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PUBLIC SECTOR SUPPORT FOR INCLUSIVE AGRIBUSINESS DEVELOPMENT

**An appraisal of institutional
models in South Africa**





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An appraisal of institutional models in South Africa

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Preface

The agrifood system is changing rapidly. Structural changes are occurring throughout the system in response to the modernization of agriculture (globalization, coordination and concentration) and shifting consumer and societal demands for safer, better-quality and ready-to-eat food produced in a socially and environmentally responsible manner. This new scenario coexists with more traditional types of family and subsistence farming.

This changing environment places increased pressure on Ministries of Agriculture (MOAs) in developing countries to engage in agribusiness and agro-industry development. However, to what extent are the MOAs empowered and equipped to do so? Many of them have seen their mandates and functions expanded from a strictly productive dimension to a more holistic, farm-to-fork approach. This expansion should be reflected in the provision of an increased scope of public goods and services to deal with post-production issues. MOAs also face the challenge of mainstreaming relatively new approaches such as the design and implementation of value chain programmes; climate-smart agriculture; the use of contract farming; public–private partnerships and other private sector engagement models; and agribusiness programmes with a territorial dimension (e.g., agricultural growth corridors and clusters).

FAO has conducted an appraisal of the organizational arrangements used by MOAs to support inclusive agribusiness and agro-industry development, which included a scoping survey of 71 countries and in-depth analysis of 21 case studies from Africa, Asia and Latin America. The study found that many MOAs have established specific agribusiness units with technical, policy and/or coordination functions concerning agribusiness development. Others have set up clusters of units with complementary individual mandates.

The study analysed how well prepared these agribusiness units and their staff are to deal with both traditional and non-traditional approaches and tools for agribusiness development. This assessment examined the units' staffing, organizational structure and budget allocation, and the range and quality of goods and services they provide.

FAO is publishing this series of country case studies to enhance knowledge and information on best practices for establishing and operating well-performing agribusiness units. The various organizational models applied by countries to cater to the changing agribusiness environment are also explored, including mechanisms to build linkages with other relevant ministries (e.g., of industry and commerce) and private institutions. The series provides an opportunity to raise awareness about the need for stronger public commitment to inclusive agribusiness and agro-industrial growth, reflected in a more generous allocation of human and financial resources to empower agribusiness units and similar structures within MOAs. Refocusing the core functions and/or targeting specific commodity/value chains could also help the units to achieve a suitable balance between the requirements of their changing agribusiness mandates and their existing resource allocations, while maximizing the achievement of social goals (e.g., inclusiveness and job creation).

Acronyms

ABC	Agricultural Business Chamber
AgriBEE	Agriculture Black Economic Empowerment
AgriSETA	Agricultural Sector Education and Training Authority
AGS	Rural Infrastructure and Agro-Industries Division
BBBEE	Broad-Based Black Economic Empowerment
BRICS	Brazil, Russian Federation, India, China and South Africa
CASP	Comprehensive Agriculture Support Program
CEDD	Cooperatives and Enterprise Development Directorate
DAFF	Department of Agriculture, Forestry and Fisheries
DPW	Department of Public Works
DRDLR	Department of Rural Development and Land Reform
DTI	Department of Trade and Industry Branch
EDD	Economic Development Department
EDTM	Economic Development, Trade and Marketing
FTA	free trade area
GDP	gross domestic product
IBSA	India, Brazil and South Africa
IDC	Industrial Development Corporation
M&E	monitoring and evaluation
MOA	Ministry of Agriculture
NAMC	National Agriculture Marketing Council
NEPAD	New Partnership for Africa's Development
SADC	Southern African Development Community
SAFEX	South African Futures Exchange
SEDA	Small Enterprise Development Agency
SMMEs	small-, micro- and medium-sized enterprises
SOEs	State-Owned Entities/Enterprises
SWOT	strengths, weaknesses, opportunities and threats
USAID	United States Agency for International Development

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Executive summary

Support to agribusiness and agro-industry development in South Africa has been evolving in tandem with changes in the political environment, particularly as the country has seen transitions from apartheid to democracy. The apartheid regime promoted a dualistic agriculture sector in which a well-developed and mechanized commercial farming sector coexisted with a large number of subsistence and smallholder (communal) farms. Historically, smallholder farmers have had poor links to markets because of the apartheid regime's pursuit of laws and policies (particularly regulation and pricing) that supported powerful white commodity producers and agribusinesses while suppressing black commercial activity. The advent of democracy, coupled with the need to end state transfers to the already highly privileged white farming sector, resulted in a significant decrease in support to commercial agriculture. Among other measures, this entailed the reduction or removal of subsidies, subsidized credit and bail-out programmes, state marketing boards and trade protection, and the implementation of related reforms, including water and labour regulations.

Deregulation and liberalization of the agriculture sector has continued throughout the post-apartheid period since 1994. Given smallholders' previously poor linkages to markets, the approach adopted has aimed not only to improve on-farm productivity but also to ensure wider access to markets (and finance). Thus, current agribusiness and agro-industry development efforts by the Department of Agriculture, Forestry and Fisheries (DAFF) are based on the underlying objective of virtually all government policy: bringing the previously excluded black community into the mainstream economy through job creation and entrepreneurship.

The end of apartheid opened South Africa to new global agricultural markets, necessitating reforms in the agriculture sector to adapt it to this changing international trade environment. These reforms included diversifying export destinations and widening the basket of commodities and value-added products for export markets. Smallholder and subsistence farmers are regarded as significant players in these efforts, and improving their access to markets is perceived as crucial. Such improvements can be achieved by facilitating the establishment of marketing infrastructure and providing farmers with marketing information and capacity building programmes to increase their knowledge base. Against this background, agribusiness and agro-industry development remains a priority for DAFF as it advances its mission of contributing to economic growth, job creation, rural development, sustainable use of natural resources, and food security. DAFF's mandate covers all stages of agricultural, forestry and fisheries value chains, from inputs, production and value addition to retailing.

The current DAFF Strategic Plan (2011/2012–2014/2015) highlights the government's commitment to building a large agroprocessing sector as a way of strengthening economic and social infrastructure to foster rural development. This study describes DAFF's experiences in providing agribusiness and agro-industry services, reviews the business model used to offer these services, and proposes capacity development priorities for DAFF.

The DAFF division responsible for most agribusiness and agro-industry development policies and activities is the Economic Development, Trade and Marketing Branch (EDTM). EDTM plays a key role in achieving DAFF's priority of increasing the agriculture sector's overall contribution to growth in gross domestic product, through the creation of viable and sustainable cooperatives and rural enterprises, product value addition and increased exports. The broad aim of EDTM is to support economic growth, job creation and development by facilitating value chain integration and market access for agricultural, forestry and fisheries products. The branch has three sub-programmes or chief directorates: International Relations and Trade; Agroprocessing and Marketing; and Cooperatives and Rural Enterprise Development. Agribusiness and agro-industry development policies and programmes are handled mainly by the two chief directorates of Cooperatives and Rural Enterprise Development, and Agroprocessing and Marketing.

Appraisal of EDTM's capacities indicates that it is challenged by the need for technical expertise in new areas of agribusiness support. For instance, value chain analysis is constrained by the small number of staff with a holistic understanding of the entire value chain, and EDTM also has only limited capacity in

comprehensive monitoring and evaluation and in assessing the outcomes and impacts of its programmes on intended beneficiaries. The priority areas for capacity development identified by the study therefore include human resource capacity, information and knowledge management, support to infrastructure development, and development of a monitoring and reporting system for Agriculture Black Economic Empowerment (AgriBEE).

The study concludes by highlighting that DAFF's priority initiatives focus on agricultural value chains, in line with the government's emphasis on these chains as an important tool for achieving economic growth, employment and food security, among other ends; the fragmentation of EDTM's mandate and functions for agribusiness development across several directorates often creates coordination and duplication challenges; EDTM has limited technical capacity, compounded by vacancies in critical senior management positions (director level and above), which create uncertainty and poor continuity of management; high staff turnover disrupts the continuity of programmes and/or reduces their effectiveness, limiting the potential to develop institutional memory; and the establishment of a federal government, which was expected to improve service delivery, has instead created complexity and undue bureaucratization.

Chapter 1

Introduction

1.1 BACKGROUND

The new agribusiness era is characterized by a shift from family farms to strategically placed commercial production and processing units linked to exporters and modern retailers. New sophisticated and globalized procurement practices have been mainstreamed to comply with food quality and safety standards, including traceability requirements, and to reduce transaction costs and minimize risks. Changing consumer preferences (especially in search of pleasure, health, fitness, convenience and ethics) and concerns about climate change impacts are pushing the agribusiness sector to new heights of performance and innovation.

This changing agribusiness environment is putting increasing pressure on ministries of agriculture (MOAs) to engage in agribusiness and agro-industry development. The 2007 report of FAO's Committee on Agriculture identified the review and reform of institutional mandates for agribusiness and agro-industry¹ as a top priority (FAO, 2007). This need is emphasized by the many requests for strategic advisory support on agribusiness that FAO's Rural Infrastructure and Agro-Industries Division (AGS) has received over recent years from countries such as India, Kenya, Nepal, Pakistan, Sierra Leone and Swaziland.

To increase its knowledge and expertise on the organizational reforms and strengthening needed to create relevant agribusiness capacities in MOAs, AGS initiated a series of efforts, including the preparation of fact sheets, mission statements and a checklist on the institutional arrangements for agribusiness and agro-industry development in 19 African countries, in 2008; a study on innovative approaches – including the use of institutions – for accelerating agribusiness development in sub-Saharan Africa, in 2009; groundwork on the role

of government institutions in agribusiness, supply chain management and agro-industry development in the Commonwealth of Independent States, in 2010; and a workshop on market-oriented extension services and support to agribusiness, held in Harare (Zimbabwe) in October 2010. This workshop gathered representatives from the MOAs of 15 East and Southern African countries² for three days of presentations and discussions where a wealth of information was shared on what MOAs in these subregions were doing to adapt to the era of agribusiness. In particular, participants described the organizational changes taking place as their ministries assumed new functions related to agribusiness, focusing on the new organizational structures being put in place, the priorities and scope of service provision for agribusiness and agro-industry, and priority areas for capacity building. Based on the information gathered during this workshop, more in-depth studies were undertaken in these subregions.

In 2011, AGS complemented these efforts with a worldwide appraisal of the organizational arrangements of MOAs and – as appropriate – the cross-ministerial and long-term programming mechanisms for supporting agribusiness and agro-industry development. This appraisal focused on innovative models and characterized the new functions being assumed by MOAs; assessed how the MOAs were addressing these new functions; identified capacity building needs; and defined lessons learned and good practices.

1.2 PURPOSE

This document describes the South African experience of providing agribusiness and agro-industry services, reviews the business models used by the various directorates and units offering these services, and proposes options for capacity development priorities. The objectives of the study were three-fold: i) to clarify which directorates/units have

¹ For the purposes of this study, agribusiness enterprises include firms or business entities that produce or provide inputs, produce raw materials and fresh products, process or manufacture food or other agricultural products, transport, store or trade agricultural products, or retail such products.

² Botswana, Ethiopia, Kenya, Lesotho, Malawi, Mozambique, Namibia, Rwanda, South Africa, the Sudan, Swaziland, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe.

a mandate for advancing agribusiness and agro-industry development, highlighting the organizational changes introduced by the Department of Agriculture, Forestry and Fisheries (DAFF) – South Africa’s equivalent of the MOA – for assuming these new functions; ii) to characterize the units tasked with agribusiness and agro-industry development, describing their functional roles, key objectives, current priorities and scope of service provision; and iii) to assess the capacities of these units to fulfill their functions, the opportunities and threats affecting them, and their institutional comparative advantages for supporting agribusiness and agro-industry development.

1.3 METHODOLOGY

As a first step in the FAO review, a brief scoping survey was carried out to identify the existing organizational structures with a mandate for agribusiness in countries of the region. This survey identified DAFF as the Government of South Africa’s main agribusiness unit. An in-depth study of this unit was then undertaken, using two main sources of information: key informant interviews and secondary data and information. See Annex 1 for a list of key informants.

1.4 ORGANIZATION OF THE REPORT

This document has five sections. This first section provides information on the background, purpose and methodology of the study. Section 2 presents an institutional profile of the DAFF directorates engaged in agribusiness and agro-industry development, and provides a summary of relevant activities at the provincial level; section 3 describes the business model for service provision and assesses the scope of services provided against a set of 11 service areas selected for the FAO study series: appraisal of business models; value chain analysis, including benchmarking, chain coordination or facilitation; building of business and entrepreneurial skills; reinforcement of business and market linkages; support to collective action and alliance building; finance and investment appraisal and support; trade and marketing appraisal and support; agro-industry and processing appraisal and support; development of policy and strategy papers; lobbying and advocacy in the agribusiness sector; and sharing knowledge and information sharing pertaining to the agribusiness sector. Section 4 identifies priority areas for capacity building pertaining to these topics and service areas; and section 5 presents conclusions and key findings.

Chapter 2

Institutional profile

2.1 OVERVIEW OF DAFF

Until 2009, DAFF was known as the Department of Agriculture. Following government elections in that year, the department underwent significant restructuring and review to align it with the general focus and approach of the new government. DAFF is the Government of South Africa's principal agency mandated to cover all stages of agricultural, forestry and fisheries value chains, from inputs, production and value addition, to retailing. South Africa's decentralized state structure incorporates three levels of government: national, provincial and local. Each of the nine provincial governments has its own agriculture department, mandated to implement the national-level policies set by DAFF, as well as their own policies for addressing needs at the provincial level. The primary responsibility of local governments is to provide access to crucial public services, including by unleashing local political and creative energies to bring government closer to the people.

Although some DAFF programmes were already in place prior to 2009, it is important to note that DAFF is a relatively new unit and is still dealing with reorientation issues, which limit the scope for carrying out a full assessment of its capacities and overall performance.

Vision

The vision of DAFF is to be a dynamic, united, prosperous and people-oriented leader in the agriculture sector.

Mission

This vision is to be achieved by developing and sustaining an agriculture sector that contributes to and promotes economic growth and development, job creation, rural development, sustainable use of natural resources, and food security.

Medium-Term Strategic Framework

The Government of South Africa's current Medium-Term Strategic Framework for 2011/2012–2014 sets core policy mandates for addressing

broad national challenges, with 12 key outcomes to be realized through intergovernmental cooperation. Based on a logical framework, these outcomes clarify what the government expects to achieve, how it is to be achieved, and how achievements are to be tracked and measured:

1. Improved quality of basic education.
2. A long and healthy life for all South Africans.
3. All people in South Africa are and feel safe.
4. Decent employment through inclusive economic growth.
5. A skilled and capable workforce to support an inclusive growth path.
6. An efficient, competitive and responsive network of economic infrastructure.
7. Vibrant, equitable and sustainable rural communities with food security for all.
8. Sustainable human settlements and improved quality of life for households.
9. A responsive, accountable, effective and efficient local government system.
10. Environmental assets and natural resources that are well protected and continually enhanced.
11. Creating a better South Africa and contributing to a better and safer Africa in a better world.
12. Efficient, effective and development-oriented public services and an empowered, fair and inclusive citizenship.

Each of the 12 outcomes has a set of measurable outputs with targets, and a delivery agreement. Many of these delivery agreements involve all spheres of government and partners outside government, and the agreements reflect the government's plans for delivering and implementing its priorities.

