



**DEPARTMENT OF RURAL DEVELOPMENT AND  
AGRARIAN REFORM**

**EASTERN CAPE AGRICULTURAL  
ECONOMIC TRANSFORMATION  
STRATEGY  
2016 - 2021**

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## 1. INTRODUCTION

The Eastern Cape Agricultural Economic Transformation Strategy seeks to enable rural communities, i.e. targeted smallholder/subsistence and communal farmers, to derive optimal economic value out of their agricultural activity through customized government supported partnerships with organized commercial partners. These smallholder/communal and commercial partnerships will provide investment to expand agricultural economic activities, technology capabilities, training, employment opportunities and general growth in the sector. The strategy advocates for the unlocking of private sector investment through facilitation of partnerships between smallholder/communal farmers and private partners. It also promotes the public procurement of agricultural produce from primary producers and thereby stimulating the growth and employment in the sector.

### 1.1 Over-arching policy framework

This strategy is informed by the following over-arching policy directives.

- Outcome 7: Vibrant, equitable, sustainable rural communities contributing towards food security for all
  - Sustainable agrarian reform with a thriving farming sector
- 9 –point plan and establishment of Agri-Parks.
  - Agricultural Policy Action Plan ( APAP),
  - Industrial policy Action Plan (IPAP)
  - Revitalization of Agricultural and Agro-processing Value Chains (RAAVC),
- The Provincial Medium Term Strategic Framework (PMTSF),
  - Improved food security
  - Small producer development and support
- Broad based black economic empowerment

The strategy is grounded within the context of the following provincial economic performance:

## 1.2 Provincial economic context

The Eastern Cape economy contributes 7.7% to the South African economy, the fourth highest provincial contribution. The relative contribution of the agricultural sector, within the province, has been in decline from 2009 onwards. The provincial economy has up to 2013 increased 2.8 times while agriculture sector has increased by only 1.8 times. This trend is similar to than recorded in other provinces. The growth in the provincial economy stems largely from the metros, 43 % and 23% from the Nelson Mandela Bay Metro and Buffalo City Metro respectively. Rural areas contributed only 34 %.

The largest contribution to the provincial agricultural economy comes from the animal production sector (75%) followed by the horticultural component (20%). The small contribution from the field crop sector (4.3%) is inconsistent with the natural resource potential of the province when the contribution from the field crop sector is meaningful in all other eight provinces

In the agricultural sector the value addition contribution of the Eastern Cape is the lowest contribution (5.5%) of all the nine provinces in the country and indicates under-utilization of the natural agricultural resource potential of the province.

The net farm income from the commercial component of the agricultural economy in the province shows increasing returns since 2006. In contrast farmers have not re-invested in the form of capital investment despite the growth in net farm income. Reasons for this include: competitiveness; policy uncertainty and increasing production costs

Trends in employment over the period 2008 – 2015 show that provincial employment increased by 3% while within agriculture the increase was only 2 %.

(Data source: Statistics SA , Quantec)

### 1.3 CURRENT STATUS OF AGRICULTURAL ECONOMIC OUTPUT

Approximately 37 000 (down from 60 000) commercial farmers which occupy nearly 67% of the land in South Africa produce between 95% to 99% of the agricultural economic output. The number of white commercial farmers significantly declined in the early 2000s, and farm units were consolidated to gain economies of scale and to cope with increasing costs of farm outputs. Similarly the number of commercial farmers in the Eastern Cape declined from 6000 in 1996 to 4000 in 2007.

Nationally, a total of one million emerging farmers (and 4 million subsistence farmers) are scattered throughout rural areas, mainly in the former homelands. They produce between 1% to 5% of agricultural output which is below expected performance. The poor performance of agricultural economic output in the province is mainly due to this segment of farmers that are not commercial and their farming systems are deeply rooted in the former homeland subsistence farming practices. The main factors that contribute to the below average performance of the sector are:

- Insufficient funds to develop, operate and maintain commercial business
- Too little experience to compete with other business in the market
- The inability to obtain financial support from financial institutions or markets owing to the lack of track records
- Differences of opinion amongst the community members
- Low adoption of technology
- Limited skills and training
- Lack of infrastructure investments
- Market access
- Lack of coordination and weak intergovernmental relations
- Duplication across departments and spheres of government and,
- Consequently, scarce resources are misallocated and allocated inefficiently.

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The inability of smallholder farmers to commercially operate large areas of land for cropping and livestock is a lost opportunity in a labour intensive, versatile, and diversified sector which has the potential to create growth and employment opportunities for unskilled and semi-skilled youth in a province in desperate need of such opportunities.

It must be noted that, government agriculture support was characterised by shift of support from white farmers (pre-1994) to black (post -1994) farmers. Land reform was perceived to be a higher priority than agricultural production. This led to greater dependency on government and created a passive citizenry waiting for government to provide almost everything and people become bystanders in their own development.

