

RADICAL AGRARIAN SOCIO-ECONOMIC TRANSFORMATION PROGRAMME

""RASET""



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1. Purpose

To present a Radical **Agrarian Socio-Economic Transformation Programme (RASET)** as a vehicle that ensures meaningful participation of PDIs in the food value chain.



2. Background

- On the 29th December 2015 delegates from government and private sector met and expressed need for integration of Government Programmes with the view of creating a platform for Historically disadvantaged individuals to participate in the production, processing and distribution of food value chains
- Kwa-Zulu Natal was to be the 1 Pilot of the 3 target Provinces, i.e. Free State and Gauteng
- Subsequently presentations of Government Programmes by various Departments for Integration to implement the programme took place



- High Level model for Integration of Government Programmes in pursuit of implementing a Pilot in KZN was developed, dubbed “**RADICAL AGRARIAN SOCIO-ECONOMIC TRANSFORMATION PROGRAMME**”
- The participating departments met and came up with a concept document
- A comprehensive business plan has been developed.
- The Agrarian Radical Socio-economical Transformation Strategy was presented and supported by SPCHD Technical Cluster.
- A presentation was made to SPCHD political Cluster on the 18 May 2016
- Approval by Executive Council on the 07 September 2016
- Draft Master Plan developed on the 11 October 2016



3. Value Proposition

(Policy Context)

The Agrarian Radical Socio-Economic Transformation Model is aligned to government's policies and mandates:

- National Development Plan (NDP)
- 2015 State of Nation Address (SONA)
- Nine Point Plan
- KZN Poverty Eradication Master Plan
- The New Growth Path (NGP)
- Operation Phakisa
- Agriculture Policy Action Plan (APAP)
- KwaZulu-Natal Provincial Growth and Development Plan
- KwaZulu-Natal Department of Agriculture and Rural Development Strategic Plan
- Strategy for Agrarian Transformation, and
- Agri- Park strategy

Nine Point Plan

The rationale of RET is to facilitate urgent change needed in economy to eradicate poverty, reduce unemployment and inequality in accordance with the Nine Point Plan announced by President

1

• *Resolving the energy challenge.*

2

• *Revitalising agriculture and the agro-processing value chain.*

3

• *Advancing beneficiation or adding value to our mineral wealth.*

4

• *More effective implementation of a higher impact Industrial Policy Action Plan.*

5

• *Encouraging private sector investment.*

6

• *Moderating workplace conflict.*

7

• *Unlocking the potential of small, medium and micro enterprises (SMMEs), cooperatives, township and rural enterprises.*

8

• *State reform and boosting the role of state owned companies, information and communications technology (ICT) infrastructure or broadband roll-out, water, sanitation and transport infrastructure as well as*

9

• *Operation Phakisa aimed growing the ocean economy and other sectors*

4. Problem Statement

The Gap is Widening not Narrowing

- The **structural composition of agricultural modes of production** in the country has largely **remained untransformed** over the last two decades, still benefiting minority groups and contributes to inequality and underdevelopment.
- The South African economy is still **skewed in favor of established private sector**, who monopolize the entire value chain.
- The previously **disadvantaged farmers still find it difficult to access** the available markets for the produce.
- **The gap** between established private sector and previously disadvantaged farmers **is continuously widening**.

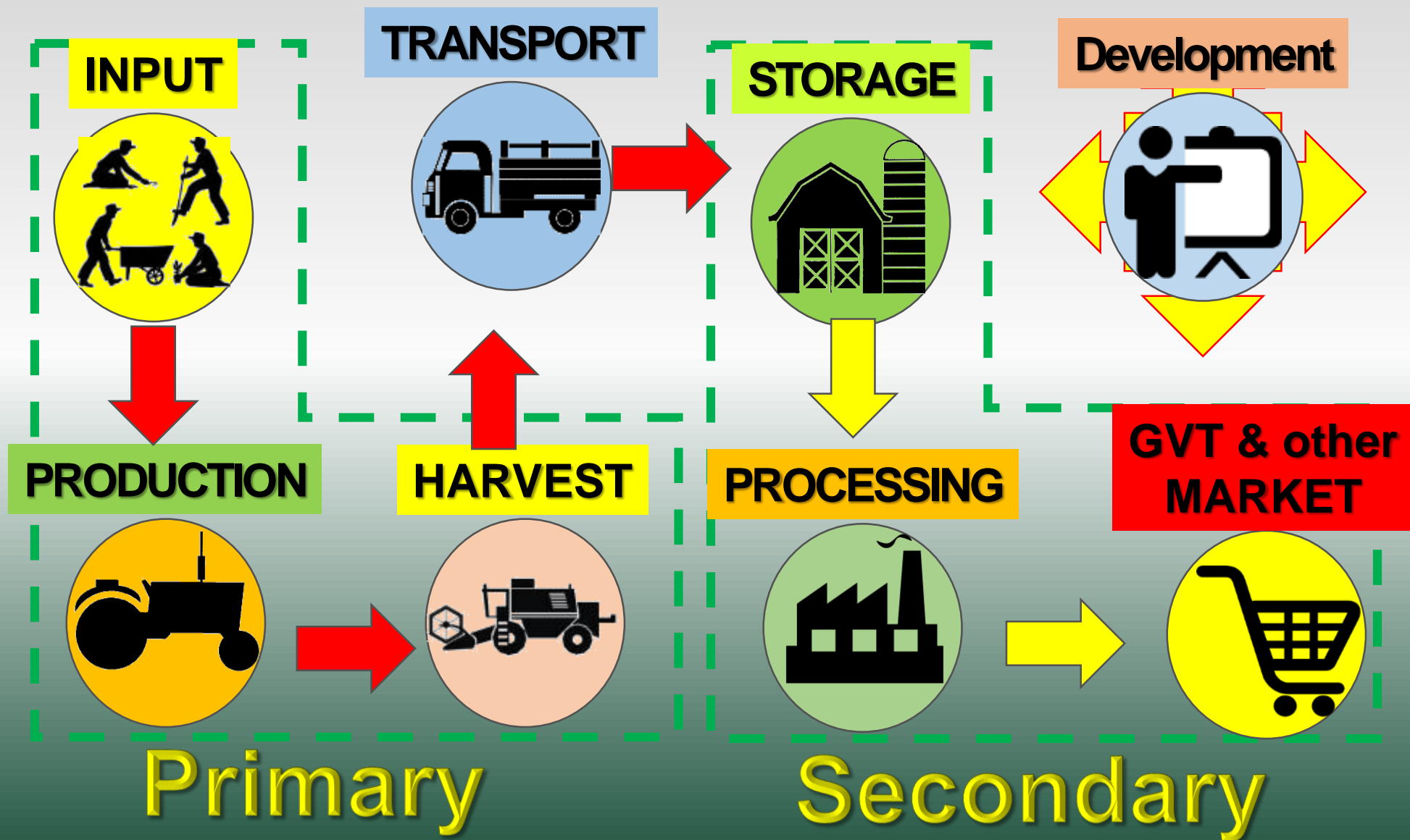
- Participation of local communities **in a value chain is limited**, despite social assistance of **R263 million** in the Province of Kwa-Zulu Natal **per year** provided by DSD
- The following illustration captures the imagery of economic and financial leakage out of impoverished communities (the leaking bucket).