To achieve these outcomes, government clusters have developed core policies, including the New Growth Path, the Industrial Policy Action Plan, the Comprehensive Rural Development Programme and the Integrated Growth and Development Plan for Agriculture, Forestry and Fisher-

ies.³ DAFF contributes directly to three of the 12 outcomes: 4 – Decent employment through inclusive economic growth; 7 – Vibrant, equitable and sustainable rural communities with food security for all; and 10 – Environmental assets and natural resources that are well protected and continually enhanced. Over the Medium-Term Expenditure Framework period, DAFF will contribute towards these outcomes and outputs by:

- increasing the number of smallholder farmers by 2014, by carrying out an initial assessment, pre-settlement training and post-settlement support through extension services;
- establishing a joint-venture funding model with smallholders, which will include incentives to encourage the establishment of private sector microfinancing outlets with favourable lending terms through cooperatives or existing financial institutions in targeted rural areas;
- building capacity for effective and efficient extension and technical support for the development and installation of agricultural and aquaculture production infrastructure in target areas (with one scheme per district municipality by 2014), including the rehabilitation of existing irrigation schemes, and the fencing of commercial land to encourage optimal land use;
- accelerating implementation of the National Extension Recovery Plan by recruiting extension and technical advisory officers, and reviewing and developing policies for recruitment, training and development;
- implementing the Market Identification Strategy to ensure that the products produced by smallholder farmers have a domestic market and to integrate viable smallholders into the established export networks of commercial producers;
- establishing production schemes for smallholder farmers by 2015, including schemes for crops, forestry, fisheries and livestock; DAFF will assist provinces in accelerating the establishment of viable and sustainable cooperatives by training potential cooperative members in relevant skills;
- developing the Agroprocessing Strategy (June 2011) and creating the capacity to implement it through provincial and local stakeholders, encouraging the one-product, one-district approach to ensure competitiveness and economies of scale; five memoranda of understanding have been signed for capacity building programmes in research and development on the establishment of rural agroprocessing enterprises through one-product, one-district schemes, with the aim of providing new agroprocessing jobs by 2020; a demonstration centre for aquaculture production and processing will be established at Gariep Dam.

Agribusiness-oriented initiatives that would support DAFF's drive to create employment include improving *access to markets*. In collaboration with the National Agriculture Marketing Council (NAMC), DAFF will implement the Market Identification Strategy to ensure that smallholders' products have domestic and international markets. As part of the Zero Hunger campaign, every municipality must have a fresh produce market, with state markets selling commodities for a basic food basket supplied by smallholder farmers, for whom market access is negotiated with leading food stores. This policy initiative complements one for *access to production infrastructure*, through which DAFF plans to develop agricultural and aquaculture production infrastructure in targeted areas, to ensure access to basic integrated services.

Organizational structure

DAFF consists of a network of seven levels of management, beginning with the Minister of Agriculture and moving through the Deputy Minister, the Director-General and the Chief Directorate of Operations Support, to six directorates and nine branches. Each branch is divided into chief directorates and directorates managed by deputy director-generals, chief directors and directors (Annex 2). Senior management posts are summarized in Table 1.

Among the nine branches of DAFF, the Economic Development, Trade and Marketing Branch

³ The New Growth Path was adopted by Cabinet in 2010 as a strategy for creating 5 million new jobs by 2020. Launched in 2007/2008, the Industrial Policy Action Plan provides details on key actions and time frames for the implementation of industrial policy; a revised three-year, rolling plan with a ten-year outlook is developed and launched every year to take into account rapid economic changes and global uncertainties. The Comprehensive Rural Development Programme was adopted by Cabinet in 2009 and seeks to achieve social cohesion and development in rural communities, through coordinated and integrated broad-based agrarian transformation, an improved land reform programme, and strategic investments in economic and social infrastructure in rural areas. The Integrated Growth and Development Plan aims to attain equity and transformation, equitable growth and competitiveness, environmental sustainability and good governance in the agriculture sector.

TABLE 1
Senior management positions in DAFF

Post	Number
Director-General	1
Deputy Director-General	9
Chief Director	28
Director	84
Total	122

Source: DAFF, 2011.

(EDTM) has an agribusiness mandate and is the focus of this study. This branch is under the office of the Director-General, is headed by a Deputy Director-General, and has three chief directorates, two of which are directly mandated to deal with agribusiness and agro-industry development: Cooperatives and Rural Enterprise Development, and Agroprocessing and Marketing.

Strategic goals and objectives

DAFF's strategic goals and objectives are based on the priorities in the Medium-Term Strategic Framework. Three strategic goals are relevant to agribusiness and agro-industry development – goals 1, 5 and 6 – as shown in Table 2. These goals and their related strategic objectives will be achieved over the medium term through strategic action programmes.

After a brief history of the agriculture sector in South Africa, the rest of this section 2 focuses on EDTM as the main agribusiness and agro-industry development unit within DAFF. It outlines the motivation for establishing its various units, the institutional profile of these units, the environment in which EDTM operates, the opportunities and challenges it faces, its key stakeholders and its institutional capacity.

2.2 HISTORICAL PERSPECTIVE: THE AGRICULTURAL SECTOR IN THE TRANSITION FROM APARTHEID TO DEMOCRACY

Agriculture in South Africa

South Africa is divided into several farming regions according to climate, natural vegetation, soil type and farming practices. Agricultural activities range from fields crops and horticulture to cattle ranching in the bushveld and sheep farming in more arid regions, and also include forestry and fisheries. The grain industry is one of South Africa's largest, accounting for between 25 and 33 percent of total

gross agricultural production. Maize is the largest locally produced field crop, followed by wheat and, to a lesser extent, sugar cane and sunflowers. Horticulture consists of deciduous fruits, citrus and vegetables (mainly potatoes). Livestock is the largest agricultural subsector in South Africa, with a population of 13.8 million cattle and 28.8 million sheep (SouthAfrica.Info., 2008). Livestock value comes mainly from poultry, beef, dairy and game farming (Department of Agriculture, 2006; South Africa.Info., 2008).

Covering 1.2 million km², most of South Africa's farmland is suitable for only extensive grazing (84 million ha). Of the 13 percent that can be used for crop production, 22 percent is high-potential arable land, of which about 1.3 million ha is under irrigation. Based on the number of commercial farms, the most important provinces for agriculture are Free State (10 300 farms), Western Cape (8 300) and North West (7 600) (Department of Agriculture, 2006a; 2006b). The distribution of agricultural activities is determined mainly by climate, as the most important limiting factor is the availability of water. Since the country's first democratic elections in 1994, the government has been working to develop smallholder farming (SouthAfrica.Info., 2008).

Market deregulation and the evolution of the agriculture sector

After heavy state support for white farmers from the 1930s and 1940s onwards, the commercial farming sector, which was created through extensive state intervention in land, credit, input and output markets, went into decline in the 1970s, along with other sectors of the economy. By the late 1980s, agriculture was facing serious problems, with net income and exports decreasing, while farming debt quadrupled in less than a decade. This situation was not merely the expected sectoral decline in agriculture relative to the rest

TABLE 2

DAFF's strategic goals and objectives

Strategic goal	Strategic objectives
1. Increased profitable production of food, fibre and timber products by all categories of producers (subsistence, smallholder and commercial)	1. Promote efficient production, handling and processing of food, fibre and timber 2. Coordinate government food security initiatives 3. Improve production systems by focusing on commodities with a competitive and comparative advantage in each province 4. Promote rural development
2. Sustained management of natural resources	1. Promote environmentally sustainable production systems 2. Ensure the sustainable management and efficient use of natural resources 3. Ensure protection of indigenous genetic resources 4. Facilitate the creation of green jobs to improve livelihoods
3. Effective national regulatory services and risk management systems	1. Promote safe food by managing the risks associated with food – diseases, pests, natural disasters and trade 2. Establish and maintain effective early warning and mitigation systems
4. A transformed and united agriculture sector	1. Increase equity, ownership and participation by previously disadvantaged individuals 2. Enhance systems to support the effective utilization of assets 3. Improve social working conditions in the sector 4. Provide leadership and support to research, training and extension in the sector
5. Increased contribution of the agriculture sector to economic growth and development	1. Increase growth, income and sustainable job opportunities in agricultural value chains 2. Increase the level of public and private investment in the sector 3. Increase domestic and international market access for South African and African agricultural, forestry and fishery products 4. Increase production of feedstock to support the manufacturing sector 5. Promote the use of feedstock by-products for renewable energies
6. Effective and efficient governance	1. Establish and strengthen cooperative governance and functional relations with local and international stakeholders 2. Strengthen policy, planning, monitoring, evaluation, reporting and sector information 3. Provide effective audit, investigative and legal, human resources and financial risk management 4. Improve the quality of departmental service provision by implementing quality standards, Batho Pele (people first) principles and the general legislative mandate 5. Provide leadership and manage communication and information

Source: DAFF, 2011.

of the economy, but was also a reaction to the removal of state support during the 1980s, which resulted in agriculture's contribution to gross domestic product (GDP) declining to 4.6 percent in 1990. As demonstrated in the literature, neither racial discrimination nor the price distortions in South African agriculture could be sustained, and pressure for a reversal of these policies began to mount during the 1980s.

With the advent of democracy, and the need to end state transfers to the already highly privileged white farming sector, the 1990s saw a significant

reduction in support to this sector. Reforms included the reduction or removal of subsidies, subsidized credit and bail-out programmes, state marketing boards and trade protection, and the introduction of water, labour and other regulations. Maize subsidies were abolished in 1993; interest rate subsidies and export subsidies had been brought to an end by 1997; and by 2008, price support remained in only the sugar industry. By 1998, agriculture's producer support estimate was 4 percent, the second lowest in the world after New Zealand; by 2001, total annual state spending on agriculture stood at R2.5

billion (approximately US\$290 million)⁴ – just 45 percent of its 1998 levels (Vink and Kirsten, 2003).

Prior to these reforms, marketing of agricultural products was regulated through 22 marketing control boards in a single channel (World Bank, 1994). While elsewhere in the world, marketing boards have been used to keep producer prices down – to ensure a cheap supply of food and downstream agricultural products and, where possible, to increase state revenue from agriculture – in South Africa they served the opposite purpose of redistributing resources from the rest of the economy to the commercial farming sector. Until the 1980s, state price controls maintained high maize prices, resulting in a net welfare transfer from lower-end black consumers to white farmers producing maize (Van Schalkwyk, Groenewald and Jooste, 2003). Despite the benefits accruing to farmers, however, market deregulation was supported by better-off farmers and agri-entrepreneurs involved in secondary agriculture, who lobbied to be able to market freely at the end of the sanctions era; this resulted in the 1992 Kasser Commission of Inquiry into agricultural marketing, which supported continued trade liberalization and deregulation, while advocating for the retention of state monopolies in certain commodities. The Marketing of Agricultural Products Act No. 47 of 1996 further deregulated marketing and established the NAMC to advise government on statutory measures for regulating agricultural marketing. NAMC has some powers of intervention, including the authority to fix prices and control imports, but has been disinclined to use them. By 1998, all control boards had been privatized, and the new marketing environment resulted in a proliferation of private marketing and export agents.

In place of price control, the South African Futures Exchange (SAFEX) was established in 1988 as a futures market for grain staples: white and yellow maize, wheat, soya, sunflower seeds, etc. This was the main price discovery mechanism for these commodities in the post-market control era, providing price risk management and stabilizing prices. However, the Food Price Monitoring Committee found that SAFEX contributed to price volatility and overshooting, which allowed large players to manipulate prices; was inaccessible to small producers and millers; and was likely to lead to market concentration in the medium to long term.

The commercial sector emerging from this era of deregulation presented a mixed picture. Certain commodities, including maize, remained in crisis, but there was increased efficiency through vertical integration and elaboration of privatized value chains – from production to marketing, processing and packaging, distribution and retail. As a result, agribusiness has thrived at the cost of smaller and poorer farmers, who are unable to take advantage of economies of scale outside primary production. However, growing alliances in organized agriculture – through the Presidential Working Group on Agriculture – have forged closer links between smallholders and agribusinesses, white and black established farmers, and the increasingly important commercial banks (Hall, 2009). Commercial agriculture remains important to the South African economy.

Owing to its historical legacy, the South African agriculture sector remains dualistic, with a well-developed and mechanized commercial farming sector coexisting with a large number of subsistence (communal) farms. A notable challenge for these smallholders is access to markets: smallholders' historically weak links to markets have adverse effects on the profitability of their endeavours and subsequently on their incentives for remaining in agriculture. This lack of market access is a result of poor infrastructure and communication: smallholder farmers' linkages to markets were deliberately weakened under the apartheid regime in which the agrofood and agro-industry system was governed by laws and policies that aligned power towards white commodity producers and agribusinesses while suppressing black commercial activity. An important component of governance of the agriculture sector under apartheid was the regulation of marketing and pricing, based on the 1937 Marketing Act under which more than 75 percent of agricultural products were sold through controlled marketing schemes.

Deregulation and liberalization of the agriculture sector has continued throughout the post-apartheid period since 1994. Given smallholders' previously poor linkages to markets, the approach was not only to improve their on-farm productivity but also to ensure they had access to markets (and finance). Current agribusiness and agro-industry development efforts by DAFF are therefore based on the objective – shared with virtually all government policy – of bringing the previously excluded black community into the mainstream economy through job creation and entrepreneurship.

In addition, the end of apartheid opened South Africa to new global agricultural markets, necessi-

⁴ At 2001 exchange rate of 8.61 obtained from World Development Indicators.

tating reforms to adapt the agriculture sector to the changing international trade environment. These reforms entailed the diversification of export destinations and widening of the basket of commodities and value-added products for export markets. Smallholder and developing farmers are viewed as significant players in these efforts, and improving their access to markets is considered critical, particularly by facilitating the establishment of marketing infrastructure, and providing them with marketing information and capacity building programmes to increase their knowledge base. Against this background, agribusiness and agro-industry development remains a priority for DAFF as it advances its mission of contributing to economic growth, job creation, rural development and sustainable use of natural resources, and food security.

2.3 INSTITUTIONAL PROFILE OF EDTM

Purpose

EDTM plays a key role in DAFF's efforts to increase the agriculture sector's overall contribution to growth in GDP through the creation of viable and sustainable cooperatives and rural enterprises, product value addition and increased exports. Its broad mandate is to (DAFF, 2011):

1. ensure value chain integration;
2. facilitate market access for agricultural, forestry and fisheries products.

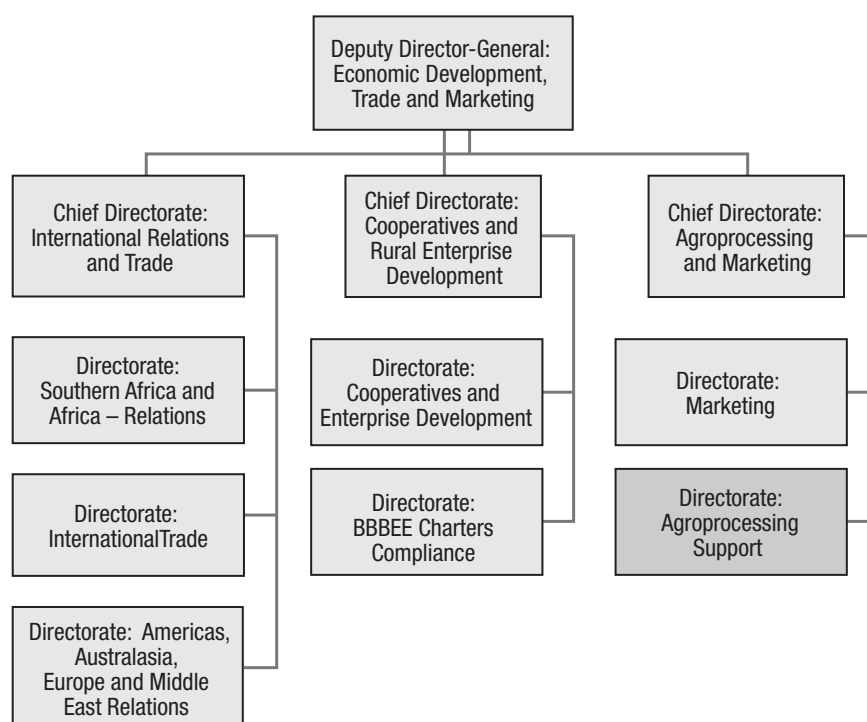
Accordingly, EDTM interventions focus on training, providing marketing information and facilitating the establishment of agricultural marketing infrastructure, particularly for smallholder and developing farmers. The branch also engages in agricultural economic research, provides policy advice and works with other government departments to improve the efficiency of agrologistics systems to promote an efficient and cost-effective flow of agricultural, forestry and fisheries commodities across the economy (DAFF, 2011).

