

# Transformation TIMES

Doubling the deciduous fruit industry by 2050

A Review of the DFDC SA August 2021 – Issue Nine

## Thembi's Talk - Notes from the CEO

In writing the CEO's contribution, one cannot shy away from the recent developments in our country. The unrests and riots that led to infrastructure being destroyed, lives being lost and the economy negatively impacted. The country experienced disruption of distribution of basic goods and of course the reality of the consequences is job losses as a result of the unfortunate events that reeled the country. At this stage quantifying the loss to be R50bn may seem to be enumerated at a lower figure, judging by the negative spill-over effects the disruption had in small businesses. The question is, will small business ever recover? If we also note the lags in the economy, we may have to measure the real financial impact in 18 months' time.

In this issue, we argue for concessional finance, and tailor-made funding solutions to bridge the funding gap, in particular that of the "funding missing-middle". Again, as a commodity organisation this is an area where we can strengthen our product offering, capitalizing on the power of "collective needs" and "collective bargaining". With COVID-19 employers have also appreciated delivery of outcomes, as opposed to physical beings in office premises. This has resulted in organisations navigating human resource relations out of the norm. The DFDC-SA coordinated training on labour related legislations, to once again remind employers and employees of the fundamentals around conditions of employment, and with the pandemic Occupational Health and Safety Act receives the long-deserved attention across industries.

It is also encouraging to read transformation success, captured in non-traditional areas. Afrikan Farms is an inspiring story, more so it is managed by youth with plausible growth plans. Julia King, a female farmer's journey is also worth capturing, from managing a successful hotel to deciding on venturing into farming. These two stories captured in Mpumalanga also reminded me of the role and participation of women and youth in the deciduous industry, which at this stage is still lagging and needs a targeted strategy to change the status quo.

As the DFDC-SA, we advocate for the vaccination programme and encourage producers and communities to vaccinate, at this stage. It's the only defence we can afford.

As we are approaching August, I sign off with one of the quotes in this issue ... "Queen is King".



Thembi Xaba, CEO

DFDC the transformation division of

**HORTGRO**  
Growing Fruit IQ







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# AFRIKAN FARMS

*where transformation keeps on rolling* By Gerrit Rautenbach

According to the dictionary transformation is “a complete change in the appearance or character of something or someone, especially so that that something or someone is improved”. Transformation is also something that evolves. It's not a case of a singular happening and there it all stops.

Take Afrikan Farms, for instance. First of all, Afrikan Farms is located on the Mpumalanga Highveld, about 30 kilometres from the town Amersfoort, in the Pixley ka Iseme municipality. Its being part of transformation began long ago. In fact, the dream began when Vusi Khanyile was still a youngster, growing up in townships from KZN to Soweto, to the suburbs of Johannesburg. “I have always wanted a piece of the countryside, a piece of Africa that I can call my own; my home. As an African I needed to belong to the land,” he states.

To be able to transform from a city dweller to owning your own farm takes guts, but even more so, it takes some money. So Vusi founded Thebe Investment Corporation in 1992 with Nelson Mandela, Walter Sisulu, Beyers Naude and Enos Mabuza. In 2000 he was living in Parktown, Johannesburg and became friends with his neighbours, Gert and Naline Swart. He bought their farm, Mooigenoeg near Amersfoort, which was his introduction to this neck of the woods. In 2018 he retired from Thebe. Today, Afrikan Farms owns 4500 ha in Amersfoort district and leases an additional 1500 ha. They farm cattle, sheep, maize as well as soya and they are involved in deciduous production, apples to be specific.

The apple production started in 2017, the farm developed an apple orchard in order to diversify because of a market demand for apples in the area. They started by planting 2 hectares of Sundowners, followed by 2 hectares of Royal Galas in 2018. This year as a result of good, solid business principles, the apple orchard rewarded them with their first harvest of 9.4 tons of Royal Gala apples.







