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generate over R100 million over a period of five years
through the NRMDP

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This is the eleventh edition of the Agripreneur publication from the National Agricultural Marketing Council (NAMC). Through this publication, the NAMC seeks to create a platform where farmers, particularly smallholders share their knowledge and skills, challenges, experiences, and insights with each other. It is believed that this publication will assist smallholders to learn from each other, develop strategies, adopt models, and become part of the value chain by marketing commodities that meet quality standards and are safe for consumption.

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- (1) Communal cattle farmers generate over R100 million over a period of five years through the NRMDP
- (2) Some of the reasons for low success of the cooperative model in rural areas: A case of Ematolweni Cooperative
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Communal cattle farmers generate over R100 million over a period of five years through the NRMDP

by Kayaletshu Sotsha and Ndumiso Mazibuko

One of the drivers of the National Red Meat Development Programme (NRMDP) is the fact that the country has about 13 million herd of cattle, most of them available in the Eastern Cape and KwaZulu Natal Provinces. Furthermore, of the 13 million herd, about 5, 2 million (40%) is in the hands of communal farmers. Yet, this group of farmers does not participate fully into the mainstream value chain due to numerous reasons such as non-commercial reasons for keeping livestock, poor grazing land, overstocking, etc.

The combination of these factors results in poor quality than that which is desired by the market. In addition, consumers demand safe food and communal cattle producers often fail to adhere to food safety standards. Hence the NRMDP seeks to enhance the capability of these farmers to break through such barriers and to benefit for their livestock rearing endeavours through formal market participation. This is envisaged to have a bigger impact in the country as a whole in the sense that the untapped potential that is represented by 40% of the cattle herd in the country will now be tapped into.

Thus far the programme has largely focused on transfer of knowledge, where farmers get educated about market requirements and things that they need to do in order to meet these market requirements. Concurrently, sales were facilitated mainly through the custom feeding programmes that accommodate all kinds of cattle, including those that would not have made it into the feedlot environment. By doing the so, the programme seeks to get rid of unproductive stock. One of the many benefits of this initiative is that overstocking is reduced to some degree.

This way, the NRMDP affords the communal farmers to generate an additional value from the sales of their animals than they otherwise would have generated had they not participated in the programme. This is mainly because the programme offers feed, water and vaccines in a controlled environment. As such, the condition of the animals brought into the custom feeding facilities of the NRMDP tend to improve in terms of their body score. Hence the income generated from the animals tends to be higher than the when the animals were to be sold without this intervention.

This article presents a brief overview of what the NRMDP has achieved over a period of five years, from 2013/14 to 2017/18 season. The Table below shows the infrastructure built so far and the output derived from it so far.

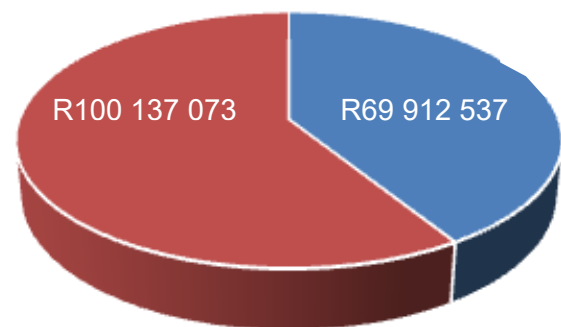
Infrastructure built and its output

	No. of animals sold	No. of auctions	No. of beneficiaries	No. of operating CFPs
2013-14	2 800	9	150	4
2014-15	1 950	6	250	5
2015-16	2 594	10	550	11
2016-17	6 550	14	700	16
2017-18	2 876	6	700	16
Total	16 770	45	2 350	16

The NRMDP builds custom feeding facilities through its custom feeding programme (CFP). They are called custom feeding facilities because they accommodate all kinds of animals regardless of the age condition, etc. Most of the animals that farmers bring into these facilities are usually those that would not make it in the commercial feedlot environment. The term “animals” is used because the programme aims to accommodate cattle, sheep and goats in the long term. There is one facility in Ngangegqili (Idutywa) in the Eastern Cape that accommodates sheep. However, so far, the focus has largely been on cattle. So far there are twenty five facilities distributed across four provinces (Eastern Cape, KwaZulu-Natal, North-West and Northern Cape). However, only sixteen are operating, the rest are either awaiting the first intake or still under construction. Those that are operating are in the Eastern Cape, KwaZulu-Natal and North-West.