Organizational structure

The current organizational structure of EDTM is presented in Figure 1.⁵ Three chief directorates make up the branch: International Relations and Trade; Agroprocessing and Marketing; and Cooperatives and Rural Enterprise Development. Agri-

⁵ A detailed organizational chart of DAFF is presented in Annex 2.

FIGURE 1
The organizational structure of EDTM



Source: DAFF, 2011.

business and agro-industry development policies and programmes are handled mainly by the Cooperatives and Rural Enterprise Development and Agroprocessing and Marketing Chief Directorates.

The Agroprocessing and Marketing Chief Directorate consists of two directorates: Marketing, and Agroprocessing Support. The Cooperatives and Rural Enterprise Development Chief Directorate also has two directorates: Cooperatives and Enterprise Development (CEDD), and Broad-Based Black Economic Empowerment (BBBEE) Charters Compliance.

Goals, objectives and priorities

EDTM focuses on strategic goals 1, 5 and 6 in DAFF's 2011/2012–2014/2015 Strategic Plan:

1. **Strategic goal 1:** Increased profitable production of food, fibre and timber products by all categories of producers (subsistence, smallholder and commercial). Under this strategic goal, the *strategic objectives* assigned to EDTM include:
 - a. coordinating government food security initiatives;
 - b. providing comprehensive support to rural development.
2. **Strategic goal 5:** Increased contribution of the agriculture, forestry and fisheries sector to economic growth and development. The *strategic objectives* associated with this strategic goal include:
 - a. increasing growth, income and sustainable job opportunities in the value chain;
 - b. increasing public and private investments in the sector;
 - c. increasing domestic and international market access for South African and African agricultural, forestry and fisheries products.
3. **Strategic goal 6:** Ensure effective and efficient governance. Under this strategic goal, the *strategic objective* is:
 - a. establishing and strengthening cooperative governance and functional relations with local and international stakeholders.

These strategic goals and objectives are outlined in Annex 3, which also highlights the indicators and targets for the 2011/2012–2014/2015 period. For illustrative purposes, the strategic goals, objective outcomes and interventions for this period are reported in Annex 4.

The agribusiness and agro-industry development objectives that EDTM is concerned with include facilitating access to domestic and international mar-

kets for agricultural, forestry and fisheries products. Access to international markets is promoted through policies and programmes that increase intra-Africa trade, including bilateral, multilateral and regional trade agreements for agricultural products. These activities are carried out in cooperation with the Department of Trade and Industry (DTI).

Access to domestic markets is facilitated through the development and promotion of value chain networks for all agricultural, forestry and fisheries products. Strategies and programmes are designed and implemented to support small-, micro- and medium-sized enterprises (SMMEs), provide farmers who are ready to import and/or export with training in marketing skills, establish marketing infrastructure for fresh produce, and promote agro-processing job creation. These initiatives are expected to feed into the strategic objective of increasing growth, income and sustainable job opportunities throughout the agricultural value chain.

EDTM is also mandated to facilitate the functioning of the Agriculture Black Economic Empowerment (AgriBEE) Charter Council towards finalization of the AgriBEE sector codes: increasing the number of AgriBEE equity deals by 10 percent a year to increase the numbers of sustainable land and agrarian reform projects and beneficiaries; increasing the number of farmers and/or entrepreneurs obtaining access to financial services; and increasing the number of member-based financial institutions linked to financial markets. The Forest Sector Transformation Charter will develop a monitoring and reporting system to enable the Charter Council to report on the state of transformation in the forest sector.

As indicated in Figure 1, EDTM has three chief directorates: the overall objective of the International Relations and Trade Chief Directorate is to develop and implement policies and programmes that facilitate, coordinate and support international relations and international trade in the agriculture, forestry and fisheries sectors; the Agroprocessing and Marketing Chief Directorate is responsible for developing and implementing policies and programmes that ensure the transformation of primary agricultural, forestry and fisheries commodities into value-added products, and facilitate access to domestic and international markets for these products; and the Cooperatives and Rural Enterprise Development Chief Directorate develops and implements initiatives to promote participation of the agriculture, forestry and fisheries sectors in the economic development of businesses.

This report focuses on the latter two of these chief directorates, as they have specific roles in support-

ing agribusiness and agro-industry development: the Agroprocessing and Marketing Chief Directorate, which consists of the Marketing Directorate and the Agroprocessing Support Directorate; and the Cooperatives and Rural Enterprises Development Chief Directorate, which consists of the Cooperatives and Enterprise Development Directorate and the Broad-Based Black Economic Empowerment (BBBEE) Charters Compliance Directorate. The chief directorates play more of a coordination role, while the directorates under them are tasked with the implementation of national policies.

Agroprocessing and Marketing Chief Directorate:

This chief directorate was established in April 2011 to ensure the conversion/transformation of primary agricultural, forestry and fisheries commodities into value-added products and facilitate access to domestic and international markets. This chief directorate has two directorates, described in the following paragraphs.

Objectives of the Marketing Directorate: The main objective of this directorate is to facilitate and support equitable and competitive participation in mainstream agricultural marketing value chains. Its legislative mandate is derived from the Marketing of Agricultural Products Act No. 47 of 1996, which provides for increasing the market access of all participants in the sector, and promoting efficiency and competitiveness in the marketing of agricultural products (Department of Agriculture, 2006b). Its key objectives include facilitating the review and implementation of legislation, implementation of the marketing strategy, and establishment and institutionalization of value chain networks. More information on the outputs, output indicators and timelines is given in Annex 5.

Agroprocessing Support Directorate: This directorate has two subdirectorates: Agroprocessing Enterprise Development and Agrologistics Support, and Agroprocessing Industry Research and Analysis. The structure and objectives of the directorate are shown in Annex 6.

The strategic objective of the Agroprocessing Support Directorate is to coordinate government food security initiatives, including by establishing networks for the grain, horticulture, livestock, forestry and fisheries value chains and facilitating the creation of 10 000 agroprocessing jobs by 2014/2015, in line with the plans and strategies of DAFF, DTI and the Economic Development Department (EDD). The directorate also promotes

public-private partnerships to leverage resources from the private sector.

To facilitate value addition and distribution of agricultural, forestry and fisheries commodities and products, the directorate facilitates:

- development of the agroprocessing strategy;
- promotion of South African value-added products in export markets;
- profiling of the agroprocessing industry and subsectors;
- development of support measures to promote the establishment of agroprocessing industries;
- establishment of marketing and agroprocessing associations.

The directorate's functions include:

- preparing strategies for the development of small- and medium-scale agroprocessing enterprises for agricultural, forestry and fisheries products;
- facilitating the implementation of strategies and programmes by beneficiaries and stakeholders;
- facilitating processes to ensure that capacity building, processing technologies and access to markets receive appropriate support and funding;
- providing financial and human capacity support to provincial departments so they can carry out their mandates to develop agroprocessing enterprises for agricultural, forestry and fisheries products;
- coordinating the development and implementation of agrologistics strategies and programmes.

The *Agroprocessing Enterprise Development and Agrologistics Support Subdirectorates* coordinates the design and implementation of strategies and programmes for the development of agroprocessing enterprises and agrologistics, including agroprocessing and value-addition strategies and programmes for agriculture, forestry and fisheries.

The *Agroprocessing Industry Research and Analysis Subdirectorates* undertakes analyses of agricultural, forestry and fisheries value chains to support decision-making. Its functions include developing, maintaining and analysing data, information and intelligence on these value chains; monitoring and evaluating the impact of strategies and programmes that support them; analysing and advising on the economics of value addition across value chains; and conducting studies on value chains.

Cooperatives and Rural Enterprise Development Chief Directorate: The strategic goals, objectives and priorities of the two directorates under this chief directorate are described in the following paragraphs.

Cooperatives and Enterprise Development Directorate (CEDD): This directorate came into existence in April 2011 following the restructuring of DAFF and the removal of the directorates of Agricultural Development Finance and Business Enterprise Development. These changes were in line with the government's emphasis on rural development and the realization that development finance and enterprise development should be under one directorate to avoid duplication of efforts, as the two areas are closely related. Development finance is coordinated by the Development Finance Coordination Directorate, under DAFF. Thus, although CEDD is a fairly recent directorate, many of its staff members have previous experience from the previous directorates of Agricultural Development Finance, and Business Enterprise Development.

CEDD was set up to advance DAFF's strategic goal 5, which seeks to enhance the agriculture sector's contribution to economic growth and development by increasing public and private investment in the sector (details in Annex 7). CEDD facilitates:

1. development of agriculture sector strategies;
2. establishment of partnerships within value chains;
3. establishment of marketing linkages;
4. development of the SMME Strategy within the agriculture sector;
5. establishment and support of commodity associations and cooperatives.

DAFF reports that during the second quarter of 2011/2012, 18 cooperatives were registered, a draft integrated SMME strategy was compiled, a concept document for the establishment and institutionalization of value chain networks was approved, and 230 farmers were trained in marketing-related areas.

CEDD's primary clients are previously disadvantaged farmers organized into small to medium-sized businesses or cooperatives. Individual farmers are assisted directly by provincial departments. In general, CEDD works through provincial departments.

BBBEE Charters Compliance Directorate: This directorate has one subdirectorates – AgriBEE. Its functions include providing strategic leadership for BBBEE issues within the agriculture sector,

sustaining BBBEE businesses within the sector, overseeing and providing support to the Charter Council, and providing status reports on BBBEE compliance in the agriculture sector.

The objectives of BBBEE are to:

1. promote economic transformation to enable the full participation of black people in the economy;
2. achieve substantial changes in the racial composition of ownership and management structures and skilled occupations, in existing and new enterprises;
3. increase the ownership and management of existing and new enterprises by communities, workers, cooperatives and other collective enterprises, and increase access to economic activities, infrastructure and skills training for these groups;
4. increase black women's ownership and management of existing and new enterprises, and improve their access to economic activities, infrastructure and skills training;
5. promote investment programmes that lead to broad-based and full participation in the economy for black people, to facilitate sustainable development and general prosperity;
6. empower rural and local communities by facilitating access to economic activities, land, infrastructure, ownership and skills;
7. promote access to finance for the economic empowerment of black people.

The implementation of sector charters is one of the indicators of the strategic objective concerned with increasing growth, income and sustainable job opportunities in the value chain (DAFF's strategic goal 5, as shown in Annex 8). Key objectives of the BBBEE directorate include facilitating implementation of the AgriBEE Charter sector code, the development of the Fisheries Charter and the implementation of the Forestry Charter.

AgriBEE:⁶ The AgriBEE Charter is linked to the Strategic Plan for South African Agriculture (the sector plan), which aims to develop a united and prosperous agriculture sector designed to address the challenges of agriculture's constrained global competitiveness, low profitability, skewed participation in the corporate commodity chain, low

⁶ AgriBEE is the charter for transforming agriculture in South Africa under the BBBEE Act No. 53 of 2003. AgriBEE was gazetted by the government in 2008.

investor confidence, inadequate support and delivery systems, and weak and unsustainable management of natural resources. The charter identifies seven areas of empowerment: ownership, management control, equitable employment, skills development, preferential procurement, enterprise development, and rural development, poverty alleviation and corporate social investment.

The objectives of AgriBEE are to facilitate BBBEE in the agriculture sector by implementing initiatives to include black South Africans at all levels of agricultural activities and enterprises. Major initiatives include: i) promoting black people's equitable access to and participation in the entire agricultural value chain; ii) de-racializing land and enterprise ownership and the control and management of existing and new agricultural enterprises; iii) unlocking the full entrepreneurial skills and potential of black people in the agriculture sector; and iv) facilitating structural changes in agricultural support systems and development initiatives to assist black South Africans in owning, establishing, participating in and managing agricultural enterprises, thereby restoring their dignity within the sector.

Another initiative involves increasing the ownership and management of existing and new agricultural enterprises by communities, workers, cooperatives, other collective enterprises and black designated groups, including by increasing access to economic activities, land, infrastructure and skills training for these groups. AgriBEE also aims to improve the living and working conditions of farm workers, and the protection and standards of land rights and tenure security for labour tenants, farm workers and other vulnerable farm dwellers, emphasizing permanent forms of tenure and transference of landownership.

An AgriBEE Fund has been set up to facilitate the acquisition of equity by existing agricultural enterprises and related businesses. Objectives of the fund include promoting the entry and participation of black people throughout agricultural value chains, by funding equity deals and SMME development, and increasing the numbers of black people owning, managing and controlling sustainable enterprises in the agriculture sector, including by enhancing the participation of designated groups throughout the value chain, as stated in the AgriBEE Charter.⁷

⁷ Designated groups include black women, black youth, black farm workers, and black people living with disabilities.

Agribusiness and agro-industry development activities at the provincial level

As outlined in section 2.1, national, local and provincial governments are guided by 12 outcomes developed by the South African Government to guide all spheres of government in improving the livelihoods of South Africans. The nine provincial agriculture departments contribute to the achievement of these outcomes while keeping their own circumstances and priorities in mind. Their work is guided by national-level policies developed by DAFF.

All government units engaged in agribusiness activities contribute mainly to the attainment of outcome 7: Vibrant, equitable and sustainable rural communities with food security for all. The expected outputs under this outcome include sustainable agrarian reform; improved access to affordable and diverse food; rural services and sustainable livelihoods; rural job creation linked to skills training and the promotion of economic livelihoods; and an institutional environment for sustainable and inclusive growth.

Table 3 presents the provincial agriculture departments, and lists their chief directorates and/or directorates involved in agribusiness and agro-industry development.

Agribusiness and agroprocessing services offered by the provincial agriculture departments focus on agricultural business development, support to the development of business/enterprise plans, access to finance, market linkages through market centres, agroprocessing and value-adding opportunities, and partnership agreements. Emphasis is placed on emerging agribusinesses. A detailed list of the agribusiness and agroprocessing services offered by the provincial departments, their clients and stakeholders is provided in Annex 9.

2.4 INSTITUTIONAL ENVIRONMENT **Policy and socio-economic environment**

South Africa's national government is primarily concerned with the formulation of policies and programmes, while the nine provincial governments are concerned with implementation. The country was under apartheid until 1994, when it transitioned to multiparty democracy with an independent judiciary and a free and diverse press. As indicated in section 2.2, marketing policy and practice under apartheid were governed mainly by the 1937 Marketing Act, which favoured white commercial farmers and denied black farmers access to most markets for farm produce. In the 1980s, reforms aimed at reducing state protection and interventions in the agricultural sector were introduced. In the post-apartheid era,

TABLE 3
Agriculture departments at the provincial level

Province	Name of department	Directorates and/or subdirectorates for agribusiness and agro-industry development
Eastern Cape	Rural Development and Agrarian Reform	Agricultural Economics, with two subdirectorates: i) Agribusiness Development and Support; and ii) Macroeconomics and Statistics
Free State	Agriculture and Rural Development	–
Gauteng	Agriculture and Rural Development	Economics and Marketing
Kwa-Zulu Natal	Agriculture and Rural Development	Agriculture Development Services, with two subdirectorates: i) Farmer Support and Development; and ii) Agricultural Economics
Limpopo	Agriculture and Rural Development	Agricultural Economics Development Planning and Agribusiness Development, with two subdirectorates: i) Agribusiness Development Support; and ii) Macroeconomics and Statistics
Mpumalanga	Agriculture, Rural Development and Land Administration	–
Northern Cape	Agriculture, Land Reform and Rural Development	Agricultural Economics, with two subdirectorates: i) Marketing; and ii) Macroeconomics and Statistics
North West	Agriculture, Conservation, Environment and Rural Development	Rural Development and Agribusiness, with two subdirectorates: i) Rural Development; and ii) Agribusiness
Western Cape	Agriculture	Agricultural Economics, with two subdirectorates: i) Agribusiness Development Support (further divided into Production Economics, and Marketing and Agribusiness); and ii) Macroeconomics and Statistics (further divided into Macro- and Resource Economics, and Statistics)

Source: Authors' compilation based on provincial Web sites and official documents.

interactions between smallholders and markets are governed by the Marketing of Agricultural Products Act No. 47 of 1996, which brings black smallholder farmers under one national agricultural market policy regime (as elaborated in the 2001 Strategic Plan for Agriculture [Department of Agriculture, 2001]). The 1996 act's four main objectives are to:

- increase market access for all market participants;
- enhance efficiency of the marketing of agricultural products;
- optimize export earnings from agricultural products;
- enhance the viability of the agriculture sector.

