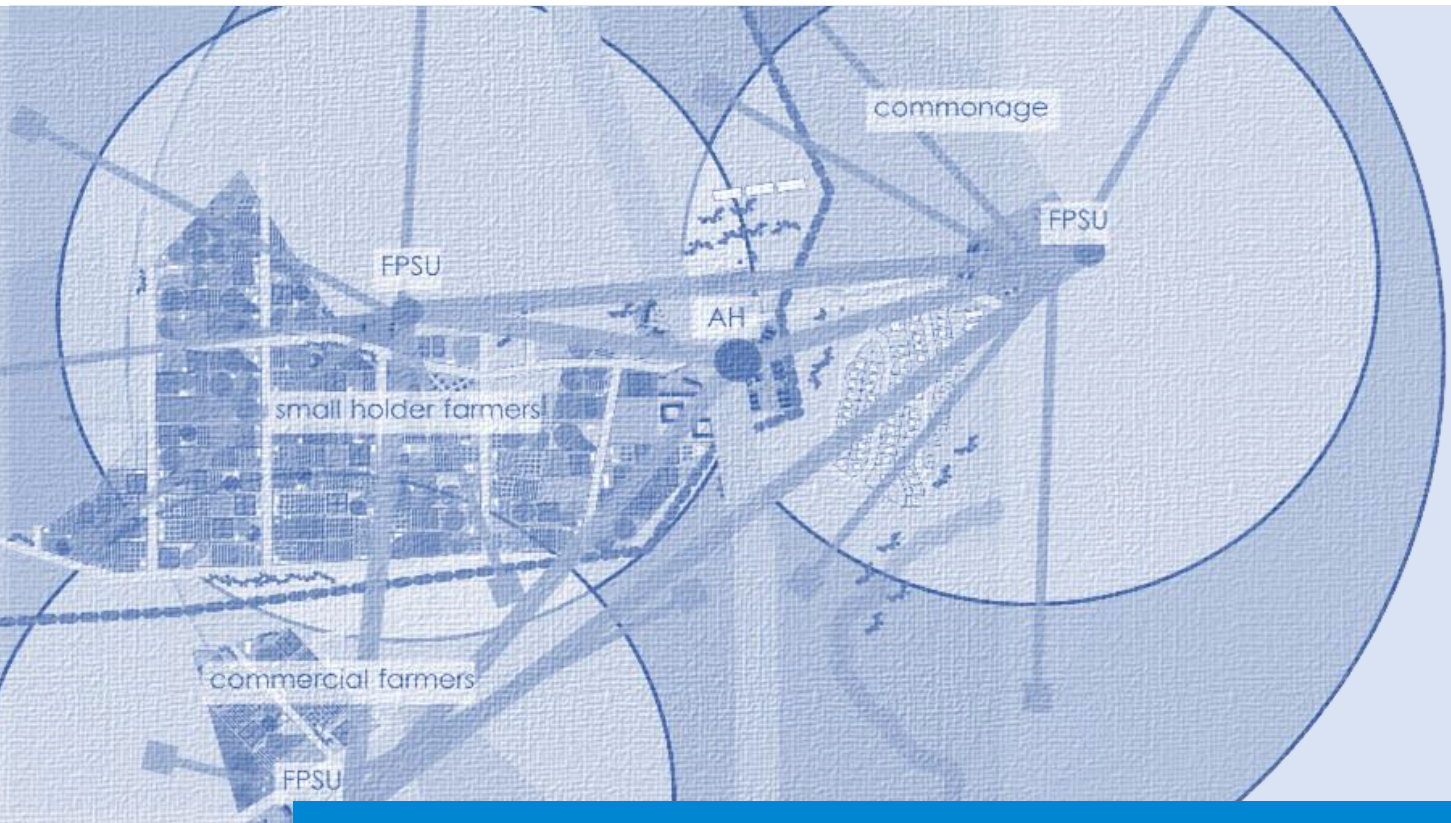


MASTER AGRI-PARK BUSINESS PLAN: EASTERN CAPE

April 2016

FINAL REPORT



AMATHOLE DISTRICT BUSINESS PLAN



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OPTIMAL AGRICULTURAL BUSINESS SYSTEMS

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Executive Summary

This Amathole Master Agri-Park Business Plan reviewed the current agricultural activities in the Amathole District Municipality including, but not limited to, a review of the major agricultural products produced and the activities of the various public sector organisations supporting agriculture and farming projects in the region.

The Department of Rural Development and Land Reform has defined an Agri-Park as “a networked innovation system of agro-production; processing; logistics; marketing; training and extension services located in District Municipalities. As a network it enables a market-driven combination and integration of various agricultural activities and rural transformation services.” Thus the Agri-Park concept involves integrating collective farming, farmer incubation programmes, Agri-Clusters, and Eco-Villages; while also contributing to land conservation and preservation. A business plan for the Agri-Park in Amathole DM was developed in 2015 by the Department of Rural Development and Agrarian Reform and this report builds on that research as well as the Agricultural Policy Action Plan (APAP).

In this report reference is made to ‘commodities’ this being a broad range of agricultural products and not strictly traded agricultural commodities. Commodities were identified through a review of the status quo of agricultural activities and biophysical conditions of the region, a review of policy documents and current agricultural projects. These commodities were then analysed by way of a prioritisation matrix which has assessed each commodity according to 37 scoring criteria falling into four broad classes. These are:

- A) Biophysical criteria
- B) Enterprise viability
- C) Economic development
- D) Political & social objectives

Based on an Amathole District Municipality Council decision the site of the Agri-Hub for the district is in the town of Butterworth, in Mquma LM. The concept of the Agri-park and its supporting structures within the Amathole DM will be explored within the Final Report.

In accordance with the Agricultural Policy Action Plan and directives from the Department of Rural Development and Land Reform the three top scoring commodities have been identified for inclusion as the core focus areas for the Amathole Agri-Park. The top three scoring commodities for Amathole were identified as: red meat (Including beef, sheep, chevon/goat and pork); vegetable production and maize production.

The identified commodities were then taken through a detailed analysis, including a Market Analysis; Value-Chain Assessment and SWOT Analysis (Chapter 8).

The following were the key outcomes of the commodity analysis, relating to these three candidate commodities:

Red Meat:

- The Amathole environment is well suited to livestock farming with almost all areas of the District showcasing good suitability to livestock farming.
- Large opportunities exist in the Amathole District in red meat sub-classes beef, sheep, goat and pork. These opportunities include farming opportunities for commercial and emerging farmers as well as numerous opportunities for small and large concerns in the upstream and downstream portions of the value-chain including agro-processing.

- The demand for red meat has been showing strong growth in recent years and conditions are right for new entrants into the red meat market.

Vegetables:

- While the Amathole environment may not be perfectly suited in all areas to vegetable farming, there are numerous areas across the District where a variety of crops can be produced.
- By supporting multiple crops the Agri-Park can ensure more farming concerns are catered for and the most suitable crops are planted in each area. This will greatly improve the quality of production, improve enterprise flexibility to market demands and enhance food security.
- Markets for vegetables is strong and new supply will easily find a market, especially in the rural Eastern Cape where much of the vegetables sold are imported into the region. Local production should easily be able to supply the local marketplace at lower unit cost than imported vegetables.

Maize:

- Maize is well suited to many parts of the Amathole District.
- The crop is grown as a subsistence crop throughout the District, i.e. many of the skills required for production are already present in the region, which bodes well for future efforts to increase maize production.
- Maize not only contributes to food security directly, but plays a major role in supporting the red meat value chain as a major source of feed.
- The maize market is robust and any maize production will find a buyer. High quality maize will fetch a premium price but even low quality price can be sold to offset costs in the feed market.

As with many rural municipalities, the agricultural development is constrained by road infrastructure, access to water and electricity infrastructure as well as issues affecting access to arable land under the curatorship of traditional leadership structures. For the Agri-Park concept to succeed it is imperative that these issues be adequately addressed. These challenges and weaknesses were discussed with the SWOT Analysis, these include:

- Large investments in road, water and electricity infrastructure is required to facilitate the growth of agriculture in the deep rural areas of the Amathole DM.
- Significant investment in skills development and training in all identified commodities is required before significant levels of production can be achieved
- A large portion of the Amathole District Municipality comprises former homeland areas. As a result, much of this land is held under communal land ownership. Releasing good quality land for commercial development is therefore likely to be difficult.
- Theft and vandalism of farm infrastructure / crops poses a moderate threat to vegetable farming in the Amathole District.

The development concept covers what the completed Agri-Park should contain per commodity. The key thrusts are listed in a table below for each commodity. These key thrusts are activities/ products that should be developed by the Agri-Park.

Livestock	
Genetic improvement	Improving the genetic quality of emerging and small-holder farmers for immediate relatively fast improvement of prices offered for carcasses when sold to abattoirs.
Feedlot	A feedlot to fatten and finish livestock ready for sale or slaughter.
Fencing	Fencing of commonage key grazing areas for small holder and emerging farmers.
Management of commonage	A key aspect of improving small holder farmer's herds is an improvement in the management of commonage. Commonage, if correctly planned and managed, can be vital for small holder farmers.
Veterinary support	FPSUs provide a base for DAFF veterinarians to operate out of and are invaluable to emerging and smallholder farmers.
Training	Training is a vital aspect of the Agri-Park concept. In order to give small holder and merging farmers an opportunity to produce livestock for the market then it is important to train farmers in animal handling and market information.
Abattoir facilities	There is currently space in the market for an abattoir at FPSU level that has deboning facilities. This should largely be focused on B and C grade meats for the local rural market areas.
Maize	
Silos	Developing a silo or storage facility in the district for local maize farmers.
Milling	Maize milling/processing would be a value-adding activity in the district. Milling can also enhance the quality of maize produced in the district.
Fencing	Fencing of local farms and commonages for small holder and emerging farmers.
Training	Training is a vital aspect of the Agri-Park concept. In order to give small holder and merging farmers an opportunity to produce maize for the market then it is important to train farmers in farming techniques and market information.
Market Linkages	Linkages with other Agri-Parks also focusing on maize production, such as OR Tambo DM, is important for market support and improved sustainability.
Vegetables	
Market linkages	Farmers must engage with Agri-Park, commercial farmers and destination markets to gain key market intelligence, form production agreements and make long term partnerships to exchange information and expertise.
Organic vegetables	There is a growing market for organically grown vegetables as consumers become more aware of what goes into food production.
Vegetable processing	Gaps exist in the local market for the preparation and processing of fresh and frozen vegetables.
Training & mentorship	In order to give small holder and merging farmers an opportunity to produce vegetables of a high quality for the market it provide farmers with the necessary agricultural and business skills training.

The following table presents the total cost implications for the Amathole Agri-Park (at full cost, complete new build) including the construction of seven FPSU's. Note that this excludes the FPSU for Mnquma LM as the Agri-Hub in Butterworth can provide these services.

Agri-Park elements	Cost
FPSU (x7)	R 184 030 000
Agri-Hub	R 54 697 500
TOTAL	R 238 727 500

List of Abbreviations

ADM	Amathole District Municipality
APAP	Agricultural Policy Action Plan
BCM	Buffalo City Municipality
CASP	Comprehensive Agriculture Support Programmes
CRDP	Comprehensive Rural Development Programme
DAFF	Department of Agriculture, Forestry and Fisheries.
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism
DRDLR	Department of Rural Development and Land Reform
DRDAR	Department of Rural Development and Agrarian Reform
ECDC	Eastern Cape Development Corporation
ECRDA	Eastern Cape Rural Development Agency
ECRDS	Eastern Cape Rural Development Strategy
ECSECC	Eastern Cape Socio-Economic Consultative Council
EDD	Economic Development Department
FPSU	Farmer Production Support Unit
IDP	Integrated Development Plan
IPAP	Industrial Policy Action Plan
LRAD	Land Redistribution for Agricultural Development Programme
NDP	National Development Plan
NPC	National Planning Commission
REID	Rural Enterprise and Industrial Development initiative
RID	Rural Infrastructure Development initiative
RUMC	Rural Urban Market Centre
SEDA	Small Sector Enterprise Development
SIP 11	Strategic Integrated Project

Table of Contents

1.	Report Overview	1
<hr/>		
1.1.	Methodology	2
1.2.	Master Business Plan	2
2.	Agri-Park Model	4
<hr/>		
2.1.	Introduction	5
2.2.	Objective of the Agri-Park programme	6
2.3.	Agri-Park structure	6
3.	Policy Review	10
<hr/>		
3.1.	National Development Plan (NDP) (2012)	11
3.2.	Comprehensive Rural Development Programme (CRDP) (2009)	11
3.3.	Department of Rural Development and Land Reform – Strategic Plan 2015-2020 (2015)	11
3.4.	Industrial Policy Action Plan 2013/14 – 2015/16 (2013)	12
3.5.	Diagnostic overview of The Eastern Cape Province (2013)	12
3.6.	Eastern Cape Rural Development Strategy (ECRDS) (2010)	12
3.7.	Eastern Cape Rural Development Plan (2013)	13
3.8.	Agricultural Policy Action Plan (APAP) 2015	13
3.9.	Eastern Cape Vision 2030	16
3.10.	Amathole District Municipality IDP – 2015 - 2016	17
3.11.	Amathole Agriculture Development Plan Review 2012 - 2017	18
3.12.	DRDAR Amathole Agri-Park Business Plan 2015	19
4.	Location Context	20
<hr/>		
4.1.	Description of the district	21
4.2.	Location of Agri-Park	22
4.3.	Economic infrastructure	23
4.3.1.	Transport	23
4.3.2.	Electricity	23
4.3.3.	Water	23
5.	Agriculture Role-Players	25
<hr/>		
5.1.	Public Sector	26
5.1.1.	National Dept. Rural Development & Land Reform (DRDLR)	26
5.1.2.	EC Dept. Rural Development & Agrarian Reform (DRDAR)	26
5.1.3.	Aspire	27
5.1.4.	Eastern Cape Rural Development (ECRDA)	27
5.1.5.	Dept. of Economic Development, Environmental Affairs & Tourism (DEDEAT)	28
5.1.6.	Eastern Cape Development Corporation (ECDC)	29
5.1.7.	Eastern Cape Socio-Economic Consultative Council (ECSECC)	30
5.1.8.	Small Enterprise Development Agency (SEDA)	31
5.1.9.	Extension and Support Services	31
5.2.	Private sector	32
5.2.1.	Commercial Banks	32

5.2.3.	Agricultural Co-Operative Finance	32
5.2.4.	Agro-Processing Businesses	33
5.3.	Other key role-players	33
5.3.1.	Land Bank	33
5.3.2.	Associations and Organisations	34
6.	District Economic & Demographic Overview	36
6.1.	Demographic analysis	37
6.1.1.	Population densities	37
6.1.2.	Age structure	38
6.1.3.	Dependency ratio	39
6.1.4.	Population growth rates	40
6.1.5.	Migration trends	40
6.2.	Education	42
6.2.1.	Learners, educators and school structure	42
6.2.2.	Education attainment levels	42
6.3.	Poverty and Income Levels	43
6.3.1.	Average household income	43
6.3.2.	Poverty line and Gini coefficient	45
6.4.	Socio-economic summary	46
6.5.	Economic performance	46
6.5.1.	Eastern cape overview	46
6.5.2.	Amathole and local municipal overview	46
6.5.3.	GDP-R growth rates and projections	48
6.6.	Labour market	49
6.6.1.	Structure of the Eastern Cape's labour market	49
6.6.2.	Structure of the Amathole District's labour market	50
6.6.3.	Eastern Cape labour market performance	50
7.	Agriculture Sector Analysis	52
7.1.	Main agricultural activities	53
7.1.1.	Lamb & wool production	53
7.1.2.	Cattle (beef and dairy)	54
7.1.3.	Poultry	55
7.1.4.	Maize	56
7.1.5.	Horticulture	56
7.1.6.	Forestry	57
7.2.	Current and proposed projects in the region	57
7.2.1.	Rural Enterprise and Industry Development Initiative (REID)	58
7.2.2.	Rural Infrastructure Development initiative (RID)	59
7.2.3.	Land Redistribution for Agricultural Development programme (LRAD)	59
7.2.4.	Comprehensive Agricultural Support Programme (CASP)	60
7.2.5.	Ilima / Letsema	60
7.2.6.	IDP Projects	60
7.2.7.	Special Projects	61
7.2.8.	Social relief projects	61
7.3.	Environmental profile	61
7.3.1.	Temperature and frost, heat & chill units	61
7.3.2.	Rainfall, hail risk, humidity and water availability	63