The CASP and land reform programmes which were designed to support black farmers have been mainly driven outside mainstream agricultural market which was and still is dominated by established white producers and failed to integrate the smallholder farmers into the commercial farming. In turn the white commercial sector became more concentrated and closed any opportunity for new entrants to participate.

It is against this background that the Eastern Cape agricultural economic transformation strategy is developed to enable rural communities to derive economic value out of their agricultural activities through government supported commercial partnerships with organized commercial farmers.

### **1.4 PRINCIPLES THAT UNDERPIN THE STRATEGY**

The strategy is underpinned by principles that collectively aim to guide the formulation and implementation of activities towards achieving the goals of increasing the sector's contribution to GDP and employment in the Province. These principles are:

- Treat agriculture as a business and enable the private sector to intervene and invest alongside with government as partners.
- Develop smallholder/communal farmers into agro-entrepreneurs
- Partner with businesses that are willing to invest beyond short-term profit,

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- Partnership will focus on expansion, market access, creating value through funding, technology development, skills development, innovation and job creation.
- Public and private procurement directly from primary producers
- Government is required to put appropriate policies and regulations in place, strengthen these partnerships and invest in infrastructure.
- Increase agricultural contribution to the GDP by at least 2% and create 10 000 (direct and indirect) job opportunities annually.

### 1.5 CRITICAL SUCCESS FACTORS OF THE STRATEGY

Critical success factors against which the performance of the strategy is to be monitored include:

- expansion of production,
- market access and secure off-take agreements,
- training and development of farmers,
- value addition of product,
- increasing employment,
- increasing net farm income,
- increasing opportunity and business for SMME's and local beneficiation,
- increasing total investment in the industry and
- increasing transformation within the industry

## 2 OBJECTIVES AND APPROACH OF THE STRATEGY

This strategy seeks to facilitate partnerships between smallholders, subsistence/communal and commercial farmers and or investors from all sectors through investment to turn smallholders into agro-entrepreneurs and subsistence and communal into profitable businesses. Of critical importance, business has realised that they cannot succeed in a society that fails. The province has noted a sudden interest of businesses looking to invest in the agricultural sector and their approach is beyond short-term profit

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making, rather they want to create value through funding, technology development, skills development and innovation. These commercial sector players demonstrated willingness to share market access, improved crop varieties, and advanced farming equipment with smallholder farmers. If this happens, the province will increase its agricultural contribution to the GDP and increase employment in the sector. This requires government to put appropriate policies and regulations in place, strengthen these partnerships and invest in infrastructure.

The partnerships are characterised by sharing of risks, resources and rewards. They are established for the benefit of the partners and are formed when a community has valuable land and a private investor sees a market opportunity. By bringing the investor the community together in an effective partnership, they can both gain more than they would have on their own.

The envisaged commercial partnership model will be designed to produce sustainable benefits to rural communities. It will be structured to ensure that the community is guaranteed a certain level of income on a regular basis, whilst bearing substantially reduced commercial risks (capital and enterprise operational risks) than would be the case if they had no commercial partner.

Furthermore the private partner will be bound to the agreed employment, skills transfer and capital investment commitments. In this way the strategy removes uncertainty and ensures that the community and the private investor know exactly what to expect from each other.

This strategy also seeks to promote business to engage the poor either as customers or business partners. After all, by gaining incomes and removing the barriers that trap people in poverty, companies can build business partners and the consumer base for their products and services.

The strategy also advocates use of public expenditure by encouraging government departments to buy directly from primary producers and their commercial partners to reduce the import of food from other provinces. This initiative will stimulate agricultural expansion and economic growth and employment in the province.

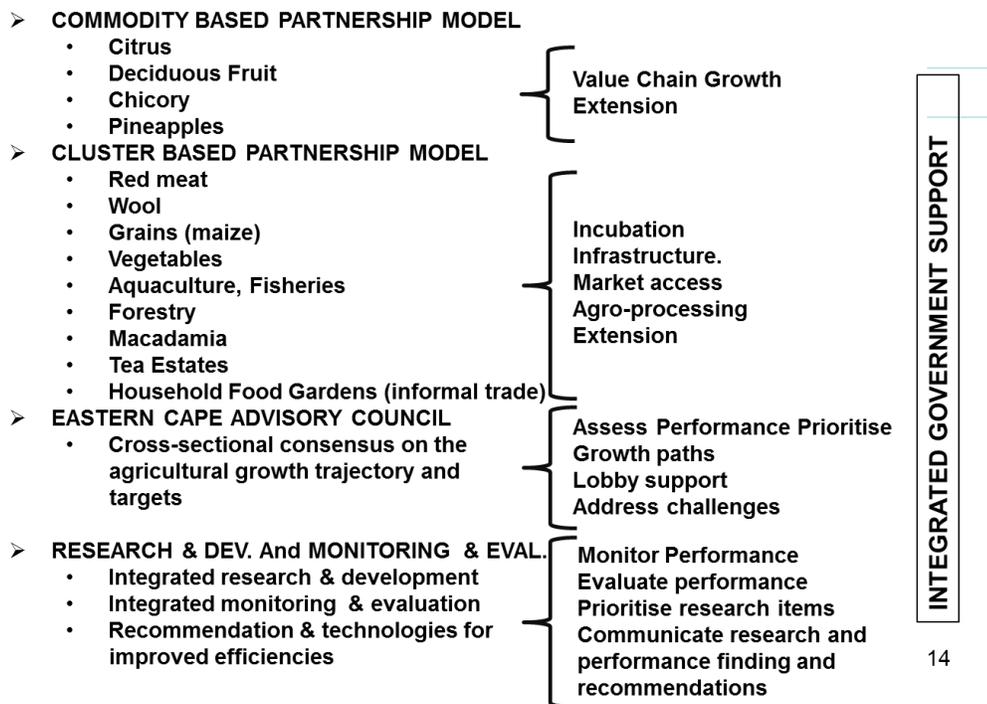
### 2.1 Strategic pillars of the Strategy:

The agriculture economic transformation strategy is framed according to the following strategic pillars:

- (i) A Commodity based commercial partnership model
- (ii) A Cluster based community partnership model (Cluster of individually non-economic land parcels) through the establishment and nurturing commercial farming practices in communal areas.
- (iii) Integrated government support that enhance commercial farming systems through partnerships
- (iv) Sector based institutional system (Advisory Council) to drive, oversee and lead the agricultural transformation agenda in the Province.
- (v) Research and Development and monitoring and evaluation to guide the development, adoption and practice of appropriate processes and technologies

**Figure 1:** Diagrammatic presentation of the five strategic pillars for commercialization and transformation programmes for the agricultural sector.

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The Agricultural economic transformation pillars are to be executed through the following programmes

- Commodity based commercial development partnership programme.
- Cluster based Commercialization programme
- Integrated Government Support Programme
- Eastern Cape Agricultural Institutional mechanism for growth and investment
- Research and Development and Monitoring and Evaluation programme

### **3 COMMODITY BASED COMMERCIAL PARTNERSHIP PROGRAMME**

The well-organized agricultural sub-sectors that are characterized by high value crops, mostly export oriented are dominated by white commercial farmers who farm large areas of land, use advanced technology and enjoy large profits and contribute little to transformation. In contrast, their black counterparts are mostly marginalized and they do not participate in the value chain. The relatively limited government support and lack of investment keep these farmers on the sidelines of the commercial value chains. The approach is to target partnerships with industry associations and their newly established development companies to champion broad transformation in the sector.

These partnership agreements will be established and nurtured to drive transformation in the sector and focus on achieving the following key economic outputs:

- The expansion of the commodity production,
- Ensuring market access through secure off-take agreements,
- Increasing number of productive and viable smallholders,
- Training of farmers,
- Value addition of product,
- Increased employment in the respective industry,
- Increase farm Net Income,
- Make space for employing unemployed graduates,
- Increase opportunity and business for SMME's & local beneficiation,
- Increase total investment into industry
- leverage additional funding support (e.g. Jobs fund, Value chain leaders, agro-processing incentives, Agri-BBBEE Fund, Land bank, DFI's, etc.) and
- Increase transformation within the industry.

The commodity based partnership programme is translated into the following projects and are integrated in the Agri-park and RAAVC programmes:

### **3.1 Citrus expansion and marketing project**

Approximately a total of 100 black smallholder farmers who can use an estimated 3000 ha in the Sundays River / Gamtoos and Alice/Kat/Keiskamma River areas will enter into a government supported partnership agreement with commercial farmers that will enable them to enter and meaningfully participate in the citrus value chain to make their farms commercially viable, expand production and create employment opportunities. The Grower Development Company (GDC) of the Citrus Growers Association (CGA) has agreed to support the development through implementing specific interventions that are aimed at development of black citrus producers, grow their market share and increase their farm net income. Furthermore, government is required to urgently prioritise the Peddie citrus road, the Sundays River Valley additional water rights allocation, integrity of municipal services and the upgrade of the road connection to Ngqurha. All these matters are to be addressed through the integrated government support programme (IGR & Cluster). The economic transformation programme strives to achieve a 5 year development target ( Table 1) of expansion of production by 3 000 ha set in consultation with the industry.

### **3.2 Deciduous Fruit expansion and marketing project**

This sub-sector is characterised by a total of 6 black farming entities with 644 black smallholder farmers currently with an estimated 707 ha under orchards in the Langkloof, Koukamma Municipality and a further 20 new black farming entities collectively in Gubenxa valley, Chris Hani and extending into the Mt Fletcher/ Matatiele, Mt Ayliff belt. The five year target for new development and upgrade of orchards is 1 610 ha (Table 1) in partnership with commercial entities to enter and participate in the deciduous fruit value chain thereby making their farms commercially viable, expand production and create

employment opportunities. The HortGro, Development Agency of the Deciduous Fruit Industry has agreed to support the development of smallholder farmers through implementation of mutually agreed interventions. This initiative seeks to make these smallholder farmers to be commercially viable, expand production and create employment.