By putting small-scale farmers on an equal footing to other actors along the agricultural marketing chain, including well-established commercial farmers, and establishing NAMC to advise the Minister of Agriculture on marketing issues, the act provides the basic template for all policies that focus on agrofood markets, including the 2001 Strategic Plan for Agriculture, AgriBEE, land reform programmes and the Comprehensive Agriculture Support Programme. This last programme was launched in 2004 to expand the provision of support services and

promote and facilitate agricultural development, particularly for the beneficiaries of land reform and other agrarian reform programmes. The projects it supports include agroprocessing initiatives.

The 2001 Strategic Plan for Agriculture endorsed the market-oriented reforms and emphasized the use of “market forces to direct business activity and resource allocation” in the agriculture sector. Smallholders are assisted in increasing their access to markets through, for example, the removal of entry barriers and the establishment of strategic partnerships with large-scale commercial farmers and commodity producers (Department of Agriculture, 2001).

Since 1996, black smallholder farmers have been recognized as significant stakeholders in farming, and the need to improve their access to agrofood markets (especially export markets) has been emphasized. Policies such as the 2001 Strategic Plan and AgriBEE of 2006 more explicitly recognize the need for supportive measures and interventions to facilitate full market access for smallholders.

The current DAFF Strategic Plan (2011/2012–2014/2015) highlights the government's commitment to building a large agroprocessing sector as a way of building and strengthening economic and social infrastructure to foster rural development. This com-

mitment is also consistent with the South African Industrial Policy Action Plan 2010/2011–2012/2013, which prioritizes agroprocessing as a crucial element in job creation and the promotion of both upstream and downstream linkages in value chains.

EDTM stakeholders

Clients: As highlighted in section 2.2, South Africa's historical legacy left poor smallholder farmers with poor access to markets and finance. In addition to enhancing the farm productivity of smallholders, post-apartheid policies therefore also sought to commercialize smallholders' agricultural activities through ensuring their access to markets. This means that agribusiness and agro-industry development is central to DAFF's aim of bringing the previously excluded black community into the mainstream economy through job creation and entrepreneurship. In line with this, the primary clients of EDTM are the agricultural black community. The levels and types of assistance and support provided vary among the different directorates and spheres of government departments. For example, CEDD works with SMMEs, while provincial departments deal with individual farmers.

Partners within DAFF: EDTM collaborates with all the other branches of DAFF. In the area of agribusiness and agro-industry development, it works with the Food Security and Agrarian Reform Branch, which is tasked with facilitating and promoting food security and agrarian reform programmes and initiatives. This branch's Directorate for Smallholder Development has several commonalities with EDTM, including a shared focus on smallholder productivity and market integration. EDTM also works with the Forestry and Natural Resources Management Branch, particularly the Small-Scale Forestry Directorate, which promotes agribusiness and agro-industry development in the forestry sector: for example, EDTM's BBBEE Charters Compliance Directorate facilitates implementation of the Forestry Charter and sector code to improve access to markets for small-scale forestry entrepreneurs. EDTM's work with the Fisheries Management Branch is principally with the Small-Scale Fisheries Directorate, which promotes agribusiness and agro-industry development in the fisheries sector.

Other South African partners: EDTM also works with other government departments whose mandates relate to agribusiness and agro-industry development.

DTI's mandate includes enterprise development, and its Small Enterprise Development Agency (SEDA) is a close partner of EDTM. SEDA was established in December 2004 with a mandate to implement the government's strategy for small businesses, design and establish a national network for the delivery of small enterprise development initiatives, and integrate government-funded small enterprise support agencies across all tiers of government. DTI is also responsible for the management and implementation of BBBEE, and the Secretariat of the Broad-Based Black Empowerment Advisory Council is located at DTI. While DTI focuses on enterprise development and BBBEE in general, DAFF (through EDTM) focuses on them at the agriculture sector level.

The Department of Rural Development and Land Reform (DRDLR) focuses on rural areas, which is where EDTM's main clients – poor, previously disadvantaged black farmers/households – reside. Both DAFF and DRDLR were founded in 2009, when the government decided to put more emphasis on rural development and land reform issues. Thus, while DAFF is the equivalent of a traditional MOA, DRDLR complements and supplements its services by focusing on rural development and land (or agrarian) reform. DRDLR's Chief Directorate of Rural Livelihoods and Food Security is tasked with facilitating value-added services such as agroprocessing and the establishment of village industries and enterprises. This is expected to promote economic development and the creation of rural enterprises, resulting in improved rural livelihoods.

The Agricultural Sector Education and Training Authority (AgriSETA) was established in 2005 under section 9(1) of the Skills Development Act No. 97 of 1998, primarily to develop a plan for the agriculture sector within the framework of the national Skills Development Strategy. EDTM works closely with AgriSETA in developing agricultural training programmes, particularly the Farm-Together Cooperatives Training Programme and agribusiness appraisal tools.

Academic institutions: EDTM works with local universities, including those of Pretoria and Free State.

The Agricultural Business Chamber (ABC) was formed in the 1950s as a cooperative board to coordinate South Africa's diverse agriculture sector with its many cooperatives and agribusinesses throughout the country. ABC's current form was established

ten years ago, and its objective is to support and assist agribusinesses and companies serving primary producers, by advocating for the creation of an enabling environment for business in agriculture. ABC is a dynamic and influential body of agribusinesses working together to create the conditions where they can perform competitively and profitably.

ABC is the only organization that serves the broader interests of agribusinesses in South Africa. It provides considerable networking opportunities, giving South African agribusinesses an active and creative role in local and international business environments, and is closely involved in many aspects of the legislative and policy environment. ABC focuses on strategic areas that have a direct influence on agribusinesses in South Africa (ABC, 2010):

- economic policy, international trade, and national and international competitiveness;
- black economic empowerment, transformation and the promotion of links between agribusinesses and the developing agriculture sector;
- agrologistics and infrastructure constraints;
- the New Partnership for Africa's Development (NEPAD) and African issues, through the Africa Agribusiness Forum, the NEPAD Business Foundation, the NEPAD–Organisation for Economic Co-operation and Development Africa Investment Initiative, the Alliance for a Green Revolution in Africa and other fora;
- skills training, labour issues and HIV/AIDS.

ABC members are mainly large agribusinesses that handle, process and market agricultural products and supply production inputs and services. These members represent a sizeable portion of the agribusiness sector, with a combined turnover of R66.7 billion (approximately US\$6.7 billion) and just over 21 000 permanent employees. ABC provides its members with a network that is widely recognized as an important, politically neutral and influential player in the agribusiness sector of South Africa. ABC is fully funded through membership fees and receives no support from government or external organizations.

ABC members provide South African agriculture with a large commercial network of agricultural infrastructure, depots, trading stores, input supplies, and financial and advisory services, which are available to all farmers. Many black farmers buy their inputs at the trading stores of ABC members, and deliver their commodities to members' depots and silos (Van Rooyen, Hobson and Kirsten, 2010).

ABC was actively involved in negotiating the gazetted AgriBEE Transformation Charter, formu-

lating related policy, and positioning agribusinesses accordingly. It is a member of the AgriBEE Charter Council, which oversees the implementation of BBBEE in the agriculture sector.

ABC also has a major role in the land reform process by providing consultation and negotiation opportunities for agribusinesses to contribute (together with government and other players) to land reform and post-settlement support for successful commercial black farmers under DRDLR's Recapitalization and Development Programme.

Industrial Development Corporation (IDC): IDC is an Africa-wide, fully self-financed development finance institution established in 1940 by the Government of South Africa. Under the supervision of EDD, IDC has a strong capital base developed over years of sound investment, and aims to be the primary source of commercially sustainable industrial development and innovation for South Africa and the rest of Africa. It provides risk capital to commercially viable businesses in various sectors and its objectives include supporting industrial development capacity and promoting entrepreneurship.

IDC's Agro-Industries Strategic Business Unit provides support for a wide range of food and non-food production activities in the agricultural value chain. Investing in these industries is critical to South Africa's economic development plans, encouraging economic growth and job creation and reducing poverty and food insecurity. The unit provides funding to several subsectors of the agricultural value chain, such as agroprocessing of food and non-food commodities, which can include on-farm, first-tier processing (such as packing and sorting) and backwards integrated agroprocessing projects; beverages, both alcoholic and non-alcoholic; and aquaculture. IDC supports BBBEE through its involvement in boosting black ownership, management and employment equity, skills development, and support to local, provincial and national government projects that adhere to the principles set out in BBBEE legislation. IDC also encourages its stakeholders to comply with BBBEE policies and encourages the private sector to co-finance BBBEE transactions.

International donors and technical agencies: Several international organizations and agencies work with EDTM, mainly in an advisory role.

FAO: FAO has been working with EDTM's Agroprocessing Support Directorate to develop a concept note on linking smallholder producers to

markets through agrofood parks in South Africa. The principle underlying this note is that developing agrofood or agro-industrial parks will facilitate investments in agroprocessing, thus strengthening farmer-to-market linkages. This principle is still at the conceptualization stage, however, and work has been stalled, partly by the need to complete a strategy document for the Agroprocessing Support Directorate.

The United States Agency for International Development (USAID): USAID recognizes that although South Africa is the region's economic leader, its economy suffers from significant wealth inequality, high unemployment and a lack of skilled workforce among historically disadvantaged populations. To combat these challenges, and in line with the government's strategy for job creation and equitable growth, USAID is focusing on creating employment and income sources for historically disadvantaged people through the development of small and medium-sized enterprises in the manufacturing, services and agriculture sectors. USAID provides technical assistance to enhance the competitiveness of historically disadvantaged small businesses and helps them to build commercial ties with larger, more established businesses in South Africa and around the world. USAID is also increasing access to financial services by working closely with banks and other financial service providers and reforming the financial legal and regulatory framework.

In 2010 and 2011, USAID invested US\$2 million and US\$2.5 million, respectively, in South Africa's agriculture (USAID, 2009).

2.5 INSTITUTIONAL CAPACITY

Financial resources

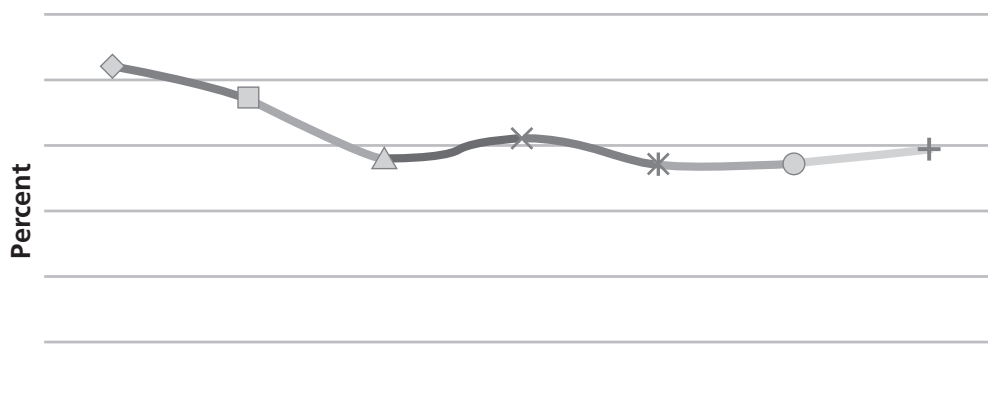
Table 4 shows expenditure trends within EDTM. The ratio of administrative costs to line function costs is 1:7. Emphasis is on promoting market access and trade; strengthening EDTM's participation in multilateral agencies; establishing market infrastructure; providing market information, trade intelligence and training; developing entrepreneurs; developing and implementing the sector charter and strategies; and creating an enabling environment to support SMMEs within the agriculture sector.

General trends show that expenditure increased from R186.6 million in 2008/2009 to R205.4 million in 2011/2012 (approximately US\$18.7 million to US\$20.5 million), at an average annual increase of 3.2 percent. Over the medium term, expenditure is projected to increase to R243.6 million (US\$24.4 million), at an average annual growth rate of 5.9 percent. The increase over the Medium-Term Expenditure Framework period is mainly to adjust to inflation and allocations to AgriBEE equity projects.

As shown in Table 4, the Cooperatives and Rural Enterprise Development Chief Directorate accounted for 35 percent of total EDTM expenditure in 2011/2012, the Agroprocessing and Marketing Chief Directorate for close to 24 percent, and the International Relations and Trade Chief Directorate for 40 percent – the largest share. The remaining expenditure was for management of EDTM and its programmes.

As illustrated in Figure 2, EDTM's share in total DAFF expenditure is on a declining trend, remaining below 6 percent throughout the years considered. This places financial limitations on EDTM's operations.

FIGURE 2
Trend in EDTM's share in total DAFF expenditure (2008/2009–2014/2015)



Source: Computations based on National Treasury, 2012.

TABLE 4
EDTM expenditure trends 2008/2009–2014/2015 (thousand rand)

Chief directorate	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Management	1 201	709	1 268	2 344	2 533	2 672	2 792
International Relations and Trade	83 376	79 602	85 436	81 846	89 066	93 814	103 108
Cooperatives and Rural Enterprise Development	70 746	67 305	17 463	72 617	74 136	78 265	85 991
Agroprocessing and Marketing	31 291	37 602	41 166	48 591	46 298	49 081	51 739
	186 614	185 218	145 333	205 398	212 033	223 832	243 630
Economic classification							
Compensation of employees	37 401	41 274	48 698	56 734	71 855	76 245	79 094
Goods and services	31 904	33 856	34 884	46 898	51 670	54 739	65 886
Interest and rent on land	–	–	4	19	22	23	24
Transfers and subsidies	116 916	109 595	60 928	100 787	87 920	92 212	98 026
Payments for capital assets	393	489	777	960	566	613	600
Payments for financial assets	–	4	42	–	–	–	–
	186 614	185 218	145 333	205 398	212 033	223 832	243 630
Total DAFF expenditure	3 564 899	3 961 755	3 850 664	4 964 449	5 798 772	5 975 690	6 329 145

Sources: DAFF, 2011; National Treasury, 2012.

Human resources

DAFF's organizational restructuring has resulted in frequent changes in staffing levels, with several positions remaining vacant. Currently, EDTM is headed by an acting rather than a substantive Deputy Director-General, and the three chief directors are also acting. Of EDTM's seven directorates, only two have substantive directors, and the director positions for CEDD, the BBBEE Charters Compliance and Agroprocessing Support Directorates are vacant. One of the reasons for these vacancies is that some directorates are fairly new – for example, CEDD and the Agroprocessing Support Directorate were established in 2011 – and the bureaucratic nature of government means it takes a long time to fill positions. Overall, such staffing issues create uncertainty and lack of management consistency or stability in the directorates concerned. Figure 3 shows the staff complement of EDTM's management and chief directorates in 2011/2012.

Strategic leadership and governance

As in all government departments in South Africa, EDTM's senior management applies a participa-

tory management style. Consultative meetings are held regularly among and across different tiers of management, and annual review and planning meetings are held with all staff present.

