Supporting Smallholders into Commercial Agriculture

The role of Private Sector Partnerships
July 25th Seminar PLAAS
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Overview

- Introduction
- Methodology
- Key results from the database
- National Case Studies
- Regional Case Studies
- Viability, Scalability, Sustainability?
- Conclusion

Introduction

- SSCA is a research project started by the Institute for Poverty, Land and Agrarian Studies (PLAAS) and the South Africa Food Lab (SAFL).
- Commenced in April 2012 with a specific focus on private sector support to smallholders.
- What is a smallholder? Problematic...itself a research finding.
- Three research interns: Adetola Okunlola, Mnqobi Ngubane, Davison Chikazunga to undertake a scan of such initiatives in South Africa, write up results in a report, further investigate selected case studies at a PhD level.

Primary Research Questions

Exploring emerging models and approaches of private sector support for revitalizing the small farming sector
To what extent do they succeed in:
- Improving production, productivity and sustainability among producers?
- Creating favorable conditions for market access and what are the factors that facilitate or hamper such access?
- Do they contribute to improving the food security and nutritional status of participating households?
- What are the prospects of these projects to be replicated or to be scaled up?

Methodology

Phase 1:
Country divided into three provinces each. Scan undertaken to locate smallholders.
Information sought from Government (?), Private Sector, Media and Desk research.
Entered into Database and database developed over 15,000 entrants.

Phase 2:
High Level Case Studies undertaken – more in depth analysis concerning key questions. 45 in total.

The database
Key forms of linking with smallholders:

- Market Facilitation – AMG, Consultants, NGOs
- Processing – SAB, Nestle
- Resource Donation - Hortgro
- Procurement - SPAR
- Financial Support – Uvimba Finance
- Mentorship – Salem Agribusiness
- Training – Agri Academy, NGOs

Typologies of linkage

Forms of market access
- Tightly integrated
- Out-grower model
- Franchise stores procure locally
- Fresh produce markets could be the segment be separated

Resource supply to informal markets
- Degree of smallholder agency
  - Very little (e.g Technology)
  - High level (e.g Winterveldt Farmers Association)

Typology of collective action
- Contract
- Farmer Association
- Production cooperatives

Further Typologies

Retailers
- SPAR
  - Has a franchise model which allows managers to procure locally and on their own terms.
  - Some SPARs throughout SA procure from smallholders in differing manners, there is informality of arrangements: Contracts, no contracts, amounts, quality.
- Massmart
  - Massmart agreed to procure from smallholders as part of their negotiations for entry into South Africa
  - Utilise the NGO TechnoServe in order to do so: TechnoServe provides training, agronomic advice, technical support, credit as well as market facilitation.
  - Present in Kwa-Zulu Natal, Limpopo and Mpumalanga and North West Province.

Processors
- NESTLE
  - PPP with DOA and smallholders in KZN for procurement of chicory
  - In the Free State Nestle procures milk from smallholder dairy farmers
- SAB Miller
  - In KZN smallholders are part of a PPP with SAB, and the Department of Agriculture and Environmental Affairs for growing Grade 1 Non-GMO yellow maize (SAB, 2013). This involves 847ha of communal land in uThukela district and 1210ha in Amajuba district.

Commodity Associations
- Potato SA
  - Has a farmer development program targeting smallholder farmers in Limpopo, Free State, North-West and Western Cape. Under the program, PSA support farmers with finance, mentorship and marketing. The model is based on Shab support over a period of five years. PSA provide with training on potato production and packaging, smallholder farmers are attached to established packhouse.
- Hortgro
  - Hortgro is based in Paarl, Western Cape – Plantig 1000ha of fruit trees for smallholders in the Western Cape, houses the Deciduous Fruit Producers Chamber (DFDC) which advocates for over 250 emerging farmers in the area.
NGOs

LIMA
Lima Rural Development works in six provinces across the country in various forms.
FSD program supports over 12,000 smallholders – simple responsive design, funded by mine CSR.
Resource Donation,
Other localised NGOs work across the country in various ways, but are a key presence in helping boost produce, link to market.

Agribusiness

AFGRI
AFGRI is the biggest grain agribusiness in South Africa, it operates a farmer development program in Mpumalanga, Limpopo and Gauteng. AFGRI works with a number of players in developing smallholder farmers in the grain sector: maize, barley, wheat, sunflower, sorghum.
They provide several forms of support:
Mentorship
Input financing
Procurement
Service – storage, insurance

Other salient points

LEDAs often implementers working with Smallholders (EC)
Former White commercial farmer ‘Consultants’ and government funding implementers for smallholders (WC)
NGOs have a crucial role into production level support and market access facilitation for smallholders
Smallholder agency – disabling the smallholder dependency myth

Key questions

Typology of Smallholder Farmers
Range of options for supporting smallholder farmers, open market to vertical integration
Projects from projects to changing institutions to changing conditions
If public funding for smallholder is in practice subsidizing private sector partners, what is the significant of this
Is success graduation of need for subsidy
Why do private sector actors support smallholder farmers, business case versus political/PR case, a mix?
What is the context on-going restructuring of Agriculture sector
Commodities are differentiated or segmented, Woolworth/Pick n Pay organic versus SPAR – low quality
Power of large farm viability discourse (Bethlehem and SABmiller), pretence that smallholders are being supported (i.e ideology versus reality)
Degree of smallholder agency autonomy (e.g. Winterveld/Lamoney versus Technoserve model)
Typology of forms collective action

Thank you