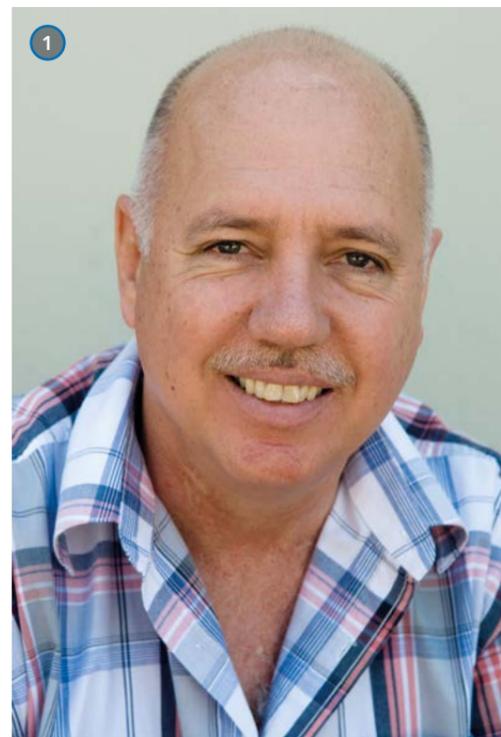


Unlocking the value chain

Growing and exporting fruit is the dream of many emerging farmers. Without dedicated and focused support, however, a fruit farm in experienced hands turns into a nightmare.

THE NEED TO TRANSFORM the South African fresh fruit industry is a pressing and legitimate one. But land reform in this country has not been particularly successful. To avoid repeating mistakes that have been made elsewhere, the Post-Harvest Innovation Programme has funded a two-phase project over the past two years.

The aim of the initial phase, done in 2012, was to support emerging farmers to become sustainable fruit



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exporters. With the help of Dawie Scholtz Consulting, the project assisted Lionel Martin of the Uitvlugt Farming Trust to export one container of 'Granny Smith' apples to UK retail agent, ASDA, in a direct export deal. This was done in cooperation with International Procurement & Logistics Ltd (IPL), the Fresh Produce Exporters' Forum (FPEF) and the Western Cape Department of Agriculture.

The second phase, conducted in 2013, revealed a number of stumbling blocks in the way to transform emerging farmers into successful and sustainable export farmers.

TWO TYPES OF FARMERS

Dawie Scholtz found that two categories of emerging farmer set-ups exist. The one is 100% black-owned emerging farms. The other is emerging farmers involved in equity schemes where the former owner was a commercial farmer who had created an empowerment trust with his workers. In general, these farmers have management agreements with the commercial partner and their fruit is exported through the commercial partner's export channel. "It would be foolish to interfere where these equity schemes are working well," says Mr Scholtz.

Maybe unsurprisingly, Mr Scholtz found that most of the dramatic failures in agriculture over the past 10 to 15 years happened to 100% black-owned farms. "Simply put: new farmers don't have the knowledge or capability to participate in the value chain. Our focus should be on helping these farmers to become successful exporters."

As a result of the research, the project's initial objective changed from assisting emerging farmers to export directly, to firstly helping them to optimise their potential. Before emerging farmers can meet the requirements for export, an environment of goodwill and coordination has to be created by role-



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players in the industry to meet the emerging farmers' unique needs.

For example, these farmers produce small volumes, often not enough to fill one container. They also need a lot of financial and administrative support and, above all, they need to learn about commercial processes.

The project involved 18 farmers. Each farmer's situation was investigated and understood and a solution sought with the farmer's input.

GROWING RESULTS

During 2013, a number of the participating farmers increased their production competency and added value to the marketing process by, for example, improving their food safety accreditation, increasing volumes and improving quality. Coordination with government and other funders were also streamlined.

Coordination with other industry role-players

yielded promising results:

- Farmers in the Western Cape and Eastern Cape received technical assistance.
- Marketing assistance led to direct exports to overseas markets and sales to value-adding channels like local supermarkets (Freshmark) and processors (Boland Pulp). In cases where these farmers used to be limited to the hawker trade, they also benefited from higher hawker prices.
- The coordination of food safety accreditation resulted in four farmers applying for SA Gap Accreditation.
- Four farmers were helped to apply for Comprehensive Agricultural Support Programme (CASP) funding. Funding opportunities through the Land and Agricultural Development Bank of South Africa (Land Bank), Standard Bank and the Public Investment Corporation were also explored.