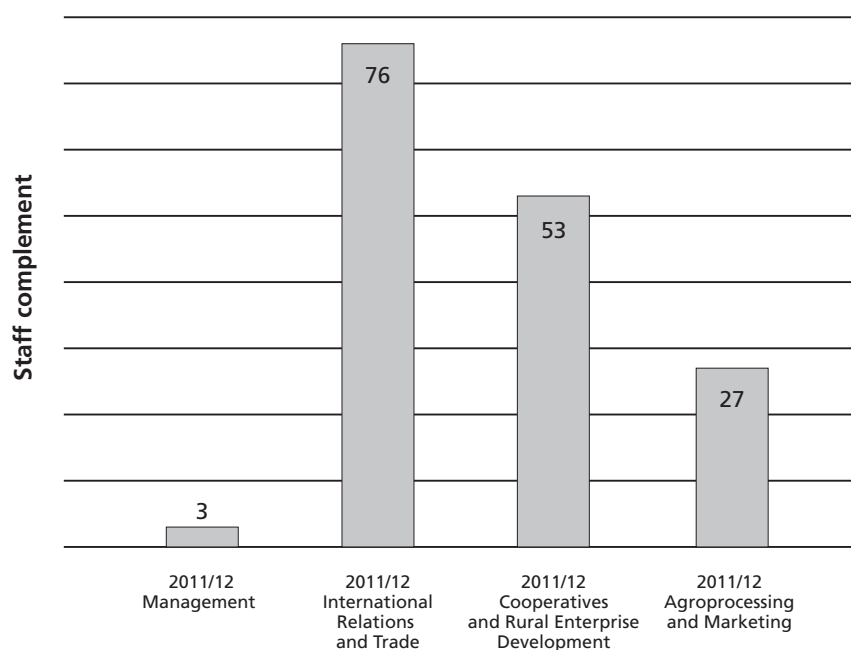
At the directorate level, decisions are taken principally by the director, usually after consultations with all concerned staff members.

2.6 INTER-INSTITUTIONAL LINKAGES

EDTM participates in several inter-institutional and/or intergovernmental fora, including the following:

- *MinMECs*: Ministers, members of provincial executive councils and the South African Local Government Association meet every quarter to review policy and action. MinMECs help to improve coordination of activities across all spheres of government. Each sector, including agriculture, has its own MinMEC.
- *Intergovernmental Technical Committee for Agriculture*: At these meetings, the Director-General of DAFF meets provincial heads of department to develop sector strategies and priorities and recommendations for presentation at MinMEC.

FIGURE 3
EDTM STAFF positions, 2011/2012



Source: National Treasury, 2012.

- *National Intergovernmental Forum for Agriculture and Land*: This meets three times a year to align processes in the budgeting, evaluation and monitoring of projects.
- *AgriBusiness Forum*: This is the biggest annu-

al agribusiness forum in Africa and aims to forge public-private partnerships in Africa's agriculture and food sectors while highlighting the importance of including small farmers in major value chains.

Chapter 3

Appraisal of the business model for service provision

This section outlines and discusses the main services provided by EDTM, highlighting core and secondary services, clients, the main programmes and instruments used, and EDTM's capacity, performance and comparative advantages in supporting agribusiness and agro-industry development.

3.1 SERVICES PROVIDED

The core services of EDTM related to agribusiness and agro-industry development as specified in DAFF's 2011/2012–2014/2015 Strategic Plan include the following.

Cooperatives and enterprise development:

- developing a sector business policy to guide sector strategies;
- developing and implementing a skills development support programme for small enterprises;
- forging partnership agreements, including for supporting enterprise development and broadening participation within the value chain;
- developing and implementing training programmes for entrepreneurs and/or farmers;
- developing an integrated SMME strategy for the agriculture sector;
- establishing commodity associations;
- establishing cooperatives;
- developing a capacity building programme for cooperatives.

BBBEE charters compliance:

- gazetting AgriBEE sector code, section 9;
- funding AgriBEE deals, based on signed AgriBEE Fund memoranda of understanding between DAFF and the Land Bank;
- conducting studies on the status of transformation in the fisheries sector;
- implementing government undertakings regarding the Forestry Charter/sector code.

Marketing:

- leading review and amendment of the 1996 Marketing of Agricultural Products Act;

- leading review and amendment of the 1992 Agricultural Produce Agents Act;
- developing a programme for linking farmers to markets;
- developing a support programme for fresh produce marketing infrastructure;
- developing agriculture, forestry and fisheries logistics programmes/solutions;
- establishing a marketing assistance scheme;
- leading the preparation of tariff policy implementation reports;
- establishing round tables and networks for value chains.

Agroprocessing support:

- developing an agroprocessing strategy;
- developing an export promotion strategy for value-added products;
- characterizing/profiling the agroprocessing sector;
- developing agroprocessing support measures/incentives;
- establishing agroprocessing industry associations.

Table 5 summarizes the services provided by EDTM in terms of the 11 core service areas selected for the FAO study series.

Examples of service provision

The report of the fourth quarter of 2010/2011 highlights some of the services provided by EDTM, which are discussed in the following paragraphs.

Appraisal of business models, value chain analysis, and building of business and entrepreneurial skills: CEDD has trained about 181 facilitators on the SMME Excellence Model, and about 152 farms and agribusinesses have been assessed. The training equips DAFF staff with the skills to appraise agribusinesses and help owners assess their potential and map out a development path.

Development of policy and strategy papers: In 2010/2011 the Agroprocessing and Marketing

TABLE 5
Summary of EDTM core services

Service area	Provided by
1. Appraisal of business models	CEDD
2. Value chain analysis	CEDD
3. Building of business and entrepreneurial skills	CEDD
4. Reinforcement of business and market linkages	Marketing Directorate
5. Support to collective action and alliance building	CEDD, Marketing and Agroprocessing Support Directorates
6. Finance and investment appraisal and support	AgriBEE
7. Trade and marketing appraisal and support	Marketing Directorate
8. Agro-industry and processing appraisal and support	Agroprocessing Support Directorate
9. Development of policy and strategy papers	All four chief directorates
10. Lobbying and advocacy in the agribusiness sector	All four chief directorates through industry consultations
11. Sharing of knowledge and information pertaining to the agribusiness sector	All four chief directorates through Web sites (not always updated), seminars, discussion fora, etc.

Chief Directorate completed a report on the feasibility of establishing fresh produce collection and storage facilities and presented it to IDC, the Land Bank, DTI and the European Commission Fund for possible funding. The chief directorate also developed an agrologistics model for facilitating efficient transport of forestry and agricultural products.

Finance and investment appraisal and support: EDTM facilitated a Black Economic Empowerment deal between historically disadvantaged entrepreneurs and the current white owner of a wine distillery (Northside Distributors [Pty] Ltd) in Ventersdorp, North West province. A business plan was submitted to the National Empowerment Fund for funding and will also be submitted to the Land Bank for consideration under the AgriBEE Fund.

3.2 CLIENTS

CEDD's primary clients are previously disadvantaged farmers, not as individuals but organized into small to medium businesses or cooperatives. Individual farmers are assisted by provincial departments. In general, and as a principle, CED works through provincial departments.

Thus, EDTM's core clients are:

1. SMMEs and cooperatives;
2. emergent black farmers;
3. other DAFF departments, for example those providing training on the Agribusiness Excellence Model to agricultural extensionists and/or agribusiness analysts;
4. provincial agriculture departments.

Secondary clients include private and non-governmental organizations, particularly for knowledge and information sharing through fora that aim to raise industry players' awareness of the state of agribusiness in South Africa, such as the Agribusiness Forum.

Table 6 indicates the services demanded by different EDTM clients and highlights EDTM's capacity to satisfy these demands.

3.3 MAIN INSTRUMENTS AND PROGRAMMES

The main programmes and instruments that EDTM uses to deliver agribusiness and agro-industry development services are summarized in Table 7.

Pertaining to appraisal of agribusiness models and building of businesses and market linkages, EDTM implements the *Skills Development Support Programme for Small Enterprises and the Capacity Building Programme for Cooperatives*, mainly through training programmes. For appraisal of business models, EDTM's Agribusiness Excellence Model is a performance measurement and appraisal tool used in the self-assessment of emerging agribusinesses to improve their quality and performance and ensure sustainability and success. The model is based on the South African Excellence Model developed by the South African Excellence Foundation, which was created to measure and benchmark efficiency in South African businesses and organizations. It uses features of different performance measurement systems from all over the world and was first adopted by

TABLE 6

Clients, services and EDTM's capacities

Clients	Service areas demanded (based on list in Table 5)	EDTM's capacity
SMMEs and cooperatives	1, 3, 5, 6, 7	Mainly through CEDD; service area 6 is served by the BBBEE Charter Compliance Directorate, which sources funding for AgriBEE deals
Emergent black farmers	3, 4	Services currently available
DAFF staff members	3	For example, CEDD's programme for training DAFF agribusiness analysts and extension staff in facilitating agribusiness assessments and appraisals
Provincial agriculture departments	9	EDTM formulates policies and strategies in consultation with provincial departments, which are the principal implementers

TABLE 7

EDTM's main programmes and instruments for agribusiness service delivery

Service area	Programmes	Instruments
1. Appraisal of business models	Skills Development Support Programme for Small Enterprises Capacity Building Programme for Cooperatives	Training programmes on appraising and assessing agribusinesses
2. Value chain analysis	Value chain development	Support for partnership agreements, especially public-private partnerships Value chain round tables and/or networks
3. Building of business and entrepreneurial skills	Skills Development Support Programme for Small Enterprises Capacity Building Programme for Cooperatives	Training programmes Technology or business incubators in collaboration with DTI's SEDA
4. Reinforcement of business and market linkages	Programme for linking farmers to markets Agriculture, forestry and fisheries logistics programmes and solutions	Technology or business incubators in collaboration with DTI's SEDA, providing farmers with links to input and output markets Partnerships to widen participation within the value chain
5. Support to collective action and alliance building	No specific programme but such services are offered	Inter-institutional linkages, and memoranda of understanding
6. Finance and investment appraisal and support	AgriBEE Transformation Programme	AgriBEE Fund Promotion of public and private investments in the agriculture sector
7. Trade and marketing appraisal and support	Fresh Produce Marketing Infrastructure Support Programme	Development of business plans Promotion of value-added products in the export market
8. Agro-industry and processing appraisal and support	Agroprocessing support measures/incentives	Development of an incentives brochure
9. Development of policy and strategy papers	No specific programme but such services are offered	Consultations with DAFF and non-DAFF divisions or units
10. Lobbying and advocacy in the agribusiness sector	No specific programme but such services are offered	Consultations with DAFF and non-DAFF divisions or units Participation in seminars, continental agribusiness fora such as the annual Africa-wide Agribusiness Forum, and intergovernmental meetings Memoranda of understanding
11. Sharing of knowledge and information pertaining to the agribusiness sector	No specific programme but such services are offered	Seminars, discussion fora – e.g., on strategy documents

DTI for the development of SMMEs. DAFF then adopted the model to help farmers to perceive agriculture as a business rather than a subsistence operation. The model requires stakeholders' involvement in implementing action plans.

Capacity building efforts include a learning programme on analysing agribusiness enterprises for agribusiness analysts who provide agribusiness extension services to entrepreneurs. This programme focuses on developing skills in assessing the business potential of agribusiness enterprises and is based on the Smallholder Agribusiness Excellence Model, which is another adaptation of the South Africa Excellence Model. The Smallholder Agribusiness Excellence Model provides a framework to assist agricultural enterprises in becoming more competitive and is based on 11 criteria: leadership, business planning, customer focus, people management, resources and information management, processes, community responsibility, customer satisfaction, people satisfaction, supplier and partner performance, and business results.

The learning programme consists of ten learning units: i) understanding the Smallholder Agribusiness Excellence Model; ii) facilitating self-assessment by agribusiness SMMEs; iii) supporting agribusiness owners/managers in developing financial budgets; iv) gathering, analysing and evaluating data on the current financial situation of an agribusiness SMME, v) on its current marketing situation and vi) on its current operations; vii) improving the performance of agribusinesses through planning and monitoring; viii) evaluating the financial status of agribusinesses; ix) evaluating the compliance with legal requirements of agribusinesses; and x) advising agribusiness owners/managers.

This appraisal tool is expected to promote entrepreneurship and – given that most agricultural extensionists are disenfranchised, poor black entrepreneurs – contribute to black economic empowerment.

The *Capacity Building Programme for Cooperatives* includes the Farm-Together Cooperative Training Programme, which was launched in 2009 with the primary aim of training cooperatives on business and farming-related areas. It is DAFF's first accredited training programme, accommodates illiterate people and is pitched at National Qualification (NQ) level 1.⁸ The objectives of the training programme are to:

- ensure that cooperative members have the necessary skills to run their cooperatives as businesses;
- assist cooperative members in planning resource needs, so they can identify which resources will augment their production and decide whether to apply for loans or grants;
- encourage farmers to record their seasonal production;
- facilitate marketing;
- assist cooperative members in deciding whether to continue as a cooperative or to explore alternatives.

The first phase of the programme started in 2010 with training for DAFF officials at the federal and provincial levels and the staff of agricultural colleges. The plans for 2012 were to expand the training to DAFF staff in at least six provinces.

Clients of the programme are mainly cooperatives that are already operational, although newly formed cooperatives with potential are also sometimes considered; cooperatives' potential is assessed based on their resources, skill sets and infrastructure, and cooperatives of any membership size are considered.

The *Fresh Produce Marketing Infrastructure Support Programme* promotes and supports improvements to trade and marketing policy, including amendments to the Agricultural Produce Agents Act No. 12 of 1992 to widen regulation of the agents and traders that facilitate trade of agricultural products on behalf of farmers. In 2011, amendments were also made to the Marketing of Agricultural Products Act No. 47 of 1996 to increase the focus on marketing intelligence and, subsequently, to broaden access to markets. Under this programme, the Agroprocessing and Marketing Chief Directorate works closely with other partners, including IDC and the Land Bank.

The objectives of the *AgriBEE Transformation Programme* include empowering previously disadvantaged black farmers and agribusinesses through public and private investments. The AgriBEE Fund facilitates equity deals for agricultural enterprises, particularly those that have already demonstrated their viability. The specific objectives of the fund are to (DAFF, 2011):

- promote the entry and participation of black people in all stages of agricultural value chains by providing previously marginalized people with funding for equity deals and investments in agriculture sector entities and enterprise development (SMMEs);
- ensure that increased numbers of black people own, manage and control sustainable enter-

⁸ NQ level 1 learners should demonstrate applied competence and autonomy of learning.

prises in the agriculture sector and that there is improved participation by designated groups – black women, black youth, black farm workers and black people living with disabilities – throughout the value chain.

The AgriBEE Fund is managed and administered by the Land Bank but DAFF is responsible for overseeing the fund and its impact.

3.4 CAPACITIES

The training programmes described in the previous section have enabled EDTM to amass considerable capacity in *appraisal of business models, value chain analysis and building of business and entrepreneurial skills*. However, the uptake of this training is still low because of delays in implementation. Thus the depth of qualifications remains a challenge for EDTM.

One EDTM director identified marketing skills as a major challenge within the branch, implying limited capacity in *reinforcement of business and market linkages and trade and marketing appraisal and support*. EDTM often has to rely on DTI for trade support.

Although a priority, EDTM's value chain analysis activities are constrained by a lack of human resources with a holistic understanding of the entire agricultural value chain.

Capacity in *agro-industry and processing appraisal and support* is also relatively limited. These functions have recently been allocated to the Agroprocessing Support Directorate established in 2011, and the capacity to provide them is expected to improve in the near future as the directorate hires additional staff. Currently, most directorate staff members are trained in economics.

EDTM has limited capacity to engage in the *development of policy and strategic papers* because little agricultural economic research is carried out within the branch. The provision of all services, particularly training, must be based on sound analytical research.