Status Quo Of Current Scale Of Production By PDI & Market Dynamics



Private Sector value chain



Private Sector Value chain

- Each subsection of the food value chain in South Africa is dominated by very few large well resourced-companies
- The potential new entrant is therefore dwarfed by prevailing anti competitive forces.
- The **Goliath barriers** to entry are deceptively formidable forces requiring strategic Mindset of **King David**

Highlighting Evidence Of Anti-Competitive Behavior



Activity/ Commodity	Companies investigated	Reason	Date of decision	Decision
Fertilizers	Sasol, Omnia, Yara	Cartel conduct in the supply of nitrogenous fertilizer	May 2009	Sasol fined R250 Million
Bakeries (bread)	Tiger, Premier, Food corp, Pioneer	Cartel conduct, price fixing	November 2007	Tiger fined R90 million
				Pioneer fined R175 million
Grain milling, bread poultry and eggs	Pioneer	Several cases of anti-competitive behavior	November 2010	Pioneer to pay additional R500 million
Milk	Clover, Nestle Parmalat and other	Price fixing and other practices	April 2011	Case withdrawn
Grain Storage	AFGRI and others	Fixing storage tariffs	June 2011	Settlement reached
Seeds	Pioneer Hi-Bred (Dow Chemicals) and Panner	Anti- competitive effect of proposed merger	December 2010	Merger refused
Retail distribution	Walmart and Massmart	Anti-competitive effect of purchase of majority stake in Massmart by Walmart	March 2012	Walmart takeover approved
Financial Institutions	Absa, Std Bank & City Bank	Rand fixing during apartheid era	February 2017	City Bank 708 million



15/06/2018

Current Government Interventions

Various Government Departments in their respective areas of responsibility are implementing various programmes as their mandate to address socio economic constraints facing the country. The programmes of the following role players will be highlighted below:

- i. Department of Social Development (DSD)
- ii. Economic Development, Tourism and Environmental Affairs (EDTEA)
- iii. Department of Agriculture and Rural Development (DARD)
- iv. Department of Rural Development and Land Reform (DRDLR)
- v. Cooperative Governance and Traditional Affairs (COGTA)
- vi. Department of Education KZN
- vii. Department of Health KZN
- viii. eThekweni Metro and 10 Districts
- ix. Agri-Parks Strategy

Silo Paradigm

The departments have all these programmes which were made to address socio economic challenges, however **lack of integration and coordination of programmes** (silo approach) continues to undermine this contribution



GAME CHANGERS

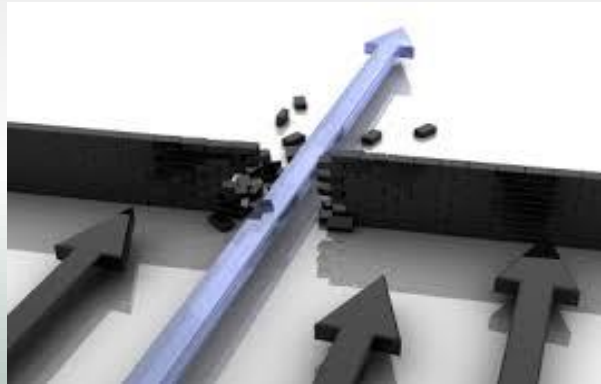


RASET Vision & Mission

Vision

To be the mechanism for radical transformation of the food value chain in Kwa-Zulu Natal.

Mission



RASET will radically transform the food value chain by coordinating Government investment and by incubating and unleashing potential of Previously Disadvantaged Individuals in Kwa-Zulu Natal.

Functions of RASET

- Identifying, proposing and facilitating the establishment and preparation of **economic infrastructure** required for production, processing, packaging, cold chain and trading as well as facilitate the implementation of **quality standards** for operating the facilities in the most effective and efficient manner.
- Using the Government's food procurement purchasing power to give direct **market access** to small farmers and entrepreneurs. This will leverage access to the private markets. It will be achieved by quantifying and consolidating government demand from various Departments and sourcing supply from PDIs using **latest available technology** for handling financial and logistical transactions in the most effective and efficient manner.

Cont...

