

Dynamics of Agriculture Value Chains in South Africa Opportunities and Challenges for Smallholder Farmers

By

Davison Chikazunga

PLAAS, University of Western Cape

Introduction & Context

- Work and in sights based on PLAAS(UWC) research on SHF participation in food markets
 - Pro-poor Value Chain Governance
 - Smallholder Farmers Into Commercial Agriculture
- Presentation will look into the following
 - RSA agro-food system
 - Opportunities and challenges for SHF
 - Policy implications

RSA agro-food system

- RSA agro-food industry a R200 billion per annual is very complex characterised by
 - dominance of few agribusiness (55% of food retail is control by 4 supermarket chains)
 - Marginalisation of small farmers and businesses
- RSA food market have restructured at all levels
 - production(increasing farm size)
 - Wholesaling (DC takeover from traditional NFPM)
 - Retailing (direct and centralised procurement)
 - Consumption(dietary changes, healthy eating)

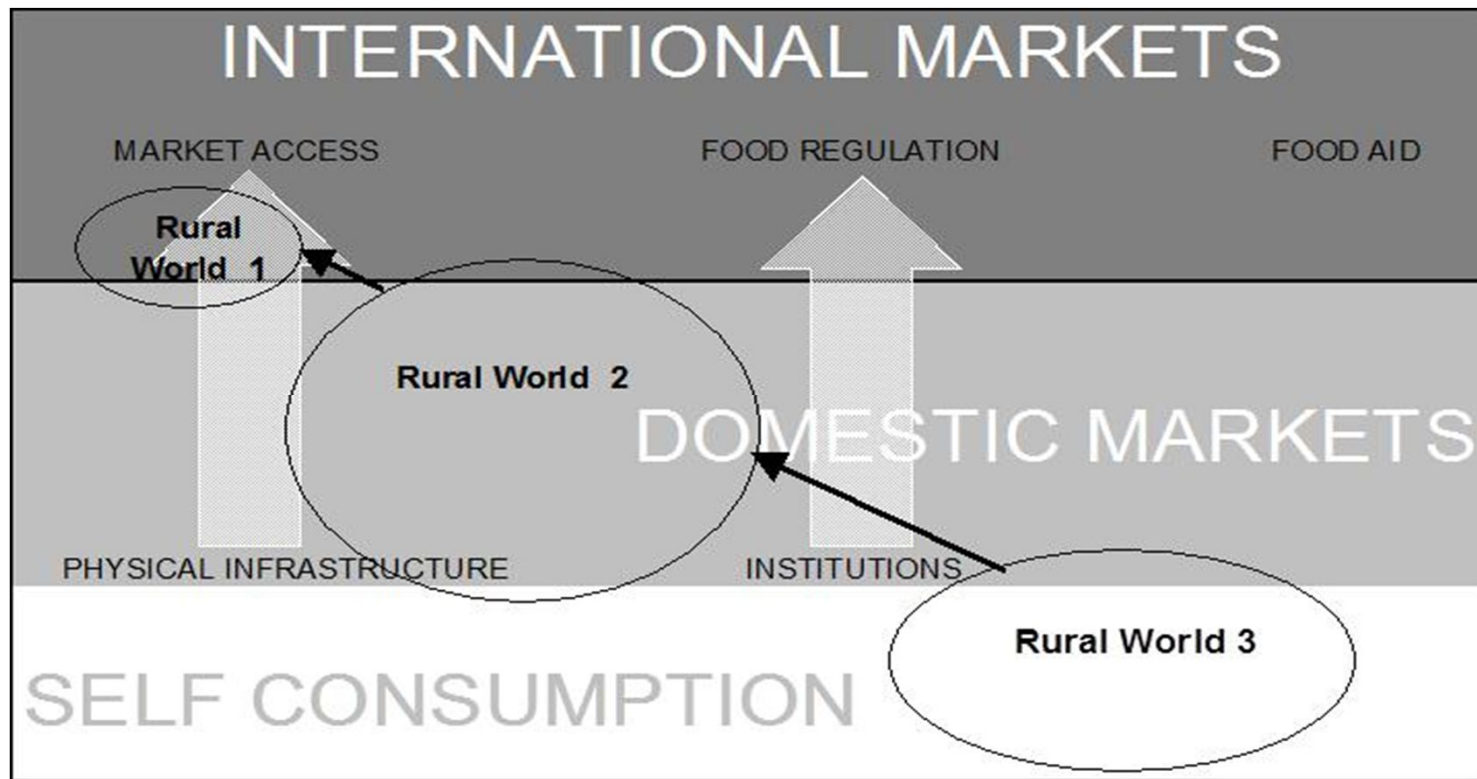
Food Markets dynamics

- Food markets many classifications
 - Formal (supermarkets) vs Informal (vendors)
 - Industrial food and Organic/natural Foods
- Formal markets of industrialised foods dominate food markets (-/+ 95%)
 - Use of synthetic and engineered inputs
 - Spatial spread between production and consumption
 - Dominance of big food (agro-industrialisation)
- Despite the agro-industrialisation of food markets
 - No complete take-over
 - Resilience of traditional /informal market channels
 - Emergence of alternative foods (organic/free range/sustainable) driven by consumer ethics(e.g FairTrade)

Smallholder farmers (SHF)

- The definition of smallholder farmers In South Africa is highly contested among researchers and academics
- In the public debate a smallholder farmer is synonymous to a black farmers, in reality smallholder farmer category is a continuum of farm types from subsistence to commercial type.
- Smallholder farmers can be placed on a continuum between large-scale and small-scale.
- They fall along a continuum of resource-rich and resource-poor
- Number varies no official dedicated statistical framework
 - 2007 Labour Force Survey 4.5-million
 - DAFF 2012 -1.3 million
 - NIDS 2013-1.2 million

Market participation typology



SHF Market Participation-(Limpopo case)

- SHF potential is limited by resources (skills, infrastructure and finance)
- SHF have multiple marketing strategies(risk management)
- National Fresh produce market channel are dominant fresh produce
- Informal markets are still relevant (e.g Tshakuma Market)
- Supermarkets can be pro-poor(SPAR and Pick n Pay Initiatives)
- Market infrastructure (packhouse) has potential for mainstreaming SHF
- Farmer organisation can increase value chain participation (secondary cooperative)

Pro-poor value chain development

- Rise of pro-poor business
 - Agro-processors-SAB Miller, McCain
 - Agribusiness-Obaro
 - Supermarkets –SPAR, Pick n Pay
- Rise of pro-poor intermediaries
 - Techno-serve
 - Timbali incubators
 - LIMA
- Pro-poor public market interventions
 - AgriBEE
 - Zero Hunger
 - Input support-Masibuye masimeni??

Recommendations

- Innovations for linking SHF to markets
 - Question the relevancy of incorporation in informal markets
 - Development appropriate partnerships between players (Private, Public, Farmers and NGOs)
- Government should intervene-
 - Reintroduction of subsidies
 - BEE procurement thresholds (%???)
 - Zero Hunger (operational model??)