



South Africa Siyasebenza

A DECADE OF INNOVATION AND PARTNERSHIP



Ushintsho Olughakazile

Jobs Fund Webinar

*Developing Inclusive Business Models in Agriculture:
Lessons from the Establishment of an Agri-hub*

01 August 2023

The event will start at 10h00



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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Opening Address

Vuyo Tetyana

Head of Monitoring & Evaluation (Jobs Fund)

Background to the Jobs Fund

Facilitator: Lionel Kunene
Team Leader (Jobs Fund)

Background to the Jobs Fund



- The Jobs Fund is a programme of the National Treasury.
- The Fund was capitalized in 2011 with **R9 billion**.
- The Jobs Fund was established to inspire innovation and to **co-fund** programmes that address specific barriers to job creation.
- The Jobs Fund is government's R&D Pilot on innovative job creation models and operates on Challenge Fund principles:

-  **Test innovative approaches to job creation** - supply and demand side of the labour market
-  **Share risk** - catalyse social return
-  **Encourage wider market adoption of challenge fund funding instrument** over the medium to long term
-  **Encourage adoption of successful Job creation Models** by organisations

- The Fund is not a mass employment programme, but complements other government programmes by encouraging innovation and sustainable job creation
- The Fund works with intermediaries, leveraging their networks and expertise to access and provide support to the targeted beneficiaries.
- The Jobs Fund was established with knowledge sharing as one of its foundational pillars and has a rigorous monitoring, evaluation, reporting, and learning framework.
- To this end, the Jobs Fund regularly hosts and participates in knowledge exchange sessions, together with its partners and the public.

Developing Inclusive Business Models in Agriculture: Lessons from the Establishment of an Agri-hub

Duncan Stewart (LIMA, Managing Director)

Lynette Parsons (LIMA, Programme Manager)



Organisational Profile

- Established in 1989, staff complement of over 135 including professionals, agricultural and social facilitators and various specialists.
- Over 34 years of experience in the design, management and implementation of relevant and effective social development programmes across South Africa.
- Non-governmental and non-profit organisation, engaged in a broad range of rural and urban development interventions.
- Lima promotes dignified community growth, focusing on sustainability and transformation.
- Lima aims to integrate marginalized people into development interventions that contribute to the mainstream economy.

Agricultural Programme Background

- Farmer Support Programme developed in response to rural farmer isolation from services, training and markets.
- Provision of farmer support services to smallholder farmers, through the placement of an on-site specialist team.
- 24-year implementation history, across South Africa, supporting more than 16,000 farmers.
- Farmer support services can be summarised as improved access and linkages to:
 - Inputs
 - Credit
 - Mechanisation
 - Markets
 - Agricultural Advice





Project Origination

- In recent years there has been a spotlight on Agrihubs and their potential in supporting rural and smallholder farmers, in overcoming isolation (as well as economies of scale) challenges.
- Many interested stakeholders have discussed and entertained various agrihub models – from Government, Private and Public Sectors.
- Lima wanted to pilot our Agrihub concept, alongside our Farmer Support Programme, to test an innovative approach to link farmers into markets, connect them to input suppliers and enhance commercial viability of the farms.
- We wanted to test replicability, identify on-the-ground challenges and find solutions.
- The Jobs Fund's 5th Funding Round, presented us with that opportunity, and in 2015 we were awarded Jobs Fund grant funding to implement the model.

Definition of an Agrihub



An Agrihub provides integration between the commercial and emerging sector. It is defined by the needs and requirements of the community it serves.

Typically, an agrihub provides the following services:

1. Inputs: either through holding stock or organised collective buying.
2. Market opportunities: could include securing planting contracts, processing or just aggregation product for markets.
3. Production credit.
4. Technical advice and support.
5. Mechanisation support through a machinery and equipment hiring system.
6. Logistic support: transport and delivery services or inputs and produce.



Project Model

- **Original Proposal:** *the Agrihubs would be local distribution centres and could include a warehouse, storage space, a pack house, and/or cold storage facilities, as well as office space. The main intention of these Agri-hubs was to assist farmers with access to market, inputs and information. Potential for processing and packaging of produce.*
- The Agrihubs would need to be locally based - to reduce transactional costs for the SHF.
- A model of many small Agrihubs would be ideal.
- Many rural farmers are clustered around irrigation schemes, or rural settlements. These vary in size but a single agrihub based at these locations would best benefit those farmers.
- Lima original design required a commercial partner. We partnered with SPAR, who unfortunately withdrew shortly after contracting. SPAR went on to test their own agrihub.