### **3.3 Chicory expansion and marketing project**

A total of 31 black smallholder farmers where production expansion of 700 ha ( Table 1) in the Ndlambe Makana and Ngqushwa Municipalities is planned through partnership agreements with commercial farming entities to participate in the Chicory value chain. Chicory SA has agreed to support the development of these farmers with respect to how to make these farms commercially viable through private investment, expanding production and growing net farm income.

### **3.4 Pineapple expansion and marketing project**

There are 109 black farmers in the Ngqushwa, Ndlambe and Makana Municipalities where a 5 year expansion target of 700 ha (Table 1) is set for pineapple production. These farmers will be supported to partner with the commercial sector to increase their participation in the pineapple value chain. The Summerpride (PTY) LTD, the sole commercial off-take entity for processing pineapples in the Eastern Cape is the industry agent and has agreed to support the development through implementation of specific interventions that are aimed at development of black producers, share in market access, joint investment in their programmes and increase their farm net income.

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Table 1: Five year development targets for commodity based transformation projects.

| <b>Project</b>         | <b>Area</b>              | <b>Target (Ha)-5yr</b> | <b>Jobs</b> | <b>No. of Farmers</b> | <b>Partners</b>                               |
|------------------------|--------------------------|------------------------|-------------|-----------------------|---|
| <b>Citrus</b>          | Amatole & Sarah Baartman | 3 000                  | 3 000       | 100                   | Citrus Gowers Assoc . & Grower Dev. Company   |
| <b>Deciduous Fruit</b> | Sarah Baartman           | 1 610                  | 2 254       | 644                   | Deciduous Fruit development Chamber , HortGro |
| <b>Chicory</b>         | Sarah Baartman & Amatole | 700                    | 1400        | 31                    | Chicory SA                                    |
| <b>Pineapples</b>      | Amatole & Sarah Baartman | 1 300                  | 188         | 109                   | Summerpride PTY (LTD)                         |

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### **4. CLUSTER BASED COMMERCIALISATION PARTNERSHIP PROGRAMME**

The cluster based commercialisation partnership programme is characterised by a group of farmers that have organised themselves into a cluster (collective commercial entity) for the purpose of ensuring:

- a consistent and competitive supply of product required for securing marketing into the mainstream markets,
- building towards downstream agro-processing of the commodity through reliable supply of marketable product,
- reducing the cost of doing business by increasing economies of scale, increasing bargaining power for both inputs and sale of product and sharing operational and mechanisation resources,
- enable commercial operations from land parcels that individually have difficulty to operate at competitive and viable commercial levels or
- Enable smallholders to progress to individual commercial scale operations.

The Department will support a partnership between a commercial partner and a cluster to unlock private sector investment in communal areas. The Cluster based commercialisation partnership programme is translated into the following projects and are integrated in the Agri-park and RAAVC programmes:

#### **4.1 Livestock Development Cluster-Based Projects:**

The challenge that is facing the province is to convert the current approximate 1 700 000 cattle, 3 000 000 sheep and 2 100 000 goats under communal grazing systems into commercial assets that can be optimally marketed and earn income. Unfortunately, the levels of market related production from these animals falls short of the market

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demands. To address this, the smallholder farmers need to increase the off-take from these herds from 2% to 10 % per annum. This can be achieved through commercial partnerships between smallholder and commercial farmers and also participation in the existing market oriented programmes where they will benefit from available market and derive economic value from their stock. However, the majority of these livestock producers are not able to participate due to lack of investment as almost all of them are land reform beneficiaries and communal farmers and they do not have title deeds and therefore not able to use their land as security to access funding. The Department will support smallholder farmers through provision of access to finance in a form of revolving credit to improve their competitiveness and participation in the following market driven programmes.

### **4.1.1 Eastern Cape Provincial beef production expansion and marketing project:**

The first initiative mainly driven by the private sector group called Berlin Beef is targeting approximately 100 farmers that have the capacity to background 250 weaners per cluster for slaughter and marketing of A grade beef into local and export markets. It has received a total of R100 million from the Jobs fund, Masisizane Old Mutual and Elliott brothers.

The second initiative is the National Emerging Red Meat Producers Organisation (NERPO) and supported by farmer unions and government. This project is characterised by what is termed as syndicate management and development of smallholder black farmers to progress from 50 cow units to 100 cow units of commercial operation for marketing into the local beef value chain. It is envisaged that approximately 52 black farmers managing some 6000 cows on land reform farms across the province will be participating in the project. The project already has 29 farmers participating and some 80 new applications to be assessed for possible uptake.

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The challenge that most, if not all, the black farmers that would like to participate in the programme are faced with are dilapidated farm infrastructure, access to credit and technical capabilities. Therefore, government is required to provide support with respect to access to credit and specialised extension support and infrastructure development.

The 5 year target for expansion is to increase off-take from the communal farming areas from 38 000 animals per year to 170 000 per year and the contribute some 45 560 animals per year from the land reform farms. The target is shown in Table 2.

