

## **Finding a sustainable linkage between the emerging farmer and formal markets: The case of pick 'n pay and the Zanyokwe farmers in the eastern Cape of South africa**

*Bediako J.A.<sup>1</sup> and Debrah K.<sup>2</sup>*

*<sup>1</sup>University for Development Studies, <sup>2</sup>Plan Ghana*

### **Abstract**

A major problem confronting rural and emerging farmers is the marketing of their products. Most of the farmers encountered depend on the local or village markets which are often saturated or purchases are not backed by effective demand to make sales meaningful for the desired benefits. Small scale South African farmers have not been able to access the formal sector to sell their goods. There are several reasons for this which is linked to the nature of the historical evolution of the South African agricultural sector and in particular the food production system. Recently, it has been argued that the small scale farmers are not able to meet the standards that are set by the formal sector and are therefore responsible for their own exclusion by producing poor quality products. The private sector is not aware of the capabilities of the small scale African farmers. Consequently the private sector is unable to communicate its needs to this group of emergent farmers. This paper presents information and findings of the Case Study project of how the gap has been bridged from both ends of the production chain about needs of business and the small scale or emerging farmer which has led to finding a sustainable marketing linkage between the rural farmer and the private sector.

Keywords: Farmers, Markets, Products, Supermarkets,

### **Introduction and Background**

The University of Fort Hare (through the Agricultural and Rural Development Research Institute- (ARDRI) in collaboration with Partnerships for Industrial Development – Fruit and Vegetables (PFID – FV) and Michigan State University have built a market linkage between the emerging farmer and the private sector as a way of improving markets for the small or emerging farmer. The overall objective of the project is to bridge the gap from both ends of the production chain by gathering information about the products of the small-scale producers and information about the needs of business. With this information we have been able to identify and facilitate the creation of sustainable linkage between the farmers and the private sector.

### **Methodology**

#### *Location*

The pilot project at Zanyokwe irrigation scheme is located in the Middledrift district of the Eastern Cape of South Africa which is situated within Latitudes 32° 48' S & 32° 50' S and Longitudes 26° 48' E & 27° 15' E. Middledrift town is situated about twenty kilometres from Alice and about forty kilometres from King William's Town on the R 63 main road.

#### *Meeting with farmers and site visits*

According to studies by ARDRI (2000) yields from crops are higher in areas with irrigation compared dry farming areas consequently it is reasonable to choose areas with irrigation facilities for profitable and sustainable vegetable production. Based on the above premise, we selected 12 irrigation sites in the region to participate in the project.

#### *Use of Workshops*

We organized a number of workshops at University of Fort Hare in which, officials of Pick 'n Pay, representatives of farmers and extension officers from the selected sites interacted. In these meetings, Pick 'n Pay outlined the company's purchase requirements and product standards for fruits and vegetables and procedures followed in contracting farmers. The interaction allowed farmers and the extension officers to pose probing questions concerning the project.

#### *Farm visits and farmer tours*

The Pick 'n Pay technical and ARDRI teams visited the 12 selected production sites to assess the resource base and the readiness of farmers. We organized representatives of farmers to take a tour of commercial vegetable production and selling centres to learn the techniques of commercial vegetable production and also learn about quality, grades, standards and packaging.

### ***Pick 'n Pay requirements***

ARDRI negotiated with the procurement section of Pick 'n Pay for a growing programme and specifications of the crops to be supplied to the supermarket chain. This information was used to plan with farmers in the production procedures and guidelines. A packhouse was provided to ensure proper and hygienic handling of harvested products.

### ***Ensuring sustainability***

We built in practical mechanisms to let the linkage continue for an indefinite period. Some of these are outlined below:

- Farmer involvement in all the planning procedures.
- Farmer commitment through registration to be part of the party
- Provision of an overall technical anchor for the project
- Inclusion of the local extension officers
- Engaging the services of a farm manager
- Sourcing of and use of certified seeds
- The primary buyer's financial support and traceability guidelines
- Use of current farming results to encourage youth membership
- The use of experienced farmers in the group as mentors
- Continuous scanning of the environment for secondary markets
- Prior arrangements and acquisition of required inputs
- Use of local or community contractors and individuals for major farm operations
- Savings and re-investment mobilization and debt servicing
- Plant twice in a year to enhance more income
- Preparation, use and adherence to a business plan
- Formation of a steering committee
- Frequent farmer training in current farming trends and business principles
- Formation of farmers co-operative

### **Results**

We had planned to bring more communities on board but our resources would not allow us to cover all the 12 sites initially envisaged. As a result we decided to conduct the project on a pilot basis in the Zanyokwe irrigation scheme comprising two villages namely, Lenye and Burnshill. The project started with 60 farmers who expressed interest to produce for the Pick

'n Pay chain stores in two locations with 30 farmers from each village. Eventually the number of farmers reduced to 22 with 12 and 10 in Burnshill and Lenye respectively. All the farmers depend on farming as a full time job.