7.3.3.	Land and soil resources	65
7.4.	APAP commodity selection criteria	66
7.5.	Agri-Park commodity prioritisation matrix	67
7.5.1.	Biophysical criteria	67
7.5.2.	Enterprise viability criteria	68
7.5.3.	Economic development criteria	70
7.5.4.	Political & social criteria	71
7.6.	Prioritisation matrix results	72
7.6.1.	Red Meat	75
7.6.2.	Vegetables	76
7.6.3.	Maize	76
7.7.	Summary	77
8.	Red Meat	78
8.1.	Market analysis	79
8.1.1.	Global markets	79
8.1.2.	National market	82
8.1.3.	Local consumption	87
8.1.4.	Local market developments	88
8.1.5.	Price	89
8.2.	Value-chain assessment	91
8.2.1.	Beef	91
8.2.2.	Lamb and Chevon	93
8.2.3.	Pork	97
8.3.	Stakeholders	98
8.4.	Technology	99
8.5.	Demand and Needs Analysis	102
8.6.	Competition	102
8.7.	Job Creation	103
8.8.	Contribution to Food Security	103
8.9.	Regulatory Requirements	104
8.10.	Substitute Products and Services	105
8.11.	Barriers to Entry	105
8.12.	Societal and Cultural practices	107
8.13.	SWOT Analysis	108
8.13.1.	Strengths	108
8.13.2.	Weaknesses	108
8.13.3.	Opportunities	109
8.13.4.	Threats	109
9.	Vegetables	111
9.1.	Market analysis	112
9.1.1.	Production	112
9.1.2.	Distribution channels	114
9.1.3.	Prices	115
9.1.4.	Consumption	117
9.2.	Value-chain assessment	117
9.3.	Stakeholders	121
9.4.	Technology	121

9.5	Demand and Needs Analysis	124
9.6	Competition	125
9.7	Job Creation	125
9.8	Contribution to Food Security	125
9.9	Regulatory Requirements	126
9.10	Substitute Products and Services	127
9.11	Barriers to Entry	127
9.12	SWOT Analysis	128
9.12.1	Strengths	128
9.12.2	Weaknesses	129
9.12.3	Opportunities	129
9.12.4	Threats	129
10.	Maize	131
10.1.	Market assessment	132
10.1.1.	Production	132
10.1.2.	Price	134
10.1.3.	Utilisation and consumption	135
10.1.4.	Transport	136
10.2.	Value-chain analysis	137
10.3	Stakeholders	139
10.4	Technology	140
10.5	Demand and Needs Analysis	142
10.6	Competitors	143
10.7	Job Creation	143
10.8	Contribution to Food Security	144
10.9	Regulatory Requirements	144
10.10	Substitute Products and Services	146
10.11	Barriers to Entry	146
10.12	Societal and Cultural practices	147
10.13	SWOT Analysis	147
10.13.1	Strengths	147
10.13.2	Weaknesses	148
10.13.3	Opportunities	148
10.13.4	Threats	148
11.	Development Concept	149
11.1.	Introduction	149
11.2.	DRDAR Agri-Park general concept	150
11.3.	Amathole Agri-Park development concept	152
11.3.1.	Agri-Park	152
11.3.2.	Commodity development concepts	154
11.4.	Logistics Plan	171
11.5.	High-level costing analysis	173
11.6.	Synthesis	174
12.	Implementation Guidelines	175
12.1.	Introduction	175
12.2.	Implementation process	175

12.3.	Role-players	176
12.4.	Recommendations	179
12.5.	Roll-out plan	183
13	Agri-Parks Organisational Structure	187
13.1	Advisory Structures	188
13.1.1	NAAC	188
13.1.2	DAMC	189
13.2	Approval Structures	189
13.2.1	DAPOTT	189
13.2.2	DLRC	190
13.2.3	PCRD	190
13.2.4	NLARCC	191
13.2.5	NDC	191
13.3	Implementation and Monitoring Structures	191
13.3.1	NAPOTT	192
13.3.2	PAPOTT	192
	List of References	193

Overview

Chapter 1

Chapter 1

Report Overview

The Department of Rural Development and Land Reform has defined an Agri-Park as:

“A networked innovation system of agro-production, processing, logistics, marketing, training and extension services located in District Municipalities. As a network, it enables a market-driven combination and integration of various agricultural activities and rural transformation services.”

This means that the Agri-Park concept involves integrating collective farming, farmer incubation programmes, Agri-Clusters, and Eco-Villages; while also contributing to land conservation and preservation.

The DRDLR has identified the need for business plans for 44 district municipalities across South Africa for the development of these Agri-Parks. The four Agri-Parks earmarked for the Eastern Cape will be situated in Amathole DM, Joe Gqabi DM, OR Tambo DM and Sarah Baartman DM. This report presents the Business Plan for the Amathole District Agri-Park, to be situated in the town of Butterworth.

This draft report includes the Amathole Agriculture Industry Analysis, the prioritisation of commodities for inclusion into the Agri-Park and a full analysis of the selected commodities.

The final report will continue by developing the Agri-Park business plan and implementation guidelines

The goal of the Agri-Park Master Business Plan is described as:

“To develop a Master Agri-Park Business Plan that aligns with the Agri-Park Model that was developed by the Department of Rural Development and Land Reform and the dominant Commodity Value Chains in the specified District Municipalities.”

The objectives of the Agri-Park Business Plan is summarised from the Terms of Reference as follows:

1. To understand the Agri-Park Model developed by the DRLDR.
2. To identify the existing agro-processing facilities and farmers within each district municipality and to establish possible linkages.
3. To identify three possible agro-processing business opportunities for each Agri-Park.
4. To develop an institutional/operational plan for each Agri-Park that indicated how existing farmers will be linked with the Agri-Park.
5. Review all existing documentation, maps and information.
6. To work with the representative of the districts and the CSIR.
7. SWOT analysis that includes a legal, environmental, financial and technical analysis.
8. Identify current agro-processing initiatives and possible synergies, linkages and opportunities to buy into existing businesses.
9. Do a financial analysis of the proposed agro-business opportunities.
10. To conduct a feasibility and viability assessment of the proposed agro-processing facilities.
11. Develop an operational plan for the business park.
12. Determine the costing of the Agri-Park.

1.1 Methodology

The methodology described in the figure below is to outline the steps undertaken to develop the Agri-Park Master Business Plan.

Figure 1.1: Methodology



1.2 Draft Business Plan- Commodity Selection Report

The purpose of the Master Business Plan is to provide the Department of Rural Development with a strategic document that will outline how to establish and develop a viable and successful Agri-Park in Amathole DM. The Master Business Plan report comprises of the following chapters:

Chapter 2: Agri-Park Model: This chapter is aimed at providing a theoretical understanding of the Agri-Park concept. This will describe what an Agri-Park is, how it will operate, why it is being established and who it will service.

Chapter 3: Policy Review: The policy review chapter briefly outlines national, provincial and local policies and documents related to agriculture. The chapter will also consider district specific policies and documents such as the IDPs, SDFs and Agriculture Sector Plans.

Chapter 4: Location Context: This chapter provides a description of the district in terms of location, major towns, transport routes and main economic activities. It also provides the location of the Agri-Park, including maps and depiction of economic infrastructure.

Chapter 5: Agriculture Role-Players: This chapter identifies the government, private sector and associations and organisations involved in the agricultural sector in the district. This will include the stakeholders' mandates and related agricultural projects.

Chapter 6: District Economic and Demographic Overview: This chapter describes the economic and socio-economic status of Amathole DM. Details around district demographics, labour trends, income and poverty levels are also provided.

Chapter 7: Agriculture Sector Analysis: The agricultural industry analysis provides insights into the main agricultural activities, current and proposed agricultural projects and the environmental conditions in the district. This chapter will also determine the main commodities for the Agri-Park.

Chapter 8 - 10: Prioritised Commodity Market Analysis: The three main commodities for the Agri-Park identified in chapter 7 are discussed in more detail in this chapter. This includes a market assessment, value chain assessment and SWOT analysis.

Chapter 11: Development Concept: This chapter contains presentation of the development concept for the Agri-Park including the concepts for the individual commodities as well as a high-level costing analysis of the complete Agri-Parks initiative.

Chapter 12: Implementation Guidelines: This chapter contains the alignment with government programmes, recommendations for implementation and the roll-out plan for the Agri-Parks project in the Amathole District Municipality.

Chapter 13: Organisational Structure: Chapter 13 provides an overview outlining the proposed organisational structure of the Agri-Park and the major operators and stakeholders in the project.

Agri-Park Model

Chapter 2

Chapter 2

Agri-Park Model

2.1 Introduction

Agri-Parks are the culmination of existing models in both local and international spheres of development. The concept was developed after examining multiple private and public land usage models, ranging over educational and experimental farm operations, collective farming initiatives, farmer-incubator projects, agri-clusters, eco-villages, and urban-edge allotments and market gardens. Agri-Parks seek to serve as the transition zone between agricultural production zones in rural areas and urban processing and transportation hubs.

Agri-Parks are doubly named, in that the park seeks to aid in open space preservation, and seeks to promote a business park environment, with multiple organisations and initiatives based out of a centralised area. The centralisation of developmental agricultural activities within districts encourage linkages between the parks and the surrounding land for production. Additionally, it enables the centralisation of physical infrastructure within the district, enabling development of rural agricultural activities.

Agri-Park Guidelines

1. *One Agri-Park per District (44 nationally, 6 provincially)*
2. *Agri-Parks must be farmer controlled.*
3. *Agri-Parks must be the catalyst around which rural industrialization will take place.*
4. *Agri-Parks must be supported by government (for 10 years) to ensure economic sustainability.*
5. *Partnerships between government and private sector stakeholders should be strengthened, ensuring increased access to water, energy, and transport services, and production and develop existing and create new markets to strengthen and expand value-chains.*
6. *Maximise production of state land with high agricultural potential.*
7. *Increase and maximise access to markets to all farmers, especially emerging farmers and rural communities.*
8. *Maximise the use of land with high agricultural potential (i.e. land with high production capability).*
9. *Maximise use of existing agro-processing, bulk and logistics infrastructure.*
10. *Revitalise rural towns and provide support to towns with good growth potential, particularly towns with high current or potential economic growth, and high population growth over the past ten years.*

Agri-Parks, which will be farmer controlled, seek to achieve multiple developmental objectives within the rural environment, aimed at promoting agricultural production within subsistence and small-scale producers. The Agri-Park approach will include the selection and training of smallholder farmers, as well as selecting farms per province for the placement, incubation and training of unemployed graduates and other entrepreneurs. These agri-business entrepreneurs, and emerging farmers, will be actively mobilized and organized to support this initiative. Strategic public partnerships between the Department of Rural Development and Land Reform with other key government institutions will be formed, for example, with the Department of Agriculture, Forestry and Fisheries, the Department of Cooperative Governance and Traditional Affairs, and local institutions such as provincial development agencies, and The Eastern Cape Rural Development Agency.

The development of Agri-Parks will necessitate the review of all existing land reform policies, to ensure sufficient policy support. State land is expected to be used for both production and processing.

2.2 Objectives of the Agri-Park programme

The following are the strategic objectives of the Agri-Parks Programme:

- Establish Agri-Parks in all of South Africa's District Municipalities that will kick start the Rural Economic Transformation for these rural regions.
- Promote the growth of the smallholder sector by creating 300 000 new small-scale producers, as well as 145 000 new jobs in the agro-processing industry by the year 2020 (as set out in the National Growth Path).
- Promote the skills of, and support to, small-holder farmers through the provision of capacity building, mentorship, farm infrastructure, extension services, production inputs and mechanisation inputs.
- Strengthen existing and create new partnerships within all three spheres of government, the private sector and civil society to develop critical economic infrastructure such as roads, energy, water, ICT and transportation/logistics corridors that support the Agri-Park value chain.
- Enable producer ownership of the majority of Agri-Parks equity (70%), with the state and commercial interests holding minority shares (30%).
- Allow smallholder producers to take full control of Agri-Parks by steadily decreasing state support over a period of ten years.
- Bring under-utilised land (especially in Communal Areas Land and land reform farms) into full production over the next few years, and expand irrigated agriculture.
- Contribute to the achievement of the National Development Plan's "inclusive rural economy" and target of 1 million jobs created in agriculture sector through creating a higher demand for raw agricultural produce, primary and ancillary inputs, as well as generating increased downstream economic activities in the sector.

The Agri-Parks Programme seeks to achieve a rural economic development through an all-inclusive approach to development by developing agricultural value chains that are linked nationally. The programme will also be able to address issues of employment, skills development and productivity of land.

The Agri-Parks programme is viewed as a programme that will address issues of rural economic development, one of government's key areas to address. Government has previously intervened with various anti-poverty programmes, but with a lower impact than what was expected. The Agri-Parks model, however, is expected to co-ordinate anti-poverty activities, providing an integrated package service that will match the local priorities.

2.3 Agri-Park Structure

An Agri-Park is a networked innovation system of agro-production, processing, logistics, and marketing, training and extension services. The Agri-Park system is located in a district municipality, serving to enable market-driven combination and integration of various agricultural activities and rural transformation services. The Agri-Park concept comprises of three basic units:

- A. Agri-Hub Unit (AP).**
- B. The Farmer Production Support Unit (FPSU).**
- C. The Rural Urban Market Centre Unit (RUMC).**

A. Agri-Hub

Agri-Parks are located in centralised places within a District Municipality that are able to service and interact favourably with agricultural activities within the district. The Agri-Hub, by necessity, is located in an area that can serve as a link between district agricultural production and markets, and supply inputs from service and product providers towards the agricultural producers. Agri-Hub, ultimately, need to possess sufficient physical and social infrastructure to accommodate:

- Storage/warehousing facilities (cold storage, dehydrators, silos etc.)
- Agri-processing facilities (mills, abattoirs, juicing, etc.)
- Enterprise development areas: lease space to high intensity start-up industries that can benefit from the inputs of outputs of the Agri-Hub, i.e. piggeries, tunnel grown crops, bio-gas production etc.
- Large scale nurseries to supply agricultural production initiatives.
- Packaging facilities for national and international markets.
- Weighing facilities
- Logistics hubs for collection of goods from the FPSUs.
- Transport service workshops and spare parts for larger maintenance tasks of Agri-Hub and FPSU equipment.
- Agricultural technology demonstration parks to train farmers in the Agri-Park catchment area on new technologies in terms of fertilizers, plants and seeds, irrigation, energy use and farm implements
- Soil testing laboratories.
- Accommodation for extension training and capacity building programs
- Housing and recreational facilities for workers and Agri-Hub staff.
- Business, marketing and Banking facilities, (ICT)
- Rural development organisation offices.