- The utilization of **District Development Agencies / Fresh Produce Markets** as primary implementers of the RASET programme. DDAs will make use of their Depots / Distribution Facilities to deliver to end users and develop District Food Markets.
- Organising individual local producers and suppliers, primary cooperatives and clustering them into one (1) **Secondary Cooperative / Farmer Production Support Unit (FPSU)** per Local Municipality. These will be capacitated and empowered through the provision of a set of business services and support ensuring their competitiveness, viability and a **healthy cash position** throughout the local food supply chain.

Cont...

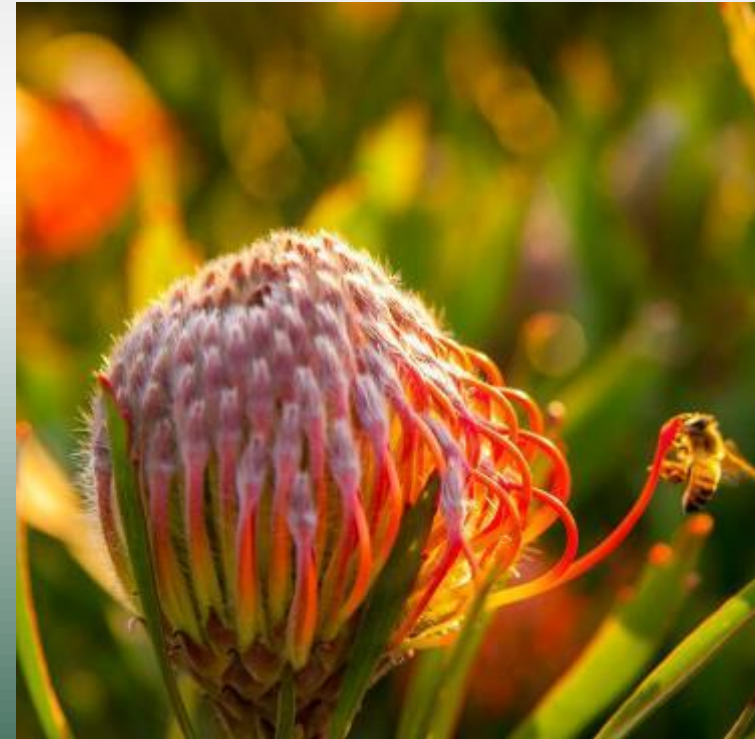
- Working with various stakeholders to provide active support in establishing and maintaining an IT **local agro food platform** with a capability of trading in food products.
- Facilitating the implementation of **quality standards** as well as their regular monitoring and evaluation.

A Radical Shift – the “New Construct”

The Social-Economic transformation will be achieved through the implementation of **“The Radical Agrarian Socio-Economic Transformation model”**

This model is aimed at:

- i. **improving the value chain of food production and supply** for underprivileged farmers, emerging agro-businesses and SMMEs and
- ii. **also seeks to create an alternative value chain** in order to bypass structural barriers associated with an existing value chain.



...the New Construct

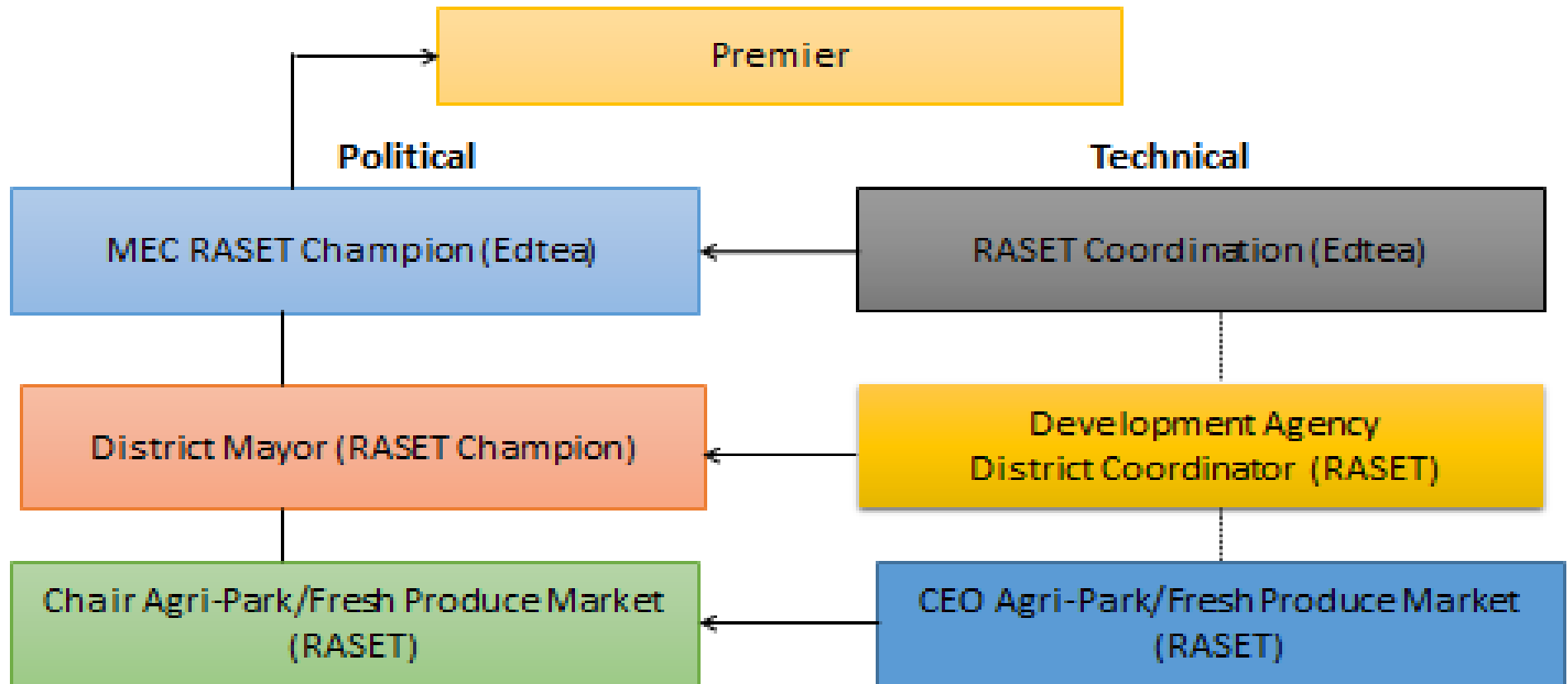
The model will also:

- assist in creating opportunities for **youth and women**,
- increase **food security**,
- improve **market opportunities** for previously disadvantage farmers, and
- reduce **dependency on State support**, as well as,
- increase **agricultural land utilization**.



