

# Agro-Processing & Agri-Commercialisation for SA – Proposal by Africa Analytix for Jobs Summit

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## 1 Problem statement

Research tells us that 60% of the European food production value chain over the years was produced, processed and financed by a collective system of business organisation. This value chain included farming and greatly agro-processing which. This collective system of organisation for business transaction and production is commonly known as Cooperatives. What many practitioners in this food security and commercialisation space don't realise is that unfortunately this term attracts improper historical misnomer that Coops are rudimentary and unstructured operations.

The recent implosion of the chicken growing market as well as the processed meat scandal which highlighted that our agro-processing food market is owned by 4 companies that service 100% of the consumer market as well as the multibillion retail market, is not only bad for SA's economy but indicates our failure to transform this picture. The lack of leadership conviction to put funding and deliberate long term view allows white monopoly to continue even where it can be transformed and broken.

The problem statement for this intervention paper therefore seeks to make the following statements:

- a. the national high failure rate of all 90% of Coop initiatives in what ever form is not just based in its participant weaknesses but in the construct and understanding of the mechanics
- b. the understanding and lack of scalable approach of the Coops in SA is helping to sustain poverty, lack of financial success, sustaining of our people's modern slavery conditions
- c. with correct understanding of how Coops behave, how they are to work and what impact they can have on our economy, this intervention can have a significant percentile impact and contribution to the GDP this changing the employment numbers of our people in all provinces

Modernisation of our understanding and a fresh take on the Coop economic intervention in SA is the only way to create ownership, restore moral and pride, create thousands of jobs as well as grow the economy once again giving birth to a new middle class. We must create a

new class of bankable and sustainable black companies in this sector, this is possible with a class of management for Coops.

## 2 Jobs impact

Our Modern approach to the commercial utilisation of Coops in the Agro-processing space is what will create tens of thousands of jobs and ownerships in agro-processing and food production.

The shifting balance of global political powers favour SA and Africa as a whole towards our already sophisticated infrastructure to export food products.

If given an opportunity to present and to implement the model we have, we will show how every step of the value chain and understanding, creates jobs or ownership. Our model demonstrate that the focus

A minimum of 15 jobs per unit and a maximum of 100 jobs can be created in successful implementation should the value chain be fully created and sustained over time. The format is duplicatable at a national level in all provinces. The operation of the management and support interventionist model does not favour a specific province but uses what is available as land capacity, technical skills, labour experience and cooperation of provincial departments and municipal participation as lever-stakeholders.

In some instances, departments have already part funded, part formed but badly utilised structures that have grouped women, men, youth etc around a project. These projects fall by the way side and jobs are lost. These experiences reflect one positive factor besides failure and that is that there is sufficient willingness for people to work and create self-employment.

Some owners will fail and become labourers and labourers will become owners as we move from inexperience to maturity.

## 3 Theory of change

The theoretical construct of this model is based on the tried and tested formations in Europe, China and American markets. It is unfortunate that the Coop phenomena in SA has been given a bad name because it was not understood and thus named trial and error.

The key elements of the model and initiative are the strong formation and management of the following:

- a. Creation of a private management structure that manages all activities of the coops and stakeholder participation on a professional basis
- b. Basing of all activities, formation of, fiduciary duty execution of registered entities on a Commercialisation for large scale and scalable operations
- c. Commercialisation as a replacement of subsistence farming, food processing, financing, ownership, study and marketing of products to supermarket or retailers

- d. Utilisation of modern trade methods including futures instruments for securing forward cover of sales to markets and not staying on old stayed highly risky sales/trade methods. This is certainly true to organic foods which traders can secure deals if only the management offices structures new how they work Old farmers who use these often can swop between futures prices and market prices at harvest only because they have been around for a long time and have amassed capital to sustain failed deals. For young practitioners, we propose secure deals, well established markets, commitment of retailers to well set up and manged operations including agro-processing and food product innovations.
- e. Using mixed large scale production and processing methods e.g. open farming, mixed crops, mixed products to meat, processing plant set ups mitigates risks.
- f. Establishment of centralised specialists expertise as well as mobile experts to manage all projects in all provinces. This includes extension workers who are on localised. This group of experts will also include sales and marketing teams to negotiate shelf space locally and overseas in foreign markets
- g. Special produce also based on studied needs and not just thumbsuck of production and processing based on interest and experiment. Hydroponics allow for quick changes from product to product and allows special growers to be profitable with special market needs
- h. This includes sourcing of equipment and financing to be based on the same concept of formation as it is proven to work in European market which is strongest and has sustained to fight global producers and processors in their own markets. We have been beaten by these strong markets because we have been weak in this regard and allowed vertical integration of this sector and allowed centralisation of ownership

#### **4 Existing initiatives/experience**

Growing up in this sector, the first mechanised black operation was the first hand experience in how to implement and the failures learnt allowed the study of how Koporasie was formed and why it succeeds today still.