B. Farmer Production Support Units

The Farmer Production Support Unit (FPSU) is a rural outreach unit connected with the Agri-Hub. The FPSU serves as a resource node in areas isolated away from the main Agri-Hub, serving the surrounding community. The FPSU is detailed with collecting primary production from agricultural initiatives in the area, storing this product, engaging in small-scale processing operations for the local market, and providing extension services to surrounding operations (including mechanisation). In more detail, FPSU are multiple centres within a district that provide:

- Agricultural input supply control (quality, quantity, timeous deployment of inputs).
- Mechanization support (tractor driving, ploughing, spraying, harvesting etc.)
- Machinery, servicing workshop facilities.
- Primary produce collection.
- Weighing of produce and stock.
- Sorting of produce for local and other markets.
- Packaging of produce for local markets
- Local storage.
- Processing for local markets (small-scale mills etc.)
- Auction facilities for local markets
- Provide Market information on commodity prices (ICT).
- Extension support and training
- Local logistics support (delivery of farming inputs, post-harvest transportation, transportation to local markets, etc.)
- Small Business Development and Training centre.
- Banking

- Fuel

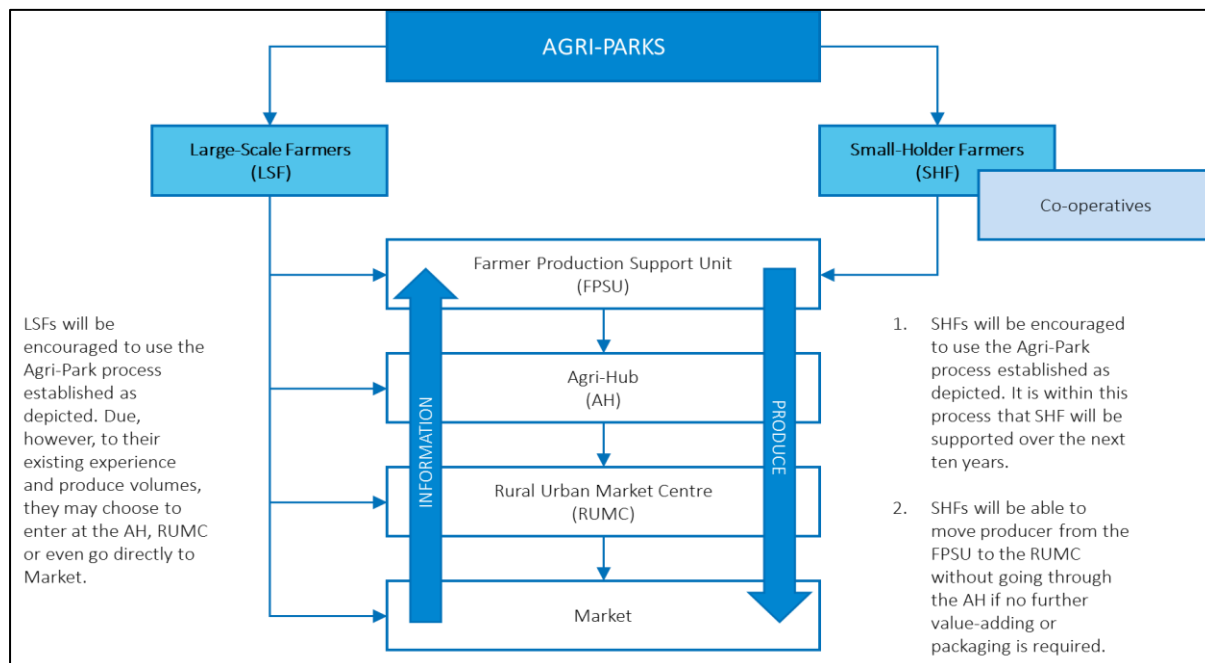
C. Farmer Production Support Units

Rural Urban Marketing Centres (RUMC) are located on the periphery of large urban areas, providing three main purposes. The first is to link rural, urban and international markets; the second is to act as a holding facility for product, releasing produce as required to urban markets based on seasonal trends; and the third is to provide market intelligence and feedback to the Agri-Hub and FPSU. RUMCs seek to:

- Improve access to and distribute market intelligence;
- Assist farmers, processors in managing a nexus of contracts;
- Provide large warehousing and cold storage facilities to enable market management;
- Provide logistic and transport in collection of produce from FPSUs or Agri-Hubs;
- Receive inputs from FPSU’s and Agri-Hubs.
- Assist multiple Agri-Parks.

Figure 2.1: provides a visual representation of the information and produce flows within the Agri-Park system. Figure 2.2: Depicts the catchment area of the Agri-Park in the grey circle, essentially illustrating the size and contents of the Park that includes farmers, FPSU’s, AH’s and RUMC’s. The Agri-Hub, or AH, forms the central point of the Agri-Park that is linked to the FPSU’s. There will be more than one FPSU per district, which is intended to provide a supporting role between the AH and the farmers. All these components of the Agri-Hub are interlinked, providing a streamlined and integrated approach to agricultural and rural development. Figure 2.2 provides the relevant detail of the catchment of each component.

Figure 2.1: Agri-Park Structure



Source: DRDLR 2015

Figure 2.2: Agri-Park Catchment Area



Source: DRDLR 2015

Figure 2.3: Norms and Standards for Agri-Parks

Component	Proposed catchment area in areas of low density population	Proposed catchment area in areas of high density population
FPSU	30km	10km
Agri-Hub	120km	60km
RUMC	250km	150km

Source: DRDLR 2015

The FPSU is designed to have catchment areas of 30km in low density areas and 10km in high density areas, indicating that there will be several per district. The AH is designed to have catchment areas of 120km in low density areas and 60km in high density areas, indicating fewer AH's than FPSU's. The RUMC is designed to have the largest catchment areas of 250km in low density areas and 150km in high density areas. There are likely only to be one RUMC in the Eastern Cape for the initial phase of the Agri-Parks roll out. It will likely be located in Buffalo City.

Policy Review

Chapter 3

Chapter 3

Policy Review

The following chapter discusses the relevant agricultural policy effecting the development of Agri-Parks. Agriculture policy documents are provided at three levels of government: National, Provincial and Municipal. Alignment to these policy and planning documents are critical to the successful planning for the Amathole District Agri-Park and creation of the Agri-Park business plan.

3.1. National Development Plan (NDP) (2012)

The National Development Plan outlines the visions for South Africa, to be realised in 2030, which the provincial (e.g. Eastern Cape Vision 2030) and municipality (e.g. Nelson Mandela Bay Vision 2030) development plans have subsequently been based. The Plan emphasises the importance of inclusive rural development alongside urban initiatives, giving due diligence to the large populace throughout SA that resides within rural areas, enabling rural communities to have greater opportunities to participate in the economic, social and political life of the country (NPC, 2012).

The main driving force of rural development within the National Development Plan is implemented through job creation in the agricultural sector, through development based on effective land reform, and the growth of production in traditional agriculture and aquaculture. Should these policies be implemented, the agricultural initiatives will also enable development within agro-processing and fishing sub-sectors, as well as enabling additional tourism and entrepreneurial capabilities of the regions. Finally, South Africa is committed to providing and improving access to basic services that will develop capabilities of communities to take advantages of opportunities around the region, assisting the communities through remittances and skills transfer (NPC, 2012)

3.2. Comprehensive Rural Development Programme (CRDP) (2009)

The CRDP condenses the policies affecting rural communities into a single organised directive. The framework is “aimed at being an effective response against poverty and food insecurity by maximising the use and management of natural resources to create vibrant, equitable and sustainable rural communities” (Department of Rural Development and Land Reform, 2009:10).

The strategic objective of the CRDP is to facilitate integrated development and social cohesion through participatory approaches in partnership with all sectors of society, and seeks to accomplish this through a three-pronged strategy focusing on:

- A coordinated and integrated broad-based agrarian transformation;
- Strategically increasing rural development; and
- An improved land reform programme

3.3. Department of Rural Development and Land Reform – Strategic Plan 2015-2020 (2015)

The Department of Rural Development and Land Reform Strategic Plan 2015-2020, outlines five programmes that will assist in completing its mission statement: To initiate, facilitate, coordinate, catalyse and implement an integrated rural development programme (Department of Rural Development and Land Reform, 2015:9). Of these programmes, the programme which specifically targets rural development is Programme 3: Rural Development.

Programme 3 sets in place actions for government entities to implement for rural development. The main objectives of the programme are to:

- Facilitate rural livelihoods development.
- Develop infrastructure that will support the rural economy.
- Provide support to rural enterprises and development of rural sectors and sub-sectors.
- Encourage job creation and skills development in rural areas.

These objectives have links to the Agriculture Policy Action Plan, the CRDP, and the National Development Plan.

3.4. Industrial Policy Action Plan 2013/14 – 2015/16 (2013)

The Industrial Policy Action Plan (IPAP) is unlike the previous rural development policy reports, in that it does not focus primarily on rural development, but rather industrial development. National industrial development is not isolated to industrial hubs, but spread across the whole value chain. The plan focuses on rural development via improving rural inputs into the value chain. Examples of rural inputs range from agricultural produce from formalized farming structures to animal hides sold informally from subsistence farmers. The IPAP seeks to inform and standardise the latter markets, so that a uniform, high quality product is available for processing.

3.5. Eastern Cape Planning Commission Diagnostic Overview of The Eastern Cape (2013)

This Eastern Cape Planning Commission (ECPC) Diagnostic Overview Report is a summary of the main challenges, attributes and accomplishments of the Eastern Cape. It serves as a diagnostic review that highlights the main development challenges and problems in the province. Furthermore, the review acknowledges and seeks to address the well-known provincial crisis areas, specifically health, education, employment and the functioning of the state, with particular focus on education and health, economic development, and governance and institutional capabilities, the core chapters of the overview.

The review does not specifically focus on rural development, but similar to the IPAP, addresses the core role that rural communities play in correcting the above concerns. Human Development, as a good example, focuses on the disparities between the rural and urban areas, the disparities between the former homeland areas and the Cape Province, and the legacies of Apartheid. The report also acknowledges and discusses migratory trends, such as the circular rural-rural and the rural-urban migration patterns.

3.6. Eastern Cape Rural Development Strategy (ECRDS) (2010)

The ECRDS is a response by The Eastern Cape Department of Agriculture and Rural Development to a then growing national focus on rural development. Rural development was seen as a corrective tool to address uneven development, as a result of increased urbanisation after 1994. The ECRDS seeks to “align and effectively coordinate all policy interventions in order to ensure that the strategy draws from, and is aligned with all major policy frameworks across all spheres of government”. (Eastern Cape Department of Agriculture and Rural Development, 2010:9)

The ECRDS acknowledges that rural development, with respects to the Eastern Cape, is a process where people need to be involved in creating a different society, and must be created around population organisation and mobilisation. The strategy ties the need for rural development into several fundamental concerns currently existing within the province, particularly:

- Structural factors.
- Historical political economy.
- Land and agrarian relations.
- Settlement patterns and migration.
- Food security.
- Impacts of past initiatives.

The goals are broadly defined as the transformation of rural areas into regions that are socially and economically developed, and creating a conducive institutional environment for rural development. The goals will be achieved through the implementation of six pillars, these are:

- Land reform,
- Agrarian transformation and food security,
- Non-agriculture rural economic development,
- Infrastructure,
- Social and human development.
- Providing an enabling environment.

3.7. Eastern Cape Rural Development Plan (2013)

The Eastern Cape Rural Development Plan, builds on The Eastern Cape Rural Development Strategy by developing actionable plans to affect The Eastern Cape Rural Development Strategy. The EC RDP defines and identifies the rural population within the province, as well as providing an industrial review of key rural industries within the province (Agriculture, Forestry, Tourism, Agro-Processing, Construction, and Mining). The Plan also seeks to outline rural-focused development opportunities within the province, based upon existing initiatives and industrial gaps identified within the various districts. The document achieves this by focusing on four developmental pillars: Land Reform, Agrarian Transformation and Food Security, Non-Farm Rural Economy, and Infrastructure and Social Development.

The four pillars streamline developmental objectives, identified within the document, into distinct categories, enabling project planning and industrial development. One of the key developmental projects identified within the Rural Development Plan is the Agri-Park, with the plan unpacking the Agri-Park concept. The positive knock-on effects can be obtained near, and as a result of, the development of the Agri-Park and FPSU, such as improved transport infrastructure, localized agri-processing initiatives and enabling consolidated agricultural production.

3.8. Agricultural Policy Action Plan (APAP) (2015)

The Agricultural Policy Action Plan (APAP) seeks to translate the high-level responses offered in the Integrated Growth and Development Plan (IGDP), into tangible, concrete steps. The first iteration of APAP is not offered as a fully comprehensive plan; rather, based on the model of the Industrial Policy Action Plan ('IPAP'), it identifies a number of focused actions, in anticipation of future APAP iterations that will take the process further.

The APAP aligns itself with the New Growth Path (NGP), the National Development Plan (NDP) and Industrial Policy Action Plan (IPAP) and seeks to assist in the achievement of Outcome 4: Decent Employment through Inclusive Growth, and that of Outcome 7, Comprehensive Rural Development and Food Security.

The APAP presents 'sectoral interventions' that concern selected subsectors/value chains, and 'transversal interventions' which will support multiple subsectors (such as addressing common constraints or addressing core competencies) and implementation management, monitoring and evaluation process.

The key outcomes of the APAP are listed below:

SECTORAL INTERVENTIONS

- **Poultry / Soybean / Maize integrated value chain**

Interventions are concerned primarily with supporting the domestic soybean and yellow maize industries with the aim of increasing production and lowering animal feed costs i.e. by relying less on imported oil-cake,

which is double the cost of what is locally produced, and in this way render domestic poultry producers more competitive.

- **Red meat value chain**

This intervention is concerned with commercialising the communal livestock systems by means of improving the herd health status and husbandry, continual reduction and prevention of food borne illness. There is a need to ensure an analysis is done determining the potential of communal the communal farmers, and the support required to prepare them (standards and meat quality and other processes) to meet market requirements.

- **Wheat value chain**

These interventions seek to make South African wheat farmers more competitive. Achieved through a combination of R&D in new cultivars, adaptation of conservation agriculture technologies to wheat production, while examining the possibility of augmenting milling capacity in the Western Cape near to one of South Africa's main production areas.

- **Fruits & vegetables**

Interventions for fruits and vegetables include the supporting of fresh produce markets through infrastructure investment, raising levels of skills and agricultural knowledge and the development of new technologies to increase the productivity and profitability of fruit and vegetable farming.

- **Wine industry**

Interventions for the wine value chain are focused on rendering it more adaptable, robust, globally competitive and profitable. The sustainability of possible solutions and interventions will be directly proportionate to the extent to which the industry is able to institutionalise with the necessary government support.

- **Biofuels value chain**

There are two main types of interventions identified as regards biofuels. The one type relates to a cluster of R&D initiatives to ensure that farmers have access to the best possible varieties for feedstock production, including R&D that enables them to increasingly take advantage of conservation agriculture methods. The second is to determine how best to develop the smallholder sector to become feedstock suppliers, especially as much of the land that could be made available for biofuels feedstock production is located within the former homelands.

- **Forestry**

The interventions for forestry are concerned with the following:

- Infrastructure development
- Land allocation and providing land tenure security
- Develop new management model for state owned forests
- Small growers support

- **Small-scale fisheries**

The interventions for small-scale fisheries as described in the Small-Scale Fisheries Policy are as follows:

- Subsidy schemes for the storage of fish, skills training in the areas of processing, and basic business skills.
- Subsidy schemes for the establishment of locally based and owned marketing companies.
- The development of a South African label/certificate for fish products caught by small-scale fishers.
- Establish small-scale fisheries development nodes.

- **Aquaculture Competitiveness Improvement Programme (ACIP)**

Interventions for aquaculture are taken from the National Aquaculture Strategic Framework and are as follows:

1. Create an enabling, integrated regulatory and operational environment for developing an equitable and globally competitive aquaculture sector for South Africa.
2. Increase access to available public and private land and water bodies for utilisation for aquaculture purposes.
3. Ensure that appropriate funding instruments are put in place to attract private and public investments into the sector.
4. Make provision for a reliable supply of good-quality and affordable seed and feed to all fish farmers.
5. Ensure adequate investment in the undertaking of aquaculture research and development to ensure technical knowledge and transfer of technology which will make the aquaculture sector highly competitive.
6. Implement environmental and biosecurity programmes to assure food safety and enhance quality of aquaculture products.
7. Increase South African aquaculture products' market share locally and internationally.
8. Ensure information management and dissemination to create awareness and promote aquaculture as a socially, environmentally and economically viable activity.
9. Create partnerships and coordination between various government departments, industry and the private sector.
10. Invest in capacity building and skills development in government, fish farmers and the private sector.

