

# Master Agri-Park Business Plan: Eastern Cape

April 2016

## FINAL REPORT



# JOE GQABI DISTRICT BUSINESS PLAN

**Lead Consultant:**



**URBAN-ECON DEVELOPMENT ECONOMISTS**

49 Parliament Street

Central

Port Elizabeth

South Africa

6001

Tel: 041 585 6640

Fax: 041 585 6151

E-mail: [ec@urban-econ.com](mailto:ec@urban-econ.com)

Website: [www.urban-econ.com](http://www.urban-econ.com)

**Sub-Consultant:**



**OPTIMAL AGRICULTURAL BUSINESS SYSTEMS**

Website: [www.oabs.co.za](http://www.oabs.co.za)

## Document Approval

### ***PSSC Representative***

_____	_____	_____
Name	Designation	Signature

### ***RID Representative***

_____	_____	_____
Name	Designation	Signature

### ***REID Representative***

_____	_____	_____
Name	Designation	Signature

### ***District Representative***

_____	_____	_____
Name	Designation	Signature

## Executive Summary

This DRAFT Joe Gqabi Agri-Park Business Plan reviewed the current agricultural activities in the Joe Gqabi 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. This report serves as the first phase of the Agri-Park Business Plan, providing a status quo analysis, commodity selection, prioritisation and identification as well as a development concept and implementation guideline. The first section deals with the status quo and major role players in the region. The second section is the commodity prioritisation section and deals with the selection of commodities and the market environment around those commodities. The third section is the development concept and the implementation guidelines which consists of high level costing and recommendations for the development of the Agri-Park in Joe Gqabi District Municipality.

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 Joe Gqabi 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 a Joe Gqabi District Municipality Council decision the site of the Agri-Hub for the district is in the town of Lady Grey, in Senqu LM. The concept of the Agri-Park and its supporting structures within the Joe Gqabi 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 Joe Gqabi Agri-Park. The top three scoring commodities for Joe Gqabi were identified as: Wool, Maize and Red Meat (including beef, mutton and chevon).

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:

**Wool:**

- The Joe Gqabi environment is well suited to wool production.
- Opportunities exist to grow the wool sector in the district, including processing opportunities.

**Maize:**

- 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 demand for maize in South Africa is exceedingly high, providing a range of opportunities for new entrants.

**Red Meat:**

- The Joe Gqabi 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 Joe Gqabi District in Red Meat sub-classes Beef, Sheep and Goat. 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.

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 Joe Gqabi DM.
- Significant investment in skills development and training in all identified commodities is required before significant levels of production can be achieved.
- Theft and vandalism of farm infrastructure/crops/small stock poses a threat to agriculture in the District.

The third section of this report deals with the development concept and the implementation guidelines which consists of high level costing and recommendations for the development of the Agri-Park in Joe Gqabi 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.

**Table I.I: Key thrusts**

Livestock	
<b>Genetic improvement</b>	Improving the genetic quality of emerging and small-holder farmers for immediate relatively fast improvement of prices offered for carcasses when sold to abattoirs.
<b>Fencing</b>	Fencing of commonage key grazing areas for small holder and emerging farmers.
<b>Management of commonage</b>	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.

<b>Veterinary support</b>	FPSUs provide a base for DAFF veterinarians to operate out of and are invaluable to emerging and smallholder farmers.
<b>Training</b>	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.
<b>Abattoir facilities</b>	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 markets.
<b>Wool</b>	
<b>Shearing sheds</b>	A shearing shed would be developed at each FPSU. This would improve efficiency through reducing time and transport costs and give the farmers collective bargaining power.
<b>Baling</b>	Sorting and baling would ensure that wool is packaged correctly before being transported to markets.
<b>Storage</b>	A storage facility for excess wool should be developed. This facility would provide storage for farmers in between auction times.
<b>Transport/Logistics</b>	The majority of wool produced in South Africa is exported. Cape Wools in Port Elizabeth facilitates the auction of the majority of wool in South Africa. It is therefore essential that proper transport routes and facilities are established to transport wool to the market in Port Elizabeth.
<b>Maize</b>	
<b>Silos</b>	Developing a silo or storage facility in the district for local maize farmers.
<b>Milling</b>	Maize milling/processing would be a value-adding activity in the district. Milling can also enhance the quality of maize produced in the district.
<b>Fencing</b>	Fencing of local farms and commonages for small holder and emerging farmers.
<b>Training</b>	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.
<b>Market Linkages</b>	Linkages with other Agri-Parks also focusing on maize production, such as OR Tambo DM, is important for market support and improved sustainability.