### **Grass-fed Beef production expansion and marketing project:**

The uptake of grass-fed beef within 250 km reach from Cradock Abattoir for contract supply to Woolworths. Approximately 200 farmers grouped into clusters that have the capacity to grow out in the order of 14 000 grass-fed beef animals per year to supply the slaughter facility and marketing of grass-fed beef into local and export markets. The challenge that most, if not all, the black farmers that would like to participate in the programme are faced with are dilapidated farm infrastructure, access to credit and technical capabilities. Therefore, government is required to provide support with respect to access to credit and specialised extension support and infrastructure development.

### **4.1.2 Wool improvement and marketing project:**

Approximately 226 black farming clusters comprising some 130 000 beneficiaries in the Amatole, Chris Hani, Joe Gqabi, O R Tambo and Alfred Nzo Districts will participate in a government supported partnership agreement with the wool industry commercial farmers. This will enable them to participate in the wool value chain to expand production in terms of a 5 year target of 4 million Kg per year , increase net farm income and create employment opportunities. A projected increase of some 1 million kg in the current commercial farms sets an expansion target of 5 million Kg for the sub-sector (

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Table 2). The Cape Wools has agreed to support the smallholder and communal farmers through training and mentorship to improve market access and commercial viability of their wool enterprises. This will help to increase the income received by the farmer from approximately R 10 to R 36 per Kilogram. The Department on behalf of farmers will enter into a service level agreement with Cape Wools to implement this project and achieve the aforementioned economic outputs.

### **4.1.3 Dairy: expansion and marketing project:**

The dairy industry is one of the major revenue generators in the provincial agricultural economy. The Agri-Park for Ncora currently includes 2 dairy units milking 2 300 cows per day. The plans are advanced to increase from 2 to 6 dairy units at Ncora and also increase milk production from 11 500 000 to 40 000 000 litres per year ( Table 2). This expansion is aligned to a plan to establish a cheese factory. The private investors have already huge appetite to invest and diversify the downstream value chain which will include the use of cheese by-products in the pork value chain. In the Koukamma municipality the Wittekleibos dairy development in partnership with the Du Plessis brothers is planned to be commissioned in 2017/18.

### **4.1.4 Poultry expansion and marketing project**

Despite the challenges which the industry is facing i.e. imports from the USA and South America and the increase in the price of maize due to recent drought there is still space for smallholder farmers in the value chain. However, most black smallholder farmers are not meaningfully participating in the value chain due to the lack of infrastructure, business skills, access to competitive feed prices and production credit. It is against this background that the Department is promoting the clustering of small scale poultry producers to partner with existing commercial operators as out-growers to access feed at lower price, on account of economy of scale, and a secure off-take agreement.

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### **4.1.5 Aquaculture Support Programme**

The government operation Phakisa on aquaculture seeks to empower coastal communities through transfer of technology, skills development and job creation. This initiative involves partnership between government, aquaculture producers and the private sector. The aquaculture industry is characterised by abalone, finfish, oyster, dusky Kob, silver Kob, yellowtail, prawns, carp and catfish. These aquaculture products can be found in Komga, Centane, Hamburg, East London, Port Alfred, Port Elizabeth, Mthatha and Graaff-Reinet. The DRDAR in partnership with ECDC, ECRDA, will develop an incubation programme to capacitate small -scale aquaculture producers to expand and manage their enterprises in a commercially viable manner.

### **4.1.6 Fisheries Support Programme**

The Eastern Cape, as a coastal province, particularly, Amatole, Sarah Baartman, O R Tambo and Alfred Nzo, have huge potential for marine resources which are not optimally utilised to generate income and employment. Whilst some coastal communities have been allocated fishing quotas, they have not been able to use them in an economically viable and profitable manner. Their lack of business skills, adequate equipment and their inability to secure credit forces them to lease these fishing permits to established commercial operators for a meagre income. In this situation the intended economic empowerment does not lead to transformation but rather it puts these communities at the mercy of big commercial operators. The Department, in partnership with DAFF, will cluster these fishing communities and support them with training and development in business management. Furthermore, these communities will be supported by upgrading their fishing equipment. The established commercial partners will be engaged to partner with these communities in order to unlock private sector investment into these communities.

