform, the Honourable Ms C. Mashego - Dlamini, went as far as making it clear to farmers that their approach to rearing livestock should change from keeping livestock for non-commercial purposes, to rearing them for agri-

business purposes. She also requested farmers to consider rearing bulls, arguing that the bulls which the villagers have should be replaced by better ones and/or ones with good genetics.

The highlights of the day included, but were not limited, to the following:

- Collaborations between Traditional Council and Local Government.
- The total number of animals reaching auction were 330.
- **318** animals were sold, and
- Only 12 animals were not sold.
- The total value of the animals stood at **R1.969 700 million.**
- The average price for the auction day was **R5877.35.**
- The highest sale price reached for an animal in the facility was **R12500.**

2. The NAMC conduct research on market segmentation and compliance

by Sydwell Lekgau

During 2014/2015, the NAMC conducted a research on market segmentation and compliance with products standards. The main objective of the research was to understand current markets that smallholder farmers are supplying with their fruits, as well as potential vegetables markets that they could supply. The research was further conducted to ascertain whether smallholders comply with products standards and to identify barriers that prevent smallholder farmers from accessing market segments. The ultimate goal of the research was to design appropriate interventions that will assist smallholder farmers to increase production of their produce for the market.

The study was conducted in the Mopani District in Limpopo province, and specifically in the Greater Tzaneen and Giyani Local Municipality areas. The project targeted only farmers who were producing fruits and vegetables under irrigation and farmers who were selling to the markets, as shown in picture 3.



Picture 3: Green beans destined to NFPM

The study established that, on average, 57 % of the agricultural commodities produced by the smallholder farmers are sold to the informal markets. These included bakkie traders, hawkers, local shops and local communities. Farmers indicated that supplying informal markets reduces the costs of packing and transportation. Farmers further stated that the informal market provides quick cash, and does not require serious quality checks, as compared with the formal sector. However, it must be stated that although farmers appear to be selling most of their produce to the informal markets, there is aspiration among some farmers to supply their commodities to the formal markets.

Formal market supplies from the smallholders accounted for the remaining percentage, which is 43%. In terms of formal markets, concentration of the produce sold by the smallholder farmers was found to be on the National Fresh Produce Markets (NFPM). The NFPMs accounted for 34 % of the market share and this was followed by the retailers' market share, at 9%. By looking at the two segments (formal and informal markets), it became clear that there is a challenge in supplying the formal markets with fruits and vegetables. According to the farmers, the challenge of not supplying formal markets in general is based on the strict market requirements, such as high products standards, use of accredited pack-houses, use of Distribution Centres (DCs), and refrigerated transport, all of which is compounded by high

transport costs and long distances to the markets. Although these issues seem to be constraints on the farmers, they also serve as an incentive for farmers to work harder to supply all the markets with their fruits and vegetables.

In addition to ascertaining the markets that farmers supply and the constraints that the farmers are facing, it was important to establish whether the farmers comply with markets requirements and products standards. The results showed that 63 % of the farmers comply with markets requirements and products standards, whereas 37 % of the farmers interviewed did not comply with markets requirements and standards. Farmers mentioned water shortages and transport delays as problems that lead to the deterioration of product quality. The study recommended that:

- The farmers, as well as extension officers who are sources of information for smallholders, be trained on strategies of marketing agricultural products, which should include training on how to interpret volume and price information. This information will assist the farmers in increasing their supply to the formal markets.
- Smallholder farmers be organised into commodity groups so they might benefit from the collective marketing of their produce and arrangements for common transport, and further gain from formal arrangements such as contracting with the established suppliers.
- Global standard be promoted among smallholder farmers so they could comply with products standards as required by the formal markets. Although the Global Gap standard is costly to obtain, farmers could start with

Local Gap, which is a step towards the attainment of Global Gap.

3. Small white bean contract deal produces expected fruits

by Phistos Mashamaite and Sydwell Lekgau

The NAMC is mandated to increase market access for all participants. As part of increasing market access and encouraging new business ventures for smallholder farmers, the NAMC developed a dry beans development scheme with the intention of linking the farmers to the market through contract farming. This produced expected fruits in 2015 when the NAMC secured an off-take agreement with the leading food manufacturer and marketer of Fast Moving Consumer Goods (FMG) in Southern Africa, Tiger Brands.