This section also contains the high level costing which was conducted. The costing indicates the FPSUs would cost approximately **R 112 866 000** while the Agri-Hub would cost approximately **R 51 800 000**. The total cost of the entire Agri-Park in JGDM would be approximately **R 164 666 000**.

Agri-Park Unit	Total Cost
<b>FPSU</b> Burgersdorp Aliwal North Mount Fletcher Sterkspruit	R 112 866 000
<b>Agri-Hub</b> Lady Grey	R 51 800 000
<b>TOTAL</b>	<b>±R164 666 000</b>

Finally the implementation guidelines provides guidelines on how to implement the Agri-Parks concept. It contains alignment with government programmes, projects and campaigns that are currently ongoing. Recommendations and the rollout plan are also part of this section. Specific recommendations are given for:

- Infrastructure

- Natural resources
- Agri-Park commodities
- Technology
- Training
- Agri-Park units
- Logistics
- Policy environment
- Funding/ investment
- Private/ public integration
- Market and
- Incentive programmes

## List of Abbreviations

<b>APAP</b>	Agricultural Policy Action Plan
<b>CASP</b>	Comprehensive Agriculture Support Programmes
<b>CRDP</b>	Comprehensive Rural Development Programme
<b>DAFF</b>	Department of Agriculture, Forestry and Fisheries.
<b>DEDEAT</b>	Department of Economic Development, Environmental Affairs and Tourism
<b>DRDLR</b>	Department of Rural Development and Land Reform
<b>DRDAR</b>	Department of Rural Development and Agrarian Reform
<b>ECDC</b>	Eastern Cape Development Corporation
<b>ECRDA</b>	Eastern Cape Rural Development Agency
<b>ECRDS</b>	Eastern Cape Rural Development Strategy
<b>ECSECC</b>	Eastern Cape Socio-Economic Consultative Council
<b>FPSU</b>	Farmer Production Support Unit
<b>IDP</b>	Integrated Development Plan
<b>IPAP</b>	Industrial Policy Action Plan
<b>IWTO</b>	International Wool Textile Organisation.
<b>JGDM</b>	Joe Gqabi District Municipality
<b>JoGEDA</b>	Joe Gqabi Economic Development Agency
<b>LRAD</b>	Land Redistribution for Agricultural Development Programme
<b>NDP</b>	National Development Plan
<b>REID</b>	Rural Enterprise and Industry Development
<b>RID</b>	Rural and Infrastructure Development
<b>RUMC</b>	Rural Urban Market Centre
<b>SEDA</b>	Small Sector Enterprise Development



## Table of Contents

<b>1. Report Overview</b>	
1.1. Methodology	2
1.2. Master Business Plan	3
<b>2. Agri-Park Model</b>	<b>4</b>
2.1. Introduction	5
2.2. Objective of the Agri-Park programme	6
2.3. Agri-Park structure	7
<b>3. Policy Review</b>	<b>11</b>
3.1. National Development Plan (NDP) (2012)	12
3.2. Comprehensive Rural Development Programme (CRDP) (2009)	12
3.3. Department of Rural Development and Land Reform – Strategic Plan 2015-2020 (2015)	12
3.4. Industrial Policy Action Plan 2013/14 – 2015/16 (2013)	13
3.5. Diagnostic overview of the Eastern Cape Province (2013)	13
3.6. Eastern Cape Rural Development Strategy (ECRDS) (2010)	13
3.7. Eastern Cape Rural Development Plan (2013)	14
3.8. Agricultural Policy Action Plan (APAP) (2014)	14
3.9. Eastern Cape Vision 2030 (2013)	17
3.10. Joe Gqabi District Municipality IDP 2015/16 Review (2015)	18
3.11. Joe Gqabi Agriculture Sector Plan (2010)	19
3.12. DRDAR Joe Gqabi Agri-Park Business Plan (2015)	19
<b>4. Location Context</b>	<b>20</b>
4.1. Description of the district	21
4.2. Location of Agri-Park	23
4.3. Economic infrastructure	24
<b>5. Agriculture Role-Players</b>	<b>25</b>
5.1. Public Sector	26
5.2. Extension and advisory services	33
5.3. Financial Services	34
5.4. Private Sector	35
5.5. Associations and Organisations	36
<b>6. District Economic &amp; Demographic Overview</b>	<b>38</b>
6.1. Demographic analysis	39
6.2. Education	42
6.3. Poverty and Income Levels	44
6.4. Socio-economic summary	46
6.5. Economic performance	47
<b>7. Agriculture Sector Analysis</b>	<b>49</b>
7.1. Main agricultural activities	50
7.2. Current and proposed projects in the region	54
7.3. Environmental Conditions and Resources Analysis	59
7.4. APAP Commodity Selection Criteria	65