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Table 2: Five year development targets for cluster based transformation projects in the animal production sub sector.

| Project                 | Area   | Target (5 yr)  | Jobs  | No. of Farmers  | Partners  |
|-------------------------|--|--|-------|---|---|
| <b>Livestock (Beef)</b> | Amatole, Chris Hani, Joe Gqabi, O R Tambo & Alfred Nzo | Increase off-take from from 2% to 10 % (38 000 to 170 000) , & 45 560 finished weaners | 3 782 | 28 communal land clusters involving 400 farmers & 25 Land reform clusters involving 382 farmers | Berlin Beef ( Jobs Fund, Masisizane Old Mutual, Elliot Bros. NERPO, Cradock Abattoir/woolworths |
| <b>Wool</b>             | All Districts  | 5 million Kg   | 2 500 | 226 farming clusters involving 130 000 smallholders.  | Cape Wools, NWGA, BKB, CMW  |
| <b>Dairy</b>            | Chris Hani – Ncora Agri-park. KouKamma                 | 5 dairy units to increase milk production from 11.5 mil. To 40 mil per year.           | 116   | 5 clusters benefiting 1258 land users.  | Amadlelo Chris Hani Development Agency Du Plessis Bros.   |
| <b>Poultry</b>          | Amatole & Sarah Baartman                               | 10 000 birds/day   | 1 150 | 10 clusters comprising 109 producers  | Poultry SA sovereign Foods, ANCA, EPOL/Rainbow  |

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### 4.2 CROP DEVELOPMENT CLUSTER BASED COMMERCIAL PARTNERSHIP PROGRAMME

The 5-year development and expansion programme for crop commodities involve a range of partners across the province. The targets set for the 5-year medium term are shown in Table 3.

Table 3: Five year development targets for cluster based transformation projects in the crop production sub sector.

| Project                        | Area   | Target (5 yr)  | jobs   | No. of Farmers                          | Partners   |
|--------------------------------|--|--|--------|---|--|
| <b>Grain Production</b>        | Amatole, Chris Hani, Gqabi, O R Tambo & Alfred Nzo | 100 000 ha of agreed cluster based grain production. | 3400   | 50 clusters involving over 5000 farmers | Grain SA, GFADA, SAB, Masasizane-Old Mutual, whiphold, Kellog Foundation, Anglo-American, Anglo Ashanti, MST Agri. |
| <b>Macadamia</b>               | Amatole,   | 320 ha   | 320    | 2 clusters made up of 9 villages        | TGK farming, Amadlelo, Kula macadamia, Eastern Cape Macadamia,   |
| <b>Irrigated Production</b>    | Chris Hani – Amatole, O R Tambo                    | 7 000 ha   | 1 600  | 18 clusters                             | Chris Hani Development Agency, Aspire, Humansdorp co-op, Almond Holdings/McCain                                    |
| <b>Forestry</b>                | O R Tambo & Alfred Nzo                             | 15 000 ha  | 1768   | 16 clusters                             | SAPPI, Rance Timber, PG Bison,   |
| <b>Tea Estates</b>             | O R Tambo  | 1000 ha  | 1 800  | 2 clusters                              | Business Rescue Practitioner   |
| <b>Household Food Security</b> | All Districts                                      | 60 000   | 75 000 | 20 clusters                             | DSD, DRDAR, Health & Education, DRDLR  |

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### **4.2.1 Grain production expansion and marketing:**

The province is endowed with approximately 300 000 ha of arable land conducive for grain production. This land is predominantly in Alfred Nzo, O R Tambo, and parts of Amatole, Chris Hani and Joe Gqabi districts. The majority of this land is under-utilised and contributes far below the expected performance due to lack of investment. Business views the land tenure system as one of the greatest risk to any investment in the communal areas. The uncertainty over the land use and ownership, wherein too many people have allocation of small land use, and more often than not, marred with disputes and instability. Over the years this has led to many villages continuing to experience poverty and food insecurity whilst the available arable land is not put under effective production. The government alone is unable to optimally support small holder / subsistence farmers to exploit their land and derive economic value hence a strong need exists for commercial partnerships.

To address these aforementioned challenges, government shall support the existing grain production clusters and facilitate the initiation of new clusters across the province. The government will facilitate cluster based grain and vegetable partnership projects where communal farmers are organized to put together their land and enter into partnership with private investors to productively and commercially generate income and create employment opportunities. This will help them to gain the economies of scale, reduce costs and capacitate them in managing viable commercial enterprises. The Department will support the following market oriented grain production cluster projects and is in the process of initiating new ones.

#### **4.2.1.1 Partnering with Grain Farmer Development Association ( GFADA).**

Grain Farmers Development Association provides agricultural support to emerging farmers for commercialisation and market linkages for 5 year period ( Outcome is to

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develop sustainable independent black commercial grain farmers. Grant funding is provided for soil correction, insurance and mentorship and farmers are supported to source production loans for the balance of input costs

The intention is to lower risks to farmer and improve opportunity for re-investment purposes through mentoring and secure market off-take agreements.

In 2014/2015 21 farmers on 2028 ha were supported with R 2 340 626 grant funding involving partners for the balance of production costs from : Omnia, Humansdorp Co-op, Chris Hani Dev. Agency . In 2015/2016 13 farmers on 2632 ha were supported with R 2 650 617 grant funding with the balance of production costs from the funding partners. Similarly in 2016/2017 11 farmers were supported on 1770 ha, benefiting from R 3 151 600 grant funding. New applications received to date include 17 farmers covering 1 345 ha. The provisional grant funding allocation of R 2 299 500 is projected.