TRANSVERSAL INTERVENTIONS

- **Fetsa Tlala**

Fetsa Tlala Integrated Food Production Intervention focuses on supporting subsistence and smallholder farmers to increase the area under production, with particular attention to bringing under-utilised arable land in the former homelands into production, targeting 1 million hectares by March 2019

- **Research and innovation**

Interventions include the establishment of appropriate national bodies with the purpose of setting the national Research and Development agenda for agriculture, forestry and fisheries, to guide and monitor agricultural innovation,

- **Promoting climate-smart agriculture (CSA)**

Interventions are in support of the following aspirations

- The development of CSA framework / strategy

- Up-scaling of the CSA concept and practices by/among all farmers in all the nine provinces.
- The provision of incentives for CSA practices with special focus on small holder farmers
- CSA through measures such as, but not limited to, reduced tax on fuel.
- To produce more with the same amount of water by using more efficient irrigation methods & water demand management

▪ **Trade, agri-business development and support**

Interventions are aimed at increasing market access for agriculture, forestry and fisheries products both domestically and internationally through targeted/ product specific interventions. The priority should be given to smallholder farmers through research, capacity building and technical assistance.

▪ **Strategic Integrated Project (SIP11)**

The Interventions for the SIP 11 - Agri-logistics and rural infrastructure – are listed below:

- Maximise the use of communal land and productivity of land reform projects
- Expand irrigated agriculture by 500 000 Ha
- Support agricultural sectors and regions with high productive potential

▪ **Bio-security**

Interventions for bio-security include:

- Develop and strengthen regulatory frameworks in the biosecurity sphere
- Promotion of regulatory compliance and training and advisory services in the field of biosecurity
- Verification and registration of production unit codes for export markets
- Control and eradication of quarantine diseases and pests
- Procurement of an electronic information management system, and
- Improvement of the early warning and early detection systems.

3.9. Eastern Cape Vision 2030

The Eastern Cape Vision 2030 is a comprehensive response by Eastern Cape Planning Commission to the National Development Plan (Vision 2030) outlining the province's critical priorities. The Provincial Development Plan (PDP) has, at its core, ten principles. These are:

- The implementation, monitoring and review cycle of the PDP must encourage the active and critical participation of all citizens of the Eastern Cape in their own development. Key to this will be people-centred local action.
- The PDP and its implementation must be decisive in redressing injustices of the past effectively, while fostering a consciousness for justice in future judgments and arrangements.
- The PDP should foster equitable economic growth and investment, as well as opportunities for meaningful work.
- High-quality education, a healthy population and effective social protection are important to the realisation of a flourishing future for all. The PDP should particularly guarantee an equal start for all children, and ensure that no child suffers from malnutrition.
- The PDP should foster creative links between economic and social strategies to promote inclusive and equitable participation in the economy by an active, hardworking and cohesive society.
- Collaboration between communities, the public and private sectors should be strengthened, with greater attention paid to strengthening the capabilities of a community-anchored agency for sustainable development.

- An effective and capable government, and public institutions with ethically committed leaders, are key to the success of the PDP.
- An ethical, accountable private sector is equally important to the success of the PDP.
- Conscientious leadership is encouraged from all sectors of society and there should be a conscious, ongoing effort to develop and strengthen such leadership.
- The PDP should foster the province's knowledge-driven, evidence-based development.

The Eastern Cape Planning Commission responds to the challenges outlined in the NDP by illustrating that, provincially:

1. There are too few people who work.
2. The standard of education for most learners is poor.
3. Infrastructure is poorly located, under-maintained and insufficient to foster higher growth and spatial transformation.
4. Spatial patterns exclude the poor from development.
5. The economy is overly and unsustainably resource intensive.
6. A widespread disease burden is compounded by a failing public health system.
7. Public services are uneven and often of poor quality.
8. Corruption is widespread.
9. South Africa remains a divided society.

The Commission seeks to address these issues through rural development strategies, regionally targeted, that encourage spatially specific solutions. For example, The Eastern and north-eastern parts of the province are identified as high-density, poverty-stricken rural areas, and are acknowledged as potential agricultural hubs; whereas the central region of the province is encouraged to make use of the East London Industrial Development Zone (IDZ), through sectoral expansion. The western regions of the province are identified as having untapped economic and tourism potential, as well expansion opportunities within existing agricultural and agro-processing production, such as Mohair.

The PDP ultimately identifies three pillars through which the province can achieve its strategic vision and objectives, specifically:

- Human Development;
- Economic Opportunity and Rights; and
- Institutional Capabilities.

3.10. Amathole District IDP - Draft 2015 - 2016

The Amathole IDP for 2015 – 2016 sets out plans and projects for the next budget period according to the goals and objectives of the Amathole District Municipality.

The key performance areas for the Amathole District Municipality are listed below:

- Good governance and public participation
- Municipal financial viability and management
- Municipal transformation and institutional development
- Basic service delivery and infrastructure investment
- Local economic development

This iteration IDP seeks to not only improve municipal planning but to improve the manner in which the District monitors the impact of projects. Another critical focus area includes the enhancement of cohesive planning between the District and its local municipalities.

The IDP includes the budget and project details for all major projects to be carried out in the district including engineering projects, LHSED projects, Community services projects, strategic management projects, and corporate services projects.

3.11. Amathole Agriculture Development Plan Review 2012 – 2017

Agriculture is the economic mainstay of the Amathole District Municipality. As such the agriculture development plan is a document of critical importance to the future development of the district.

The objectives of the Amathole Agriculture Development Plan are listed below:

1. Creation of an enabling environment to assist all the District's small-scale and established commercial farmers to flourish, through the provision of critical infrastructure (Including: transport, communication, bulk water, energy, information, training and marketing support);
2. Creation of an enabling environment to assist all role players involved in the District's agricultural development to align, prioritise and optimise their planning, organisational, financial and skills capacity;
3. Numerous organisations are involved in agricultural development within the district, both government and non-government. The resources, objectives and strategies of these organisations differ and many initiatives, programmes and projects are implemented in an uncoordinated manner, which can result in conflicting outcomes;
4. For example, subsidization of one enterprise may have the effect of drawing farmers away from another enterprise, to which they are better suited, thereby being counterproductive. Similarly, provision of free tractors to a farming group may detract from the creation of sustainable mechanization contractors in that area.

Key principles underpinning the ADM planning framework and informing the plan are described below:

1. The purpose of planning is to assist Amathole District Municipality to plan for, and respond to, a constantly changing environment in order to achieve defined goals in as effective and efficient a manner as possible.
2. Integration of planning will result in alignment of various planning instruments within the various spheres of government. In this regard the Agricultural Development Strategy/Plan of Amathole must take cognizance of and be aligned to the Provincial Growth and Development Plan (PGDP), dealing with strategic issues in the agricultural sector from a District perspective. The plan is designed with a view to providing a strategic framework within which Department of Agriculture programmes and local municipality plans should/could be located.
3. The agricultural development strategy/plan shall be a tool for coordination and streamlining of action among various role players within the area of jurisdiction of Amathole.
4. Agricultural development is designed to support sustainable livelihoods and local economic development. Agriculture has an important role to play in poverty alleviation, job creation, and use of local resources, improvement of nutrition and health, development of skills and provision of long-term livelihoods for many individuals, households and communities.
5. A strong and active civil society has an important role to play through identification of local needs and priorities, as well as holding local government accountable with respect to implementation of their plans.
6. The planning process shall be sensitive to historical and social inequities within the district and shall be directed at restoring equity.
7. Given the strategic nature of the plan, the planning process must take cognizance of supply as well as demand driven approaches to agricultural development (ADM, 2005).

3.12. DRDAR Amathole Agri-Park Business Plan 2015

The Eastern Cape Department of Rural Development & Agrarian Reform has produced an Agri-Park Business Plan for the Amathole District in response to the Agriculture Policy Action Plan. This document presents a plan and proposal to the Department of Rural Development and Land Reform (DRDLR) on the establishment of an Agri Park(s) in the Amathole District Municipality.

This document proposes establishment of 2 Agri-Parks in Mnquma Local Municipality, Butterworth Industrial zone and BCM, Dimbaza Industrial Zone. However, the main purpose of this document is to map the best Agri-Park model that will best fit the local conditions, but without deviating from that of national government and its strategic goals.

Location Context

Chapter 4

Chapter 4

Location context

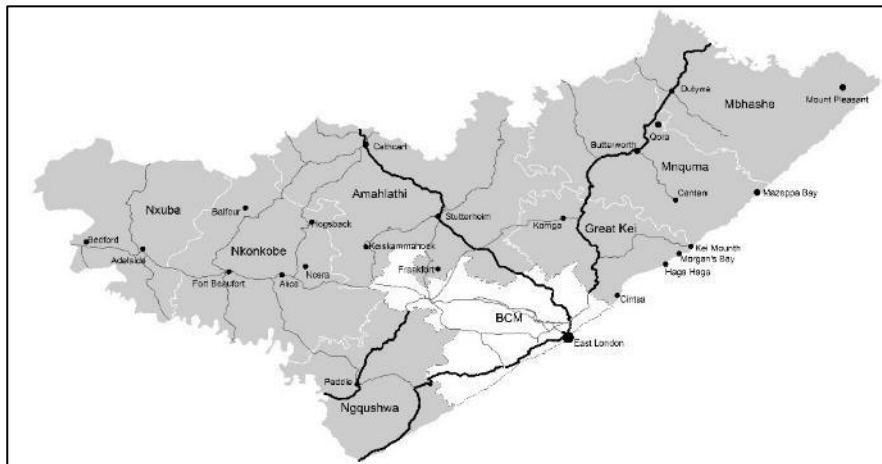
4.1 Description of the district

The Amathole District Municipality is one of the eight districts within the Eastern Cape, and is the third largest in terms of population, behind the O.R. Tambo District Municipality and the Nelson Mandela Bay Metro. The district stretches from the Indian Ocean coastline in the south to the Amathole Mountains in the north, and from Mbolompo Point (just south of the Hole-in-the-Wall along the Wild Coast) in the east to the Great Fish River in the west. The Amathole District Municipality is bordered by the Cacadu, Chris Hani, and O.R Tambo Districts. The district is comprised of seven local municipalities:

- Amahlathi
- Great Kei
- Mbhashe
- Mquma
- Ngqushwa
- Nkonkobe
- Nxuba

The district covers an area of roughly 23,577 km². The major population centres are Stutterheim, in the Amahlathi LM; Peddie, in the Ngqushwa LM; and Butterworth, in the Mquma LM. Other population centres within the district include Keiskammahoek, Idutywa, Komga, Adelaide, Bedford, and Alice.

Figure 4.1: Spatial Location of the Amathole District Municipality



Source: ECDC, 2015

In 2011, the district was re-demarcated to exclude the Buffalo City Local Municipality, which became a metropolitan council in the same year. The Amathole District Municipality has close links to the Buffalo City Metro as the two areas continue to share inter-regional trade and administrative services. The Amathole District Municipality currently covers an area of roughly 23 577 km² and is boarded by the Sarah Baartman, Chris Hani and O.R. Tambo District Municipalities and the recently established Buffalo City Metro.

The Amathole District Municipality is one of the most populous rural district municipalities in the Eastern Cape, behind O.R. Tambo, with 898 000 persons. The district has a population density of 41.6 persons per km². The

district has some of the lowest levels of education in the province, with only 13.8% of the population having attained matric, and only 6.2% having attained higher education.

The N2 national road enters into the Amathole District in the west, passing through Peddie on to the Buffalo City Metropolitan Area, and then passing through Butterworth and Idutywa on its way into the O.R. Tambo District. The other significant national transportation route is the N6, originating in East London, heads through Stutterheim, towards the Chris Hani District towards Bloemfontein.

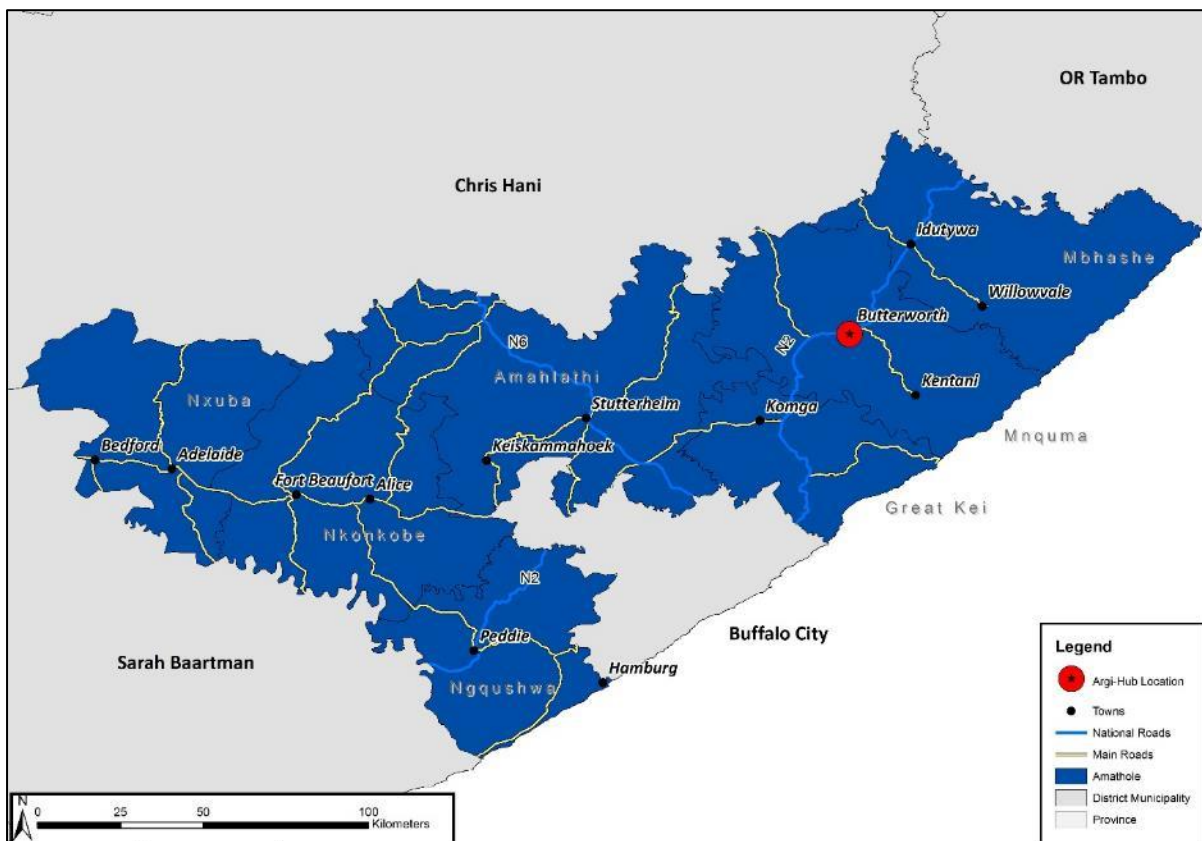
There are a number of important regional roads in the Amathole District with the R72 along the coast, the R63 linking Bhisho (and the N2) with Bedford, Adelaide and Alice; the R67, R344, R345, R346, R349, R350, R351, R352, R408 and R409 also serve to link and population nodes.

There is one major active rail line within the district, heading from East London and Bhisho, in the Buffalo City Metropolitan Area, towards Queenstown in the Chris Hani District. There are no major ports in the region. Agricultural education and training occurs at the Fort Cox Agricultural College in Middledrift. The University of Fort Hare serves as a tertiary education centre, based in Alice. Walter Sisulu University has campuses in Butterworth and Berlin.

The Amathole District Municipality includes large parts of the former Ciskei and Transkei homeland areas, resulting in disparities within its borders.

4.2 Location of Agri-Park

Figure 4.2: Location of Agri-Park



Source: Urban-Econ GIS, 2015

Based on the resolution of the Amathole District Council, Butterworth in the Mquma LM was identified as the site for the Agri-Hub within the Amathole Agri-Park development. This was based on the following reasons:

- Butterworth is an Economic Development Department district gateway
- There is ample state land, for the development of an Agri-Park
- Butterworth is on a national road, the N2, the town therefore is not only accessible but is connected to transportation routes that can ensure speedy delivery of products to both East London and Mthatha
- The town is also connected by a (decommissioned) railway
- There are existing agricultural processing facilities for forestry and meat production
- Land capability is marginal to moderate
- There is a miller to the east of Butterworth town
- There are potential vacant state land parcels to the east of Butterworth town
- There are many CASP 15-16 projects surrounding the proposed location
- There are 3 SPAR food stores at the proposed location
- There are 3 potential vacant land parcels to the east of the proposed location

4.3 Economic infrastructure

4.3.1 Transport

Transport infrastructure is critical to the agriculture sector, supporting the functions of farms and facilitating the movement of agricultural products between farms and processing centres and their various markets.