The construction of facilities takes place concurrently with facilitation of sales in the communal areas, regardless of the existence of the feeding facilities within those areas. Where there are no feeding facilities, sales are normally facilitated through auctions, whereas the informal market has been a steady market (in addition to auctions) in areas where the feeding infrastructure has been put in place. As presented in the Table above, more than

sixteen thousand cattle have been sold by more than two thousand farmers. The sales were made through auctions, informal market and directly to abattoirs. There are several success stories that have been shared in the previous issues of this publication, the most recent being the story of Mr Langa who sold fifteen cattle in one auction – generating about R200 000.



■ Money Invested ■ Income generated

Money invested versus income generated by communal farmers

The Figure above presents one of the success stories of the implementation of the NRMDP. It indicates that government has injected R69, 9 million in this



endeavour and that the farmers have generated an income of over R100 million. From the funding point of view, it makes sense to continue investing in the NRMDP because there are returns on investment in the sense that the farmers generate R1, 43 million for every R1 million spent in the NRMDP. A short survey that was done among farmers who have sold their cattle through the programme indicated that a larger proportion of the farmers (averaging 82%) agree that the NRMDP provides access to reliable market, improves income earned from cattle sales, etc. They also foresee some improvement in their household livelihoods in the long term. A study that presents a comprehensive analysis is underway and it will be available on the NAMC website once all the process are finalized.

In addition to improving farmers' income. The NRMDP has created job opportunities for unemployed graduates as well as ordinary people within local communities to assist in the implementation of the NRMDP. Furthermore, it created opportunities

for small business enterprises in catering, training service providers, transport, feed and vaccines providers, etc. During the reported five-year period, the NRMDP has created seventy-eight of these small business enterprises and the priority is always to localise these opportunities. Such achievement forms part of indirect benefits for communal households or spill-over effects from the NRMDP.

Conclusion

The NRMDP is proving to be one of the effective interventions that seek to promote market access for the previously disadvantaged groups of farmers. One of the factors that will contribute to the success of the programme is the appreciation of the cultural, traditional or social values that communal farmers attach to their cattle, and the NRMDP is doing this already. One important factor is that government funds are not being wasted as there are positive gains shown by the return on investment of R1, 43 million for every R1 million invested.

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Some of the reasons for low success of a cooperative model in rural areas: A case of Ematolweni Cooperative

A cooperative model is a type of marketing system where a group of farmers join together and register as an entity to procure inputs and market their produce jointly. This model has been identified as a tool for developing smallholder farmers in South Africa, hence the Cooperatives Act was legislated in 2005 (Ortmann & King, 2007a). In accordance with the International Cooperative Alliance definition, the functions of cooperatives are given as: (i) to strengthen bargaining power, (ii) to maintain access to competitive markets, (iii) to capitalize on new market opportunities, (iv) to obtain needed products and services on a competitive basis, (v) to improve income opportunities, (vi) to reduce costs, and (vii) to manage risk (Ortmann & King, 2007a).

This system is known to enable farmers to market their produce and procure inputs at bargained prices, secure better marketing services, enable expansion of scale of operations (ultimately), etc (Bangalore, 2013). It is important to note that farmers involved in cooperatives must have the same goals and interests (Majee & Hoyt, 2011).

Despite the efforts that have been put in the development of the cooperative model, this system has, to some degree, not been successful in the case of smallholder farmers in South Africa, mainly due to factors such as lack of management experience and knowledge, lack of

capital resources and lack of commitment and loyalty of members (Ortmann & King, 2007). These authors further discovered that poor management, lack of training, conflict among members, lack of funds and operations that never start after registration tend to be major factors of low success in the cooperative system. In some cases, members lack understanding of their cooperatives in terms of their objectives, members' roles, decision-making unit, etc (Ortmann & King, 2007b).