### **4.2.1.2 Partnering with Grain South Africa. ( Grain SA)**

The partnership with Grain SA is to develop black commercial farmers and contribute to household and national food security. This programme is characterised by training and skill development through study groups, trails and farmers days.

The criteria for participation by the farmers is a contribution of at least R1500 toward the costs of inputs by the farmer that has to be an active member of a study group/ cluster. The farmers must participate in secure off-take agreements for crop sales. Furthermore, participant farmers must use upstream service providers for access to discounted inputs ( Monsanto, Sasol Trust, Syngenta & Kynoch, SA Lime& gypsum)

The programme is supported by the jobs fund with an amount of R 30 million over 5 years. In 2015/2016 1067 farmers ( 1 536 ha ) participated while in 2016/2017 1 603 farmers ( 1 803 ha) participated but only 1 24 8 ha were planted due to drought. An additional 3 841 applicants have been received for 2017/2018.

### **4.2.1.3 Partnering with South African Breweries (SAB)**

South African Breweries plans to increase procurement of grain for smallholder black farmers by implementing a pilot EC non-GMO yellow maize project which aims to plant 1 000 ha (200 ha per District except S. Baartman) and source 70 000 tons, high quality grain. The purpose is to support smallholder farmers with the production and guaranteed market as well as with skills development and mentorship.

### **4.2.1.4 Mquma/Mbashe smallholder/communal farmers grain production partnering with Whiphold:**

A total of 150 farmers targeting 3 000 ha has been initiated with the support of Whiphold in Mquma/Mbashe area. The support is in the form of investment in the grain production and marketing and training of the local communal farmers. Furthermore, The Kellogg Foundation has joined the partnerships where it provides production inputs for the grain production in 400 ha in Idutywa (Gwadana) and guarantee off-take agreements for agricultural products produced in that area.

### **4.2.1.5 O R Tambo smallholder/communal farmers partnering with Anglo American groups:**

The Lambasi project in Ingquza Hill municipality is supported by Anglo-American to increase maize production from 900 to 1 200 ha and link the farmers to off-take agreements for all their produce. Furthermore, Anglo-Ashanti has also committed to partner with communal farmers to support the production of maize in Lusikisiki targeting 1000 ha. Lastly, the Kellogg foundation also supports Lambasi communal farmers

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through training in commercial maize production with a view to secure off-take of crop from 2017/18 onwards.

### **4.2.1.6 Joe Gqabi and parts of O R Tambo smallholder and communal farmers partnering with MST -Agri:**

A total of 300 smallholder and communal farmers are supported to partner with MST-Agri to produce maize on 6000 ha in Elundini and Mhlontlo Municipalities. The maize produce is linked to commercial off-take agreements. This initiative is expected to start in the 2017/18 cropping season.

### **4.2.2 Increase production in the irrigated areas in Amatole, Chris Hani and O R Tambo.**

The province is endowed with 7 irrigation schemes (predominantly in Chris Hani, and Amatole districts) and small units of irrigable land (in the O R Tambo and Amatole Districts) which are conducive for increased production of vegetables, maize, fodder and intensive animal production. Approximately 7 000 ha of available land that requires investment to be put under production. The Department is engaging a partnership with the Chris Hani Development Agency, Aspire, Port St. Johns and King Sabata Dalindyebo Local Municipalities to lobby investors to partner with communal and smallholder farmers to increase production in the irrigated areas.

### **4.2.3 Macadamia expansion and marketing project:**

The Eastern Cape currently has 280 ha of Macadamia orchards established which benefit clustered villages at Ncera and Willowvale in Amatole District. This expansion is supported by government, communities and private sector investors. Approximately 300 job opportunities have been created. The planned expansion of 320 ha will create an additional 342 job opportunities. The Department will, in partnership with the

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communities lobby for more investment to accelerate the expansion of macadamia production in the Province.

### **4.3 Forestry**

The Eastern Cape has approximately 100 000 ha potential for forestry plantations of which 15 000 are government plantations and do not need initiation costs as no license is required. The DRDAR, through the ECRDA, has forged partnerships through communities and SAPPI community based projects in the Alfred Nzo and O R Tambo districts. The initiated community based projects which require financial support in order to continue and consolidate the gains that have been achieved are: Ezininzi, Sixhotyeni, Gqukungu, Mkambathi and Sinawo. Furthermore, an additional forestry project has been established in Lusikisiki, covering 800 ha. These projects consist of individual forestry growers in the Lusikisiki region of Ingquza Hill which planted a total of 1129.83 ha of new forestry. These projects have created 140 jobs and 351 short term jobs. The DRDAR and ECRDA are lobbying both national and provincial treasury, DAFF and private sector for funding for the continuation of this project.

### **4.4 Tea Estates**

The DRDAR and the ECRDA began the business rescue process of Magwa and Majola Tea Estate. The business rescue practitioner was appointed and is expected to report to the high court and submit a comprehensive business rescue plan. The comprehensive business rescue plan will guide government approach on how to resolve the challenges faced by Magwa and Majola tea estates.