7.5. Agri-Park Commodity Prioritisation Matrix	65
7.6. Prioritisation matrix results	73
7.7. Summary	75
<b>8. Red Meat Assessment</b>	<b>76</b>
8.1 Red Meat Market assessment	77
8.2 Value-chain analysis	89
8.3 Competitors	94
8.4 Stakeholders	94
8.5 Technology	95
8.6 Demand and Needs Analysis	97
8.7 Socio-Economic	97
8.8 Contribution to Food Security	98
8.9 Regulatory Requirements	99
8.10 Substitute Products and Services	100
8.11 Barriers to Entry	100
8.12 Societal and Cultural Trends	102
8.13 SWOT Analysis	103
<b>9. Wool</b>	<b>105</b>
9.1 Wool Market Assessment	106
9.2 Value-chain assessment	112
9.3 Competitors	114
9.4 Stakeholders	114
9.5 Technology	115
9.6 Demand and Needs Analysis	116
9.7 Socio-Economic	117
9.8 Contribution to Food Security	117
9.9 Regulatory Requirements	118
9.10 Substitute Products and Services	119
9.11 Barriers to Entry	119
9.12 Societal and Cultural Trends	120
9.13 SWOT Analysis	121
<b>10 Maize</b>	<b>124</b>
10.1 Maize Market analysis	125
10.2 Value-chain assessment	131
10.3 Competitors	133
10.4 Stakeholders	133
10.5 Technology	134
10.6 Demand and Needs Analysis	135
10.7 Socio-Economic	136
10.8 Contribution to Food Security	137
10.9 Regulatory Requirements	137
10.10 Substitute Products and Services	139
10.11 Barriers to Entry	139
10.12 Societal and Cultural Trends	140
10.13 SWOT Analysis	140

<b>11</b>	<b>Development Concepts</b>	<b>143</b>
11.1	Introduction	144
11.2	DRDAR Agri-Park general concept	145
11.3	Joe Gqabi Agri-Park development concept	146
11.4	Commodity Development Concepts	149
11.5	Logistics Plan	168
11.6	High Level Costing	170
11.7	Conclusion	172
<b>12</b>	<b>Implementation Guidelines</b>	<b>173</b>
12.1	Introduction to the Implementation Guidelines	174
12.2	Implementation Process	174
12.3	Alignment with Government Programmes	175
12.4	Recommendations	178
12.5	Roll-Out Plan	181
<b>13</b>	<b>Organisational Structure</b>	<b>184</b>
13.1	Introduction to the Implementation Guidelines	185
13.2	Implementation Process	186
13.3	Alignment with Government Programmes	188
	<b>Reference List</b>	<b>187</b>

# Overview

## Chapter 1

## 1. INTRODUCTION

This project seeks to develop a **Develop a Master Agri-Park Business Plan to Operationalise an Agri-Park in Joe Gqabi District Municipality**. The Department of Rural Development 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 business plan is specifically developed for the Joe Gqabi DM.

This draft report includes the JGDM agriculture industry analysis and 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. It must be noted that this report contains a feasibility study of the commodities that will be located in the Agri-Park. A feasibility study of the Agri-Park itself will be dealt with in future research.