The two managers, Nsika Shabalala and Sbo Mathenjwa

Today Spongeleni Mathenjwa, or Sbo as he is affectionately known, is in charge of the apple enterprise. He joined Afrikan Farms in 2004 as an assistant manager and at that stage was put in charge of the livestock. It took less than three years for him to become farm manager. He has managed every department on the farm. And then, the apples happened ...

In 2016 Thinus de Jager joined Afrikan Farms and with his knowledge, contacts and experience of apple farming, it was decided to expand. Sbo is a passionate learner and when Thinus left the organisation in 2020, Sbo was empowered to the level of being able to take over the apple farming.

Asking Sbo how and why he ended up in agriculture, he'll tell you that was not his dream. He wanted to be a teacher, an educator. However, at the given time and place, qualifying to become a teacher was not viable due to the lack of opportunities back then. Being from a rural area, farming was not a foreign concept to him. So, he enrolled at the Owen Sithole Agricultural College from which he graduated with flying colours. Agriculture soon became his first choice.

So, at first he wanted to become a teacher. In order to help the people by teaching them.

He ended up being a farmer, in order to help the people by feeding the nation. A slight paradigm shift, but in essence the same thing.

Sbo joined initially as assistant manager and today, as manager of Afrikan Farms, he has appointed Nsika Shabalala as his assistant. "I know he is good, as I've known him since he was very small. Like a little brother, I even took him to school, but we are not related at all."

**Asking Nsika why he chose agriculture as a career, he just laughs. "I didn't choose agriculture, it chose me." He even went to an agricultural high school and Sbo, his friend, was in agriculture. How can it not be? All he needed to do, was graduate from Cedara Agricultural College. The rest, is history.**

Two examples of two people being part of the transformation chain of Afrikan Farms. But there are so many stories. Stories that support the process of positive energy. Today Afrikan Farms is a Level One B-BBEE with an opportunity to penetrate the local and global markets, being pioneers of transformation within the agri sector. They employ over 30 people and run a Community Development Trust, allowing their employers to conduct their own farming on Afrikan Farms land.





Well-kept nets on Afrikan Farms

Intentions are good, but sustainability is the backbone of successful transformation. Afrikan Farms is committed to transform its farming methods in the next few years to reflect this approach and progressively increase its community transformation initiatives regarding the employees of Afrikan Farms, not forgetting effective development initiatives for the local community. Be that as it may, Afrikan Farms is a business and sustainability is integrally linked with the profitability of Afrikan Farms. But these development initiatives have been part of the process from the beginning, before Afrikan Farms were profitable. That's how they roll with transformation.

Finally, if you really want to get to the heartbeat of Afrikan Farms, just read their slogan:

“Producing good food brings us together”



Nsika Shabalala and Sbo Mathenja





# Capacity building – going back to basics

## Labour related practices

The dialogue on labour related matters continue to receive more focus, in times of Covid-19 where employers are requested to manage performance and outcomes in a virtual environment. There is appreciation that legislation will forever remain the cornerstone of how we navigate the employer-employee relationship, even more so creating a conducive, enabling environment amid uncertainties.

The DFDC-SA recently organised training for its employees, producers and value chain members on various labour related legislations.

The training sessions were spread over two days, over four labour related instruments:

### Day 1:

- Basic Conditions of Employment Act 75 of 1997
- Labour Relations Act 66 of 1995

### Day 2:

- Employment Equity Act 55 of 1998
- Occupational Health and Safety Act 85 of 1993, revised 2004

The training sessions were well attended, and the engagements during the two days proved that the sessions were invaluable. We appreciate the current times and pandemic, and the need for changing employment environment and practices, we need to go back to basics, and always uphold the principles and the foundations of labour related legislations.



# ECONOMIC REFORM

By Elise-Marie Steenkamp

## Emerging farmers reach commercial status

Transformation and economic reform in agriculture are some of the biggest challenges that SA faces today and that is why the Deciduous Fruit Development Chamber's (DFDC) commercialisation programme, the Jobs Fund Project (JFP), is such a beacon of hope.

