



Agri-Trust

digest

Issue No.: 10

In this issue we cover the following topics:

- 1. Highlights of the farmer development in the grain and oilseeds industries in the past 10 years**
- 2. The work of the supply and demand estimates committee**

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AGRI-TRUST DIGEST

Agri-Trust Digest is a bimonthly report that is produced by the National Agricultural Marketing Council through the Agricultural Industry Trusts Division. The publication aims to communicate developments as they happen around the different agricultural trusts. The focus of this issue is on two topics in the grain industry: (i) Highlights of farmer development in the grain and oilseeds industries in the past 10 years; and (ii) The work of the Supply and Demand Estimates Committee. The Division has three digests which cover the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN), agricultural transformation, and agricultural industry trusts. *Agri-Trust Digest* reports on key developments coming from the operation of the different industry trusts.

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1. HIGHLIGHTS OF FARMER DEVELOPMENT IN THE GRAIN AND OILSEEDS INDUSTRIES IN THE PAST 10 YEARS

by

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1.1. Introduction

The Grain Farmer Development Association (GFADA)¹ is an initiative that grew out of the grain value chain network. GFADA was initially an informal network of grain producers and agribusinesses in the extended value chain, which started meeting together in 2005 to create an opportunity for round-table discussions on the agricultural sector in an era of transformation.

1.2. Who owns GFADA and why?

During 2015, representatives of the Maize Trust, Sorghum Trust, Winter Cereals Trust² and the Oil and Protein Seeds Development Trust discussed the transformation imperatives and experiences within their respective industries and resolved to work together to avoid duplication of effort and work towards the optimisation of the existing resources. It was recognised that in order to achieve the organisation's objectives, a more concerted effort was required to address the recruitment of donors, and to administer the applications and the funding of the various farmer development projects. This approach would ensure that the trusts became important catalysts for transformation in the country.

Accordingly, as from 2016, the sole owners of GFADA are the Maize Trust, Sorghum Trust, Oil and Protein Seeds Development Trust, and Winter Cereals Trust. The trusts are the voting members of GFADA and are represented on the board of GFADA by two directors and one alternative director from each trust.

Strategic intent: GFADA's vision is to establish "successful, competitive black grain and oilseeds commercial farmers". The mission of GFADA is "to coordinate, facilitate, monitor, evaluate, advise and support the commercialisation of black grain and oilseeds farmers in South Africa".

Farmer support and development: Black smallholder farmers are the core target group for GFADA. GFADA works with service providers along the grain- and oilseeds-related value chains that provide implementation capacity, with the objective to seek opportunities that will add value to the growth and development of the black farmers.

GFADA use its experience in the field to engage with government and contribute to the creation of an enabling policy and regulatory framework for the attainment of its vision. Whilst the four trusts (Maize Trust, Sorghum Trust, Winter Cereals Trust, and Oil and Protein Seeds Development Trust) provide the base funding for the organisation, GFADA seeks to leverage additional funding support to the transformation projects from government at all levels, as well as the related private sector entities.

1.3. Key highlights for the past 10 years

1.3.1. Partnerships

GFADA, as part of its strategic goal to "develop and nurture strategic partnerships", has entered into partnerships with several stakeholders to support black grain farmers in South Africa. The key partners of GFADA in commercialising black farmers and their respective support are as follows:

Eastern Cape Department of Rural Development and

Agrarian Reform (DRDAR): GFADA has entered into a partnership for the third year with the Eastern Cape Department of Rural Development and Agrarian Reform (DRDAR) to support farmers in the Eastern Cape Province. Accordingly, GFADA received R 8 064 million and R 15 million from DRDAR to support farmers in the Eastern Cape for the 2017/2018 and 2018/2019 seasons respectively. This partnership created two additional jobs for unemployed agricultural graduates.

Department of Agriculture, Rural Development and Land Reform (former Department of Rural

Development and Land Reform): GFADA signed a 10-year agreement with the Department of Rural Development and Land Reform (DRDLR) to support land reform and restitution beneficiaries. Following the conclusion of the agreement, GFADA visited all the selected farmers at their individual farms for the development of business plans.

¹ GFADA is the sole transformation vehicle for the four grain trusts (Maize, Sorghum, Winter Cereals, and Oil and Protein Seeds).

² The Winter Cereals Trust administers statutory levies which stipulate that 70 % of the income is to be used for industry functions, 20 % for transformation and 10 % for administration.

Accordingly, the value of the approved business plans is R 356 million for 36 farmers. The approval by DRDLR includes infrastructure, mechanisation, production inputs, soil rehabilitation, and mentorship and training for the farmers. This partnership will create additional jobs for unemployed agricultural graduates.

Standard Bank of South Africa: GFADA, as part of its strategic goal to “facilitate innovative financial solutions”, is partnering with Standard Bank to unlock finance for the black farmers. The partnership resulted in GFADA receiving **R 11 million** in grant funding from Standard Bank to support farmers in the Free State Province. Accordingly, six farmers were supported in respect of the 2018/2019 season. The partnership also added additional personnel fully funded by Standard Bank.

Agribusinesses: Since its establishment 10 years ago, GFADA has been working with agribusinesses to support black farmers in the grain and oilseeds industries. The agribusinesses partner with GFADA as service providers offering production input credit as well as capital credit loans for mechanisation. In addition, the service providers also provide mentorship to the farmers. This partnership with agribusinesses such as GWK, VKB, Senwes and TWK has been a great success over the past 10 years, which resulted in farmers exit GFADA programme after five years are still supported but these service providers after GFADA support.