EDTM has ample capacity in *supporting collective action and alliance building and lobbying and advocacy in the agribusiness sector*, although this capacity could be improved by easing the bureaucratic procedures that currently hamper the establishment and formalization of some alliances. In addition, the budget for these services is often limited.

Sharing of knowledge and information pertaining to the agribusiness sector is through EDTM's alliances, participation in seminars and discussion fora where, for example, the drafts of strategy

papers are discussed within and outside DAFF before they are finalized. The capacity to provide these services is also constrained by the heavy bureaucracy that is typical to many governments.

3.5 PERFORMANCE OF FBMS

The constant organizational restructuring of DAFF makes it difficult to appraise the overall performance of EDTM. In addition, EDTM relies entirely on allocations from DAFF, and so is directly affected by changes in priorities at the national as well as the DAFF level. EDTM would therefore benefit from diversifying its sources of funding through, for example, partnerships with international organizations and agencies that work in agribusiness and agro-industry development. However, the 2010/2011 fourth quarter organization performance report indicates that EDTM achieved some notable successes in 2010/2011.

EDTM lacks a comprehensive monitoring and evaluation (M&E) system and impact assessments of its programmes' outcomes and impacts on intended beneficiaries. Currently, EDTM uses the M&E system for the whole of DAFF, which is under the Policy, Planning, Monitoring and Evaluation Branch. This branch uses policy analysis, formulation, planning and monitoring to facilitate improvements to the department's performance. There is therefore need for EDTM to develop its own M&E system so it can perform in-house impact assessments of its operations.

SWOT analysis

The results of a strengths, weaknesses, opportunities and threats (SWOT) analysis of EDTM are summarized in Table 8.

Strengths: The major strength of EDTM is that it feeds directly into the government's commitment to building a large agroprocessing sector as a way of building and strengthening economic and social infrastructure to foster rural development. In addition, EDTM's activities are aligned with several national policies, programmes and plans, such as the South African Industrial Policy Action Plan 2010/2011–2012/2013, which prioritizes agroprocessing as being crucial to job creation and promoting both upstream and downstream linkages in value chains. EDTM's work is therefore relevant to the overall socio-economic development of South Africa.

A guaranteed budget allocation from the government is another strength as it facilitates consistency and predictability in EDTM's service provision. However, as in other government

departments, the spending of allocated resources is challenged by the bureaucratic nature of government and by human capacity constraints. EDTM has been able to use some of its budget allocation to establish a well-equipped office infrastructure, with computers and fairly reliable Internet access. Unfortunately, however, DAFF's Web site is not regularly updated, so it is less informative than it could be.

Close functional relationships with other government departments such as DTI and DRDLR enable EDTM to benefit from economies of scale and thus expand its agribusiness and agro-industry development projects. Relationships with provincial government departments enhance EDTM's ability to link and work with farmers and rural communities.

Weaknesses: EDTM suffers from the bureaucratic tendencies that are typical to most government departments. These create a time lag between the design of policies and their approval and implementation.

Interviewees cited the hiring of staff as a particular challenge, as the many procedures involved result in long delays in filling positions. The current vacancies in several senior positions create uncertainty and lack of management consistency or stability.

Delays in the availability of official statistics (until three months after the end of the financial year) also represent a weakness as they hinder informed planning and analysis. Statistics are collected by the Agricultural Census Division of Statistics South Africa and the Statistics and Economic Analysis Directorate of DAFF, which produces the Abstract of Agricultural Statistics.

In the 2010/2011 fourth quarter organizational performance report, the Agroprocessing and Marketing Chief Directorate cites the unavailability of funds for establishing storage and processing infrastructure as a challenge to its operations. To overcome this, the chief directorate has submitted requests to potential donors (such as the European Commission) for financial support, but no positive responses have yet been received.

Lack of a monitoring and reporting system for AgriBEE prevents accurate assessment of how AgriBEE initiatives are transforming the sector. This gap is currently being filled by the development of such a system.

Opportunities: The agribusiness and agro-industry development components of EDTM enjoy

much domestic and international support, which could be tapped. For example, international organizations such as FAO have shown interest in working with EDTM in developing agro-industry projects. Along with other African countries, South Africa has endorsed the Comprehensive Africa Agriculture Development Programme, a development framework that promotes agriculture-led development and has market access as one of its four pillars.

South Africa is currently expanding its regional and international markets, which presents an opportunity for developing new markets for agricultural products. This expansion is facilitated by growing global demand for African exports such as organically grown vegetables and fruit, processed natural fibre for industrial applications, and natural supplements and health products.

In 2008, the Southern African Development Community (SADC) launched a free-trade area (FTA), which represents a significant step towards deeper regional economic integration by opening the gates to tariff- and barrier-free trade among SADC's 15 country members. The FTA mandates member countries to liberalize trade by removing tariffs and other non-tariff barriers, with tariffs reduced to zero for nearly all products. This liberalization presents opportunities for increased trade in agricultural products as it helps create larger markets through regional integration. The FTA also facilitates the movement of goods because of reduced transaction costs.

Given the uncertainty resulting from the current economic and financial crisis in most developed countries, South African agribusinesses are well positioned to seize agribusiness opportunities in developing countries. Membership of the BRICS (Brazil, the Russian Federation, India, China and South Africa) economic grouping presents significant opportunities for South Africa's agricultural export industries, thereby making agribusiness development even more important.

Threats: The low prioritization that Transnet Freight Rail (TFR) – a heavy haulage freight rail company – gives to agriculture and forestry freight relative to other commodities presents a threat to agribusiness and agro-industry development. In particular, the Agroprocessing and Marketing Chief Directorate notes that TFR sees agricultural and forestry freight as being less important than commodities such as coal and platinum.

External factors threaten the competitiveness of agricultural exports, such as fluctuations in

the exchange rate, and climate change, which is expected to result in rainfall variability and erratic agricultural production. These factors threaten stability of the supply of agricultural products, thus complicating the promotion of market access.

CEDD's operations are threatened by a lack of clear strategies for the development of agricultural cooperatives in provinces, making it difficult to promote and support cooperatives in the agriculture sector. In particular, lack of clarity regarding whether the development of cooperatives is a function of the extension service or the economic section results in inadequate support from extension services. CEDD's operations are also threatened by the inadequate coordination of cooperative functions among DAFF and other government agencies, which often results in duplication of efforts and resources.

3.6 INSTITUTIONAL COMPARATIVE ADVANTAGES

Although most agribusiness and agro-industry development services are provided through EDTM, several other DAFF units offer them. Agribusiness and agro-industry development efforts are therefore segmented and fragmented within DAFF.

The primary source of comparative advantage for EDTM is its status as a government branch, which enables it to offer services nationwide. This feature gives it a particular comparative advantage in the development of national policies and strategies related to agribusiness and agro-industry development, while provincial government departments have a comparative advantage in implementing these policies. It is therefore also an advantage that EDTM works closely with provincial government departments.

TABLE 8
SWOT analysis

Strengths	Weaknesses
1. Alignment with the government's commitment to building a large agroprocessing sector 2. Guaranteed budget allocations enabling EDTM to ensure a well-equipped office infrastructure 3. Close functional relationships with other government departments such as DTI and DRDLR 4. Close functional relations with provincial government departments	1. Bureaucratic tendencies typical to most government departments 2. Vacancies in several senior positions 3. Delays in availability of official statistics 4. Unavailability of funds for establishing storage and processing infrastructure 5. Lack of an AgriBEE monitoring and reporting system 6. Lack of a comprehensive M&E system and impact assessment programmes
Opportunities	Threats
1. Domestic and international support for agribusiness and agro-industry development 2. Expansion of South African's regional and international markets 3. Uncertainty caused by the current economic and financial crisis in most developed countries 4. South Africa's membership of the BRICS economic grouping. 5. SADC FTA established in 2008	1. Low prioritization of agriculture and forestry freight by Transnet Freight Rail 2. Fluctuations in the exchange rate 3. Climate change 4. Inadequate support from extension services 5. Inadequate coordination of cooperative functions among DAFF and other government agencies 6. Lack of clear agricultural cooperative development strategies from provinces

Chapter 4

Capacity development priorities

This chapter draws from the SWOT analysis to assess the priorities for capacity building at EDTM. It also discusses the possible development path for EDTM and the potential roles of and instruments for maximizing FAO support.

4.1 PRIORITY AREAS FOR CAPACITY BUILDING

Human resource capacity

As mentioned in section 3.4, although EDTM has several effective training programmes, such as in use of the Agribusiness Excellence Model, ensuring appropriate skills and expertise across the branch remains a challenge. Interviewees specifically noted a need to augment the economic analysis, business development and marketing skills of EDTM staff. Development of human resource capacities in these areas will enable EDTM to offer better services in *appraisal of business models, value chain analysis, building of business and entrepreneurial skills, and economic analysis.*

Building of human resource capacity should include strong improvements in research skills, which would help the branch in *development of policy and strategy papers.*

Information and knowledge management

There is great need to upgrade information and knowledge management within EDTM, and across DAFF in general. Currently, the DAFF Web site is not up to date and some of the links, for instance those to the branches, are not populated. Even within EDTM, it proved difficult to obtain proper documentation of some programmes and instruments; for example, interviewees indicated that there were no brochures or documentation on the Farm-Together Cooperative Training Programme, although it had been established in 2009. These weaknesses in the Web site mean that EDTM stakeholders have to rely on old information and cannot keep abreast of the current situation of the branch. This challenge is compounded by the continual changes within DAFF, particularly restructuring, which should be reported on the Web site to facilitate stakeholders' interactions with EDTM and DAFF. There are also often delays in the availability of official statistics.

To improve information and knowledge management within EDTM, there is need for capacity building in data storage and transfer of information, the institutionalization of data, knowledge management (institutional memory) and use of the media. As the branch has well-equipped office facilities, the emphasis should be on building human capacity in these areas, to ensure that information is effectively disseminated, data are efficiently stored and readily accessible, and knowledge is managed well. Overall, this will help EDTM to improve its *sharing of knowledge and information pertaining to the agribusiness sector.* Improvements in these areas could also facilitate the branch's ability to offer *support to collective action and alliance building and lobbying and advocacy in the agribusiness sector.*

Infrastructural support

Some key informants indicated that existing skills development programmes need to be accompanied by appropriate production and marketing infrastructure to increase their effectiveness. These improvements would entail building EDTM's capacity to raise funds, for example, by partnering domestic and international financial and implementation agencies. As highlighted in the SWOT analysis, the lack of funds for establishing storage and processing infrastructure is a constraint to the branch's ability to offer *agro-industry and processing support.*

AgriBEE monitoring and reporting

It is difficult to measure the extent to which BBBEE efforts have transformed the agriculture sector because of the scarce and uncoordinated statistics and information on AgriBEE. More capacity is required in this area, in addition to the ongoing development of a monitoring and reporting system for AgriBEE, which will enhance transparency and facilitate evaluation of the impact of AgriBEE projects, thereby increasing EDTM's capacity to offer *finance and investment appraisal and support,* particularly to previously disadvantaged black farmers.

There is need to develop and implement a comprehensive M&E system and impact assessment programmes for all of EDTM, which will necessitate hiring and establishing incentives for (M&E)

experts. Such expertise will enable the branch to identify capacity gaps consistently, and thus to deal with them as they arise.

4.2 DEVELOPMENT PATH

The development path pursued by EDTM is reflected in DAFF's Strategic Plan, which outlines the policy initiatives to support the branch's employment creation efforts. Although these initiatives are not all relevant to agribusiness and agro-industry development, they provide insights into the direction that DAFF and its directorates plan to follow:

1. *Access to finance:* DAFF plans to implement the new one-stop shop funding model and move away from the grant system.
2. *Access to training and development:* Beneficiaries will have access to further education and training, including from private service providers such as training companies, agricultural organizations (AgriSA, the National African Farmers' Union of South Africa and the Transvaal Agricultural Union of South Africa) and accredited commercial farmers.
3. *Access to production infrastructure:* DAFF plans to develop agricultural and aquacultural production infrastructure in targeted areas to ensure access to basic integrated services.
4. *Access to markets:* In collaboration with NAMC, DAFF will implement the market identification strategy to ensure that the products produced by smallholders have domestic and international markets. As part of the Zero Hunger campaign, each municipality will have a fresh produce market, and state markets will sell a basic food basket of commodities supplied by smallholder farmers, with market access negotiated through leading food stores.
5. *Extension and technical support services:* Implementation of the National Extension Recovery Plan will be accelerated to address the skills shortages in provincial extension services and improve the visibility and quality of extension and advisory services.
6. *Spatial plans:* Rivers will serve as development nodes. DAFF is planning a massive water harvesting programme along the rivers that lead to the Atlantic and Indian Oceans. Development initiatives along each river will focus on selected commodities, with appropriate agroprocessing plants. Each municipality will specialize in one or two primary commodities, with a processing plant for value addition.
7. *Access to tractors/Mechanization Programme:* DAFF plans to roll out the Mechanization Programme to all provinces. A number of farmers in each municipality will be sold tractors at subsidized prices and be organized into secondary cooperatives. Other farmers will be able to hire these tractors at nominal rates regulated by the state. Tractor rental costs could be funded with loans from the Land Bank.
8. *Commodity groups:* Each farmer will be a member of one or two commodity groups, which could evolve into secondary cooperatives to negotiate better markets for their members' produce and to secure seeds, medicines and vaccines at cheaper rates by using their collective buying power. It is easier to give targeted technical support and capacity building to groups of farmers than to individuals.
9. *Agro-ecological fund:* DAFF aims to promote agro-ecological agriculture in which farm animal and plant waste is used to feed crops and livestock. For instance, waste from poultry can be fed to fish, while waste from fish is used as fertilizer. Animal and human waste can be used to produce methane energy for lighting and electricity.
10. *Fencing:* Working with the Department of Public Works (DPW) and DRDLR, DAFF plans to roll out a fencing programme in the former homelands and other areas where there is need, focusing on cultivated areas. During the second phase of this initiative, livestock will be fenced in to protect cultivated lands.
11. *Irrigation schemes and windmills:* Irrigation schemes in the former homelands will be rehabilitated to serve production of a few commodities for use in value-addition activities. Agroprocessing plants will be built next to each irrigation scheme. Where ecological conditions permit in areas with potential for agriculture, DAFF plans to rehabilitate existing windmills and build new ones, working with DPW and DRDLR.
12. *Dams:* With DPW and DRDLR, DAFF will create dams next to areas with potential for cultivation and, to a lesser extent, in grazing areas.
13. *Smallholder schemes:* DAFF will collaborate with provincial government counterparts and communities to ensure the economic value and productivity of livestock for households in rural areas. Small livestock schemes (goats and sheep) will be established, and 300 000 households will be involved in crop, forestry, fisheries and livestock schemes for smallholder farmers by 2015.

The forestry sector's goal is to promote economic, social and environmental growth, transformation and sustainability throughout the value chain in ways that improve the lives of the poor. This is in response to two decades of shrinkage in the country's plantation resources and increasing pressure on natural forests and woodlands. Although the volume of production has increased in spite of the decline in area under plantations, South Africa is approaching the limit for increasing productivity. As an important step in the country's economic growth and transformation, the government has therefore prioritized the expansion of plantations in areas where it is economically, environmentally and socially appropriate, as reflected in DTI's Industrial Policy Action Plan and the Forest Sector Transformation Charter.

The value of production in the fisheries sector is restricted by the volume of national resources and threatened by declining fish stocks in some fisheries. The profitability of the fishing industry is therefore largely determined by factors such as international prices, exchange rates, fuel prices, quota allocations and the biomass of fish present. Opportunities for the fisheries sector, presented in DAFF's Strategic Plan, include:

- rehabilitation programmes, such as the rebuilding of depleted fish stocks to promote job creation and sustainable livelihoods;
- investment in the sustainable management and efficient use of marine living resources, which could make a significant contribution to job creation while conserving the environment;
- enforcement programmes, such as Green Scorpions⁹ and environmental courts;

- allocation of additional fishing rights to selected fishing industries, which could contribute to job creation and sustainable livelihoods;
- infrastructure development and investment in the 12 fishing harbours, which could increase socio-economic and tourism opportunities;
- aquaculture development programmes.