The JFP recently came to an end and a total of 21 emerging farming entities have reached commercial status through the project. It began in November 2015 when Hortgro collaborated with the Western Cape Department of Agriculture (WCDoA) and the Jobs Fund to launch the four-year JFP with the aim to graduate a group of smallholder farmers to commercial status by 2020.

Jobs Fund Head Najwah Allie-Edries said that for too long in our history smallholder farmers and emerging farmers have been excluded from the commercial value chain, stuck and struggling to survive at the primary production level. "The Jobs Fund wanted to support innovative initiatives that would begin to catalyse systemic change in the agriculture sector. The DFDC's commercialisation programme responded well to our call to action, and the programme's objectives were closely aligned to our own." According to Allie-Edries, the programme has been instructive in demonstrating the importance of strategic partnerships that work on farm level.

**"The JFP showed the value of mentorship and the willingness to adopt new ideas. This has helped to build a pipeline of future farmers."**



Klein Ezeljacht, Villiersdorp



Dr Mogale Sebopetsa, Head of the WCDoA and Nico Louw, Mistico Trading

Dr Mogale Sebopetsa, Head of the WCDoA, applauded the farmers and the industry collaborators. **"Agriculture is the sunrise sector. It can bring jobs and economic stability to our country. It is well-placed to lead the economic recovery of our country from the front. The ending of the project is not the end of the collaboration. We invite you to bring more projects of this calibre."**

DFDC chairman Ismail Motala said: "Although the project in the Western Cape was not without faults, we have learned and we are ready for more challenges. We have to expand the industry to other provinces and share our knowledge with them."





Marilyn Siegels, Yvonne van Niekerk, Errol April and Edward van Niekerk

Mariette Kotzé, Hortgro’s Group Operations Manager, said that two key concepts spring to mind regarding this ambitious programme. “The first being disruption in forever changing the way that economic development initiatives are planned and rolled out, making the farmers more responsible and accountable. And secondly, opportunities to grow and develop at an individual and also on an organisational level.”

JFP Manager Chrismaine Abrahams said that the four-year project reached most of its targeted outputs, despite the drought that had a big financial and emotional impact on everyone. The JFP set out to create whole-farm development with technical and mentorship assistance. In some regards the replacement and establishments of new orchards as well as job creation and increased market access integrated into the whole value chain.



Dr Sebopetsa, Charles Pietersen and Jaguer Pietersen.



Willem Swart and Christel Fortuin



Franco Isaacs, Derich Priga and Ismail Motala

21 beneficiaries were assisted with 18 farms in the Western Cape and three in the Eastern Cape.

- 309 ha were established over the four year period.
- The permanent job creation target reached 241. Total job creation was 1071 with the following split: 184 permanent jobs, 878 seasonal jobs, 647 short term jobs.
- Approved budget was R120 million with actual spending of R137 million. The remaining shortfall was bankrolled by the deciduous fruit industry and the WCDoA.
- The farmers themselves contributed an additional R52 million, resulting in an almost R200 million project.



Dr Sebopetsa, Cupido de Koker, Hans Koker and Ismail Motala

According to Abrahams, the overall challenges that the project faced included ineffective management on some farms, cash flow constraints, inability to meet project targets in terms of job creation, poor communication and a lack of ownership and participation. “We have learned a lot and that will guide us with future projects,” Abrahams said. Some of the learnings include constant re-evaluation of assumptions made during the planning phase, the importance of strategic partnerships, sufficient provision for maintenance of young orchards, determining other sources of funding, planning for the unexpected, allowing for flexibility in the implementation plan to adapt to changing conditions, and the duration of the implementation period was too short to create the desired impact.



The DFI, through its various industry associations and structures, developed and adopted a transformation agenda in 2001. At the time, this agenda was agreed on by a range of stakeholders and was based on economic, social, community development, training and the provision of industry capacity and funding to support and execute activities in this sphere. This agenda has since been revisited on a number of occasions and forms the backbone of the industry's current (2019 - 2023) four-year strategic framework required to motivate and utilise statutory levies.

The DFDC applauds this.