The NAMC, together with other partners such as the Limpopo Economic Development Agency (LEDA), Limpopo Department of Agriculture (LDA) and Northern Seed Producers, agreed to facilitate the implementation of a dry bean development scheme with smallholder farmers. Five smallholder farms entered into an agreement with the market (Tiger Brands) through a primary processor (Northern Seed Producers) to grow small white beans in the Ephraim Mogale and Elias Motsoaledi Local Municipalities.

The production of dry beans was triggered by the growing demand for the commodity in the local, established markets. Although the crop can be imported from the world markets, the indications are that the imported crop does not give the same quality standards as the locally produced commodity, hence the market decided to produce the crop locally. Small white beans are best produced under a centre pivot irrigation system (see picture 4). The crop was planted during the month of February 2015 on a total of 64 hectares which belonged to five smallholder farmers.



Picture 4: Dry bean production under centre pivot

It took approximately 105 days for the crop to be ready for the market. From the 64 ha planted with dry beans, a total of 109 tons were harvested and the farmers collectively received a profit of R957 204.00. Tiger Brands provided the seeds to the growers at no cost. The NAMC provided fertilisers to all the farmers and the costs of harvesting and transporting the produce to the market (see picture 5) were incurred by the growers themselves.



Picture 5: Harvested bean crop destined to the market

The project is to be expanded and Tiger Brands has committed itself to assist growers to plant at least 200 ha of small white beans in the coming 2016 production season. This is a good expansion of the project and it requires that other smallholder businesses that meet the market requirements (such as the possession of centre pivot irrigation, proximity to

processing facilities, planting more than 15 ha of land, and having enough water for irrigation) should form part of this important business venture. In addition, it is important that these farmers should operate in the areas of Marble Hall, Mokopane and Polokwane.

4. Norms and standards for comprehensive producer support

by Judith Mabuso and Thulisile Khoza

The Department of Agriculture, Forestry and Fisheries (DAFF) has embarked on numerous initiatives in the past to provide financial and other non-financial support to smallholder producers and to increase the number of smallholder producers in South Africa. These types of support are in the form of on- and off-farm infrastructure, increasing extension support, market access, providing access to appropriate technologies, increasing localised production, and improving food security and livelihoods of rural households.

As part of the background to norms and standards development, DAFF discovered that there are farmers who are involved in double dipping of the resources. These are the farmers who are accessing support from different agencies for the same purpose. This became a problem as there are other farmers who are receiving inadequate levels of supports or no support at all from the same agencies. For example, there are programmes like CASP, MAFISA and AgriBEE which are designed to deliver supports to the farmers, but the challenge has been that of separate management. As a result, the support programmes do not complement each other and this has led to double dipping. The lack of a national framework to set a guiding principle in providing financial and non-financial support was found to be the cause of unnecessary confusion with regard to the roles and responsibilities of stakeholders in providing these various types of support. It is against this background that DAFF saw a need for the development of Norms and Standards for

Comprehensive Producer Support in South Africa to ensure that all farmers have equal opportunity of obtaining support from the different agencies.

The National Agricultural Marketing Council (NAMC) was then mandated by DAFF to coordinate the development of Norms and Standards for Comprehensive Producer Support in South Africa. As part of its revised strategy, the NAMC involved a service provider to develop the framework for comprehensive producer support, as well as a Reference Group (RG) to be a central partner towards achieving the mandate. The RG members consisted of 14 members covering farmer representatives, financial institutions, government departments and the private sectors offering both financial and non-financial support to farmers.

The service provider presented the draft framework on norms and standards at a National workshop (Indaba) held on the 5th of March 2015 at the Lakes Hotel and Conference Centre, in Benoni, as shown in picture 6 below. It was at this workshop that relevant stakeholders discussed the draft norms and standards, provided inputs and comments to the document, and reached consensus on the packages to support each farmer category. The framework will guide the content, administration, implementation, monitoring and evaluation of support programmes, and how they should be structured to respond to the development needs of the farmers in the future.



Picture 6: Norms and Standards National Workshop

Speaking at the conference, the CEO of the NAMC, Mr Ramabulana (see picture 7), stated that the “the draft set of recommendations which included key stakeholders participation will go a long way in shaping the agricultural sector support for farmers. The draft norms and standards are to be finalized by July and will be approved by DAFF and DRDLR.”