PROJECT TITLE
Assisting emerging farmers with fruit exports

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DURATION
One year

PHI-2 CONTRIBUTION
R360 000

LEAD INSTITUTION
DJ Scholtz Consulting

BENEFICIARY
The entire fresh fruit industry

FOCUS AREA
Human capital development: small-scale farmers



1 Dawie Scholtz.
2 Charles van Huffel and a team of workers on his peach and apple farm.



To succeed, farmers need:

General assistance.

Business strategy support.

Help with funding applications.

Training and skills development to better understand markets, analyse results and interpret the business' financial position.

- Some farmers registered for value-added tax (VAT) for the first time.
- Farmers reached a better understanding of their own businesses and thus a better chance at qualifying for funding. They are better equipped for success and are potentially more competitive. These interventions have also paved the way for future productive interventions in the emerging sector, with the focus on transfer of administrative skills and financial knowledge.
- Communication channels were established between the Department of Agriculture and other role-players, such as NGOs, service providers and academic institutions.

CHALLENGES REMAIN

Despite these successes, emerging farmers remain vulnerable to a variety of challenges, such as the lack of coordination. "Government is the main role-player but there is no central coordination from government," says Mr Scholtz. "As a result, the many consultants and other role-players that pursue uncoordinated objectives sometimes confuse the emerging farmers." The situation is aggravated by the fact that many of the farmers have had bad experiences with consultants in the past and are reluctant to trust them.

The process to achieve the necessary registration,

such as becoming an FPEF member, is complicated and laborious. Global Gap Certification is also progressing slowly. Most of the farmers who have been certified did so with assistance from their packing/marketing channels. Farmers who do not market through formal channels are being assisted by the Perishable Products Export Control Board (PPECB) on an individual basis to obtain at least SA Gap Certification.

Many farmers simply do not have implements such as tractors and spray cars, ladders, picking bags and bins to pick their fruit, let alone vehicles to transport it. Good progress has been made with the provision of infrastructure and equipment through intervention of government and CASP funding.

Some of the smaller farmers required assistance with specific services that were arranged with, for instance, canners (Rhodes Food Group), pulping (Boland Pulp) and technical consultants (Michael Oosthuizen).

There is also good news. Many organisations and institutions showed goodwill and actively tried to help emerging farmers. Standard Bank, for example, introduced a programme for emerging farmers that might lead to cheaper financial assistance. Sonlia pack house offered discounted packing fees and Dole SA, the Freshmark supermarkets' supply channel, did not take a commission or charge a fee for its

services. Franschoek Marketing offered a discounted commission structure for the new season and a special marketing arrangement with a specific receiver in Europe. This willingness to support emerging farmers is only hampered by a lack of coordination and the basic ability of emerging farmers to operate at the level required of export farmers.

STRATEGIC HEADACHES

Several emerging farmers face strategic challenges: one farm is owned by 48 beneficiaries who have trouble communicating and coordinating; another operation is planning a merger with two other investors; and in some cases, economies of scale are simply not sustainable and will not be for the next 10 years.

All these farmers need specific and realistic business plans that are updated regularly. A decision was taken to integrate and coordinate business plans. In the Western Cape, only one business plan is done for every farm at present, and government uses the same business plan for funding applications. The process has also started in the Eastern Cape.

Dawie Scholtz's research confirmed that fruit farming on small units is challenging and in most cases not viable or sustainable. Wrong varieties, inefficient infrastructure, inefficient food safety accreditation and/or inefficient volumes are the main reasons why



1 Trevor Abrahams (front left) and his workers – a proud new generation of export peach farmers.
2 Jan Damon shows a box of yellow cling peaches destined for the local market.
3 Lionel Martin inspects apples destined for ASDA in the UK.

emerging farmers do not export successfully. However, in cases where they receive support from commodity groups, such as the Citrus Growers' Association of Southern Africa (CGA), HORTGRO and the South African Table Grape Industry (SATI), they do succeed in creating viable farms.

"Emerging farmers need more help than we had anticipated," says Mr Scholtz. "But they will succeed if we can build trust between them and the Western Cape Department of Agriculture, financing institutions and other role-players in the industry."