The Amathole District has relatively good transport connections featuring the major National roadway, the N2.

The N2 National Road enters into the Amathole District in the west, passing through Peddie on to the Buffalo City Metropolitan Area and then passing through Butterworth and Idutywa on its way into the O.R. Tambo District. The other significant national transportation route is the N6, originating in East London, heads through Stutterheim, towards the Chris Hani District.

There are multiple regional roads in the Amathole District with the R72 along the coast, the R63 linking Bhisho (and the N2) with Bedford, Adelaide and Alice, the R67, R344, R345, R346, R349, R350, R351, R352, R408 and R409 also serve to link towns with major routes, or population nodes.

There is one railroad within the district, heading from East London and Bhisho, in the Buffalo City Metropolitan Area, towards Queenstown in the Chris Hani District. There are no major ports in the region. Agricultural education and training occurs at the Fort Cox Agricultural College, in Middledrift. The University of Fort Hare serves as a tertiary education centre, based in Alice. Walter Sisulu University has campuses in Butterworth and Berlin.

4.3.2 Electricity

Electricity supply is critically important to the farming of some agricultural products and essential to all agro-processing activities.

Amathole District Municipality has 7 local municipalities of which only 6 are falling within Eskom's area of supply and thus being electrified by Eskom. Only Nxuba Municipality is an exception as they supply directly to their respective areas of Bedford and Adelaide. There is currently a significant backlog in terms of electrification of households in the district. Most areas within major centres in the District are able to be electrified relatively easy. Farms situated in rural areas may require significant electricity infrastructure investments.

4.3.3 Water

Enough water is available for agricultural purposes in the Amathole District. More water is available for farming in the lower Orange River Region, which is unutilized currently. The quality of water is a big concern amongst farmers, retailers and financial institutions. The poor maintenance of sewerage systems and water from old mines has the effect that water is not treated before it flows into catchment dams. The water from catchment

dams is used to irrigate fresh produce and other crops. If the quality of water is poor, it influences not only the quality of crop, but can also cause diseases in humans and animals.

High volumes of water remain unaccounted for and in order to provide a sustainable and cost effective service, it is necessary that this be urgently addressed.

Water infrastructure investments will be a major consideration for future farming projects to assist with the delivery of water for irrigation and livestock to deep rural areas.

Role-Players

Chapter 5

Chapter 5 Agriculture Role-Players

The following chapter will discuss the main role-players who could provide support, finance and skills for the Agri-Park. This section will include possible role-players from the public sector, private sector and various associations and organisations. It will discuss the role-players mandate, budgets if available and current projects.

5.1 Public Sector

5.1.1 The National Department of Rural Development and Land Reform (DRDLR)

The mandate of the DRDLR is to promote sustainable land and agrarian transformation in the country while promoting rural development and creating sustainable tenure systems that will enhance South Africans livelihoods. They are also tasked with fighting poverty and promoting food security. The DRDLR functions under three pillars namely:

The first pillar - sustainable land and agrarian transformation: The aim is to increase agricultural production through the optimal and sustainable use of natural resources and appropriate technologies to ensure food security, dignity and improved rural livelihoods. This will subsequently lead to vibrant local economic development.

The second pillar - rural development: This focus is on improving both economic infrastructure (such as roads, community gardens, food production, fencing for agriculture, etc.) and social infrastructure (e.g., communal sanitation, and non-farming activities). To successfully achieve this, ownership of processes, projects and programmes is vital.

The third pillar- land reform based on restitution, redistribution and land tenure reform: Deliberate and intensified post-settlement support is available to ensure that land transferred to black South Africans contributes to the fight against poverty, by ensuring food security and underpinning economic and social transformation in rural areas. Land reform remains critical to the comprehensive development of South Africa's rural areas and the government's recapitalisation and development of land reform projects, currently in distress, bears testimony to this.

The main projects that DRDLR are going to be involved in in the District is the Agri-Parks Project. The DRDLR are the main drivers of the Agri-Parks concept and are heavily involved in its implementation and conceptualisation.

5.1.2 Eastern Cape Department of Rural Development and Agrarian Reform (DRDAR)

The mandate of DRDAR is to "promote, support and coordinate rural development and agrarian reform to reduce poverty and underdevelopment through integrated and participatory interventions."

The three strategic goals of the Department are to create a thriving farming sector and access to affordable food, to develop improved rural economic livelihoods and creation of employment opportunities and an environment conducive to the enhancement of service delivery.

The Eastern Cape Rural Development Agency (ECRDA) is a public entity that reports to the DRDAR and many of the projects that are funded and implemented are done so through the ECRDA.

Current projects and initiatives that are promoted through the DRDAR include:

Figure 5.1: DRDAR Projects in the Eastern Cape

Project	Budget	Other Departments / Agencies
Agri-Parks project	R100 + million	DRDLR
Forestry Development in The Eastern Cape	R5 - R20 million	DAFF
Charcoal and sawmill initiatives	R5 - R20 million	DAFF
SMME and Cooperative Poultry initiatives	R5 - R20 million	DEDEAT/ SEDA
High value crop initiatives	R20 - R100 million	
Agricultural infrastructure initiatives	R5 - R20 million	ECDC/SEDA/DEDEAT
Deciduous fruit development	R1 - R5 million	
Aquaculture initiatives	R100+ million	DRDAR/DEDEAT/BCM
Agro-processing initiatives	R5 - R20 million	
Wetland and Dryland Restoration	R20 - R100 million	

Source: DRDAR 2015

5.1.3 Aspire – Amathole Economic Development Agency

Aspire, registered as the Amathole Economic Development Agency, is a proprietary limited company established in September 2005 and is wholly owned by the Amathole District Municipality. Aspire’s vision is to be a pioneer in the stimulation of spatial economic development.

Aspire is positioned as a “trusted advisor, stimulator and partner in the regional economic environment” and our mission is to stimulate locality development, with the objective of regenerating small town economies. We believe that the regeneration of decaying small towns will enhance their ability to contribute to the economy of the Amathole Region, and will improve the quality of life of its residents.

Aspire’s programmes can be classified into four pillars:

- Town-centre development
- Growth point or node development
- Corridor investments
- Developing markets

5.1.4 Eastern Cape Rural Development Agency (ECRDA)

The ECRDAs mandate is to promote, support and coordinate rural development and agrarian reform to reduce poverty and underdevelopment through integrated and participatory interventions. The ECRDA seeks to enhance Department of Rural Development and Agricultural Reform programmes and support initiatives, with the aim of rejuvenating rural economies, by focusing on 5 main pillars, namely:

- Effective co-ordination and implementation of agrarian-driven high impact priority programmes
- Promoting entrepreneurship through rural finance and support programmes
- Develop, institutionalise and sustain an effective, capable and fit-for-purpose organisation including best-in-class project management, targeted research and innovation driven Agency
- Leverage strategic partnerships toward implementation and funding of rural development initiatives
- Develop sustainable, localised institutionalised rural framework.

The ECRDA has 9 major Programmes in various stages of implementation which are:

Programme 1: Rural Development Programme

The establishment of nine agro-processing and marketing infrastructure projects to enhance value-addition over a period of three years. Increasing the feedstock supply to an estimated 13 200 tons to support milling plants over a period of three years. Facilitating the establishment, support and oversight of community-owned and operated forestry projects covering 20 000 ha over the next 3 years.

Programme 2: Renewable energy programme

Undertake eight renewable energy research studies by 2017/2018. Facilitate the implementation of four renewable energy and ancillary projects by 2017/2018. Facilitate the production/provision of 164 500 tons of feedstock for the bio-energy industry by 2017/2018.

Both programme 1 and 2 above fall under the ECRDA's Pillar 1, with a total cost of R 35 572 000.

Programme 3: Rural Finance Programme (including micro-finance)

Facilitate disbursements and recovery of loans to the value of R19.3 million by 2017/2018, with the loans used to stimulate entrepreneurship in rural areas by guiding and supporting communities through providing guidance during the entrepreneurship stages. The ECRDA is budgeting R34.5 million over the 2014-2018 period.

Programme 4: Rural Development Support Programme

Facilitate the establishment of 90 sustainable rural development enterprises by 2017/2018, by identifying rural development entities, mobilising these entities, providing capacity building through training of cooperative members and to encourage linkages to other partners that are able to provide assistance. The budget for the programme is R5.724 million.

Programme 7: Co-ordinate and facilitate external funding and investments to co-fund mega projects.

This is with reference to six rural enterprise development hubs, completed by 2017/2018.

Programme 9: Establishment of rural development clusters and nodes.

This is achieved via the establishment of nine rural development clusters across the six district municipalities in The Eastern Cape between 2015/2016 and 2017/2018, with a budget of R400 000.

ECRDA provides finance in the form of loans is given to clients who qualify and who wish to start economically viable business undertakings. The client must accept full responsibility for the funds borrowed. ECRDA does not fund infrastructure and/or goods that the Comprehensive Agricultural Support Programme (CASP) programme of the Department of Agriculture can finance by way of grant funding. ECRDA is an accredited agent of the National Department of Agriculture and has been identified as the principal implementing agent in the Eastern Cape for the MAFISA loan finance scheme. Details of the scheme are available from the Agricultural Extension Officer in each district.

Financial Support is further available through the Provincial Department of Rural Development and Agrarian Reform.

5.1.5 Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)

The blueprint for economic development comes from the Provincial Growth and Development Plan (PGDP). The main goal of DEDEAT is to lead economic development in the province through environmentally sound and sustainable practices.

DEDEAT is predominantly involved in creating policy that will facilitate the necessary economic development and funding the various public enterprises that are part of DEDEAT. Through various funding platforms DEDEAT encourages the development and creation of infrastructure and special economic zones, enterprise development, development of the trade sector, provision of regulation services, research and planning, partnerships and linkages, tourism development and environmental management.

DEDEAT concentrates and performs on three main programmes namely:

Programme 1 – Administration

Provides the department with strategic leadership and management

Programme 2 – Economic development and tourism

This programme is primarily responsible for promoting and administering job creation and economic development in the province.

Programme 3 – Environmental Affairs

Administration of environmental policy that cascades from national level and alignment of departmental policy. This programme regulates environmental management through environmental impact assessments compliance and enforcement, air quality, waste and biodiversity management.

DEDEAT performs functions through public entities which are listed below with their budget allocation for 2014:

- Eastern Cape Development Corporation (ECDC) – R 208 million.
- East London Industrial Development Corporation (ELIDZ) – R 95 million.
- Coega Development Corporation (CDC) – R 185 million.
- Eastern Cape Parks and Tourism Agency (ECPTA) – R 193 million.
- Eastern Cape Gambling and Betting Board (ECGGB) – R 44 million.
- Eastern Cape Liquor Board (ECLB) – R 42 million.

Each of these agencies are responsible for various activities and projects. Some are region and location specific such as the CDC and ELIDZ which operates in the IDZs in The Eastern Cape while others operate throughout The Eastern Cape such as ECDC, ECPTA, ECGGB and ECLB. Outside of the IDZs most of the economic development projects are planned and funded by the ECDC and ECPTA. For this exercise the ECDC will be discussed in further detail.

5.1.6 Eastern Cape Development Corporation (ECDC)

The ECDCs mandate is to promote sustainable economic development in the Eastern Cape through focused provision of innovative development finance and the leveraging of resources, strategic alliances, investment and partnerships. The ECDC seeks to act as a bridge between the socio-economic goals of the Eastern Cape and the areas of the private sector that requires development. The primary mandate is to positively contribute to governmental development objectives for the province, and to overcome the constraints of poverty, unemployment, inequality, under-development and apartheid inheritance.

The ECDC has numerous priority areas for projects namely: Business Finance, Investment Promotion, Enterprise Development, Project Development, Property Management, Export Promotion, Spatial and Rural Projects. The table below is a list of projects under the ECDC. It should be noted that there are a broad range of projects that are funded by the ECDC including mining operations and tourism operations:

Figure 5.2: ECDC Projects

Programme	Project Name	Location	Budget
Business Finance			
	Ndlambe Natural Industrial Products	East London	R27 million
	Oceanwise	East London	R10 million
	Granite Mining	Butterworth & Willowvale	R12 million
	Bio-coal Manufacturers and Distributors		R3.9 million
Business Support			
	Tourism Enterprise Partnership	East London, Hankey, Mthatha, Port St Johns, Graaff-Reinet, Somerset East	R200 000
Special Funds			
	Imvaba Co-operative Fund	Eastern Cape	R6.2 million
	Nonkqubela Youth Co-operative	Poplar Grove	R498 000
Risk Capital			
	Bamboo Industry	Centane, Ndakena, Uitenhage	R3 million
	Buyambo Milling Enterprise	Elliotdale	R1.3 million
	Pure Herbal Medicine	Uitenhage	R1 million
	Lubala Poultry	Lubala Village	R665 000
	Karoo Blue Trust Fish project	Graaff-Reinet	R1 million
	Outgrower Blueberry Scheme	Gxulu Village	R21.3 million
	Giant Flag Project	Graaff-Reinet	R800 000
Investment Promotion			
	Clover	Perseverance	R100 million
	Forestry Rehabilitation		R113 million
	Trading Post and Maize Milling		R91 million

Source: ECDC 2015

The Eastern Cape Provincial Government, as part of its Provincial Growth and Development Plan (PGDP), has identified agriculture as an economic growth sector for the province. Agrarian transformation forms a large part of the PGDP in terms of the economic diversification within the province. As such this sector has large-scale investment potential which will contribute significantly to economic diversification and job-creation. THE ECDC provides both Financial and Non – Financial business support services to predominantly SME businesses in the Eastern Cape.

5.1.7 Eastern Cape Socio-Economic Consultative Council (ECSECC)

The mandate of the ECSECC is to be a multi-stakeholder centre of excellence in applied policy research, development planning and facilitation.

The principal goal of the ECSECC is to advise and assist government and other stakeholders to achieve an integrated development strategy for the Province and its constituent regions, to address the socio-economic development of the province, and particularly the needs of the communities and underdeveloped areas.

The Eastern Cape Socio-Economic Consultative Council provides supportive roles for planning and project development, ensuring that there is alignment with governmental policies, such as the provincial growth plan. ECSECC is also involved in service delivery, promoting alternative service delivery initiatives to poor and underserved communities.

The projects that the ECSECC are currently involved in include:

- Political Economy of HIV and AIDS Conference
- Development of the Rural Development Strategy
- Development of the Business Case from the establishment of a rural development agency
- Liberation Heritage Route
- Skills Indaba
- Database of Provincial Training providers

5.1.8 Small Enterprise Development Agency (SEDA)

SEDA is an agency of the Department of Small Business Development. SEDA was established in December 2004, through the National Small Business Amendment Act, Act 29 of 2004. SEDAs mandate is to develop, support and promote small enterprises throughout the country, ensuring their growth and sustainability in co-ordination and partnership with various role players, including global partners, who make international best practices available to local entrepreneurs.

SEDAs main goal is to develop small enterprise development ecosystem, and its network provides access to much needed support services to small enterprises and co-operatives. These services include information to start-up businesses, support through incubation, market access and expansion for established small enterprises and co-operatives

SEDA is involved in projects that deal with entrepreneur, skills and business development. Some of the successful projects (and SEDAs role) in The Eastern Cape include:

- Anax Fleet Management & Fuel Supply Solutions – Business plan and project proposals.
- Four Star Communications – Computer skills training.
- Maletswai Waste and Recycling cooperative - Developing a business plan, skills training.
- Sithembeni Woman Cooperative – Developing a business plan, learning exhibitions in Canada.

SEDA is also planning to spend between R 5 million and R 20 million with the establishment of poultry cooperatives, servicing the live bird and indigenous poultry demand throughout the Eastern Cape in association with other development agencies such as DRDAR and DEDEAT.