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.”*

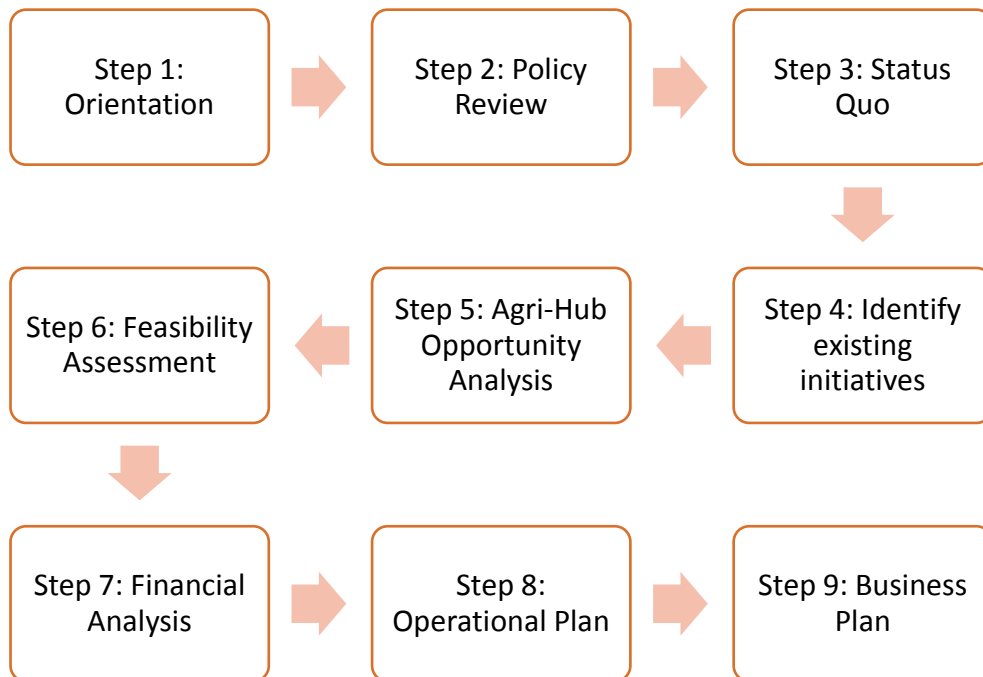
The objectives of the Agri-Park Business Plan is summarised from the Terms of Reference as follows:

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

Figure 1.1 provides for a methodology illustration of the various steps that are undertaken for the study, these are issue described below in more detail.

**Figure 1.1: Methodology**



## 1.2 Draft Business Plan- Commodity Selection Report

The purpose of the Business Plan is to provide the Department of Rural Development and Joe Gqabi District Municipality with a strategic document that will outline how to establish and develop a viable and successful Agri-Park in Joe Gqabi DM. The 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 agricultural production and processing. The chapter will also consider district specific policies and documents such as the IDPs, SDFs and Agriculture Sector Plan for JGDM.

**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 descriptions of the stakeholders' mandates and related agricultural projects.

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

**Chapter 7: Agricultural 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 by means of multi-criteria prioritisation model.

**Chapter 8: Wool Commodity Analysis:** Prioritised commodity market analysis. This also includes a value chain assessment.

**Chapter 9: Maize Commodity Analysis:** Prioritised commodity market analysis. This also includes a value chain assessment.

**Chapter 10: Red Meat Commodity Analysis:** Prioritised commodity market analysis. This also includes a value chain assessment.

**Chapter 11: Development Concepts:** The development concepts chapter outlines the Agri-Park concept for each of the key commodities at the different Agri-Park units, including high level costing.

**Chapter 12: Implementation Guidelines:** The implementation guidelines is aimed at providing recommendations and outlining the implementation process. It also ensures that the Agri-Park concept is in line with current government programmes.

**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



## 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 named such, 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 Ten 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 provincial development agencies such as 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 Strategic objectives of the Agri-Parks 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.