This phenomenon is further exacerbated by the fact that, in general, smallholder farmers in South Africa are constrained by limited access to factors of production, credit, information, markets, inadequate property rights and high transaction costs (Jari, Snowball, & Fraser, 2013). Hence, Aref (2011) believes that there is a need for capacity building in rural areas so as to build individual capacity at community level. This has the potential to create the ability of individuals to articulate their needs and ways of accessing external resources they need to meet their needs. This, in turn, would enable networking between individuals, communities and organizations for cooperative development. In other words, capacity building has the potential to enable farmers to respond to their needs in order to improve rural cooperative developments, which include the ability to mobilize resources from within and to negotiate resources from beyond.



This article briefly indicates how some of the shortcomings discussed above could influence the direction to be taken by a rural agricultural cooperative. It provides a case study of Ematolweni agricultural cooperative, which has been in existence for more than ten years now. The case study of eMatolweni cooperative

highlights the skills gap and the disadvantages of lacking a particular skill in a business. The idea for presenting this case study is to help farmers understand that there is a wide range of factors, besides finances, that could determine the profitability and sustainability of the farm business.



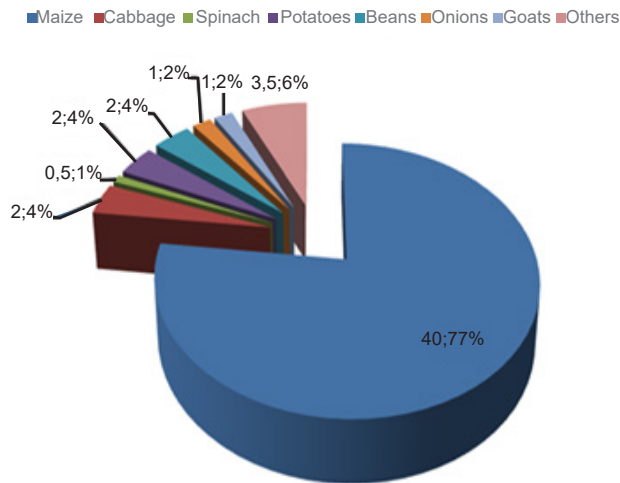
Ematolweni cooperative

Extension officers and the members of the cooperative on a site visit

Ematolweni Agricultural Primary Cooperative Limited is one of the examples of a cooperative model in practice. This cooperative is one of the longstanding cooperatives in rural areas of South Africa, since the first legislation of the Cooperatives Act in 2005. This cooperative has received support from different government institutions and has done well to keep the momentum going, given that it has been operating for more than ten years. It is a primary agricultural cooperative that is situated at Ematolweni village in Ntabankulu Local Municipality under the Alfred Nzo District Municipality, Eastern Cape Province. It was designated to cover four communities

(Veni, Madamini, Mjila and Lufafa).

The cooperative was established in 2003 by ten members (three males and seven females) and registered in 2009. However, the cooperative currently consists of five members (three males and two females). The average age of the members is 52 years, with an average of 30 years of farming experience. Only one member had acquired tertiary education – the rest have secondary education. The cooperative is operating on 52 ha divided among numerous enterprises, including some livestock, as presented below.



Production enterprise by land allocation

The chart above presents the enterprises with land allocations. It further indicates that the cooperative is trying to diversify as indicated by differentiated vegetables enterprises and some livestock (goats) and crop (maize). This serves as a risk mitigation strategy and it is a good sign of business intelligence within the cooperative. In addition to the projected vegetable enterprises, the cooperative produces butternut, green pepper, beetroot and carrots – all under irrigation.



Members of the cooperative, with extension officers and the NAMC staff member (Ms Thulisile Khoza) on site visit

The cooperative started operating in 2005, supported by a development agency called Ntinga, which was established by the O.R. Tambo District Municipality as a special purpose vehicle responsible for spearheading

local economic development within the district. Amongst other things, Ntinga focuses on agricultural development, commercial and industrial development, sustainable village development, enterprise development and support services. Ntinga mainly funded production inputs (as a start-up capital). However, beyond this support the cooperative has received support from the Department of Social Development, the Eastern Cape provincial Department of Rural Development and Agrarian Reform (DRDAR), the Department of Trade and Industry (DTI) and the Ntabankulu Local Municipality.