# Where the Queen is King

By Gerrit Rautenbach

Julia King was a successful businesswoman in KwaZulu-Natal. After a long spell of working very hard and doing well, she decided it was time to retire. She moved to Mpumalanga. That's when life for her really began.

Julia King

Near Ixopo in KwaZulu-Natal Julia King managed a hugely successful hotel and liquor store amongst other ventures. She worked very hard, up to a point when she decided to sell up and start taking things easy. She was going to retire. Her father, Gwayide, was a farmer way back in KZN. She remembers him farming to provide when she was young and in his honour, she decided to go back to those roots.

"I mean, I cannot even sit, forget about retiring in the sense of doing nothing! So farming sounded like the right kind of retirement for me," Julia says.

Just outside Ermelo she acquired the farm Langverwacht in 2007. She set up mixed farming with cattle, sheep and chickens (for eggs), but heard that apples were doing well.

Langverwacht had no apples and she had no knowledge of apples, so she went to the Mpumalanga Department of Agriculture in Ermelo and got empowered with knowledge.

"Coming from KZN I placed an order at a nursery there for trees, but I made a mistake. I ordered Granny Smiths, Early Reds and Royal Gala apples, but the people I sell to, don't like the Granny's. And I have more Granny's than Reds. It makes it difficult," Julia explains.

At present the business, Gwayide, named after her father, has 1,5 ha of apples, mostly under nets. She is planning to, as soon as finances allow, plant more apples, Reds though, not Granny's. Her dream is to utilise as many of the 38 ha of Langverwacht to produce apples. All sorts of red ones ...





Mixed farming, from sheep to apples

Julia's operation is small, but her dreams are big. At present, when they harvest, they wash, dry and pack the crop themselves in a packing room on the farm. Then they pack it in bins and transport the apples to town. She does not have contracts with any retailers. Yet. They have deals with some small shops in town, putting in orders for their customers. However, the bulk of her crop goes to the hawkers; the street vendors. And that's where the problem comes in with the Granny Smiths. Their customers like sweet, red apples.

"I have spoken to one of the big packers in Ermelo, but the money is not good; not as good as the hawkers at this stage. It is purely because I do not have the desired quantity at this stage. They do like my quality, but there are not enough of them. It is not worth it to them, yet. When I get bigger it will be a different story."

**Small beginnings, big dreams. That is how everything gets conquered.**

Julia King's operation might be small now, but the important thing is she makes a difference. Because of Gwayide's efforts, there are more than a handful of hawkers doing business and earning a living with Gwayide apples. And no matter how big Julia's business gets, she says she will never forget the hawkers. Even if Gwayide ends up cultivating and producing apples from the total 38 ha of Langverwacht, she will always retain a portion of those apples for the hawkers. Reds though, not Granny's. They can be exported.

**It's a deal she has made with the universe.** "We must all look after each other. I hope I can make a difference," she concludes. And smiles.



Julia polinates her apples with her own bees



Julia's apples under nets



# CONCESSIONAL LOANS AND TAILOR-MADE FUNDING SOLUTIONS

A new paradigm towards sustainable funding

By Dr Thembi Xaba

“We face similar funding constraints, while working in parallel, chasing the same funding partners but with limited returns.”

The deciduous fruit industry is a capital-intensive industry with a long-term investment horizon. But inhibited access to finance continues to be a growth barrier in the agricultural industry in general.

This challenge around access to finance is worsened when there is an investment plea from a long-term investment commodity. We also find deciduous and other fruit commodity producers in the funding “missing middle”.

Are we in a position to continue to raise capital for producers as a collective?

Granted, the “fruit basket” itself comprises different commodities. However, we face similar funding constraints, while working in parallel chasing the same funding partners, but with limited returns.

In order to further stimulate development in the fruit industry, certain realities need to be taken into account. Current economic conditions signal the prevailing low investment appetite, but let’s not refrain from exploring other means of providing funders with a return on investment. After all, investment is in the DNA of business sustainability.