5.1.9 Extension and Support Services

DAFF has implemented an Extension and Advisory Revitalisation Programme worth R1.1 billion over the last five years. By the end of 2012/13, more than 1 200 extension and advisory officers had been recruited to improve the ratio of extension officers to farmers. To ensure that these officers are visible and accountable on the ground, the Digital Pen technology has been rolled out nationally. This technology is used by extension personnel to record their interaction with clients and allows the taking of pictures on site for evidence purposes. To ensure access to appropriate information, the Extension Suite Online system has been adopted nationally. This computerised system enables extension officers to access relevant information during their interaction with the farmers in the field.

Veterinary services are also provided through DAFF which assists the local commercial and emerging farmers with any issues they may have with livestock and animals.

Table 5.3 indicates the extension and support services being offered by different organisations. These services usually include training, business and financial services.

Table 5.3: Extension and Support Services Offered by Various Organisations

Organisation	Type of Support
DAFF	Provides state veterinary services and various agricultural services through the extension and advisory offices
ECDC	Financial and business support services
ECRDA	Financial and business support through CASP and uVimba services. It is the implementing agent of the MAFISA loan finance scheme
DRDAR	Provides support and training to farmers and financial services
ADM	Provides financial and operational services mainly to SMMEs

5.2 Private Sector

5.2.1 Commercial Banks

The four major commercial banks target market comprises of both the commercial as well as developing agriculture. Their focus is on retaining and selective acquisition of their market share in commercial agriculture. Products and services offered are, amongst others, cheque accounts, overdraft facilities, term loans, mortgage loans, asset finance, investments, estate and asset management, insurance and assurance, international banking services, contract growing, hedging and trading as well as electronic banking services and advisory services. Agricultural Long-term Loans are used to buy farm property, make capital improvements such as fencing, water provision and soil conservation or to consolidate short-term debt (where farmers have previously financed fixed assets out of working capital or short-term finance). Agricultural Project Loan is a medium-term loan product. It is a multipurpose agricultural loan suited for the acquisition of livestock, orchards, farm buildings, etc., which generates an income only after a certain establishment period. Agricultural Cheque Account fulfils the transmission of funds requirements of a farming business, as well as providing a dedicated product for short-term (less than 12 months) production credit.

5.2.2 Agricultural Co-operative Finance

Depending on the scale of co-operatives they often have financial assistance divisions which offer assistance to farmers. These can include production loans or seasonal facilities for period of up to one year. These facilities are granted for the purchase of production resources and services rendered. Interest is calculated on the basis of simple interest per day on the outstanding balance owed. The interest rate applicable on the account is the interest rate determined per individual depending on the risk profile. Month accounts are used to make purchases at trading branches. These accounts are short-term credit and the full outstanding balance must be settled monthly, 30 days after statement. The primary goal of a long term loan is to finance the purchase of productive agricultural land. The purpose of asset finance is to assist clients financially in purchasing durable capital goods, like tractors, combines and implements. The Eastern Cape Province has three major Agricultural Co-operatives namely:

- OVK – TRADE
- Humansdorp Ko-op
- East Cape Agri – Co-op Ltd / BKB LTD

There are a host of smaller co-operatives with many focused on the major product in the area.

5.2.3 Agro-Processing Businesses

There are numerous agro-processing businesses that currently operate in and around the district. Many of these are situated in the areas where major production occurs such as Nelson Mandela Bay and East London or they are located close to major production centres in the district such as lamb in Karoo or citrus agro-processing in the citrus production region of Sundays River Valley. The following section will be expanded per commodity from Chapter 8 onwards. The major producers for each commodity are listed below:

Table 5.4: Major Producers and Agro-Processors Operating in the Eastern Cape

Red Meat	Vegetables	Maize
Austin Evans Feedlot	McCain Foods SA	AFGRI Milling
Adam Agri	Just Veggies	Syngenta
Beefcor	Carbocraft	Tiger Brands
Beefmaster	Rhodes	Bokomo
Chalmar Beef	Langeberg Food Processors	Premier Foods
Dc Louw Feedlot	McCain South Africa	
Karan Beef	Koo	
Sparta Beef	Retail Store Brand	

There are numerous other small scale producers situated in the Eastern Cape and particularly in the ADM which are not listed.

5.3 Other Key Role Players

5.3.1 Land Bank

The Land Bank is a statutory body with a mandate from Government to support the development of the agricultural sector. The Bank's key strategic intent is to achieve financial sustainability focused on social and development impact. Meeting client needs by means of cost-effective and competitive products and services, building a representative, committed and an efficient workforce and good relations with stakeholders are critical elements in this strategy. The Bank provides a comprehensive range of retail and wholesale financial products and services designed to meet the needs of commercial and developing farmers and agriculture-related businesses. As a statutory development finance institution, the Bank must fulfil a government mandate requiring it to:

- support the development of all elements of the agricultural economy
- give special attention to the needs of previously-disadvantaged people in the sector
- benchmark its operating efficiencies and service delivery against financial-sector norms
- ensure its financial sustainability.

The Land Bank gives low, medium and high-risk clients access to a full range of long, medium and short-term loans to meet all financial needs, including land and equipment purchases, asset improvement and production credit. During 1999 the bank added Gold Premium and Platinum risk categories to its existing Gold low-risk category. Clients who qualify on the basis of exceptional security and high loan values pay reduced interest rates. Specific criteria for medium and high-risk clients with limited security increases access to credit while minimising the risk of default.

5.3.2 Associations and Organisations

The following section outlines the associations and organisations that may be important to consider and consult during the planning stage of the Agri-Park. Some of these organisations operate nationally while also having provincial and local offices. Other organisations are only represented at a local level. The organisations that are represented here are only a small set of those in the district and nationally and once FPSUs are set up then other associations in relevant areas need to be considered. The section below outlines a few important

National

The following section provides a brief overview of the main agricultural associations in South Africa and their mandates.

Agri-SA is a non-profit organisation aimed at developing a stable, profitable agricultural environment within South Africa. Through its affiliated membership, Agri-SA represents a diverse group of farmers. Agri SA's policy advocacy includes work on trade negotiations, industrial policy, taxation, financing, land reform, labour laws, training, farmer development, environmental affairs, water rights and water pricing, other input-related issues, farm safety, law and order, infrastructure, technology development and transfer, statistical information and local government. The organisation also maintains an extensive communication network with its members and other affected communities, organisations and individuals.

African Farmers Association of South Africa (AFASA) aims to commercialise the developing agricultural sector and ensure meaningful participation of black individuals within the mainstream commercial agribusiness sector, hence ensuring the long-term sustainability of the agricultural sector in South Africa.

The Agricultural Economics Association of South Africa (AEASA) is the professional organisation of Agricultural Economists in South Africa. AEASA's products and services should support all agricultural economists active in the industry.

South African Agricultural Machinery Association (SAAMA) serves as a combined forum for the agricultural machinery industry in South Africa in which the interests of its members and agriculture as a whole are addressed, promoted and developed through responsible, co-ordinated discussion, action and provision of funded information about the industry as a whole.

Provincial

Agri-EC, formerly known as the Eastern Province Agricultural Union, was established in 2001 and is the voice of the farmer in the province. Its vision is to develop and grow the agricultural industry as a sustainable economic sector by promoting agricultural business interests, influencing government policy formulation and providing value-added services to its members.

Local

Great Fish River Water Users Association (GFRWUA), was founded in 2000 as an affiliate of Agri Eastern Cape. It is governed by the National Water Act and its main purpose is to manage water irrigation to the Fish River in the Eastern Cape.

Komga Farmers Association is a local farmers association dedicated to promoting the concerns of local farmers.

Kei Road Farmers Association is a local farmers association dedicated to promoting the concerns of local farmers.

District Overview

Chapter 6

Chapter 6 District Overview

The following chapter seeks to analyse the Amathole District according to a range of socio-economic indicators. Understanding the regional context of provincial trends is essential to measuring performance and designing programmes that support region specific development.

This analysis is based on the 2001 and 2011 Census and will be structured under the following headings:

- Demographics
- Education
- Poverty and income levels
- District economy
- Labour market

6.1 Demographic analysis

6.1.1 Population Densities

The Amathole District Municipality accounted for 13.6% of the total provincial population and had a population of 892 637. Amathole DM comprises former homeland areas and thus alongside O.R. Tambo and Alfred Nzo make up the most populous region of the Eastern Cape. Within the Amathole District the most populous local municipalities (Figure 6.1) are the Mbhashe and Mnquma LM's with 254 909 and 252 390 persons respectively. These municipalities also have the highest population density of all Amathole District local municipalities with 80.4 and 77.2 persons per square kilometre.

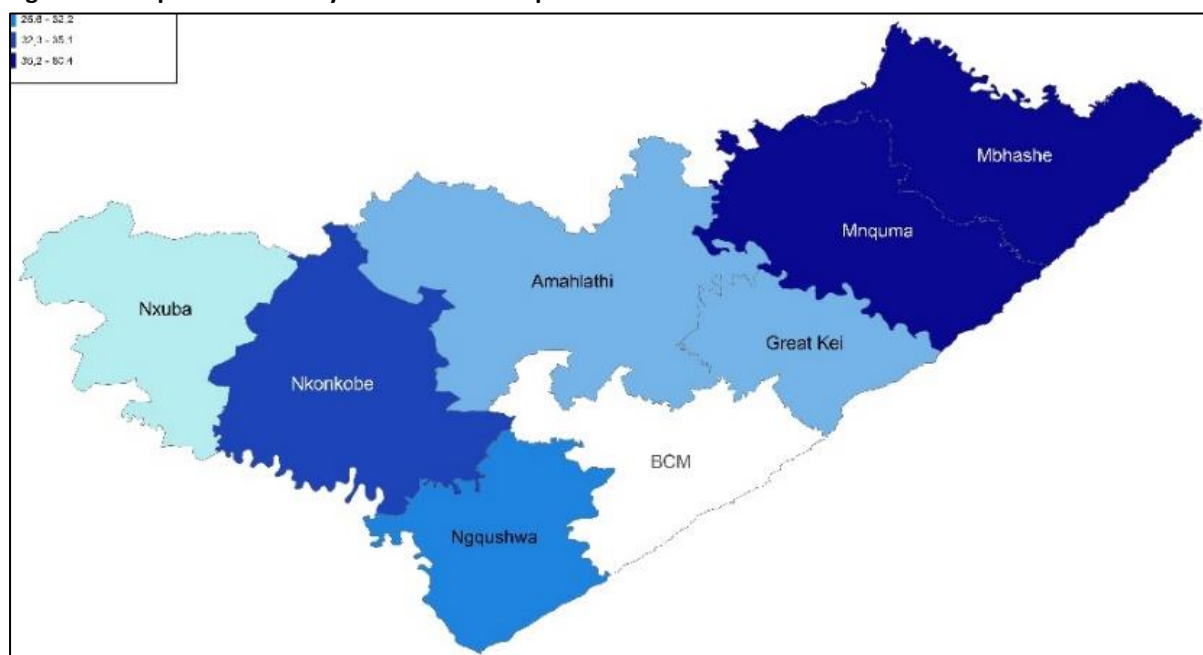
The Great Kei and Nxuba LM's are the least populous with only 38 991 and 24 264 persons respectively. The Amathole District has 237 776 households with an average household size of 11 persons. The population of this rural district is large in comparison to the nearest city, the Buffalo City Metro which has a population of 775 200 and 223 568 although population density is far higher.

Amathole has a population density of 41.3 persons per square kilometre compared to the 297.8 persons per square kilometre of the BCM and 38.8 people per km² for the Eastern Cape.

Figure 6.1: Population Statistics

Municipality	Population	Number of Households	Population Density	Average Household Size
Amathole	892 637	237 776	41.3	11.0
Mbhashe	254 909	60 124	80.4	19.0
Mnquma	252 390	69 732	77.2	21.3
Great Kei	38 991	10 310	22.5	5.9
Amahlathi	122 778	34 159	25.5	7.1
Ngqushwa	72 190	21 384	32.2	9.5
Nkonkobe	127 115	35 355	35.1	9.7
Nxuba	24 264	6 711	8.9	2.5

Source: StatsSA, 2012. Urban-Econ calculations based on Census 2011.

Figure 6.2: Population Density of the Eastern Cape and the Amathole District¹

Source: StatsSA, 2012. Urban-Econ calculations based on Census 2011.

6.1.2 Age Structure

The Eastern Cape has a youthful population. There were 2.1 million children under the age of 14 years old (i.e. minors) in the Eastern Cape in 2011, accounting for almost a third (32.9%) of the total provincial population. In the Amathole District 33.3% of the population is under the age of 14 and 57.7% between the ages of 15 and 64. This is notably higher than the national average, where only 29.1% of the population is under the age of 14 years old. There is a higher concentration of older persons in the district, with 9% of the population over the age 65. Thus the district has a larger youth and elderly population than other districts.

Figure 6.3: Proportional age distribution across The Eastern Cape in 2011

AREA	0 – 14 years	15 – 64 years	65+ years
EASTERN CAPE	32.9%	60.3%	6.8%
SARAH BAARTMAN	27.2%	65.8%	7.0%
AMATHOLE	33.3%	57.7%	9.0%
CHRIS HANI	34.2%	57.6%	8.1%
JOE GQABI	34.0%	58.4%	7.6%
O.R. TAMBO	38.9%	55.5%	5.6%
ALFRED NZO	40.8%	53.0%	6.2%
BUFFALO CITY METRO	25.5%	68.5%	6.0%
NELSON MANDELA BAY METRO	26.4%	67.6%	6.0%

Source: StatsSA, 2012. Urban-Econ calculations based on Census 2011.

¹ See Annexure 2 for a larger version of this map.

The size of the working age population is an important consideration in analysing the size of the potential labour force. It is evident from the statistics that urban areas had a higher proportion of working age persons to the total population than rural areas.

Figure 6.4: Amathole District Age Profile

Municipality	0-14	15-34	35-64	65+ years
AMATHOLE	33%	31%	26%	9%
MBASHE	38%	32%	22%	8%
MNQUMA	34%	32%	25%	9%
GREAT KEI	29%	32%	30%	9%
AMAHLATHI	31%	31%	29%	9%
NGQUSHWA	30%	28%	30%	12%
NKONKOBÉ	29%	32%	30%	9%
NXUBA	30%	31%	31%	8%

Source: StatsSA, 2012. Urban-Econ calculations based on Census 2011.

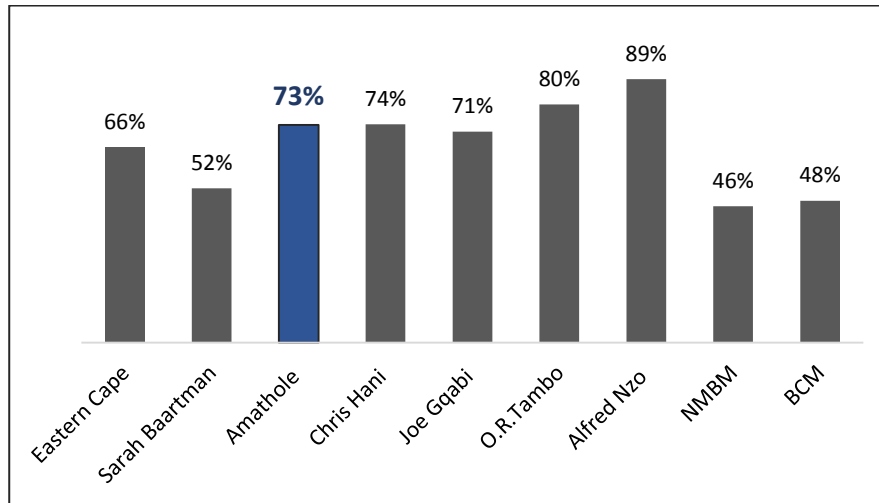
Figure 6.4 shows that the age profiles of the various local municipalities making up the Amathole District are similar. The Mbashe LM stands out. As it has the highest proportion of population under the age of 14 with 38%. This is 5 percentage points higher than the Amathole District average. The next highest is the Mquma LM with 34%.