Positive lessons from the cooperative

This section highlights some aspects of operations that are commendable in an attempt to sustain and grow the cooperative to accommodate the envisaged communities.

Product diversification

Product diversification in this context refers to a resilience mechanism pursued by farmer in order to meet cash needs and combat risks associated with single enterprise production, given uncertainties in productivity and yields of agricultural enterprises. It emanates from the appreciation of the fact that agriculture is risky in nature because it is affected by many factors such as climatic, soil and economic conditions. The Ematolweni cooperative seems to understand this concept, hence they are not putting their eggs in one basket but diversifying with vegetables enterprise and between crops, vegetables and livestock enterprises. However, diversification efforts can be constrained by the availability of resources such as land, soil suitability, availability and quality of irrigation infrastructure, accessibility of markets, etc. Hence, it is understandable that the extent to which farmers diversify may vary.

Employment creation

Generally, rural households of South Africa – particularly in the former homelands – depend on social grants as the main source of income. In addition, they largely rely on agricultural production as a main source of livelihoods. Furthermore, the unemployment rate is high in the country. Therefore, employment opportunities created



within rural communities become valuable and more of such are needed to sustain rural livelihoods. In this case, the Ematolweni cooperative is able to create some twenty eight seasonal job opportunities.

High level of organization

Level of organization in this context refers to the extent to which a group of people are able to operate an enterprise

in a collectively controlled manner and by doing so they ensure that benefits achieved are greater than they would have been otherwise. The pictures below show some of the indications of the extent to which the Ematolweni cooperative is organized in their farming activities.

Production records



Mobile office and staff records



This may arguably be quite common in rural agricultural cooperatives, but having office equipment, records of employees and planting schedules, etc. is impressive and shows that members understand the importance of a record keeping system and their effective use in their business.

Challenges

The Table below presents the challenges faced with specific enterprises. It can be observed that lack of formal contracts came up most frequently, with a few enterprises not having access to formal markets.

Enterprise-related challenges

Type of enterprise	Challenges
Maize	Lack of formal contracts, low price and hail storm
Cabbage	Lack of formal contracts, pests, water logging and hail storm
Spinach	Lack of formal contracts, pests and hail storm
Potatoes	Lack of formal contracts, lack of harvesting machine, planter and ridger
Beans	Lack of market
Onions	Lack of market
Goats	Lack of market

When asked about other market-related variables, the farmers indicated that they do receive market (price) information from other farmers through their form of market research. Other aspects that were highlighted include the ownership of transport (the cooperative owns transport), good road infrastructure linking the cooperative to the markets, relatively short distance to the market. The farmers expressed their concern with varying prices they receive from the markets they supply currently, indicating that it exposes them to price risks.

In addition to markets, the cooperative is faced with a high electricity bill. This issue has to do with the way electricity is connected in the cooperative versus the communities surrounding it and therefore the billing account. Engagements were still ongoing between Eskom and the farmers.

Furthermore, the farmers are aware of the issue of age and, as such, they are concerned about the future of the cooperative after they are gone. They highlighted the issue of low involvement of youth in the cooperative. Their wish is that they could be able to attract youth while they are still actively involved in the current activities so that they are able to transfer skills.

It was further observed from the interview that although the farmers are showing some degree of good record

keeping, they are not properly managing their finances. In other words, the farmers are aware and they do record their cash flow. However, it appears as though they are doing it just for the sake of record keeping. For example, their aim is to grow and sustain the cooperative so that they could derive a meaningful livelihood from it.

Therefore, this requires that the cooperative must be profitable. What could be observed is that the farmers are not aware of the value of their losses through dying seedlings, the produce that goes to communities as well as potential losses through the use of fuel as they do not record the monies attached to these aspects. This lack of financial management skill could have a considerable impact on the profitability of the cooperative.