RASET REPORT STRUCTURE

Reporting Structure



RASET IS ABOUT.....



PRIORITY COMMODITIES FOR RASET LOW-HANGING IN LINE WITH APAP

Horticulture Value Chain



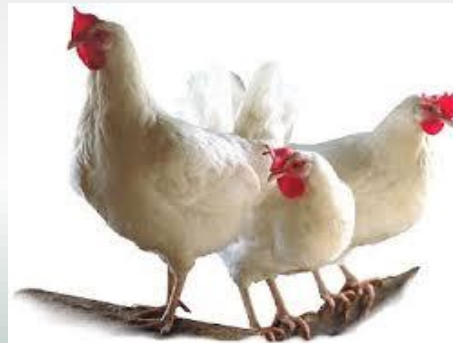
*Horticulture Value Chain
(51% of KZN GVA)*

- Vegetables
- Herbs & Essential oils

Opportunity: Proximity to large population and growing middle class – Bulking up, quality assurance and branding

Grains – Poultry Integrated Value Chain

*(4th largest producer of Grains
i.e. maize & dry-bean)*



Red Meat Value Chain



*60% of KZN Gross farm
income comes from Livestock
predominantly in Feedlots*
Opportunity: Processing infrastructure for smallholder farmers and their integration.
- **Linkage to mobile abattoirs program**

Food Value Chain Defined: FAO

- *“The full range of farms and firms and their successive coordinated value-adding activities that produce particular raw agricultural products that are sold to final consumers and disposed of after use, in a manner that is profitable throughout, has broad-based benefits for society, and does not permanently deplete natural resources”*