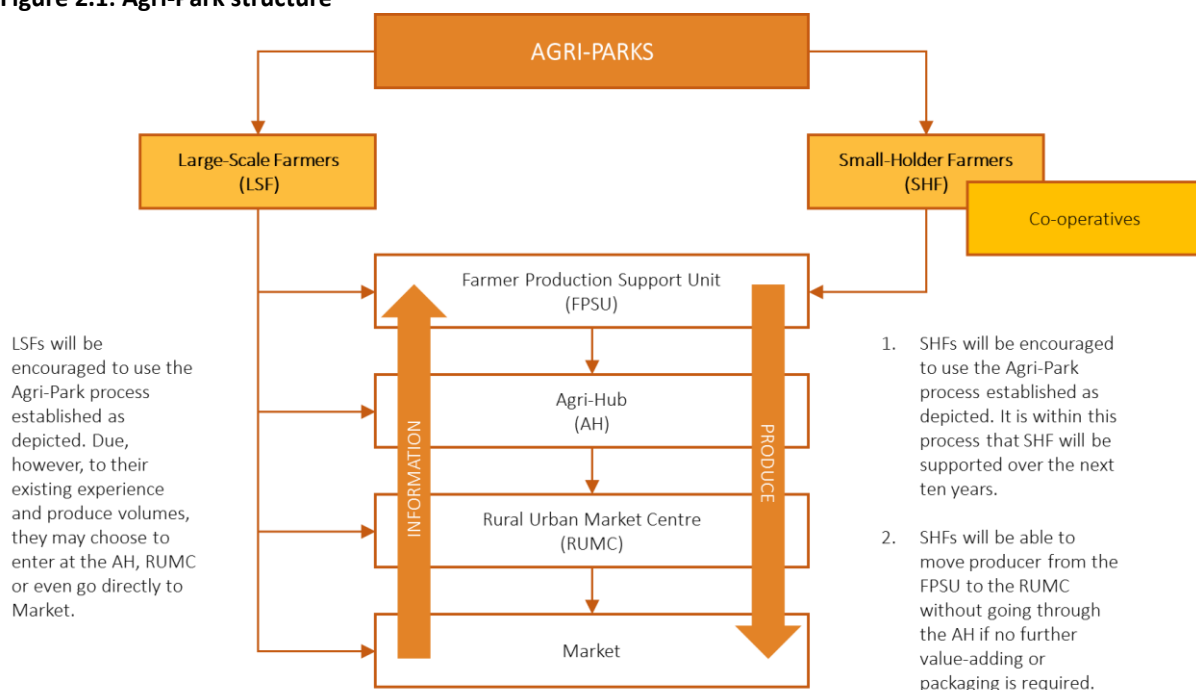
## 2.3 Agri-Park Structure

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:

- Agri-Hub Unit (AH).
- The Farmer Production Support Unit (FPSU).
- The Rural Urban Market Centre Unit (RUMC).

Figure 2.1 provides a visual representation of the information and produce flows within the Agri-Hub system.

**Figure 2.1: Agri-Park structure**



### Agri-Hub

Agri-Hubs 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-Hubs, ultimately, need to possess sufficient physical and social infrastructure to accommodate:

- a. Storage/warehousing facilities (cold storage, dehydrators, silos etc.).
- b. Agri-processing facilities (mills, abattoirs, juicing, etc.).
- c. 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.
- d. Large scale nurseries to supply agricultural production initiatives.
- e. Packaging facilities for national and international markets.
- f. Weighing facilities.
- g. Logistics hubs for collection of goods from the FPSUs.

- h. Transport service workshops and spare parts for larger maintenance tasks of Agri-Hub and FPSU equipment.
- i. 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.
- j. Soil testing laboratories.
- k. Accommodation for extension training and capacity building programs.
- l. Housing and recreational facilities for workers and Agri-Hub staff.
- m. Business, Marketing and Banking facilities (ICT).
- n. Rural development organization offices.

### 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:

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

### Rural Urban Marketing Centres

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. 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. After this initial phase a RUMCs may be located in each district municipality if there is a need for it. If the Joe Gqabi Agri-Park develops into a feasible business venture and there is a demand for a RUMC in ten years then a RUMC could be developed specifically for Joe Gqabi.

RUMCs seek to:

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

Figure 2.2 illustrates the strategic representation of the Agri-Park model. This model is to be duplicated in each district across the country, essentially creating a Mega Agri-Park. Each Agri-Park, however will be developed based on its own comparative advantages and its strength, in order to develop each district level economy.

**Figure 2.2: Strategic Representation of the Agri-Park Model**



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. Table 2.1 provides the relevant detail of the catchment of each component.

**Table 2.1: 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

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.