Conclusion

Besides support in terms of finances, resources, etc., skills can prove to be as important in the profitability, growth and sustainability of rural agricultural cooperatives. This therefore requires capacity building to receive as much attention as other forms of support. In general, rural agricultural cooperatives tend to be a group of subsistence farmers who often have little knowledge of running farms as businesses. Therefore, knowledge intervention is needed to channel the mindset of these farmers towards the issues of profitability, growth and sustainability.

Furthermore, the issue of formalizing contracts with markets appears to be needing urgent attention. For example, price risks tend to be high in environment where there are many farmers competing with the same product as it drives the prices down, more especially given the fact that rural agricultural cooperatives do not have sufficient capacity to do value adding and product diversification. It would be more beneficial for the rural economies if interventions that seek to maximize the benefits derived from cooperative farming models would cut across the issues of resources, skills development and markets concurrently.

Eco-labelling standards as means to improve market access for smallholder farmers

By Victor Mmbengwa and Thulisile Khoza

Eco-labelling standards are seen to be an important tool that could be used to overcome market access failure of any enterprises (Shen 2012). Eco-labelling standards seek to ensure that the production processes are in harmony with the natural environments and human lives. There seem to be no trace of any evidence or profile that attest to the

existence of the formal South African eco-labelling standards for both commercial and smallholder farmers. Let alone the certification of their product in South African markets and provinces. Above all, protection of the environmental resources for the future generation could only be monitored through eco-labelling standards.



Currently, Proudly South African is in the process of developing an Eco-labelling Standard for South Africa. During this process, it was noted that there is lack of baseline information on farmers, more specifically smallholder farmers. Hence, the NAMC was involved in a feasibility study that seeks to evaluate the possibility of implementing sustainable eco-labelling standards in the South African smallholder agricultural production system. The

NAMC conducted the study in May 2016. The study was conducted in four provinces, namely: KwaZulu-Natal (KZN), Limpopo (LP), Mpumalanga (MP) and Eastern Cape (EC). The overall aim of this study was to find out which factors could enable smallholder farming to effectively use eco-labelling standards to overcome their lack of formal market access. The main objective of the study was to seek an effective way to link smallholder farmers with formal markets.



Ms Thulisile Khoza and Prof Mmbengwa workshoping farmers on eco-labelling

Key findings

The study indicates that smallholder farmers (regardless of their location) do not know any eco-labelling standards that exist in their vicinity. Moreover, they are not certified to provide safe and quality food. This is quite a challenge and also an opportunity for government and civil society organizations to start a program that could train these farmers on certification processes. It may also be an opportunity for the introduction and institutionalization of the eco-labelling standards development in the South African smallholder farming sector.



Farmers discussing eco-labelling during a focus group session

Opportunities for implementing eco-labelling for agricultural commodities do exist (especially in the smallholder farming) where the majority of the farmers are without certification. In other words, this is an opportunity to ensure that farmers (regardless of their scale of production) should be able to produce safe and quality food for consumers. Smallholder predominance in the rural and peri-urban areas presents more opportunities to supply formal market outlets without the risk of providing unsafe food stuff. This may be another way of linking these farmers to the formal markets.



Following the completion of the study, the NAMC went back to report to farmers, through workshops. So far, these workshops have been conducted in Limpopo (Mopani, Vhembe and Sekhukhune Districts).



Dr Mmakola and Mr Mushapi(Limpopo Department of Agriculture)



Conclusion

Eco-labelling standards are seen to be compatible with the ecosystem requirements. Moreover, these standards provide information to the consumers on how production is performed. Opportunities do exist for implementing eco-labelling for

agricultural commodities in the smallholder sector. Eco-labelling could benefit smallholder farmers in promoting market access. Food security could also be improved as a result of adoption of eco-labelling standards.

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Implications of the Zimbabwean government's ban of fruit imports



The political and economic developments in Zimbabwe remain of significance to South Africa and other African countries as immediate neighbours as well as to an economically interdependent South African Development Community (SADC) region at large. In October 2017, the Zimbabwean government announced in the state media about the ban on importation of fruits and vegetables from the country's trading partners. One of the reasons behind this was to save scarce foreign currency due to the worsening economic crisis. Therefore, this article looks specifically into some of the practical implications of the recent selective ban on fruits

being imported into Zimbabwe and also explores how the South African fruit industry (looking at specific fruits) might be affected considering that South Africa is the largest supplier of fruits and vegetables to Zimbabwe.