4.3 POTENTIAL ROLES OF AND INSTRUMENTS FOR FAO SUPPORT

There are numerous opportunities for FAO to support capacity building and development within EDTM, including by providing advice and technical assistance. EDTM's focus on increasing the productivity and commercialization of smallholder agriculture and agribusinesses implies that FAO could provide policy advice and technical assistance on market-oriented farming and SMME development, such as:

1. the development of skills and competencies in various aspects of business management and value chain analysis, including by providing inputs to training materials for skills development programmes;
2. technical support to the development of project proposals, strategy documents and implementation plans, such as FAO's current support to EDTM's Agroprocessing Support Directorate in developing a concept note on linking smallholder producers to markets through agrofood parks; such partnerships can help maximize FAO support to EDTM.

Some interviewees noted that although they recognized the potential benefits of working in partnership with FAO, they had reservations about FAO's use of non-South African experts on these projects. The interviewees argued that non-South African experts lacked a full understanding of the country context, while FAO was missing an opportunity to tap into local expertise and build local capacity.

⁹ The Green Scorpions were a law enforcement/police force specialized in environmental matters.

Chapter 5

Conclusions and main findings

The key findings and associated policy recommendations summarized in this section are expected to inform interventions that will enhance the overall performance of EDTM, particularly in supporting agribusiness and agro-industry development. It is important to note that agribusiness and agro-industry support in South Africa has evolved in tandem with changes in the political environment, particularly during the country's transition from apartheid to democracy. In particular, the advent of democracy, which emphasized the need to end state transfers to the already highly privileged white farming sector, resulted in significant declines in the level of support provided mainly to commercial agriculture. DAFF's current agribusiness and agro-industry development efforts are therefore based on the underlying objective of virtually all government policy: bringing the previously excluded black community into the mainstream economy through job creation and entrepreneurship.

The end of apartheid opened South Africa to new global agricultural markets, which necessitated reforms the agriculture sector to adapt to the changing international trade environment. These reforms included diversifying export destinations and widening the basket of commodities and value-added products for export markets. Smallholder and subsistence farmers are viewed as significant players in these efforts, so improving their access to markets is perceived as crucial. Against this background, agribusiness and agro-industry development remains a priority for DAFF as it advances its mission of contributing to economic growth, job creation, rural development and sustainable use of natural resources, and food security.

It is also important to note that DAFF is still relatively new, having been established in 2009 when its predecessor, the Department of Agriculture, underwent a significant restructuring. Although DAFF has already achieved some success in line with its Strategic Plan, it is still dealing with reorientation issues, which place limitations on attempts to assess the branch's capacities and overall performance since 2009.

Overall, DAFF's priority initiatives emphasize the agricultural value chain, which is currently one

of the government's priority sectors for economic growth, employment creation and transformation. Implementation of agroprocessing initiatives under the Industrial Policy Action Plan and promotion of agriculture as a priority sector under the New Growth Path provide potential for agribusiness and agro-industry development in South Africa. Within DAFF, EDTM has the main mandate for agribusiness and agro-industry development, particularly through two of its three Chief Directorates: Cooperatives and Rural Enterprise Development, and Agroprocessing and Marketing.

EDTM's mandate and functions related to agribusiness development are therefore shared and fragmented among several directorates, some of which do not have a clear understanding of each others' roles. In addition, another two DAFF branches – Forestry and Natural Resources Management, and Fisheries Management – also have agribusiness and agro-industry development mandates for their respective sectors, and it is not clear how the services offered by these branches differ from those of EDTM. Such fragmentation of mandates and functions presents implementation challenges associated with coordination and duplication. These challenges are compounded by the limited coordination of agribusiness activities among government agencies, such as between provincial and national departments of agriculture and between DTI and DAFF on international trade issues.

Analysis shows that EDTM has relatively weak technical capacity, compounded by vacancies in critical senior management positions that create uncertainty and lack of management continuity. High staff turnover disrupts the continuity of programmes, reduces their effectiveness and/or contributes to loss in institutional memory. To overcome these challenges, there is need for DAFF to ensure continuity through, for example, improved succession planning and building of local capacities, and to retain organizational memory through documenting and disseminating knowledge and learning throughout the department.

The federal nature of government, although intended to improve service delivery, creates complexity and undue bureaucratization.

In summary, the analysis underscores the need for coordination among relevant units within EDTM and, more broadly, across DAFF, to avoid duplication of activities and enhance the effectiveness of agribusiness and agro-industry development. EDTM can take advantage of its diverse inter-institutional linkages to widen the scope of its support and facilitate coordination at the national level. These linkages should be augmented by an improved information and knowledge manage-

ment system. To improve its overall performance in supporting agribusiness and agro-industry development, EDTM also needs to build its technical capacity while improving its retention of staff to ensure programme continuity and effectiveness. This suggests that there are opportunities for EDTM to partner other domestic and international organizations and/or donors, as building such capacities will require both financial resources and additional technical skills.

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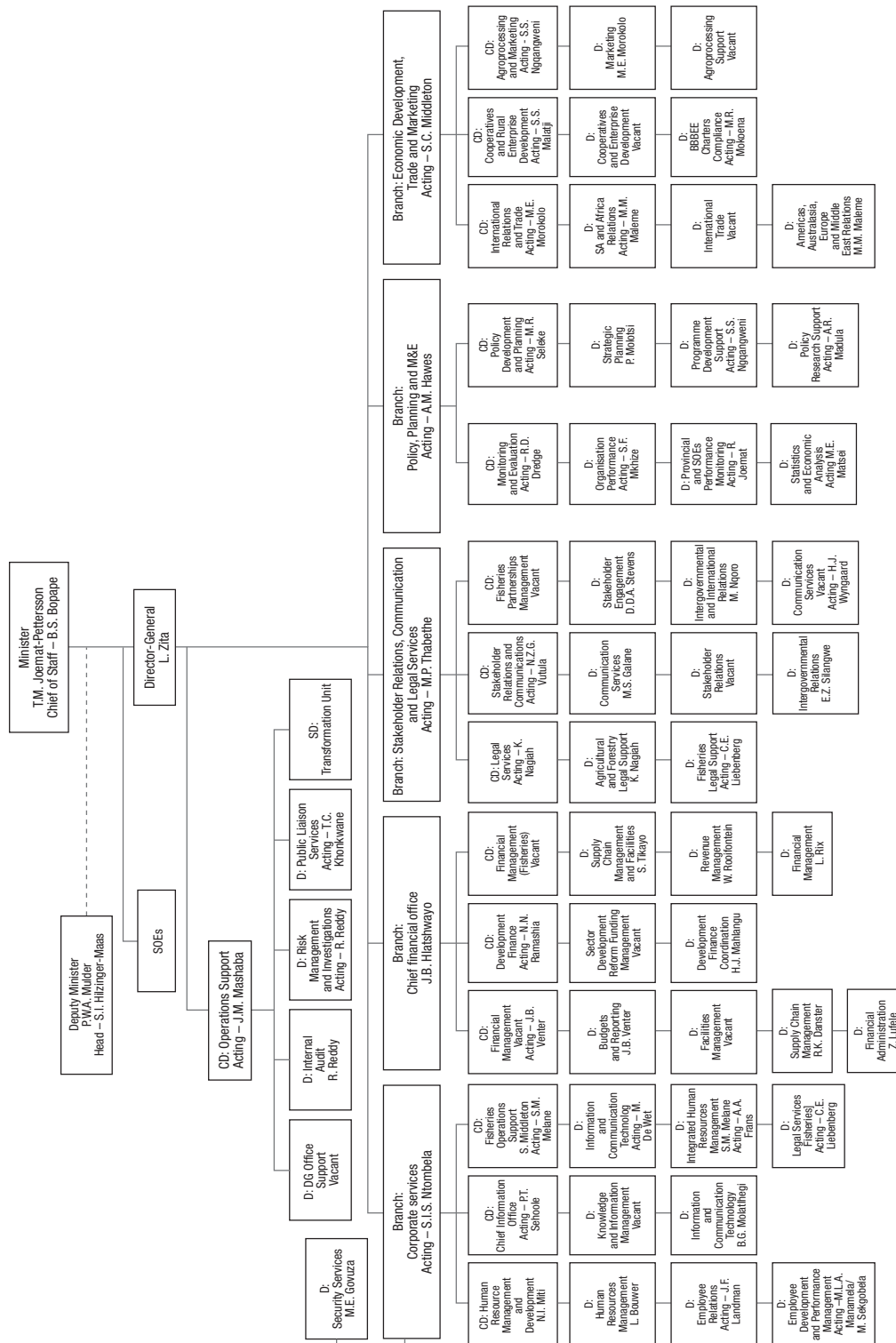
Annex 1

People interviewed

Name	Unit/organization	Position	Date
1. Simphiwe Ngqangweni	Agroprocessing Support	Director/Head	13 January 2012
2. Amon Myeni	Cooperatives and Rural Enterprise Development	Deputy Director	16 January 2012
3. Rose Mohlamonyane	Farm-Together Training Programme	Training officer	17 January 2012
4. Mokoena	BBBEEE Charters Compliance	Director	20 January 2012
5. Kefuoe	Agribusiness Appraisal Tool	Deputy Director	20 January 2012
6. Aaron Malomane	Cooperative Development Support	Provincial Coordinator	16 January 2012
7. Golden Mahove	Business Trust	Program Manager	17 January 2012
8. Koleka Mbane	FAO South Africa	Director: Special projects	18 January 2012
9. Lot Mlati	FAO South Africa	Assistant FAO representative	18 January 2012

Annex 2

Organizational structure of DAFF (As of 2012)



Annex 3

EDTM strategic goals, objectives, indicators and targets

Strategic goal	Strategic objective	Indicator	Targets			
			2011/2012	2012/2013	2013/2014	2014/2015
1	2: Coordinate government food security initiative	30% of smallholder farmers organized into commodity associations and cooperatives	12 commodity associations established	12 commodity associations established	12 commodity associations established	12 commodity associations established
			90 cooperatives established	108 cooperatives established	126 cooperatives established	144 cooperatives established
5	1: Increase growth, income and sustainable job opportunities in the value chain	Value chain networks established and institutionalized	Grain value chain network established	Horticulture value chain network established	Livestock value chain network established	Forestry and fisheries value chain network established
		Sector charters implemented	Implementation of AgriBEE (10 AgriBEE deals facilitated)	Implementation of AgriBEE (10 AgriBEE deals facilitated)	Implementation of AgriBEE (10 AgriBEE)	Implementation of AgriBEE (10 AgriBEE deals facilitated)
			Forestry charters Implemented	Forestry charters implemented	Forestry charters implemented	Forestry charters implemented
			Study on status of transformation in the fisheries subsector	Fisheries charter developed	Fisheries charter implemented	Fisheries charter implemented
		Sector strategies developed and implemented	SMME strategy developed	SMME Strategy developed	SMME Strategy implemented (25 small Businesses supported)	SMME Strategy implemented (25 small businesses supported)
			Trade strategy to provide importer and exporter readiness training to 20 developing farmers in place	Trade strategy to provide importer and exporter readiness training to 100 farmers in place	Trade strategy to provide importer and Exporter readiness training to 200 farmers in place	Trade strategy to provide importer and exporter readiness training to 300 farmers in place
			400 farmers trained in marketing skills Business cases for the establishment of marketing infrastructure to facilitate marketing of fresh produce developed	450 farmers trained in marketing skills 1 fresh produce collation facility established	500 farmers trained in marketing skills 2 fresh produce collation facilities established	550 farmers trained in marketing skills 3 fresh produce collation facilities established
		Agroprocessing job creation initiatives and strategies implemented	DAFF, DTI and EDD agroprocessing plans and strategies aligned	DAFF, DTI and EDD agroprocessing plans and strategies aligned	Implementation and monitoring of joint DAFF-DTI-EDD initiatives to create 7 000 agroprocessing jobs facilitated	Implementation and monitoring of joint DAFF-DTI-EDD initiatives to create 10 000 agroprocessing jobs facilitated

Strategic goal	Strategic objective	Indicator	Targets			
			2011/2012	2012/2013	2013/2014	2014/2015
5	3: Increase market access for South African and African agricultural, forestry and fishery products domestically and internationally	Increased intra-Africa trade	Tripartite – SADC, East African Community, Common Market for Eastern and Southern Africa – FTA offer for agriculture	Sensitive list for negotiations at the tripartite level concluded	Negotiations on rules of origin at the tripartite level initiated	Negotiations on non-tariff barriers at the tripartite level initiated
6	1: Establish and strengthen cooperative governance and functional relations with local and international stakeholders	Cooperation agreements signed and implemented	3 Inter-Africa agreements signed (Mali, Senegal and Gabon)	Impact assessment and M&E report for each signed agreement	Impact assessment and M&E report for each signed agreement	Impact assessment and M&E report for each signed agreement
			5 International agreements signed (Thailand, the Philippines, Indonesia, Saudi Arabia and the Islamic Republic of Iran)	Impact assessment and M&E report for each signed agreement	Impact assessment and M&E report for each signed agreement	Impact assessment and M&E report for each signed agreement
			DAFF's participation in IBSA (India, Brazil and South Africa) monitored and M&E report on progress in implementing IBSA	Impact assessment and M&E report on progress in implementing IBSA	Impact assessment and M&E report on progress in implementing IBSA	Impact assessment and M&E report on progress in implementing IBSA
			DAFF's strategic approach to BRICS developed	Implementation of the strategy facilitated	Quarterly reports on DAFF's participation in BRICS committees	Quarterly reports on DAFF's participation in BRICS committees

Source: DAFF, 2011.

Annex 4

Programme deliverables for EDTM

Strategic objective	Strategic outcome	Outcome indicators	Strategic interventions 2011/2012–2014/2015
<i>Strategic goal 1: Increased profitable production of food, fibre and timber products by all categories of producers (subsistence, smallholder and commercial)</i>			
SO 2: Coordinate government	Enabling institutional environment for sustainable and inclusive growth	At least 30% of smallholder farmers organized into producers' associations or marketing cooperatives to obtain collective power in negotiations for inputs and marketing	Facilitate and support the establishment of commodity structures and associations
SO 4: Provide comprehensive support to rural development	Rural job creation and promoting economic livelihoods	Increased jobs in agroprocessing in rural areas, including small towns	Facilitate implementation of the Agroprocessing Strategy
		Percentage of small farmers producing for sale increased from 4.07% to 10%	Facilitate establishment of marketing/trade linkages to support the commercialization of small farmers
<i>Strategic goal 5: Increased contribution of the agriculture, forestry and fisheries sector to economic growth and development</i>			
SO 1: Increase growth, income and sustainable job opportunities in the value chain	More support to labour-intensive growth	Sector strategies supporting growth of labour-intensive industries	Facilitate development and implementation of sector charters and strategies
	Improved cost structure in the economy	Interventions to promote appropriate cost structure	Improve efficiency of value chains within the sector (DAFF)
SO 2: Increase the level of public and private investment in agricultural, forestry and fisheries products	Improved support to small businesses and cooperatives	Improved integration of second economy activities into the mainstream economy	Create an enabling environment to support SMMEs within the sector
SO 3: Increase market access for South African and African agricultural, forestry and fisheries products, domestically and internationally	Increased competitiveness, to raise net exports, increase South Africa's share in world trade and improve its trade composition	Support to exports and sectors competing with imports	Facilitate intra-Africa trade in DAFF products by promoting exports of value-added products
<i>Strategic goal 6: Effective and efficient governance</i>			
SO 1: Establish and strengthen cooperative governance and functional relations with local and international stakeholders	Advancement of the African Agenda and sustainable development	Contribution to regional, continental security and stability	Facilitate preparation of agreements, and monitor and coordinate implementation of signed agreements
	Enhanced trade and investment	Enhanced representation in, and strengthened, regional, continental and global platforms and governance institutions	Oversee and support the promotion and protection of DAFF interests regionally and internationally

Source: DAFF, 2011.