Project Model

- Lima implemented 3 Agrihub Models.
- Each were designed differently, according to the location and site context, as well as partnership and hub-management options available:
 - **Lephalale Agrihub - Limpopo**
 - **Midlands Livestock Platform - KZN**
 - **Mopani Agrihub - Sekororo, Limpopo**





Impacts and Outcomes

Agrihub	Impact	Outcomes
Lephalale	Focused on inputs and Mechanization	No ownership model could be secured – model looked at using local businesspeople Due to environmental conditions, planting was erratic resulting in demand for inputs and markets being unstable with low margins
Mopani Sekororo	Focused on input, markets and services	Secondary Co-operative Lima management
Midland Livestock Platform	Focused on providing linkages for input and markets for Livestock farmers	No ownership model established Large demand for services Management and services provided by Lima High initial overhead costs required further funding support

Impacts and Outcomes

- Each Agrihub was supporting between 300-800 farmers each.
- Approximately 50% of the farmers at these localities were utilising the services of the Agrihub.
- Without a commercial partner, the Agrihubs struggled to become financially secure. Margins were very small and overhead costs were high. Profitability was low.
- Agrihubs need a commercial partner supporting them in terms of bargaining power for price, support of systems and management.





Learnings and Good Practice

- **Ownership and Management** are key Success Factors. There has to be a vested interest by individuals – for the hub to operate effectively.
- **Strong Financial Skills** within each hub are critical – pricing, payments, sales, knowledge gaps.
- **Communication is a key** success factor – with farmers, with stakeholders, with markets, etc.
- **Partnership:** The Commercial sector has really avoided engaging in agrihub space – especially for Small Holder Farmers. How can this be overcome, do potential partners not see any benefit?
- **Hub Offering:** Dependant on the site, but a mix of agricultural and mechanisation services and inputs, as well as financial services could be explored according to local needs. No two Agrihubs can be designed the same. Different sites, different needs, different farmers, different models.

Learnings and Good Practice

Key Elements needed for a successful Agrihub

Ownership Structure and Community Receptiveness	Farmers vs Agribusiness Legal Entity vs Association/Co-op Ability and business maturity of the Community
Services of the Agrihub	At what point is an Agrihub needed? What services/role does the AH provide?
Management of the Agrihub	Farmers vs Agribusiness Skills required
Partnerships	Long term investment and support



Agrihub Sustainability

- In the last decade there has been significant interest in Agrihub models - from high profile stakeholders, but performance has still been sub-optimal.
- Projects of this nature require a minimum of 5 to 6 years of concentrated and intense support.
- Thereafter the levels of local participation and leadership increase.
- Commercial Investors need to be leveraged in and provided with incentives for risk reduction.
- Input Supply, Market Linkages, Mechanisation and Credit are the cornerstones of the agricultural value chain – these are all commercial functions that need to be integrated into the rural economy.
- The Agrihub needs to play this role - to achieve full sustainability.



Comparison with other Agrihub Models

- Lima was implementing in remote rural areas - there were no other Agrihubs to compare ourselves with.
- These farmers had to travel great distances (huge transactional costs) to local towns for inputs. Also resulting in high delivery costs.
- In most of our areas, the informal market is so strong that marketing fresh produce at competitive prices was not an issue - and if quality was right, could be viewed as lucrative for farmers.
- More recent engagement with commercial partners in a new Agrihub Development is showing increased willingness by input suppliers to partner in the establishment of rural agrihubs to support small holder farmers.
- It does require suppliers to operate slightly differently and relook at their product offering, but they are beginning to understand the financial opportunity that exists.

An Agrihub alone is not a solution to the requirements of a Small Holder Farmer

- An agrihub needs to be part of a larger comprehensive support programme, such as the Lima Farmer Support Programme.
- Commercial Partners also need support and risk reduction incentives.
- **Commercial Partnership and Business Management**, as well as **Farmer Facilitation and Communication**, are key Success Factors.



Pause for Questions

Closing Remarks

Vuyo Tetyana

Head of Monitoring & Evaluation (Jobs Fund)



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Thank you



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