If we engage on the concept of “rising powers in African agriculture” premised on agriculture, new approaches to financing and concessional loans is what one would advocate for. The rationale is concessional loans are attractive both from a time horizon for repayment, as well as interest rates below the market rate. The funding model is premised on “favourable terms” compared to those in the open market. It captures the extended definition of concessional finance from the Development Finance Institution working group as funding principled on “(i) maturity, grace period, security, rank (or back-weighted repayment profile that would not be accepted/extended by a commercial financial institution; and/or (ii) providing financing to borrowers/recipients not otherwise served by commercial financing”.





This is fundamental for the development of finance institutions, moreover on the mandate of social impact as return on investment. On the commercial lending space, inclusive growth should be embedded in their market outreach. In this regard, banks can complement the mandate of the development finance institutions principle. There should be no market that displaces the other. Generally, a three to four year payment holiday period can reduce the pressure from producers, taking into account non-bearing costs that are found to affect producers' cash flows negatively, to the extent that it impacts negatively on the "ability" to service debt. We do, of course factor in the volatility in export earnings, and the rand strengthening linked to export sluggish returns.

Based on asymmetric information that tends to make commercial funders shy away, as commodity associations we can assist producers to package funding applications, and propose tailor-made funding solutions to funders. This new paradigm, capitalises on the collective, with a neo-classical window that promotes inclusive growth. Whilst each individual business is assessed on merit, tailor-making a funding solution that speaks to the type of commodity, producer type, investment cycle, non-bearing funding costs and loan repayment aligned to a production curve can be packaged at a high level through collective application. Funding proposals at a collective level can also defer default risk and more so if the funder and industry provide post-investment support.

Empirical evidence has also argued on the positive effects of concessional debt finance. On the return front there is improved productivity and increased farmer income levels. One cannot then overemphasise the positive spin-offs of the impact and sustainable business operations that can equally sustain or create new jobs.

At macro level we need a policy position that will encourage funders to commit funding to the unbanked and the "missing middle". Equally so, as an industry we need to continue to equip producers to become "finance ready".

**Also read:**

**CASA report:** <https://www.casaprogramme.com/wp-content/uploads/CASA-Concessional-Finance-Impact-Evidence-Report.pdf>

**World Bank report:** <https://documents1.worldbank.org/curated/en/221851613400323474/pdf/Joint-Report-2020.pdf>

**Reference:**

Scoones, I., Cabral, L., & Tugendhat, H. (2013). New development encounters: China and Brazil in African agriculture. *IDS bulletin*, 44(4), 1-19.

# Don't wait, vaccinate



According to statistics, the average age of a South African farmer is 63. This might be a quite alarming statistic on the one side, but when it comes to vaccination against Covid-19, it should be a positive. Because over 60's gets preference. Which means many farmers should already have been vaccinated. The over 50's are already receiving jabs, and now the roll-over for age group 35 - 49 years is beginning, which will cover farm workers and their respective family members. Have you been vaccinated?

Appreciating that the agriculture industry is always exempted from lockdown restrictions, the industry is deemed an essential service. That being said, farm workers are at the forefront, working tirelessly to deliver on meeting food demands and it is therefore important that vaccination within the agriculture sector is accelerated. Covid-19, like so many other diseases and ailments, can take whoever it wants to take. Nobody is exempted.

Only when we all get vaccinated and achieve the so-called herd immunity will we beat Covid-19. Have you been vaccinated?

South Africa might be behind the First World in terms of vaccination tempo and numbers, but maybe, for once, it is a good thing. It allows us the opportunity to see how effective vaccination against Covid-19 really is. Let's look at the United Kingdom as an example. On the day of writing this, they accrued 48 000 new cases of Covid-19, but had only 25 deaths. The same day SA had 11 000 (less than a quarter) cases with 183 deaths (more than six times the UK). We are in Lockdown Alert Level 4 and the UK have no more regulations. Although their cases are high, it is mild Covid-19 cases, because virtually the total population of the UK has been vaccinated. It is the only way to beat this bugger. And it is working.

**So let us all have the courage to go and get vaccinated - don't be late, vaccinate.**