South Africa and Zimbabwe are both members of SADC and of the SADC free trade area. They both have a bilateral trade agreement dating from 1964. South Africa remains one of the most important trading partners for Zimbabwe; with Zimbabwe importing a very broad range of goods from South Africa, including fuels, capital, fruits and many other consumer products. Machinery



and appliances were the largest product imported by Zimbabwe from South Africa, followed by mineral fuels and cereal crops.

Zimbabwe also imports significant quantities of mineral fuels and cereals from the rest of the world. However, it can be observed that fruits imports from both South Africa and the world were less compared to those of industrial and automotive products. The International Trade Centre (ITC) (2017) indicates that South Africa was the world’s leading supplier of fruits to Zimbabwe in 2016. In the same year, the value of South African fruits exports stood at 99.8% of what Zimbabwe imports from the world.

Leading South African fruit exports to Zimbabwe

Product label	South Africa’s exports to Zimbabwe		
	2014	2015	2016
Apples, pears	3413	3297	5088
Grapes	2004	2704	2337
Fresh apricots, cherries etc.	854	1801	910
Citrus fruit, fresh or dried	594	334	513
Dried apricots, prunes etc.	249	301	283
Melons, fresh	289	307	218
Other nuts, fresh or dried	203	169	194
Coconuts, Brazil nuts etc.	117	179	158
Dates, figs, pineapples etc.	252	99	142
Fresh strawberries etc.	158	70	118

On the other hand, South Africa also acts as an important market for Zimbabwean fruit exports. ITC (2017) indicates that South Africa imports more than 70% (in terms of value) of all fruits exported from Zimbabwe. Neighbouring countries

such as Mozambique and Zambia also feature in the top five export destinations, but their relative importance is dwarfed by that of South Africa. Mozambique and Zambia were ranked second and third at a share value of 27.6% and 0.7%, respectively.

Street vendors



The picture above shows people that sell fruits and vegetables in Zimbabwe. Most of fruits and vegetables that they sell are sourced from neighbouring countries, especially along South African borders. Therefore, this can simply mean that fruits and vegetables from neighbouring countries play an important role in the livelihood of Zimbabwean people as they act as a source of income for the poor.

A street fruit vendor counts his bond notes in Harare



The ITC database indicates that pome fruits (apples and pears) were the largest fruits imported by Zimbabwe from South Africa, followed by grapes and fresh apricots respectively. Pome fruits, citrus fruits and Macadamia nuts experienced a positive growth in value in 2016 as compared to 2015 period.

Implications of Zimbabwean fruits import ban

The Zimbabwean government's imposition- of a ban on a range of fruits and vegetables from its trading partners might affect Zimbabwe's local manufacturing (agro-processing) sector. The Zimbabwean agro-processing industries depend much on intermediate products imported from the neighbouring countries such as South Africa for processing purposes. Therefore, there might be a shortage of fruits supply, given that Zimbabwe is a net importer of fruits.

While the effects of the import ban are unfolding rather slowly at a macro-economic level, at micro-economic level they could be felt sooner. Many small-scale traders make a living by engaging in cross-border trade between the neighbouring countries (i.e. South Africa, Mozambique and Botswana). Zimbabwe does not have capacity to produce certain fruits such include apples and pears, in which it faces a deficit of 25 000 tonnes a year. Most of the fruits consumed in Zimbabwe are sourced from South Africa, meaning that the ban will affect livelihood of many people in that country. The street hawkers would be the hardest hit (supply-side).

Conclusion

As presented by the trade analysis in this article, South Africa is a strategically important fruit trading partner of Zimbabwe. The imposition of a ban on its most important trading partner should be a serious cause for concern among the fruit processing industries of Zimbabwe. Furthermore, the import ban compromises Zimbabwe's trade obligations under the SADC trade protocol (SADC, 2016) and infringes on basic World Trade Organisation's (WTO) principles.



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