Picture 7: Mr Ramabulana (CEO: NAMC)

5. Poultry Value Chain (PVC) soon to become a reality in SA rural villages

By Sydwell Lekgau and Tumelo Modiba

The PVC is one of the programmes that the DRDLR and ARC have designed to change the lives of the rural communities in the nine provinces of South Africa. The PVC is similar to subsistence farming, as the production of poultry occurs mostly in the household space. The DRDLR is supporting the programme with resources, and implementation is carried out by the Agricultural Research Council (ARC). The NAMC is supporting the programme with baseline studies and market access research for further development. Accordingly, the PVC's programme is to reduce unemployment in the rural communities and to empower those individuals who have aspirations of pursuing farming as a business, but do not have the resources.

The PVC is designed to encompass a number of business enterprises that are linked together for sustainability. The business enterprises include feed milling, a hatchery, chicken rearing

houses (broilers and layers), an abattoir and the markets (formal and informal). Every business enterprise in the value chain is supposed to supply the others with stock to ensure a complete value chain. This is the case with the PVC's plan which is being implemented in the nine provinces of South Africa. The PVC programme started with the provision of infrastructure, for example the broilers houses as shown in picture 8 below.



Picture 8: Broiler infrastructure provided by DRDLR

For maximum production, broiler producers were provided with 6 houses and each house has a capacity to raise 200 chickens. Apart from infrastructure, households were provided with 200 day-old chicks for six cycles, together with feeds, medication and technical assistance. The agreement is that after six cycles, the ARC and DRDLR will exit the programme so that households may become independent.

Households who specialise in layers were provided with 2 houses, and each house has the capacity to hold 200 layers (see picture 9 below). In addition to the infrastructure, farmers were also provided with layers and feeds. The supply of layers and feeds is expected to be in two batches, and thereafter the DRDLR and ARC will exit. Other infrastructure, such as milling, an abattoir and a hatchery, are still under construction. In total, there are 70 households in the programme; 35 are involved with the production of broilers and the other 35 rear layers.



Picture 9: Layer production facilities

As representative of the stakeholder, the NAMC visited PVC projects in the Winterveldt, which is situated in the west of Gauteng province. The purpose of the visit was to establish how the programme is being implemented and also to assess the progress made by some of the households who benefited from the programme with regard to the production and marketing of their produce.

It was established that the beneficiaries are organised into four primary cooperatives of broiler and layer producers. These formal organisations gave the producers an opportunity to form a secondary cooperative which is aimed at marketing the produce. It was impressive to find that farmers were able to meet together regularly to discuss the issues they encounter with production and how they could increase their outputs. For example, to ensure the collective marketing of eggs, farmers, with the help of a marketer, established their own marketing brand, “Winterveldt Eggs” with the slogan “everyday freshness”, as shown in the picture 10.



Picture 10: Winterveldt egg producer's brand

Individual producer's visits: Broiler growers

Ms Refilwe Khalo of the ARC assisted with farm visits. Two broiler enterprise farmers were visited, namely Mr and Mrs Mbokane and Mr Motelele. At the Mbokane production unit, it was pleasing to discover that the farmers had recorded zero mortality in their enterprise since the PVC had been established in their area (that is, after 4 production cycles).

According to the farmers, the zero mortality is attributed to their long-term (more than 5 years) involvement in the broiler industry. To increase their knowledge of poultry, the farmers indicated that ARC had trained them on various aspects of broiler production and management. Mr and Mrs Mbokane's farm enterprise is shown in the picture 11.



Picture 11: Mr and Mrs Mbokane's broiler production unit

With respect to the marketing of the produce, farmers sell to the local community (live markets) and mostly to bakkie buyers. Farmers stated that water shortage is a challenge, but believe that own resources, such as boreholes, can solve their problems. The other broiler farmer visited was Mr Motelele (see picture 12). The farmer indicated that he sells most of his stock through the frozen market which is about 25 km from Winterveldt and is charged R3.5 per live bird. With the increased demand of the frozen market, it is clear that, once the abattoir construction is completed in the vicinity, farmers will significantly cut down costs of transportation, and the costs of slaughtering.