### ***Demographics***

There are more men in the group than females. The average age is relatively younger in Burnshill (38.7 years) than Lenye (48.9 years). Most of the farmers in Burnshill have higher levels of education than their counterparts in Lenye.

### ***Impacts of built in sustainable mechanisms***

Adherence to a business plan (Table 1) at the start of every season has prevented deviations. The involvement of farmers, local extension officers, contractors and labour from the community has led to a buy in. The steering committee comprising relevant stakeholders monitors and evaluates the project to strengthen identified weaknesses.

The technical anchor, the farm manager and mentors facilitate and solve technical problems on the ground. Sourcing of certified seeds and other inputs from reputed suppliers and frequent training has ensured quality and the required product flow.

Continuously scanning the market has widened the market boundaries for more buyers from the formal sector. The Co-op has virtually taken over organizational and planning processes of the project and the farmer's credit worthiness has improved with the savings mobilization and debt servicing. Progress indicators are shown in Table 2.

### **Conclusions**

Through various methodologies, information collected from both ends of the production chain i.e. about the activities and products of the small-scale producers and information about the needs of business have been used to create sustainable marketing linkages between the Zanyokwe farmers and the private sector i.e. the Pick and Pay chain stores, the East London Fresh Produce market and other formal outlets in the Eastern Cape of South Africa. The path to this end has presented us with several opportunities and challenges to improve and expand in the future. The project is on going and we hope to unearth more wealthy information to solve the marketing problem of the numerous emerging farmers out there.

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**Table 1.** An example of a business plan as a guide for the production of butternuts for the season

WHAT	WHO	WHEN	Cost/ha (rand)	QUANTITY/HA
General Meeting	All the relevant stakeholders	22 <sup>nd</sup> May	-	-
Land preparation and planting				
Ploughing	Zanyokwe Tractor services (ZTS)	June end	1000	-
Broadcast fertilizer before discing	Farmer and Farm manager (FFM)	June end	2110	0.5 ton (2:3:4)
Discing	FFM/ZTS	June end	400	-
Destroy weeds with round up	FFM	Sept 1 <sup>st</sup> week	200	-
Fertilization pre-planting	FFM	Sept 2 <sup>nd</sup> week	2110	0.5 ton (2:3:4)
Planting seeds	FFM	Oct 1 <sup>st</sup> and 2 <sup>nd</sup> week	4400	2000 plants
Side dressing LAN	FMM	Oct 1 <sup>st</sup> and 2 <sup>nd</sup> week	1558	500 kg
Preventative spray				
Bullock (2 sprays) R 242/L	FMM	Sept	140	100 ml
Labacid (3 sprays) R 176/L	FMM	Oct	64	-
Dithane (1 spray)	FMM	Oct	120	2 kg
Harvesting				
Terminator (shelve live)	FMM	Dec	107	-
Packaging	FMM and ARDRI	Dec	400	-
Labour (Plant, weed and harvest)	FMM	-	500	-
Transport	Fort Hare	Sept	1000	-
Total Expenditure			14109	-
Total income per ha of butternuts = R 30 000				

**Table 2.** Summary of progress indicators

CATEGORIES	YEARS		
	2003/04	2004/05	2005/06
Number of farmers contacted	300	200	200
Number of farmers in the project	60	30	22
Increased net profit	Average of R 800 per farmer per growing season prior to the start of the project and no proper records kept (including other crops)	Average of R 1 406 per growing season (cucurbits only)	Average of R 4 586..20 per farmer (growing only Butternuts)
Increased land area ( ha)	Prior to the outset of project farmers used to an average of 0.5 ha	Average of 0.9ha	Average of 1.5 to 2 ha
Changes in grades of produce	No grading previously. Supplied with specifications to adhere to	Supplied according to specification to buyer. Sorted products into grades required by primary market. Those below specification went to secondary market	More superior grades sold to the primary market.
Improved market accessibility	Relied on the local market and hawkers	Selling mainly to the primary market and a few secondary markets	Selling to the primary and more secondary markets
Improved management/cultural practices	Farmers did not adhere to most of the required management and cultural practices from land preparation to disposal of products to final consumer	Through the association with project there is increased farmer awareness of the production process as to what is needed for what and when	The Farmer Coop is now more involved in the planning and decision making processes (65%) and ARDRI (35%)
Decreased production cost over time	Previously little or no costing because no written records to be able to compare costs	Inventory of all activities of the farming process for the season kept	Has reduced from about 40 % to 25 % of total cost.
Harvesting for the current season 2006/2007 is in progress and projections are very encouraging			