6.1.3 Dependency Ratio

The dependency ratio measures the ratio of the non-working age population (i.e. people between the ages of 0 and 14 years old, and those older than 65) to the working age population. The higher the ratio, the more pressure there is upon the working age population to provide for the non-working age individuals.

Where the ratio is high, there is a greater burden placed on the state to assist households with the provision of child and social services and welfare assistance. The dependency ratio can also be presented as a percentage, as indicated in Figure 6.5.

Figure 6.5: Dependency Ratios across the Eastern Cape in 2011



Source: StatsSA, 2012. Urban-Econ calculations based on Census 2011.

The Amathole District has a relatively high dependency ratio of 73%. The higher dependency ratios are associated with rural districts and districts with limited economic activity. Cities naturally attract the working age population who migrate from rural areas. This often results in the very young and old populations remaining in rural and under developed areas.

6.1.4 Population Growth Rates

Figure 6.6 below indicates the Amathole District exhibited negative growth between 2001 and 2011 with the total population declining by 0.7%. Whilst the Eastern Cape's population grew by 0.4% between 2001 and 2011. This is compared to a national growth rate over the same period of 1.5%.

Figure 6.6: Population Growth Rates in the Eastern Cape

MUNICIPALITY	POPULATION		ANNUAL POPULATION GROWTH RATE (2001-2011)
	2001	2011	
EASTERN CAPE	6 278 650	6 562 057	0.4%
SARAH BAARTMAN	388 205	450 585	1.5%
AMATHOLE	962 203	892 634	-0.7%
CHRIS HANI	809 454	795 461	-0.2%
JOE GQABI	341 961	349 768	0.2%
O.R. TAMBO	1 295 060	1 364 946	0.5%
ALFRED NZO	773 704	801 344	0.4%
BUFFALO CITY METRO	1 005 779	1 152 115	1.4%
NELSON MANDELA BAY METRO	702 284	755 204	0.7%

Source: StatsSA, 2012 and 2002. Urban-Econ calculations based on Census (2001) and Census (2011)

6.1.5 Migration Trends

The Eastern Cape's historic migration patterns, which are still evident today, are of external migration out of the province. Historically, it was the colonial and apartheid policies which drove outward migration, as the Eastern Cape was seen as a source of cheap migrant labour. Today migration is socio-economic in nature, as Eastern

Cape residents migrate to cities in other provinces for employment and education opportunities. Internal migration within the province has become increasingly evident in recent years, with individuals migrating from rural areas to peri-urban and urban areas due to these areas' proximity to transport corridors, services and employment opportunities. A number of Eastern Cape migration trends were identified by including:

- Rural populations are highly mobile
- Rural to rural migration is where most migration is occurring and occurs between rural areas or between small towns and rural areas
- Rural densification the trend of 'rural peri-urbanisation' where 'densification of small rural towns and coastal towns is taking place on a very large scale
- Circular migration was an identified trend whereby individuals and households moved from one settlement hierarchy to another onwards; from rural to peri-urban and then on to urban centres
- Pursuing development and infrastructure was an identified migration trend whereby migrants go in search, not just of jobs, but also access to infrastructure and services in relatively advantaged urban areas

There are a number of trends in the Eastern Cape's internal migration:

- **Movements towards coastal towns:** The coastal towns of Jeffrey's Bay, Port Alfred and Kenton-on-Sea have seen an increase in their settlement footprint as residents move from inland to these towns. This development has been both through investment in property developments for middle income migrants, as well as those attracted to the area in search of economic opportunities. This migration is associated with the growth of the Kouga and Ndlambe Local Municipalities (both in the Sarah Baartman District Municipality).
- **Movement between secondary towns:** There has been movement around and between secondary towns of the Eastern Cape. This is associated with proximity to accessing welfare grants.
- **Movement from rural to peri-urban:** This is especially prominent in the Eastern portion of the Eastern Cape where residents move from rural village settlements to towns and peri-urban settlements surrounding towns such as Mthatha (O.R. Tambo District Municipality) and Butterworth (Amathole District Municipality). This correlates with lower change in absolute population numbers.
- **Movement out of the Karoo:** There has been a general depopulation of the arid areas of the province, often to the Western Cape and to coastal towns and cities. This is characterised by a consolidation of commercial farms and a shrinking commercial farming community. Farm labourers have moved into settlements in towns.
- **Movement to transport corridors:** This refers to movement along the N2 and accounts for increases in the population of King Sabata Dalindyebo, Nyandeni (both in the O.R. Tambo District Municipality) and Mbizana (Alfred Nzo District Municipality).
- **Movement to cities:** The rural parts of the Eastern Cape have been impacted by migration of people to cities. The degree to which the Eastern Cape cities have from these migration patterns has been reduced as migrants often prefer to move to Gauteng and the Western Cape.

Net rural-urban migration is the primary driver of urbanisation. As peri-urban areas become settled and urban areas expand, so too does the demand for services and infrastructure. Urbanisation means that there will be further demands for land by commercial agriculture, industry, businesses and residents. It results in unsustainable settlement sprawl increasing the cost of infrastructure provision.

6.2 Education

In this section, the current structure of the education system within the Amathole DM is provided to contextualise the extent of education system within the province. Educational attainment levels within the adult population are provided as an indicator of skills levels within the population of the Amathole District Municipality.

6.2.1 Learners, Educators and School Structure

The current size of the education system within each district is provided based on the number of learners and schools. Figure 6.8 shows that the Amathole District has the highest number of schools in the Province at 1 757. The largest learner population is within the OR Tambo District followed by the Amathole District. The Amathole District has 459 255 learners.

In total, there were 1.9 million learners in the Eastern Cape spread over 5 589 public and 166 independent schools. These schools had approximately 68 499 educators, resulting in an average of 28.6 learners per educator in 2011.

Figure 6.8: Learners, Educators and Schools in The Eastern Cape, 2011

MUNICIPALITY	NUMBER OF LEARNERS	NUMBER OF EDUCATORS	NUMBER OF SCHOOLS
EASTERN CAPE	1 963 578	68 499	5 755
SARAH BAARTMAN	90 534	3 176	264
AMATHOLE	459 255	18 030	1 757
CHRIS HANI	251 673	9 521	934
JOE GQABI	108 534	3 763	365
O.R. TAMBO	685 353	21 111	1 617
ALFRED NZO	146 191	5 043	480
NELSON MANDELA BAY METRO	218 682	7 564	323

Source: Department of Basic Education, 2013

6.2.2 Education Attainment Levels

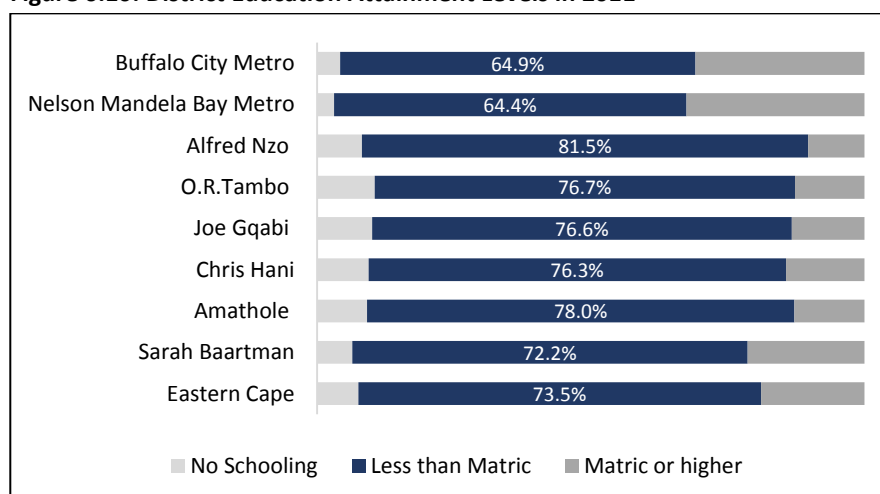
A measure of the educational attainment levels of the Eastern Cape's population over the age of twenty years offers insight into the skills levels within the province.

The figures indicated in Figure 6.8 above reveals that 18.9% of the Eastern Cape's population over the age of 20 years old has a matric or higher qualification in 2011. The Amathole District has the second lowest proportion of population possessing a matric or higher qualification at 12%.

Figure 6.9: Levels of Education Attainment by District Municipality in 2011

MUNICIPALITY	NO SCHOOLING	SOME PRIMARY	COMPLETED PRIMARY	SOME SECONDARY	MATRIC	HIGHER
EASTERN CAPE	7.6%	34.3%	6.7%	32.4%	13.2%	5.7%
SARAH BAARTMAN	6.5%	30.9%	7.8%	33.5%	15.2%	6.1%
AMATHOLE	9.2%	38.3%	7.8%	31.9%	8.9%	3.9%
CHRIS HANI	9.4%	39.4%	7.2%	29.7%	9.8%	4.5%
JOE GQABI	10.1%	39.2%	7.6%	29.9%	9.4%	3.9%
O.R. TAMBO	10.5%	40.2%	6.7%	29.9%	8.9%	3.8%
ALFRED NZO	8.2%	44.2%	7.5%	29.8%	7.3%	2.9%
BCM	3.1%	21.5%	5.2%	37.6%	23.4%	9.1%
NMBM	4.2%	23.6%	5.6%	35.7%	20.6%	10.2%

Source: StatsSA, 2012. Urban-Econ calculations based on Census (2011)

Figure 6.10: District Education Attainment Levels in 2011

Source: StatsSA, 2012. Urban-Econ calculations based on Census (2011)

6.3 Poverty & Income Levels

Poverty and household income levels serve as a measure of relative deprivation within an area, as well as serving as indicators of economic success. The following section therefore discusses poverty in the context of income distribution, average annual household income and the poverty line.

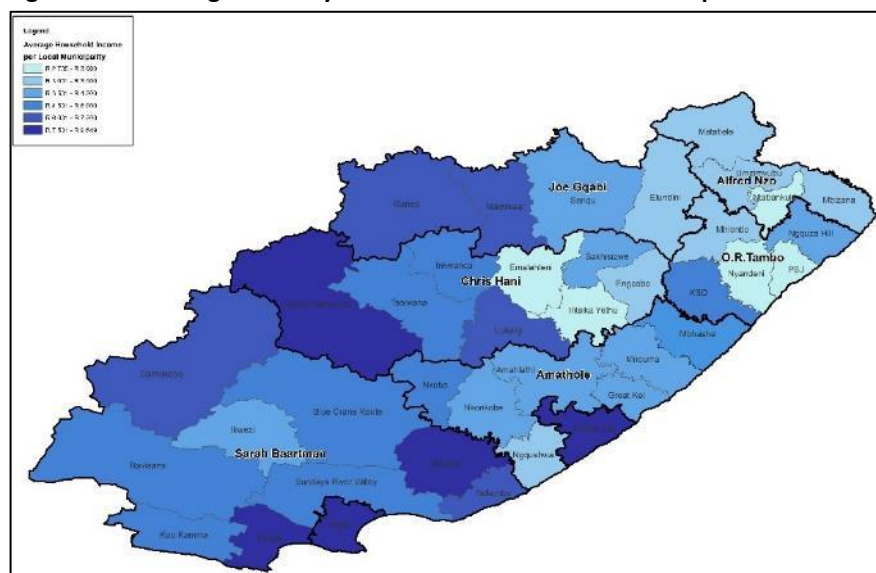
6.3.1 Average Household Income

Household income serves to indicate the relative wealth of households in a particular region. In order to determine this value, the weighted average monthly income for each local municipality was calculated based on the income bands assigned in the 2011 Census.

The Amathole DM has an Average Household Income below the provincial average at R 3 550 per month. The district's average household income also grew at a slower rate between 2001 and 2011 than the rest of the province, increasing by only 24.2%, compared to a provincial growth rate of only 27.6% over the same period.

The highest household income levels in the province are in the Nelson Mandela Bay and Buffalo City Metros, while the lowest are located in the Alfred Nzo, **Amathole** and O.R. Tambo District Municipalities. The districts with the lowest household incomes are characterised by lower education levels, low access to infrastructure and smaller working age populations.

Figure 6.11: Average Monthly Household across the Eastern Cape in 2011²



Source: StatsSA, 2012. Urban-Econ calculations based on Census (2011)

Within the Amathole DM (Figure 6.11) Ngqushwa LM has the lowest average household income with R 2 844 per month. This is significantly below the District average of R 3 550 per month. The LM with the highest monthly household income is the Nxuba LM with R 4 670 per month. The average household income for the BCM is R 8 562 per month, over twice as much as the Amathole District average.

Figure 6.12: Average Monthly Household Income Levels across the Eastern Cape

MUNICIPALITY	AVERAGE HOUSEHOLD INCOME		ABSOLUTE % CHANGE
	2001 ³	2011	
EASTERN CAPE	R 4 548	R 5 803	27.6%
SARAH BAARTMAN	R 6 173	R 7 024	13.8%
AMATHOLE	R 2 857	R 3 550	24.2%
CHRIS HANI	R 3 064	R 4 403	43.7%
JOE GQABI	R 3 021	R 3 922	29.8%
O.R. TAMBO	R 3 163	R 3 881	22.7%
ALFRED NZO	R 2 608	R 3 454	32.5%
BUFFALO CITY METRO	R 8 342	R 9 456	13.4%
NELSON MANDELA BAY METRO	R 6 231	R 8 699	39.6%

Source: StatsSA 2002 and 2012. Urban-Econ calculations based on Census (2001) and Census (2011)

³ Average household income was calculated based on the results of the 2001 Census, and then adjusted by inflation to reflect 2011 prices to make it comparable with the results from the 2011 Census.

Figure 6.13: Average household income in the Amathole District

MUNICIPALITY	Household Income
AMATHOLE	R 3 550
MBASHE	R 3 166
MNQUMA	R 3 555
GREAT KEI	R 4 160
AMAHLATHI	R 3 426
NGQUSHWA	R 2 844
NKONKOBÉ	R 3 756
NXUBA	R 4 670

Source: StatsSA, 2012. Urban-Econ calculations based on Census (2011)

6.3.2 Poverty Line and Gini Coefficient

In 2010, approximately 49.8% of the Eastern Cape population, or 3.3 million individuals, were classified as living below the poverty line. The Amathole District has 52.6% of its population or 516 321 persons living below the poverty line. The district with the highest proportion of individuals below the poverty line were Alfred Nzo with 66.2% or 551 135 people, and OR Tambo with 60.2% or 876 130 people.

Amathole DM has a Gini Coefficient of 57.8. The Gini Coefficient is an indicator of income equality that looks at how concentrated the income of a region is, over the population. Higher ratios are indicative of high income inequality whilst lower ratios indicate a more equal distribution of a region's wealth. The highest Gini Coefficients, globally, are in the 60 to 70 range, whereas the lowest are the 20 to 30 range. South Africa has one of the highest Gini Coefficients in the world at 64.3. The Eastern Cape's Gini Coefficient at 63.6 is the highest in the country. The district with the lowest Gini Coefficient is Alfred Nzo with an estimated value of 55.7, followed by Amathole.

Figure 6.14: Eastern Cape Households below Poverty Line and Gini Coefficient in 2010

MUNICIPALITY	PEOPLE BELOW THE POVERTY LINE	% BELOW THE POVERTY LINE	GINI COEFFICIENT
EASTERN CAPE	3 393 984	49.8%	63.6
SARAH BAARTMAN	158 515	35.5%	61.6
AMATHOLE	516 321	52.6%	57.8
CHRIS HANI	429 033	53.0%	60.6
JOE GQABI	226 697	60.2%	59.5
O.R. TAMBO	876 130	62.7%	59.3
ALFRED NZO	551 135	66.2%	55.7
BUFFALO CITY METRO	366 308	31.1%	61.6
NELSON MANDELA BAY METRO	269 845	33.8%	63.2

Source: ECSECC, 2012

6.4 Socio-Economic Summary

The review of the statistics presented in the 2011 Census indicates that the population of the Amathole District Municipality grew at a slower rate than the rest of The Eastern Cape. Migration patterns indicate that while out migration is high the majority of migration is internal – that is, movement between the rural areas and urban nodes such as Port Elizabeth, East London and Mthatha.