Inputs

Seeds
Fertilizers
Agro-chemicals
Farm Machinery
Irrigation
Energy

Production

Sorter
Grader
Packaging
Logistics
Energy
Materials

Processing & Distribution

Food Manufacturers
Food Preparation
Packaging
Additives
Energy
Logistics

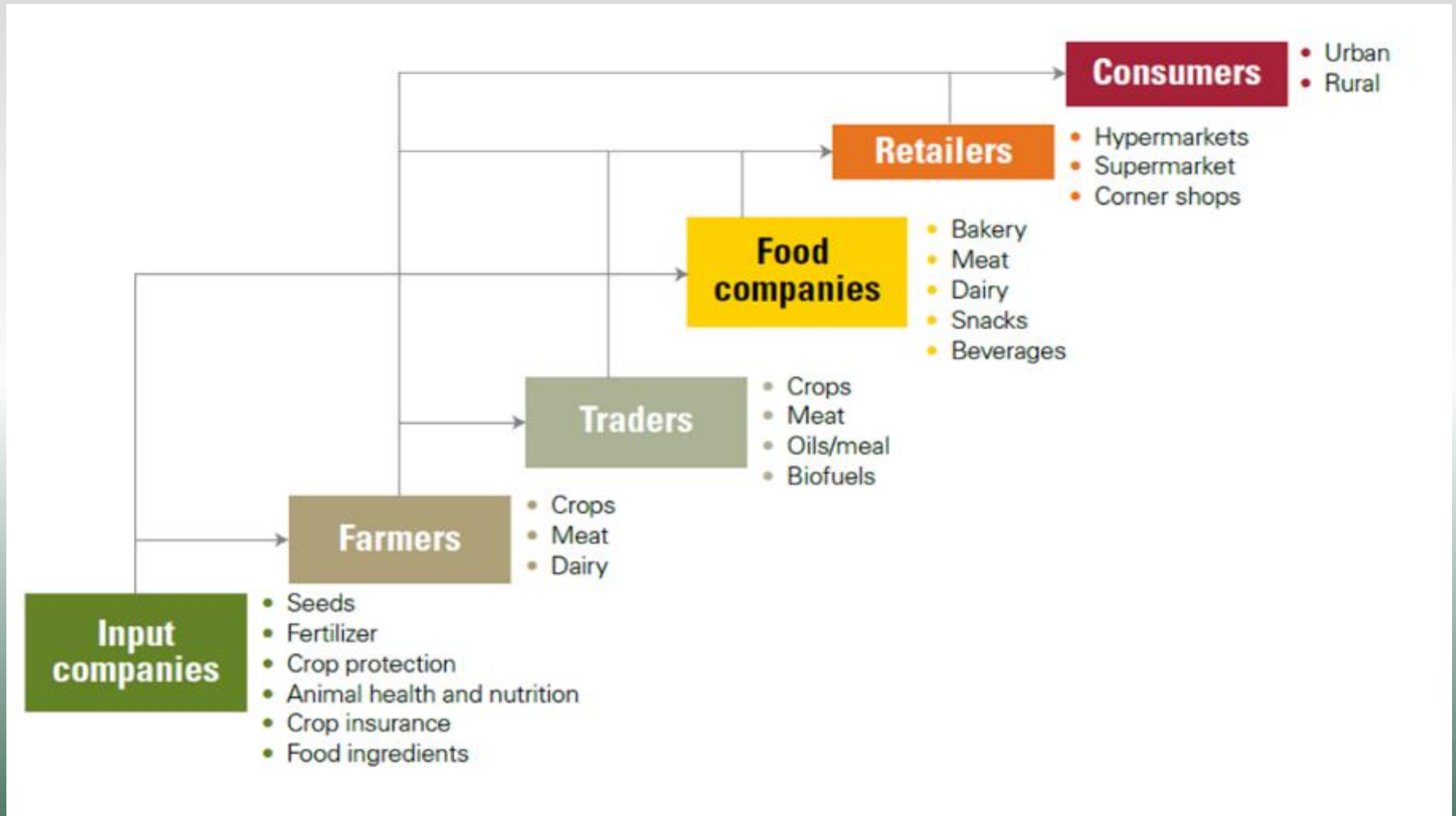
Marketing

Supermarkets / shelf space
Food service
Spaza shops

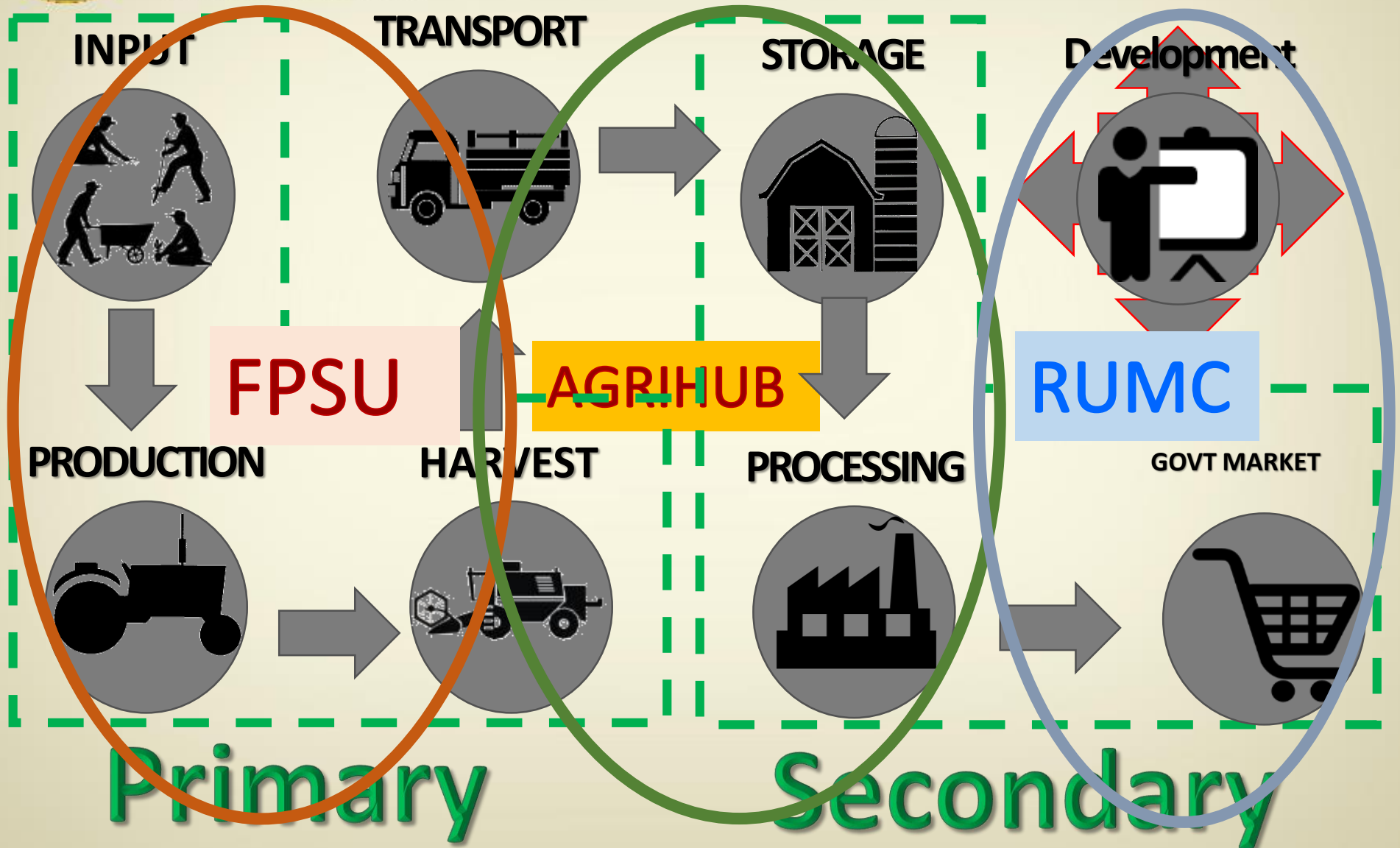
Consumption

Home
Restaurant
Institutions
Take-out
Events

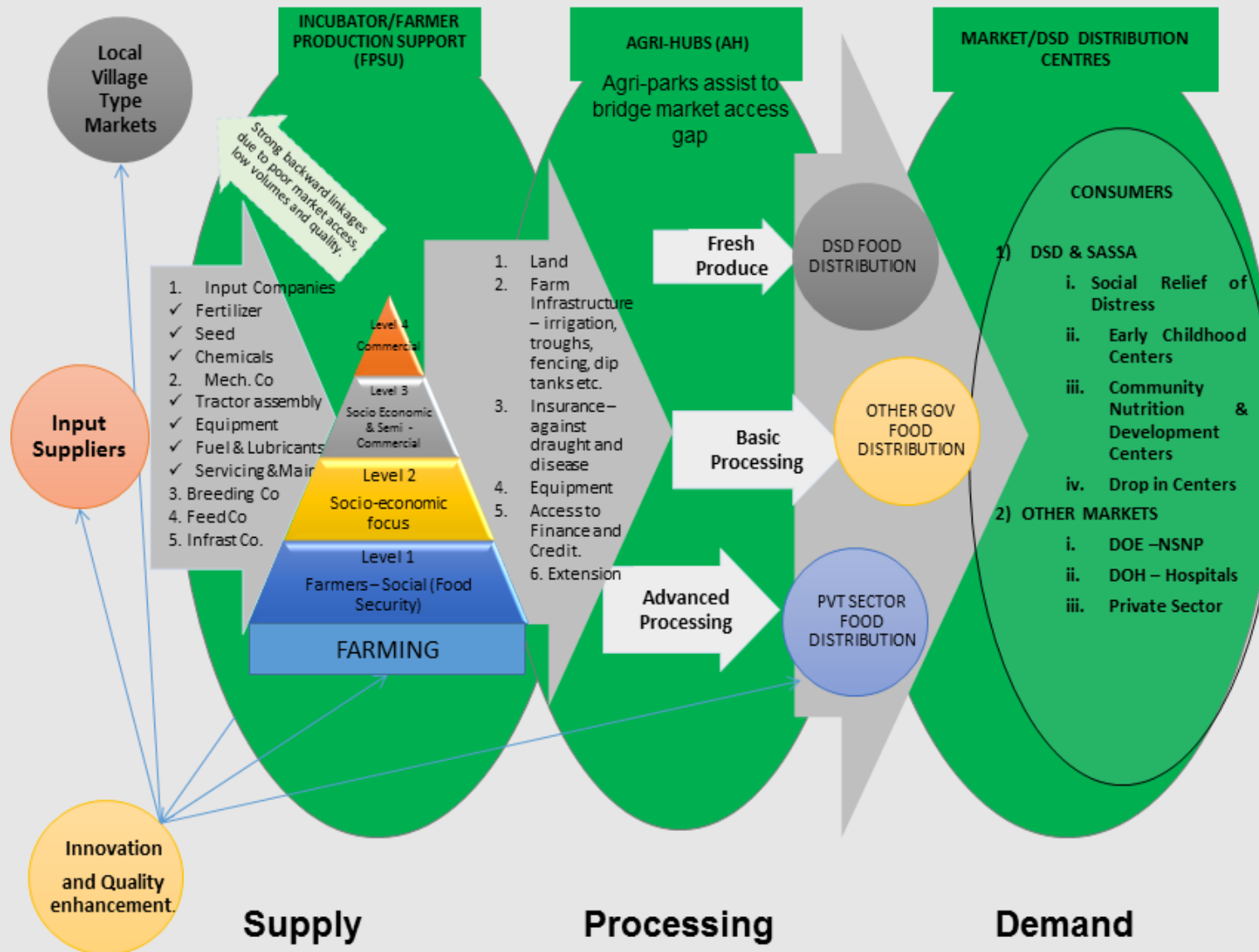
TARGETED FOOD VALUE CHAIN



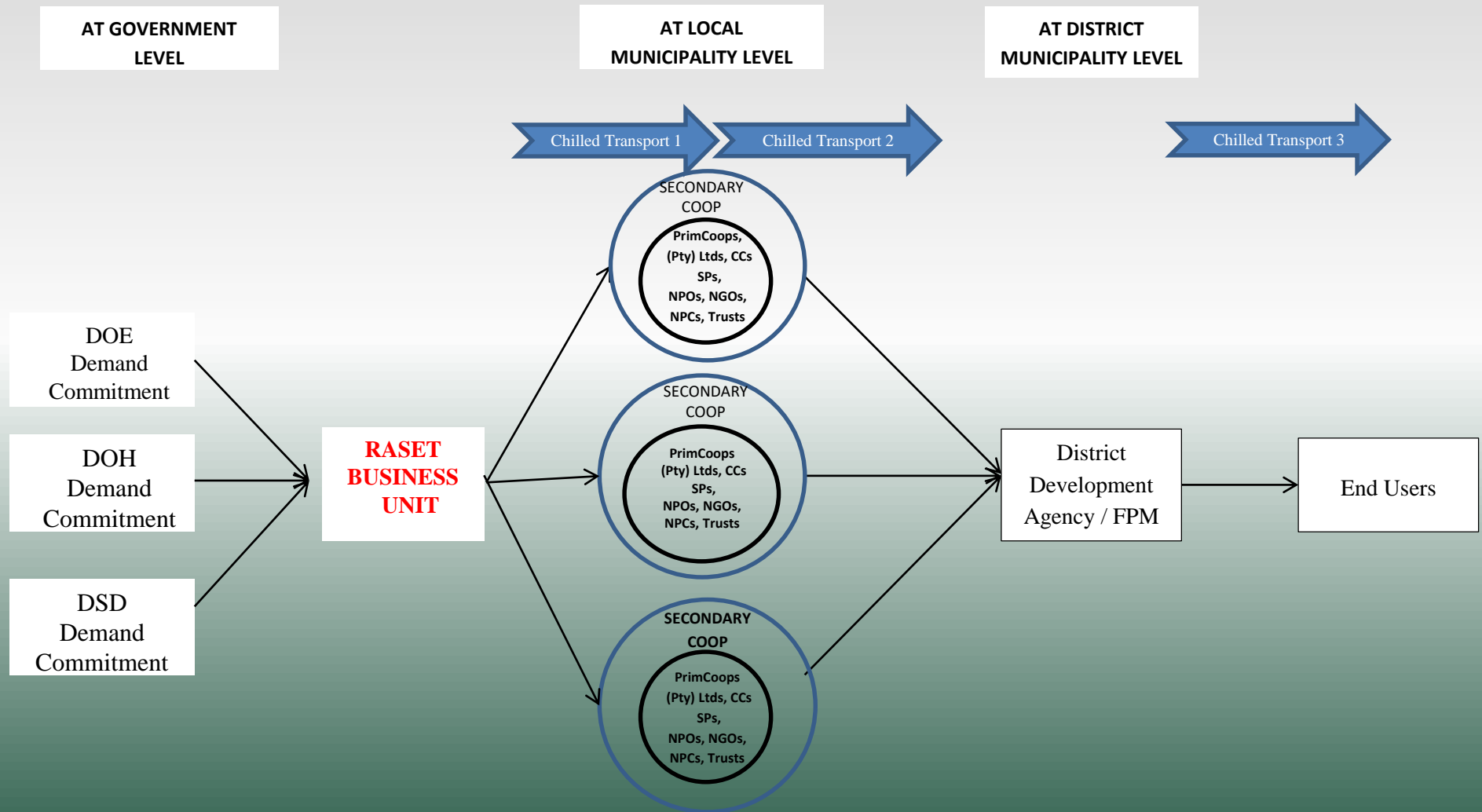
Alternative Agricultural Value Chain



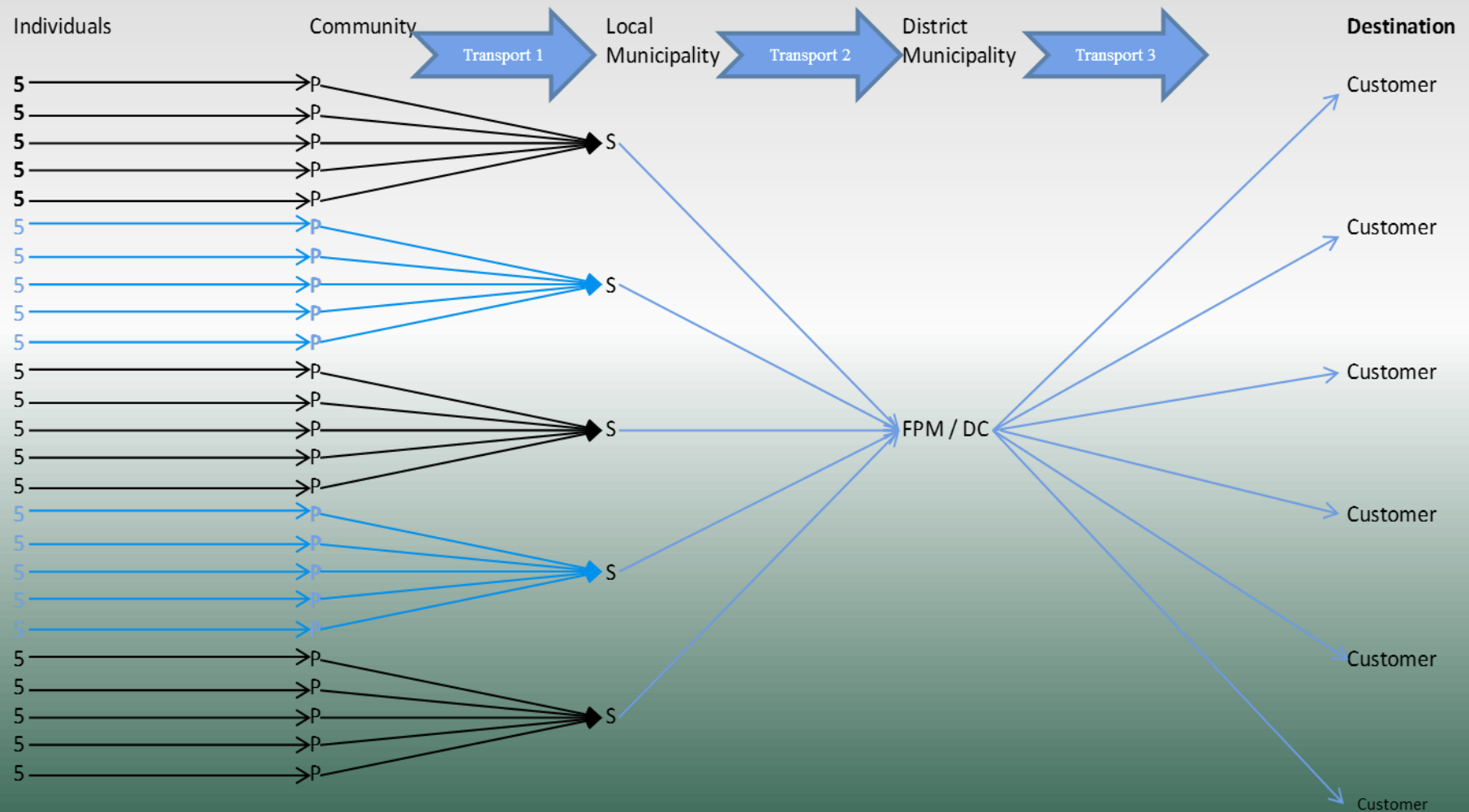
Schematic Model of RASET



RASET IMPLEMENTATION APPROACH



RASET IMPLEMENTATION MODEL

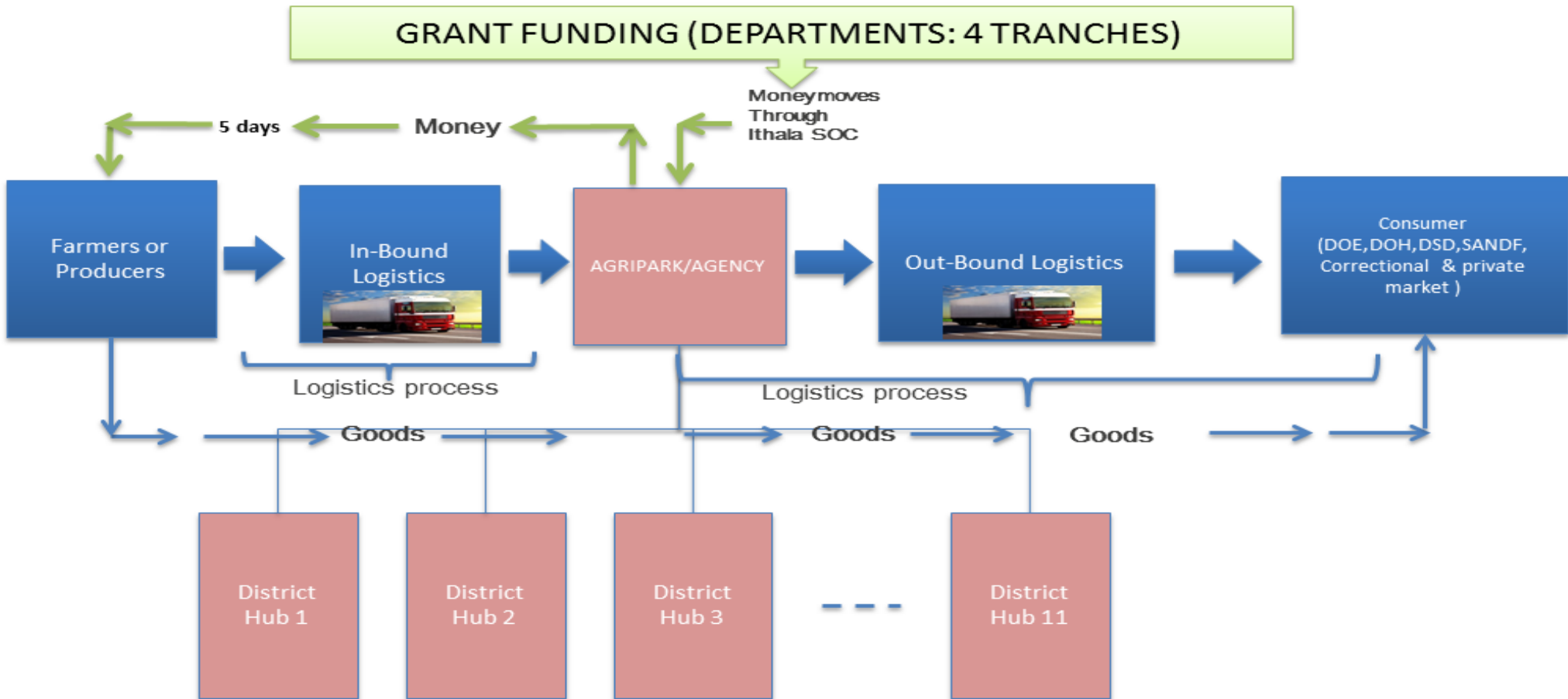


FUNCTIONS OF A SECONDARY COOPERATIVE

- Physical infrastructure
 - Land; and
 - Buildings (pack house)
- Capital; seed finance and capital goods (tractor, implements, tools, and cold chain)
- Seasonal labour
- Entrepreneurial and management expertise
