

# Giving Development a Face

[Agricultural business linkages]



By bridging the gap between small-scale farmers and resources such as agricultural inputs, financing markets and expertise, this programme is promoting sustainability and self-sufficiency in communities which have been a source of migratory labour for South African mines.



- ComMark is funded by the UK's Department for International Development (DFID)
- This project is implemented by the LIMA Rural Development Foundation



# AGRICULTURAL BUSINESS LINKAGES PROJECT >>

ComMark aims to reduce poverty by putting into practice the development approach known as 'making markets work for the poor'.

## why agri-business linkages?

THE SUCCESS OF THE SOUTHERN AFRICAN AGRI-BUSINESS sector hinges on its ability to incorporate the many small-scale farmers working at the periphery of the formal market. One of the gaps ComMark has identified is the failure of the private sector to recognise the commercial potential of this neglected group. The objective of ComMark's agri-business programme is to connect emerging farmers and big business to unlock their potential. This is particularly challenging in rural areas, where limited infrastructure increases the costs of doing business. These difficulties are exacerbated by the perception that emerging farmers are not entrepreneurial or receptive to change, and therefore that there is not much money to be made in these areas. ComMark seeks to dispel these myths in its core agri-business projects.

One of the major limiting factors affecting increased agricultural production and farmers' motivation to engage in commercial production is input supplies that are of variable quality, expensive and not always available. This, together with limited or non-existent technical support, means that emerging farmers often operate at a disadvantage.

The major objective of ComMark's agri-business programme is to overcome the five main business linkage problems that hamper the success and sustainability of emerging farmers – linkages with credit, inputs, markets, information and mechanisation services.



## what did we do?

In 2005, ComMark appointed Lima Rural Development Foundation to implement an agri-business linkages programme – which aims to increase the profitability of small-scale agricultural producers – in the mineworker feeder areas of Umzimkulu, Mbizana, Ntabankulu, Mt. Frere, Flagstaff and Lusikisiki in the Eastern Cape. The major objective of this programme is to provide emerging small-scale farmers with access to credit, markets, inputs, information and mechanisation linkages to make them more sustainable and competitive.

In conjunction with the agri-business linkages programme, ComMark in 2007 awarded a further three-year grant to Lima's 'Abalimi Phambili' programme, which focuses on agricultural and economic development facilitation in three more districts in the Eastern Cape and KwaZulu-Natal provinces. This project's main objective is to strengthen agricultural production and food security within the targeted districts by:

- \* Strengthening and creating new linkages with markets and support services;
- \* Providing capacity-building, technical and business training and management support at local level;
- \* Creating or strengthening small businesses to provide intermediary services such as the supply of seed, feedstuffs and supplies; and
- \* Extending credit facilities to appropriate emerging farmers.

'I can pay for school uniforms, school fees, transport, equipment ... and I've been able to start a small business which harvests and treats wooden poles.'  
Ma Maquze



## ma maquze, chicken farmer, lusikisiki

Ma Maquze joined the programme when she was widowed in 2005. She was forced to become the primary breadwinner, supporting her four children, their six children and a number of grandchildren. At first she received a loan of R385 for 100 day-old chicks. Six weeks later she sold these broilers for R3,000. Lima provided Ma Maquze with training around broiler management, marketing and bookkeeping. Lima's engineering division also constructed a 500 unit broiler structure with all the necessary equipment. Since then she has established a comprehensive record-keeping system and has increased her monthly order to 300 broilers, which she now sells for R40 each. She has also established a wooden pole-making company and a co-operative of women farmers.





## it's not only about chickens

ComMark's support to Lima's rural development work, together with that of other local and international funders, has been used to fund agricultural infrastructure, training and extension support services, as well as a revolving credit facility for over 5,000 farmers. However, the impact of this intervention indirectly benefits significantly more farmers.

Since 2005, Lima has significantly improved farming efficiencies in the Eastern Cape and KwaZulu-Natal districts where it supports emerging



farmers. Maize yields have increased from one ton per hectare to three tons per hectare, potato production has risen from five tons per hectare to 20 tons per hectare, and certain areas are now capable of producing 134,000 broilers annually. Other anticipated returns from the programme include a R22-million increase in local incomes by the end of 2008 and the creation of 2,370 jobs.