Annex 5

Strategic goals and objectives of the Marketing Directorate, 2011

Strategic goal 1: Increased contribution of the sector to economic growth and development

Strategic objective 1: Increase growth, income and sustainable job opportunities in the value chain

Key objective	Baseline	Output	Output indicator	Target	Time frame	Responsibility
Facilitate review and implementation of legislation	–	Marketing of Agricultural Products Amendment Bill	Amendment bill gazette	1	Q4	D:M
	–	Agricultural Produce Agents Amendment Bill	Amendment bill gazette	1	Q4	D:M
Facilitate implementation of the Marketing Strategy	–	Programme for linking farmers to markets	Programme approved by DEXCO	1	Q4	D:M
	Fresh produce feasibility study report	Fresh Produce Marketing Infrastructure Support Programme	Business case/plan developed	1	Q4	D:M
	–	Agriculture, Forestry and Fisheries Logistics Programme/ Solutions	Programme approved by the Minister	1	Q4	D:M
	–	Marketing assistance scheme established	Scheme approved by the National Treasury	1	Q4	D:M
	–	Tariff policy implementation reports	DAFF's recommendations on agricultural, forestry and fisheries tariff position approved by ITCAFF	4	Q1-Q4	D:M
Facilitate establishment and institutionalization of value chain networks	–	Value chain round-tables/networks concept document	Concept document approved by the Minister	1	Q4	D:M

Source: DAFF, 2011.

Annex 6

Strategic goals and objectives of the Agroprocessing Support Directorate

Strategic goal 1: Increased profitable production of food, fibre and timber products by all categories of producers (subsistence, smallholder, commercial)

Strategic objective 2: Coordinate government food security initiatives

Key objective	Baseline	Output	Output indicator	Target	Time frame	Responsibility
Facilitate development of the Agroprocessing Strategy	–	Agroprocessing Strategy	Strategy approved by DEXCO	1	Q4	D:AP
Facilitate promotion of value-added products in the export market	–	Export Promotion Strategy for Value-added Products	Strategy approved by DEXCO	1	Q4	D:AP
Facilitate profiling of the agroprocessing sector and subsectors	–	Agroprocessing sector profile	Completed industry profile	1	Q4	D:AP
Facilitate development of support measures to promote establishment of agroprocessing industries	–	Agroprocessing support measures/ incentives	Incentives brochure developed	1	Q4	D:AP
Facilitate establishment of marketing and agroprocessing associations	–	Agroprocessing industry associations established	Commodity-based associations established	1	Q4	D:AP

Source: DAFF, 2011.

Annex 7

Strategic goals and objectives of the Cooperatives and Enterprise Development Chief Directorate

Strategic goal 5: Increased contribution of the sector to economic growth and development

Strategic objective 2: Increase the level of public and private investment in the sector

Key objective	Baseline	Output	Output indicator	Target	Time frame	Responsibility
Facilitate development of sector strategies	Draft agribusiness policy	Sector Business Policy to guide sector strategies	Policy approved by the Departmental Executive Committee	1	Q4	D: CEDD
Facilitate implementation of partnerships within the value chain	Unit standards-aligned material	Skills Development Support Programme for Small Enterprises	Number of small businesses supported through training	100	Q4	D: CEDD
	Draft cooperation agreement (SEDA)	Partnership agreements	Partnership agreements signed by all partners	6	Q4	D: CEDD
	Accredited SMME Excellence Model training material	Training programme for entrepreneurs and/or farmers	Number of farmers trained	100	Q4	D: CEDD
		Partnership for enterprise development support	Cooperation agreement signed by Director-General	1	Q4	D: CEDD
Facilitate establishment of marketing linkages		Partnerships to broaden participation within the value chain	Number of partnerships established	3	Q4	D: CEDD
Facilitate development of the SMME Strategy within the sector	Forestry SMME Strategy draft Agricultural SMME Strategy	Integrated SMME Strategy for the sector	Strategy approved by DEXCO	1	Q4	D: CEDD
Facilitate establishment and support of commodity associations and cooperatives		Commodity associations established	Number of commodity associations established	12	Q4	D: CEDD
	Guidelines on establishment of Cooperatives Commodity Approach Model	Cooperatives established	Number of cooperatives established	90	Q4	D: CEDD
	Accredited training material	Capacity-building Programme for Cooperatives	Number of cooperatives trained	90	Q4	D: CEDD

Source: DAFF, 2011.

Annex 8

Strategic goals and objectives of the BBBEE Charters Compliance Directorate

Strategic goal 5: Increased contribution of the sector to economic growth and development

Strategic objective 1: Increase growth, income and sustainable job opportunities in the value chain

Key objective	Baseline	Output	Output indicator	Target	Time frame	Responsibility
Facilitate gazetting of the charter/sector code (AgriBEE section 9)	AgriBEE Transformation Charter, section 12	Gazetting of the AgriBEE sector code, section 9	Published gazette	1	Q3	D: BCC
Facilitate implementation of the AgriBEE charter/sector code	Memoandum of understanding on AgriBEE Fund signed by DAFF and Land Bank	AgriBEE deals funded	Number of deals funded	8	Q4	D: BCC
Facilitate development of the fisheries charter	No charter in place	Study on status of transformation in the fisheries subsector conducted	Status report (published)	1	Q4	D: BCC
Facilitate implementation of the forestry charter/sector code	–	Number of government undertakings implemented	Progress report on undertakings implemented	4	Q1-Q4	D: BCC

Source: DAFF, 2011.

Annex 9

Agribusiness activities at the provincial level

Eastern Cape

Department	Rural Development and Agrarian Reform
Unit/agency responsible	Agricultural Economics, with two subdirectorates: i) Agric-Business Development and Support; and ii) Macroeconomics and Statistics
Objectives	The strategic goal of the Agricultural Economics Division is to promote a thriving farming sector and access to affordable food. Agric-Business Development and Support provides agribusiness support through entrepreneurial development, marketing services, value add-ition, production and resource economics Macroeconomics and Statistics provides and maintains a database on economic variables for statistical and macroeconomic analysis to inform planning and decision-making
Key services offered	Agric-Business Development and Support: ▪ business support through business plan development ▪ linking businesses to markets through market centres, agroprocessing – silos, abattoirs, sale pens, pack houses, irrigation schemes ▪ formation of partnerships – AgriBEE, community–public–private partnerships and public–private partnerships ▪ coordination of tourism, forestry, small industries, and facilitation of access to rural finance, credit and business skill capacity development ▪ quarterly reports on provincial job creation targets ▪ business economic advice Macroeconomics and Statistics: ▪ feasibility studies ▪ development and maintenance of economic databases
Key clients and stakeholders	▪ Farmers: small-, medium- and large-scale; commercial and subsistence ▪ Agribusinesses
References/Web site link	▪ http://www.agr.ecprov.gov.za/ (accessed 23 September 2013)

Gauteng

Department	Department of Agriculture and Rural Development
Unit/agency responsible	Economics and Marketing Directorate
Objectives	To provide economic support to internal and external clients through marketing and statistical information, including financial feasibility and economic viability studies. Identifies and disseminates information on marketing opportunities for value addition; provides farm economic support to other programmes and clients (financial feasibility and viability studies); provides information on economic statistics and trends; develops and analyses various economic models; and conducts agriculture sector performance reviews

see next page

Gauteng (continued)

Department	Department of Agriculture and Rural Development
Key services offered	▪ Agricultural economic support services for farmers ▪ Facilitation of the establishment of economically viable, sustainable production units ▪ Agribusiness promotion and entrepreneurship, focusing on emerging agribusinesses ▪ Continued support, training and capacity building for settled farmers ▪ Sector support to the Proactive Land Acquisition Strategy, Land Redistribution for Agricultural Development and Household Food Security beneficiaries ▪ Advice on and facilitation of marketing opportunities and agroprocessing through value addition, focusing on emerging farmers and SMMEs ▪ Micro commodity budgets through enterprise development studies ▪ Sound decision-making based on scientific quantitative information.
Key clients and stakeholders	Farmers, new entrants into the agribusiness sector, PLAS, LRAD and HFS beneficiaries
References/Web site link	http://www.gdard.gpg.gov.za/Documents/GDARD_annual_report_2009-2010.pdf (password required)

Kwa-Zulu Natal

Department	Department of Agriculture and Rural Development
Unit/agency responsible	Agribusiness activities are under the Agriculture Development Service, particularly the directorates of: i) Farmer Support and Development; and ii) Agricultural Economics
Objectives	Farmer Support and Development: ▪ facilitate institutional building and creation of microenterprises, prioritizing vulnerable groups, especially youth, women and disabled people ▪ become a catalyst in the promotion of investments, partnerships, cooperatives, marketing and agribusiness development and intergovernmental cooperation in the agriculture and environment sectors to support agrarian development Agricultural Economics: ▪ provide market information, facilitate marketing and provide agricultural economic services to clients
Key services offered	▪ Business plans ▪ Support to market access for agribusinesses/entrepreneurs ▪ Fostering of partnership agreements ▪ Fostering of foreign cooperative agreements ▪ Facilitation of donor funding for agriculture projects ▪ Agricultural economic studies ▪ Agricultural economic advice ▪ Enterprise budgets ▪ Compilation, updating and dissemination of agricultural information ▪ Databases of farmers
Key clients and stakeholders	Smallholders, commercial farmers, cooperatives, other provincial and national departments, researchers, extension officers, students, consultants, financial institutions, commodity organizations, local and international buyers
References/Web site link	http://www.kzndae.gov.za/ (accessed 23 September 2013)

Limpopo

Department	Department of Agriculture and Rural Development
Unit/agency responsible	Agricultural Economics Development Planning and Agribusiness Development Division, with two subdirectorates: i) Agribusiness Development Support; and ii) Macro-Economics and Statistics
Objectives	
Key services offered	▪ Enterprise development ▪ Agricultural economic advice ▪ Facilitation of market access ▪ Fostering of AgriBEE partnerships ▪ Assistance with access to agricultural finance ▪ Economic and statistical data ▪ Development of business plans ▪ Farmers' training on agribusiness entrepreneurship
Key clients and stakeholders	Farming community throughout the value chain; other spheres of local, provincial and national government; non governmental organizations, community-based organizations, etc.; farmworkers' organizations; corporate agribusiness industry; traditional leaders; women in agriculture; youth in agriculture.
References/Web site link	http://www.lida.gov.za/downloads/downloads_reports/annual_report_2010_2011.pdf (password required)

Northern Cape

Department	Department of Agriculture, Land Reform and Rural Development
Unit/agency responsible	Agricultural Economics, with two directorates: i) Marketing Services; and ii) Macroeconomics and Statistics
Objectives	Marketing Services: ▪ identify marketing opportunities and provide farms with economic support Macroeconomics and Statistics: ▪ develop database of economic statistics and trends, develop and analyse economic models and evaluate international, national and local policies for the agriculture sector
Key services offered	▪ Marketing information and services ▪ Farm support ▪ Development of enterprise budgets ▪ Development of databases ▪ Review of local and international policies for the agriculture sector
Key clients and stakeholders	Smallholders, commercial farmers, cooperatives, other provincial and national departments, researchers, extension officers, students, consultants, financial institutions, commodity organizations, local and international buyers
References/Web site link	http://www.agrinc.gov.za/ (accessed March 2012)

North West

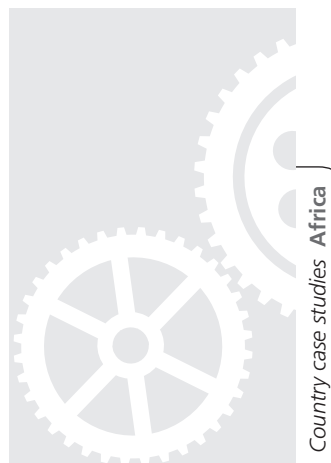
Department	Department of Agriculture, Conservation, Environment and Rural Development (DACERD)
Unit/agency responsible	Rural Development and Agribusiness, with two subdirectorates: i) Rural Development; and ii) Agribusiness
Objectives	▪ Provide guidelines, procedures, rules and frameworks to direct the thinking, decisions and actions of department managers and staff ▪ Expand access to capacity building interventions to all sector stakeholders in the province ▪ Improve service delivery through feasible, viable and sustainable programme and project plans ▪ Expand access to appropriate support programmes ▪ Establish and strengthen cooperative governance with internal and external stakeholders ▪ Strengthen monitoring, evaluation, reporting and sector information
Key services offered	▪ Agricultural economic advice ▪ Facilitation of capacity building ▪ Development of project plan ▪ Facilitation of access to support programmes
Key clients and stakeholders	Smallholders, commercial farmers, cooperatives, other provincial and national departments, researchers, extension officers, students, consultants, financial institutions, commodity organizations, local and international buyers
References/Web site link	http://www.nwpg.gov.za/Agriculture/Agics_Docs/Dacerd%20final%20strat%20plan%20edited%20version.pdf (accessed 23 September 2013)

Western Cape

Department	Department of Agriculture
Unit/agency responsible	Agricultural Economics, with two subdirectorates: i) Agribusiness Development Support (comprising the Production Economics, and Marketing and Agribusiness directorates); and ii) Macroeconomics and Statistics (comprising the Macro- and Resource Economics, and Statistics directorates)
Objectives	▪ Enhance competitiveness of the agriculture sector through provision of agribusiness support including entrepreneurial development, marketing services, value addition, production economics and resource economics ▪ Promote effective decision-making in the agriculture and agribusiness sectors through provision of macroeconomic and statistical information on performance of the agriculture sector
Key services offered	▪ Agricultural economics advice ▪ Market access support for agribusinesses ▪ Development of enterprise budgets ▪ Agricultural economic studies ▪ Marketing information ▪ Economic surveys ▪ Populating of databases
Key clients and stakeholders	Smallholders, commercial farmers, AgriBEE Agribusiness Investment Unit, cooperatives, other provincial and national departments, researchers, extension officers, students, consultants, financial institutions, commodity organizations, local and international buyers
References/Web site link	http://www.westerncape.gov.za/eng/your_gov/3585 (accessed 23 September 2013)

PUBLIC SECTOR SUPPORT FOR INCLUSIVE AGRIBUSINESS DEVELOPMENT

An appraisal of institutional models in South Africa



The agrifood system is changing rapidly in response to agricultural modernization and shifting consumer and societal demands for safer, better-quality and more convenient food. This new scenario coexists with more traditional types of family and subsistence farming.

This changing environment places increased pressure on Ministries of Agriculture (MOAs) in developing countries to engage in agribusiness and agro-industry development. For this reason, over the past decade, many MOAs have established agribusiness units with technical, policy and coordination functions. To perform well, these units should be given clear mandates and sufficient financial resources and qualified staff familiar with current agribusiness developments, such as value chain programmes, climate-smart agriculture, contract farming and public-private partnerships. However, this ideal scenario rarely occurs. A change in the mind-set of MOA staff is required to move beyond the traditional focus on production towards a more holistic, farm-to-fork approach that includes post-production issues; and this might prove to be quite a challenge.

To shed light on the role, performance and empowerment of these agribusiness units, FAO conducted a scoping survey of 71 countries and in-depth analyses of 21 case studies from Africa, Asia and Latin America. The primary objective was to draw lessons that can provide guidance to member countries on how to establish and operate well-performing agribusiness units. The outcome is presented in this series of country case studies, which contribute to enriching knowledge and sharing information on institutional responses for enhancing the public commitment to inclusive agribusiness and agro-industrial growth and job creation.