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### **5. INTEGRATED GOVERNMENT SUPPORT PROGRAMME**

The integrated government support programmes is characterized by targeted interventions to address the cost of doing business in the provincial agricultural sector. These programmes will be addressed through the clusters and IGR structures across all spheres of government.

Furthermore, the integrated government support approach serves as a vehicle to integrate all farmer support programmes across all spheres of government to ensure black smallholder farmers play a meaningful role in the commercial value chain.

The role of DRDAR will be:

- Provide an overarching policy
- Provide an overall plan and leverage resources to unlock the private sector investment for the sector
- Provide specialized commodity and cluster-based extension support to all agricultural economic activities in the Province
- Provide overall support in all agricultural economic activities in the province through customized and target social facilitation
- Monitor the performance of the sector against the set targets
- Conduct annual evaluation and mid-term evaluations to assess whether the achieved outputs are leading to the desired outcomes and impact
- Facilitate and conduct IGR to address commodity and cluster specific agricultural and rural development related issues.

### **6. EASTERN CAPE AGRICULTURAL INSTITUTIONAL MECHANISM FOR GROWTH AND INVESTMENT**

Eastern Cape Agricultural Institutional mechanism for growth and investment will take the form of the Eastern Agricultural Advisory council (be established within six months) to develop consensus on the nature and rate of growth that the sector will pursue.

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- The Eastern Cape Agricultural Advisory Council (“Advisory Council”) is to be constituted by the Economic Cluster MEC [Chairperson], (HODs for DRDAR, DEDEAT and Treasury) and the captains of agriculture and associated industry (Chairpersons and CEO’s of all Agricultural Industry Associations),.

The council is planned to meet annually and will focus on the following key outcomes:

- Lobby for support for commercialization for growth and employment
- Lobby and facilitate funding access from DFI’s and private sector
- Monitor sector socio –economic performance & all aspects of transformation
- Prioritise focus of agricultural growth paths and targets
- Consider challenges to development and facilitate initiatives to address them

## **7. RESEARCH, DEVELOPMENT AND MONITORING AND EVALUATION**

The agriculture economic transformation programme is underpinned (by) research and development that will provide market intelligence within (the) broader sector. It is envisaged that all partners will share their market information in a network of government, industry, academia farmer organisations and the NGO sector with the view of promoting innovation.

The monitoring and evaluation is to be carried out in cooperation with the monitoring and evaluation unit of DRDAR with respect to the targets set for respective commodities in terms of the agreed upon time bound performance targets.

- Quarterly and monitoring reporting against the set output targets
- Annual evaluation to assess whether the achieved outputs will lead to the desired outcomes
- Impact Evaluations between and or after 3 to 5 years

## **8. IMPLICATIONS**

### **8.1 Financial**

The budgetary implications of this strategy will be considered during the 2017/18 MTEC processes.

### **8.2 Human Resources**

In order to implement this agricultural economic transformation strategy, the DRDAR will re-orientate all its employees to understand the imperatives of agricultural value chains and partnerships to grow the sector through appropriate partnerships

In the medium term, the department is compelled to re-align the current service delivery model and organogram to the commodity and cluster based commercial partnership programmes.

**The strategy requires re-orientation of extension support services with respect to commodity and cluster based commercial partnership in terms of the following:**

- **Specialized extension support to commodities**
- **Specialized extension support to cluster based farming**
- **Specialized extension support to household food security**

**This aforementioned extension support services will require a change management and capacity development of all current extension services personnel.**

In the long term, it is expected that the partnership model of implementation will reduce support services administrative staffing requirements and this will release resources for the frontline

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service delivery personnel. All these issues will be considered during the review of the DRDAR Human Resource Plan.

### **8.3 Legal**

All engagements with respective commodity/industry partners shall be in the form of memorandums of understanding between the parties and Service Level Agreements. Partners and Investors shall sign MOU's / SLA's with the Department, small holder / subsistence farming entities.

### **8.4 Risks**

Risks to the successful implementation and achievement of the targeted outputs that could the reduce levels of achievement of the planned outcomes include:

- Inadequate scale of the collective investment on the part of Government and private investment.
- Fragmented implementation that could develop from inadequate integration or support between Government institutions.
- Inadequate oversight and pro-active interventions to address potential challenges and disputes emanating from mis-information and potential exploitation.
- Land use insecurity through short term and /or weak land use agreements.

### **8.5 Communications**

The strategy will be communicated through the formal government processes and stakeholders

### **8.6 REVIEW**

The policy is to be reviewed at least triennially.

AGRICULTURAL ECONOMIC TRANSFORMATION STRATEGY

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**MR. L. L. NGADA**

**HEAD OF DEPARTMENT**

**DATE:** \_\_\_\_\_

**APPROVED /NOT APPROVED**

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**HON. MR. M. QOBOSHIYANE**

**MEC: DEPARTMENT OF RURAL DEVELOPMENT AND AGRARIAN REFORM**

**DATE:** \_\_\_\_\_