### ma tshezi, entrepreneur, lusikisiki

Eastern Cape farmers within the borders of the former Transkei are often forced to buy poor quality inputs at inflated prices due to poor supply with the region. Lima, together with ComMark, has implemented a project aimed at rural farmers in the Eastern Cape to ensure that they have access to inputs at commercial market prices and standards. To ensure inputs are supplied at the commercial market price and quality, Ma Tshezi was appointed as a middleperson to facilitate input orders from surrounding farmers.

The role of the middleperson is to take orders of inputs and act as a holding depot. Ma Tshezi also adds a small mark-up to the transactions to cover her administration costs. Orders need to be placed by farmers within a certain timeframe, ensuring that inputs arrive at the correct time during the growing season. Ma Tshezi then places a bulk order with suppliers, receives the stock and retains it until it is collected by the farmers.

In September 2005, Ma Tshezi began producing cabbages and potatoes with Lima's assistance. She is now selling the excess produce. Ma Tshezi also made use of Lima's Revolving Loan Fund to start a live chicken business. She is currently producing 200 birds for sale on a six-weekly cycle and has repaid her first loan of R5,376. She has taken another loan of R7,000 for a broiler house and feed. The broiler house has been completed at her home and every six-week cycle she spends the first week sleeping with the baby chicks in the broiler house in case of illness and disease. Ma Tshezi is unapologetically fond of her chickens: 'I love them like they are my children,' she laughs affectionately.





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### mr nonkenge, nursery owner, lusikisiki

Mr Nonkenge started the Lusikisiki Holding Nursery in 2003 with an interest-free loan of R51,000 that he received from Lima. He sells cabbage, onion, rocket and beetroot seedlings to hawkers and farmers from surrounding rural villages such as Bizana, Port St Johns, Ntabankulu and Flagstaff. He also sells produce to the local Spar supermarket chain. Expansion plans for the nursery are currently under way, including the addition of fruit trees, ornamental plants, shade trees and wind breaks. The nursery employs three labourers. Mr Nonkenge has also been approached by Sappi and the Department of Water Affairs and Forestry around a joint venture to supply them with bulk loads of indigenous and fruit trees.

In addition to financial assistance, Mr Nonkenge receives technical training, mentoring, business advice and marketing assistance from Lima. Through Lima he has developed a relationship with Sunshine Seedlings, a well-established seedling supplier in the Eastern Cape and KwaZulu-Natal.

'Lima has made me who I am today – with the money that I earn from the nursery I can pay back my loan, salaries for myself and my staff... and there is still some left over.'



Mr Ntakumba owns an 8 hectare irrigation scheme where he grows vegetables. Before meeting Lima he was planting only 30,000 seedlings of cabbage a month and achieving yields of 20 tons/hectare. Because of inadequate fencing he incurred major production losses due to neighbouring cattle grazing on his land. In 2005, Lima intervened and Mr Ntakumba received an interest-free loan for fencing. With Lima's extension support he has also increased his yields to 30 tons/hectare and now orders up to 45,000 seedlings every month.



Each of the six Eastern Cape districts in which Lima operates has one extension officer and five black master farmers, or mentors. Lima's programmes have greatly assisted emerging farmers in rural areas to access informal and semi-formal markets. Some of these farmers are already supplying retail outlets in neighbouring towns as well as their non-farming neighbours.





## promising practice

Lima has discovered that farmers who are given an interest-free loan from the revolving credit facility are more likely to succeed than those who simply receive a cash grant. Cash grants are often spent unwisely, with little to show afterwards. According to Lima, government grants have contributed towards a culture of entitlement where communities anticipate and even expect handouts. Loans, on the other hand, foster a greater sense of ownership and responsibility. The majority of farmers who have taken loans from the credit facility repay these loans timeously and invest the capital in a sustainable agri-business venture. Lima promotes a part-grant, part-loan model, where the farmer takes a loan to cover the material costs of a particular project and Lima, through its engineering wing, supplies the skills and covers the costs of labour.

For example, Mr Magqabezele of Port St Johns recently approached Lima to assist him with the construction of a 1.4 hectare irrigation garden. Lima put together a quotation for the materials, labour, time and management costs totalling R82,000, of which 40% comprised materials. Thus Mr Magqabezele paid R30,000. This method also stimulates job creation because Lima employs local builders to carry out the construction.