1.3.2. Farmer development

Following the establishment of GFADA in 2009, in the first three years of its operation, GFADA was not fully administratively operational and as a result the highlights with regard to farmer development can be confined to seven years. GFADA supports farmers for a period of five years with the aim that after five years, those farmers will be able to farm without GFADA grant support. Accordingly, the development of farmers over the past 10 years has been affected by several challenges, including access to finance, inadequate/lack of mechanisation, and climatic change (persistent drought).

Over the past few years, farmers have been subjected to recurrent droughts, which have resulted in some farmers defaulting on their loan repayments and with limited or no finance due to carry over debts. As a result of climate change, farmers planted late in the past season due to late rains. Nevertheless, GFADA and its service providers have, over the past seven years, established 40 farmers producing at commercial level without the support of GFADA. It is worth noting that the five farmers who won the Grain SA New Era Commercial Farmer of the Year awards were farmers supported by GFADA and its partners.

1.3.3. GFADA support

GFADA, as the entity of the four grain and oilseeds trusts, supports farmers based on the guidelines from the aforementioned trusts, which are adapted from the transformation guidelines of the National Agricultural Marketing Council (NAMC). The support for the past seven years was primarily geared towards:

- Enterprise development (soil correction),
- Direct production inputs,
- Crop insurance,
- Mentorship, and
- Training.

The above-mentioned support was deemed vital for farmers, particularly the soil correction, which is a key success factor for grain production. It is worth noting that that majority of the farmers who are supported by GFADA are the beneficiaries of land reform, with marginal lands that require soil correction.

Accordingly, GFADA has over the past few years successfully corrected the lands of these beneficiaries and as a result, their productivity has improved. Furthermore, those farmers who had no or inadequate mechanisation when they started with GFADA now have their own mechanisation. GFADA annually receives funding from the grain trusts to support grain and oilseeds farmers. The support is utilised in partnership with the service providers which provide production inputs for the farmers.

The farmers who do not have access to finance are assisted in partnership with government and other institutions supporting the development of the farmers.

Figure 1 below shows the footprint of GFADA and the commodities in each province.

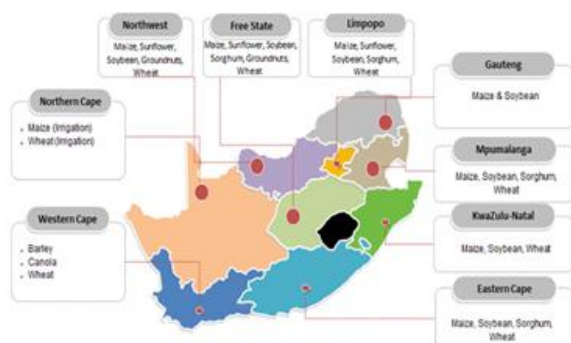


Figure 1: Footprint of GFADA and commodities in each province

1.3.4. Market access

Market access is always a major challenge for the farmers. However, the farmers supported by GFADA are linked to various buyers of the grains and this has resulted in farmers understanding how the market works. In the 2017/2018 season, for the first time in the history of GFADA, black farmers in the Eastern Cape Province exported their maize to Vietnam.

1.4. Conclusion

In conclusion, GFADA has proved that the relationship between government and the private sector, including industry trusts, remains key to advancing transformation in the agricultural sector. Although transformation is a long-term process, it can be achieved through the willingness of the public and private sectors to enter into a partnership. The grain trusts joined hands and believed in GFADA as their sole entity to drive transformation in the grain and oilseeds sector. Today, the grain industry is highlighting the key successes achieved in the past 10 years. The other trusts have followed the same model and this approach appears to be working.

2. THE WORK OF THE SUPPLY AND DEMAND ESTIMATES COMMITTEE

by

Dr Abongile Balarane

The Supply and Demand Estimates Committee (S&DEC) is a collaborative initiative funded by the National Agricultural Marketing Council (NAMC) and the grain trusts (Maize Trust, Oil and Protein Seeds Development Trust, Sorghum Trust and Winter Cereals Trust). The purpose of the S&DEC is to capture, consider and confirm new information about supply and demand variables in the grain and oilseeds industries that is available in the market at a specific time. Important to note is that the S&DEC does not do any crop estimates, but rather relies on official figures supplied by the South African Crop Estimates Committee (CEC), which form part of the S&DEC figures published by SAGIS on a historical basis. The S&DEC also relies on import and export data from key informants (anonymous). The report that is generated and published monthly by the S&DEC is known as the South Africa Supply and Demand Estimates Report, with a rationale to:

- Inform market participants (farmers, traders, millers, animal feed producers, academia and others) regarding the supply and demand of grains and oilseeds in South Africa; and
- Provide policymakers with a balance sheet of major grains and oilseeds in South Africa.

Currently, South Africa is the only country in Africa with this system, which can also be referred to as an early warning system for major grains/staples like maize, wheat and sorghum. Through this system, we can indicate the availability of these grains (maize, sorghum, wheat, soybeans and sunflowers) and their local demand, including ending stocks available at the end of the marketing season before a new season commences.

The latest report is accessible at <https://www.namc.co.za/wp-content/uploads/2020/01/SASDE-Report-14-Jan-2020.pdf>

ANNEXURES

Annexure 1: Some of the Grain Farmer Development Association highlights for the past 10 years



Photo 1: Tractor purchased from the profit as part of enterprise development



Photo 2: Combine harvester purchased from the profit as part of enterprise development



Photo 3: Surplus 2016/2017 season, when farmers harvested a bumper crop



Photo 4: Abundance of winter crops for farmers in the 2017 season



Photo 5: Commercial Farmer of the Year won a brand-new tractor



Photo 6: Eastern Cape farmers exporting their maize to Vietnam



Photo 7: Sunflower crop in the 2017/2018 season



Photo 8: First sorghum farmer supported by GFADA

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