Picture 12: Mr Motelele's broiler production unit

Individual producer's visits: Layer producers

Ms Mankwana is one of the producers who was visited and she farms with layers provided by the PVC programme. According to Ms Mankwana, she became interested in layer production after she attended meetings that were organised by DRDLR and ARC. The farmer did not have layer farming experience before she started. However, after she was trained and given the 1st batch of layers, she is now able to take care of layers and knows how to handle an egg production unit. Producing layers comes with challenges, including disease outbreaks and stress that can lead to layer mortality. The producer had a challenge with cannibalism and she was able to minimise the problem through de-beaking. The farmer sells eggs mostly to the local community which includes local shops and spaza shops. Half-a-dozen (6 eggs) is sold at R7.20. Although the price of a half-a-dozen is a little bit higher than that of the competitors, the farmers' organisation (Winterveldt Egg Producers, comprising 35 farmers) has planned to sell larger volumes at an affordable price and a place has been secured as a distribution centre for the eggs in Gauteng.

The last layer farmer visited is Mr Mailula who farms with "white man" laying hens. According to Mr Mailula (see picture 13), farming with layers is his first-time experience after he received training on layer production and marketing management from the ARC. The producer forms part of the cooperative

members who are supplying eggs to a local distribution centre. According to Mr Mailula, his plan is to access a bigger farm or space where he can produce eggs for commercial purposes, and to even export to the world markets.



Picture 13: Mr Mailula's layer production unit

The PVC programme is in its infant stage and is still under implementation. As a result, the installation of certain facilities, such as water tanks for some projects, is still outstanding. Although some projects have incomplete infrastructure, it was interesting to find that producers are working harder to make ends meet and some are willing to expand from the household production unit to commercial level.

6. Monthly prices for selected vegetables

By Thulisile Khoza and Sydwell Lekgau

Commodity pricing is an important part of agricultural production. Agricultural commodity prices are determined by the market forces of demand and supply. This has resulted in farmers being price takers in the commodities they trade in. Prices guide the producers on how much quantity can be produced, and at the same time, provide an indication of the specific markets where the commodities can be sold.

Vegetable prices tend to fluctuate significantly which makes it difficult for farmers to plan ahead. Considering the perishability of vegetables, producers tend to trade with prices that will not provide maximum profit.

Price forecasting in this regard, is crucial for future planning regarding the markets that can be served and the prices to be set to break-even and also for optimum profit. This article outlines monthly prices for selected vegetables to show the trends in prices between 2014 and 2015. The basic agricultural commodities selected are potatoes, onions, cabbage and tomatoes.

Potatoes

Potatoes are one of the most important vegetables produced in South Africa. Figure 1 below shows average prices of potatoes per ton, as traded in the National Fresh Produce Market (NFPM). The last recommended harvesting season for potatoes is end of October each year; as a result more volumes of potatoes are expected in the market. This, in turn, leads to a decline in prices.

The results for 2014 in figure 1 confirm the foregoing as there was a decrease of approximately 16% in prices for 2014. However, this is in contrary for the year 2015 because there was an increase of more than 65% between September and December 2015. This can be attributed to drought that was experienced in 2015 season, which caused the market demand for the product to be high, leading to high prices of potatoes in 2015 compared to 2014.

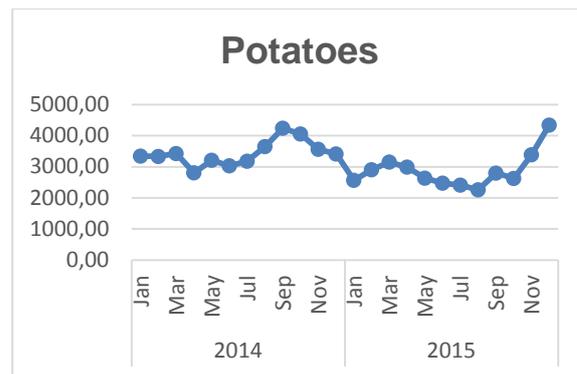


Figure 1: Monthly prices of Potatoes
Source: NFPM, 2016

Onions

Onions are the third most popular vegetable in South Africa, after potatoes and tomatoes (DAFF, 2014). Onions are mostly used to add taste in food.

Figure 2 depicts that the prices of onions increased drastically from January to May between 2014 and 2015 due to the reduction in the supply of the product in the market. Following the harvesting period (June) the prices fell from June to October owing to excess supply. From October the prices picked up until December as there was a slight decrease in the supply and a slight increase in the demand for the product in the market.