Lessons in the Coops of KZN in other sectors also brought valuable lessons on the personnel lessons for future management of groups towards success.

Drawing from retail experience and development of franchise outlet models brings a wealth of information that can be employed towards the development of jobs and turning around of failure statistics

#### **5 Constituency participation in implementation**

Appetite for broad based participation is high. This is due to the level of struggle for families and communities to sustain their own as well as socio-economic situation influencing population migration to urbanisation which means that labour is concentrated in wrong areas.

This allows for urban and peri-urban business initiatives which may drop logistics costs but impact water supply if not structured correctly. Distance to markets kill most businesses therefore new constructs and produce is needed e.g. flowers produced in Haartebees don't spoil before reaching markets.

DC's for supermarkets are now more centralised and favour low distance impact suppliers. Therefore the initiative to transform agro-processing is reliant on a mix of projects in all provinces to create jobs as well as long term sustainable business using the Coop strategy that is highly commercialised, modern, futuristic and is set on global standards.

## 6 Benefits

What social/economic groups would benefit from the proposal directly and indirectly? Please use the following table, and do not list more than 5 groups. Please describe the benefits as precisely as possible.

<b>Group</b>	<b>Job creation</b>	<b>Other benefits</b>	<b>Time frame for success</b>
Women	100	Ownership, Trade & DGP	3 yrs
Youth	100	Ownership, Trade & DGP	3 yrs
Mixed	500	Ownership, Trade & DGP	3 yrs
Disabled	100	Ownership, Trade & DGP	3yrs

Group	Job creation	Other benefits	Time frame for success

## 7 Cost and potential sources of funding

Group	Anticipated costs	Potential sources of funding to implement the project	Time frame for impact
(this is not clear) – Set up pf national office	R8 959 000	Government and grant	Within 3 months engagement & 6 months of operation
Projects & CAPEX Funding	R R25 000 000 over 3 year period	Grunt Funding	Immediate impact

## 8 Risks

Poor funding support and lack of political will lead to failure of poor performance. The Chinese history has demonstrated that aggressive and unashamed support for local business as a sign of nationalism and vision to dominating economics and trade space for themselves can only but lead to success.

Normal business risks can be managed and turnarounds can resuscitate and put those struggling including change of produce being processed or produced. Retailers can be renegotiated with. Theory around fisheries for instance must be avoided to reduce risk.

## 9 Risk mitigation

theorisation of crop production, meats to be processed etc must be avoided till later stages of maturity.

Timely funding to be uncompromising because currently funders/officials release funds in the wrong seasons and still expect success and then blacklist operations which works against natural business flow.

Government must intervene where necessary to protect local product and play an active role at Ministerial level to leverage off retailers who often attend Ministerial events but fail to increase product uptake significantly from black operations.

Agro-processing discussions at CEO leadership level must be had to negotiate future up-take of black products.

Local markets to be driven by local support of markets to negate failure. New crop of black owners to be placed and trained properly in this space also for previously locked out spaces etc. marino wool

## **10 Additional comments**

The commitment to changing the subsistence small scale unimpactful model for Black participation in the agricultural and agro-processing sectors into commercial scalable and managed operations is the only way to create employment at large scale.

The role of Black Management that understands technical and business markets as a full value chain, will increase success rate by 200%

The centralised strategy allows for monitoring, training, refinement of model, management of funding and negotiation of markets local and international. We have sufficient land, expertise and numbers for labour and ownership to change our unemployment landscape.

Accountability will be critical together with correct funding cycles in changing the legacy of failure in this area. We cannot sustain the vertical total monopoly model by virtue of a broken approach to this sector called Coops. Coops work internationally to a point where even banks are owned on this model. SA's banking sector was characterised by such models in the past before our sophisticated models were built

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