In terms of the various socio-economic indicators, the Amathole District generally performs poorly against the Eastern Cape average. Educational attainment, as measured by the number of individuals with either matric or some other form of higher education was only 12.8% for the Amathole District in 2011, compared to a provincial figure of 18.9%. Equally the provision of basic services such as electricity, water and sanitation were all below the provincial figures. These factors all contribute toward the high incident of poverty in the district. This is reflected by the fact that just over half of the population is considered to be living below the poverty line. This high incidence of poverty has a negative impact on average household income, which was only R 3 550 per month in 2011 (Eastern Cape's average household income was R 5 803 per month).

6.5 Economic Performance

6.5.1 Eastern Cape Overview

The Amathole District had a total real GDP-R of R 12.7 billion in 2013, representing a R 292.5 million increase in real GDP-R from the previous year. This equated to approximately a 9.0% share of the total GDP-R of the Eastern Cape. This represents less than a 0.1% increase from 2012, when the Amathole District only accounted for 8.9% of the total real GDP-R of the Eastern Cape. The Eastern Cape's real GDP-R, which was approximately R 141.1 billion in 2013, showed an increase of 1.8% between 2012 and 2013.

Figure 6.15: Real GDP-R for South Africa, the Eastern Cape and District Municipalities

AREA	GDP-R (R, MILLIONS ⁴)			% CHANGE
	2012	2013	CHANGE	
EASTERN CAPE	R 138 640	R 141 117	R 2 478	1.8%
SARAH BAARTMAN	R 10 809	R 11 053	R 244	2.3%
AMATHOLE	R 12 440	R 12 733	R 292	2.4%
CHRIS HANI	R 10 116	R 10 278	R 162	1.6%
JOE GQABI	R 5 063	R 5 211	R 148	2.9%
O.R. TAMBO	R 18 142	R 18 619	R 477	2.6%
ALFRED NZO	R 9 628	R 9 985	R 356	3.7%
BUFFALO CITY METRO	R 29 073	R 29 500	R 428	1.5%
NELSON MANDELA BAY METRO	R 43 367	R 43 738	R 370	0.9%

Source: Urban-Econ calculations based on Quantec (2015)

6.5.2 Amathole and Local Municipal Overview

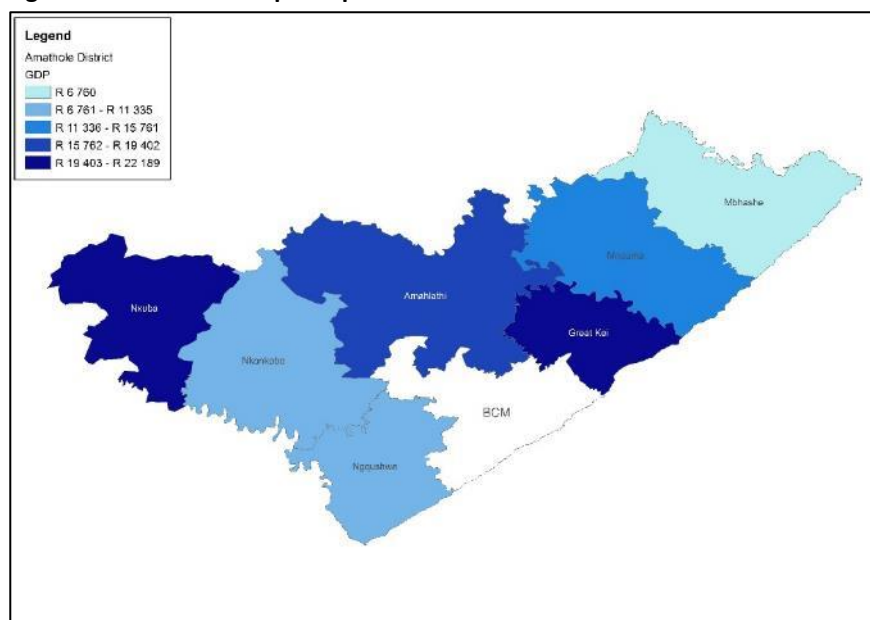
The GDP-R per local municipality within the Amathole District is illustrated in the Figure 6.16 below. From the table it is evident that the Mnquma Local Municipality accounts for the overwhelming majority of the real GDP-R of the District (38.6%) followed by the Amahlathi (18.5%) and Mbhashe (14.4%) Local Municipalities. The

⁴ Figures are in Constant 2005 Prices

economic dominance of the Mnquma and Mbashe Local Municipalities is a function of the large population residing in these two areas and the corresponding buying power linked to this population.

GDP-R per capita serves as an indicator for assessing the relative strength of a given municipal economy against a benchmark location, in this case either The Eastern Cape or South Africa.

Figure 6.16: Real GDP-R per capita in the Amathole District



Source: Urban-Econ calculations based on Quantec (2015)

The real GDP-R per capita for each local municipality within the Amathole District for 2013 (illustrated in Figure 6.16) ranges from R 6 760 (Mbhashe) to R 22 189 (Great Kei). The total GDP-R per capita for the entire Amathole District in 2013 was approximately R 12 849. All these figures are below both the national and provincial figures of R 34 859 and R 20 448 respectively. The GDP-R per capita figures are indicative of the Amathole District's weak economic activity, high population levels, relative other to parts of the Eastern Cape, and low labour productivity levels.

Figure 6.17 below the total GDP-R generated by each local municipality within the district in constant 2005 prices. The table also illustrates each respective local municipality's contribution to the total GDP-R of the Amathole District in 2013.

Figure 6.17: Real GDP-R for Amathole District and Local Municipalities

MUNICIPALITY	GDP-R (R, MILLIONS ⁵)		SHARE OF TOTAL GDP-R (2013)
	2012	2013	
AMATHOLE⁶	R 12 440	R 12 733	9.0%⁷
MBHASHE	R 1 789	R 1 831	14.4%
MNQUMA	R 4 779	R 4 919	38.6%

⁵ Figures are in Constant 2005 Prices

⁶ In 2006 the Buffalo City Metro (BCM) still formed part of the Amathole District. The figures presented in this table have been retrospectively adjusted through the removal of the BCM figures from the 2006 Amathole District totals.

⁷ Amathole District's contribution to the total GDP-R of The Eastern Cape.

MUNICIPALITY	GDP-R (R, MILLIONS ⁵)		SHARE OF TOTAL GDP-R (2013)
	2012	2013	
GREAT KEI	R 801	R 825	6.5%
AM AHLATHI	R 2 314	R 2 356	18.5%
NGQUSHWA	R 720	R 732	5.7%
NKONKOBE	R 1 548	R 1 570	12.3%
NXUBA	R 490	R 500	3.9%

Source: Urban-Econ calculations based on Quantec (2015)

Although Figure 6.18 indicates that the Mquma Local Municipality contributed the greatest percentage of the district's total GDP-R in 2013, the local municipality's GDP-R only grew by 2.9% in absolute terms between 2012 and 2013. The GDP-R of the Great Kei Local Municipality in comparison, which only accounts for 6.5% of the total real GDP-R of the Amathole District, increased by 3.1% between 2012 and 2013. Furthermore, the Great Kei Local Municipality had the highest GDP-R per capita figure (R 22 189) in the Amathole District in 2013. This suggests strong growth prospects for the local municipality over the medium term.

Figure 6.18: Real GDP-R growth rates for the Eastern Cape

AREA	AVERAGE ANNUAL GROWTH IN REAL GDP-R			FORECASTED ANNUAL GROWTH IN REAL GDP-R		
	2012	2013	2003 – 2013	2014	2015	2016
EASTERN CAPE	2.5%	1.8%	3.2%	1.6%	2.2%	2.4%
SARAH BAARTMAN	3.6%	2.3%	3.6%	1.6%	2.2%	2.5%
AMATHOLE	3.9%	2.4%	5.1%	1.8%	2.5%	2.8%
CHRIS HANI	2.2%	1.6%	2.9%	1.4%	2.0%	2.2%
JOE GQABI	5.3%	2.9%	5.2%	1.9%	2.6%	2.8%
O.R. TAMBO	3.9%	2.6%	6.5%	1.7%	2.4%	2.6%
ALFRED NZO	5.8%	3.7%	8.4%	2.3%	3.2%	3.6%
BUFFALO CITY	2.0%	1.5%	2.8%	1.5%	2.1%	2.4%
NMBM	0.6%	0.9%	0.8%	1.5%	2.1%	2.3%

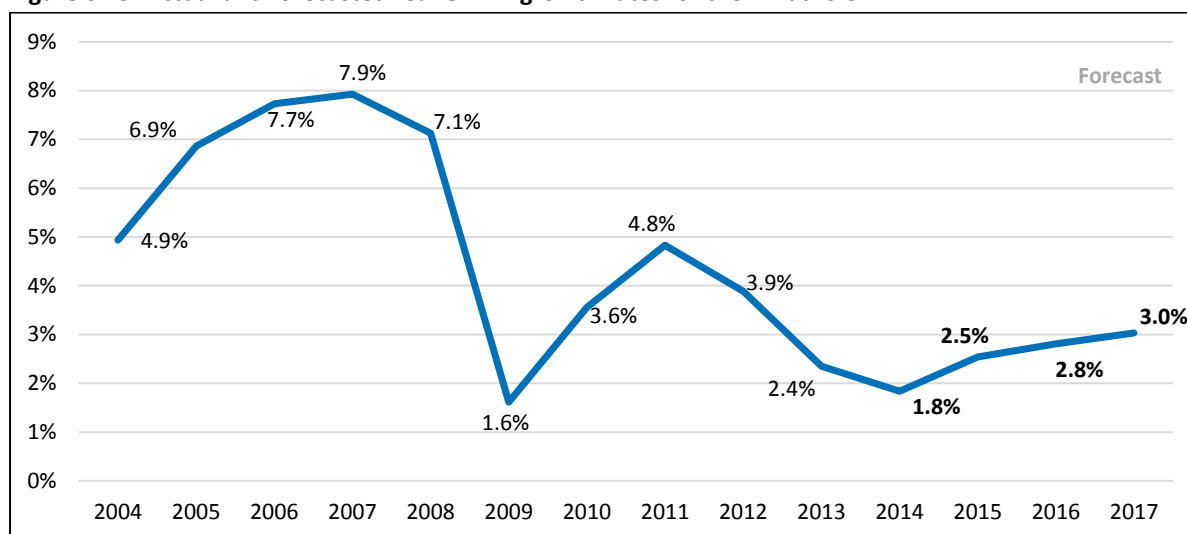
Source: Urban-Econ calculations based on Quantec (2015)

6.5.3 GDP-R growth rates and projections

The Eastern Cape performed below expectations in 2014, only growing at 1.6% year-on-year compared to 1.8% during 2013. Figure 6.18 and 6.19 indicate that the forecasted GDP-R growth for the Eastern Cape in 2015 is 2.2%, recovering to 2.4% in 2016, in line with national expectations. Growth in 2015 is expected to be moderate and below the national figure. These expectations of constrained growth are based on continuing power supply challenges which will impact business productivity, increased electricity costs, and reduced domestic demand.

Amathole DM is forecasted to grow by 1.8% in 2014, rising to 2.5% in 2015.

Figure 6.19: Actual and forecasted real GDP-R growth rates for the Amathole DM



Source: Urban-Econ calculation based on Quantec (2015)

6.6 Labour Market

This section outlines the structure and performance of the Amathole labour market between 2003 and 2013.

6.6.1 Structure of The Eastern Cape's Labour Market

An overview of the structure of the Eastern Cape labour market is presented in Figure 6.20, which provides a breakdown of employment and unemployment. Approximately 1.4 million people in the Eastern Cape were classified as employed as in 2013, out of a working age population of 4.2 million. Youth (between the ages of 15 and 34 years old) constituted 60.9% of the total working age population but only accounted for 43.2% of the total number of employed people in the Eastern Cape. The remaining 584 742 people in the Eastern Cape labour force were classified as unemployed.

Figure 6.20: Eastern Cape employment status in 2013

AREA	EMPLOYED	UNEMPLOYED	
		NUMBER	RATE
EASTERN CAPE	1 490 254	584 742	28.2%
SARAH BAARTMAN	139 628	37 050	21.0%
AMATHOLE	159 543	82 167	34.0%
CHRIS HANI	121 553	90 929	42.8%
JOE GQABI	63 159	23 442	27.1%
O.R. TAMBO	215 230	77 690	26.5%
ALFRED NZO	131 941	59 522	31.1%
BUFFALO CITY METRO	277 154	74 277	21.1%
NELSON MANDELA BAY METRO	382 046	139 665	26.8%

Source: Urban-Econ calculations based on Quantec (2015)

6.6.2 Structure of the Amathole District's labour market

As per Figure 6.21, it is estimated that approximately 159 543 people were employed by both the formal and informal sectors in the Amathole District in 2013. Employment levels, while fluctuating year-on-year, have been steadily increasing since 2003. This is evident by the fact that total employment in the Amathole District is increasing by an average annualised rate of 2.0% between 2003 and 2013. The positive employment growth rate between 2003 and 2013 (see Table 3.7) is largely attributable to the diversified nature of the Amathole District. During this period, the Amathole District added over 28 000 jobs primarily in the manufacturing and agricultural sectors.

Figure 6.21: Amathole District's employment status in 2013

MUNICIPALITY	EMPLOYED	UNEMPLOYED	
		NUMBER	RATE
AMATHOLE	159 543	82 167	34.0%
MBHASHE	23 837	14 068	37.1%
MNQUMA	55 193	19 855	26.5%
GREAT KEI	13 707	3 321	19.5%
AM AHLATHI	28 233	12 602	30.9%
NGQUSHWA	10 351	6 651	39.1%
NKONKOBÉ	22 414	21 743	49.2%
NXUBA	5 808	3 927	40.3%

Source: Urban-Econ calculations based on Quantec (2015)

Unemployment levels vary significantly across the Amathole District, with the Nkonkobe Local Municipality having the highest (49.2%) and the Mquma Local Municipality having the lowest (26.5%). Of the approximately 82 167 unemployed individuals in the Amathole District, 50.6% are located in either the Nkonkobe Local Municipality (26.5%) or the Mquma Local Municipality (24.2%).

6.6.3 Eastern Cape Labour Market Performance

Figure 6.22 shows changes total employment in the Eastern Cape over the 2012 and 2013 period as well as between 2003 and 2013. The average annual employment growth in Amathole was 3.8% in 2013 compared to the provincial growth of 3.5%. Within the district the highest growth in annual employment was recorded in Great Kei (7.4%) followed by Nxuba (4.8%) for 2013. The lowest growth rates were recorded in Mbashe (2.8%).

Figure 6.22: Employment Growth Trends in the Eastern Cape

AREA	AVERAGE ANNUAL EMPLOYMENT GROWTH		
	2012	2013	2003 – 2013
EASTERN CAPE	1.6%	3.5%	1.2%
SARAH BAARTMAN	3.0%	5.2%	-2.4%
AMATHOLE	2.8%	3.8%	2.0%
CHRIS HANI	0.9%	2.7%	-0.5%
JOE GQABI	3.1%	4.9%	-1.8%
O.R. TAMBO	3.0%	4.7%	3.8%
ALFRED NZO	4.7%	5.0%	5.3%
BUFFALO CITY	0.4%	2.5%	1.9%
NELSON MANDELA BAY METRO	-0.1%	2.2%	0.6%

Source: Urban-Econ calculations based on Quantec (2015)

Figure 6.23: Employment Growth Trends in the Amathole District

MUNICIPALITY	AVERAGE ANNUAL EMPLOYMENT GROWTH		
	2012	2013	2003 – 2013
AMATHOLE	2.8%	3.8%	2.0%
MBHASHE	2.8%	2.8%	3.5%
MNQUMA	2.6%	3.7%	4.7%
GREAT KEI	5.0%	7.4%	0.3%
AM AHLATHI	3.0%	3.3%	0.0%
NGQUSHWA	3.0%	3.1%	4.0%
NKONKOBÉ	1.8%	3.2%	0.2%
NXUBA	2.1%	4.8%	-4.4%

Source: Urban-Econ calculations based on Quantec (2015)