- Establishment of formal entities; viz, primary co-operatives.
- Cold chain:
 - Cold storage
 - Refrigerated transport
- Planning (production and inputs)
- Bulk buying and storage of inputs
- Sales & Marketing
- Contracting & quick payments
- Promotion of quality assurance standards and practice
- Training & mentorship

Funding Model

PAYMENTS AND LOGISTICS VALUE CHAIN MANAGEMENT



LOBBING FOR BUY-IN

Department	2018/2019 Requirements to support RASET	Departmental Commitments
Local Municipality	<ul style="list-style-type: none"> • Provide land and buildings • Provide Local Economic Development support • Provide infrastructure: <ul style="list-style-type: none"> ○ Water ○ Sanitation ○ Roads • Provide food logistics: <ul style="list-style-type: none"> ○ Collection points ○ Cold chain ○ Pack house ○ Washing facility 	<ul style="list-style-type: none"> • Financial contribution • Personnel allocation • Presence in Municipality • Projects planned for implementation that fit the RASET Programme • 2018/2019 reprioritizing to accommodate the RASET Programme
Office of the Premier	<ul style="list-style-type: none"> • Provide financial and non-financial support for RASET. • Policy Coordination • Organizing and empowering youth for agricultural projects. • Organizing and empowering youth for management of farming businesses. 	
Public works	<ul style="list-style-type: none"> • Provide financial and non-financial support for RASET. • Identify buildings and land in Municipalities that can be used for the RASET Programme. 	

DEMAND

social development
Department of Social Development
REPUBLIC OF SOUTH AFRICA

education
Department of Education
REPUBLIC OF SOUTH AFRICA

health
Department of Health
REPUBLIC OF SOUTH AFRICA

Rxx Food spend linked to emergency relief

Rxx Children School Feeding scheme

Rxx Hospital food Supply

FACILITATION

Department of Agriculture, Forestry and Fisheries

Department of Rural Development and Infrastructure

Department of Economic Development and Tourism

Department of Labour

Department of Transport

TRANSNET

Rxx Inputs & Technical Support

Rxx Access to Land, technical support and Recap investment Grants Agri Parks

Rxx Technical support, Investment grants

Rxx Access to Finance Investment & Business Support

Rxx Training and Development Grants

Technical Support and Poverty Alleviation Grants

Infrastructure Port access land and logistics

LAND BANK
We stand by you

IDC
Infrastructure Development Corporation

khala

the dti
Department of Trade and Industry

Debt equity trade finance
Technical support

Debt equity structured investment and technical support

Debt equity and technical support, Paypoint technology

Incubator manufacturing grant funding international network

Supply Side Farmers (Rural and Commercial)

Metro Agri Park

EThekweni Municipality

Sanctioning Authority & Sponsoring Agency

Business Incubator Food Value Chain intervention

Agri Park

Agri Park

Agri Park

Agri Park

Agri Park

Uthungulu

Ugu District Municipality

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