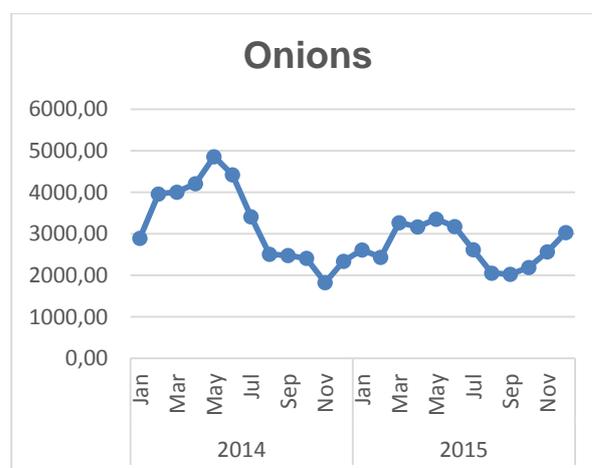


Figure 2: Monthly prices of Onions Source: NFPM, 2016

Cabbage

Cabbage is a leafy vegetable and it is a biennial plant, however it is grown as an annual vegetable crop. Almost half of the cabbage production is grown in China, where Chinese cabbage is the most popular cultivar (FAO, 2011).

Figure 3 shows the trends in monthly prices for cabbage between 2014 and 2015 as traded in the NFPM. In 2014 the cabbage prices were fluctuating at a high rate indicating that the forces of demand and supply were not stable. In 2015 cabbage prices increased by 39 percent from January to March, thereafter it reduced by 44 percent from April to September. The prices increased significantly by 85 percent from October to December.

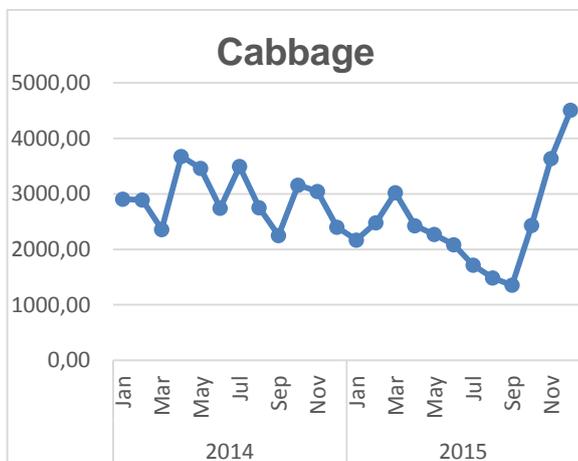


Figure 3: Monthly prices of Cabbage
Source: NFPM, 2016

Tomato

Tomato is a [perennial](#) in its native habitat, although often grown outdoors in temperate climates as an [annual](#) plant. Tomato is one of the vegetables with a long harvesting period occurring between the first weeks of July to mid-October. The average price of tomato per

ton in the market is higher when compared to other vegetables such as potatoes, cabbage and onions, yet it continues to be one of the most popular crops with significantly high consumption rate.

Figure 4 shows that tomato prices tend to be high from January to April each year and fall from May and then start to pick up from October to December. The overall general price movement in 2014 was declining slightly while in 2015 there was an incline in the behavioural mode of the price trends.

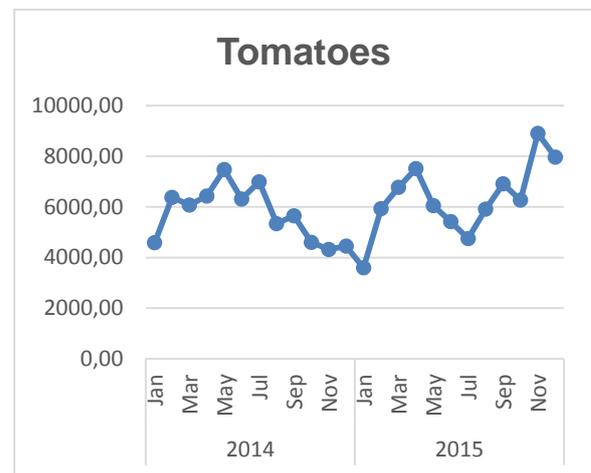


Figure 4: Monthly prices of Tomatoes
Source: NFPM, 2016

Conclusion

Prices of agricultural commodities are determined by market forces of demand and supply. The trends in the average monthly prices for selected commodities show that in 2014 the prices dropped from October to December, while they increased during the same period in 2015. This can be attributed to the fact that in 2014 there was high rainfall as compared to 2015 where drought was experienced in South Africa. This indicates that the demand for agricultural commodities was

higher than the supply in 2015 relative to 2014 which caused the prices to increase drastically in 2015.

7. References

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