# Policy Review

## Chapter 3

### 3. POLICY REVIEW

---

The following chapter aims to discuss the relevant agricultural policies affecting the development of Agri-Parks. Agriculture policy documents are provided at three levels of government: national, provincial and municipal. These policy and planning documents are critical to the successful planning for the Joe Gqabi District Agri-Hub and creation of the Agri-Hub business plan.

#### 3.1 National Development Plan (NDP) (2012)

The National Development Plan outlines the vision 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 standardize the latter markets, so that a uniform, high quality product is available for processing.

### 3.5 Diagnostic Overview of the Eastern Cape Province (2013)

This 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 chapter 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, focusing on:

- 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 of 2010 by developing actionable plans to affect Eastern Cape rural development. 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 those being 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 and identifying areas in which positive knock-on effects can be obtained near, and as a result of, the development of the Agri-Hub and FPSU, such as improved transport infrastructure, localized Agri-Processing initiatives, and enabling consolidated agricultural production.

### 3.8 Agricultural Policy Action Plan (APAP) (2014)

The Agricultural Policy Action Plan (APAP) seeks to translate the high-level responses offered in the IGDP (Integrated Growth and Development Policy), 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**

This intervention is 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 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.

#### **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.
- Improvement of the early warning and early detection systems.

### **3.9 Eastern Cape Vision 2030 (2013)**

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 Joe Gqabi District Municipality IDP 2015/16 Review (2015)

The Joe Gqabi District Municipality IDP is a strategic planning tool that guides the development of the district. The IDP guides the planning and management of district. For the purpose of this study, the Joe Gqabi IDP review will focus on the district's agricultural plans and policies.

JGDM is highly dependent on the agricultural sector. Commercial agriculture is practiced in 80% of the district and subsistence farming in the remaining 20%. In the Gariiep, Maletswai and part of Senqu municipal areas, commercial farmers are mainly small stock farmers (sheep and limited numbers of goats) but there is also some cattle farming. In the Elundini area more cultivation is practised, mainly maize and potatoes mixed with livestock farming. Agriculture has been identified in the IDP as a sector with potential for future employment growth, although the sector has experienced a constant decline in employment. The IDP also refers to the development of the District Agri-Park.

The key development areas and objectives for the District include:

- Maximizing tourism and agricultural potential of the District area

The future spatial development guidelines suggest that agricultural and Sectoral interventions include:

- Invest in industrial development focusing on agricultural downstream industry
- Promote agriculture sector performance.
- Support agriculture and develop upstream and downstream industry

Future spatial development guidelines suggest that:

- Agricultural development should focus on areas with high agricultural potential
- Agricultural activity should be located in areas that would not compromise natural areas or environmentally sensitive areas.

### 3.11 Joe Gqabi District Municipality Agriculture Sector Plan Review (2010)

The JGDM Agriculture Sector Plan is aimed at highlighting the issues that would support the development and growth of the agricultural sector in JGDM. This review briefly outlines issues raised in the Agriculture Sector Plan. The report found that while the commercial agricultural sector has adapted to climate conditions and is performing well, the emerging and small scale farmers face a number of challenges. The need for business support services is highlighted. The local economy is highly dependent on the agricultural sector but there is potential to grow. In 2009, agriculture in JGDM contribute 29% of employment. A conservative estimate of GGP contribution from agriculture shows that more than R1.45 billion was contributed by agriculture. A survey amongst businesses in JGDM shows that out of their 2009 turnover of R1.8 billion, agriculture contributes 72% or R1.37 billion. The businesses require an enabling environment and investment to grow this sector. Commercial agriculture shows the prominent place agriculture is playing in the district economy. The authorities should capitalise on this support by using the experience of commercial farmers. Land reform issues are also highlighted. It shows that the slow land reform in the JGDM. Only 1%, 3%, 2% and 6% of agricultural land was transferred in Gariiep, Maletswai, Senqu and Elundini respectively. Challenges for small-scale farmers included over-grazing, lack of fencing and little or no management. The Agricultural Sector Plan also provides a summary of all agriculture projects and strategies.

### 3.12 DRDAR Joe Gqabi Agri-Park Business Plan (2015)

The Eastern Cape Department of Rural Development & Agrarian Reform has produced an Agri-Park Business Plan for the Joe Gqabi DM 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 in the Joe Gqabi District Municipality.

This document proposes establishment of an Agri-Park in Senqu Local Municipality, Lady Grey. 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



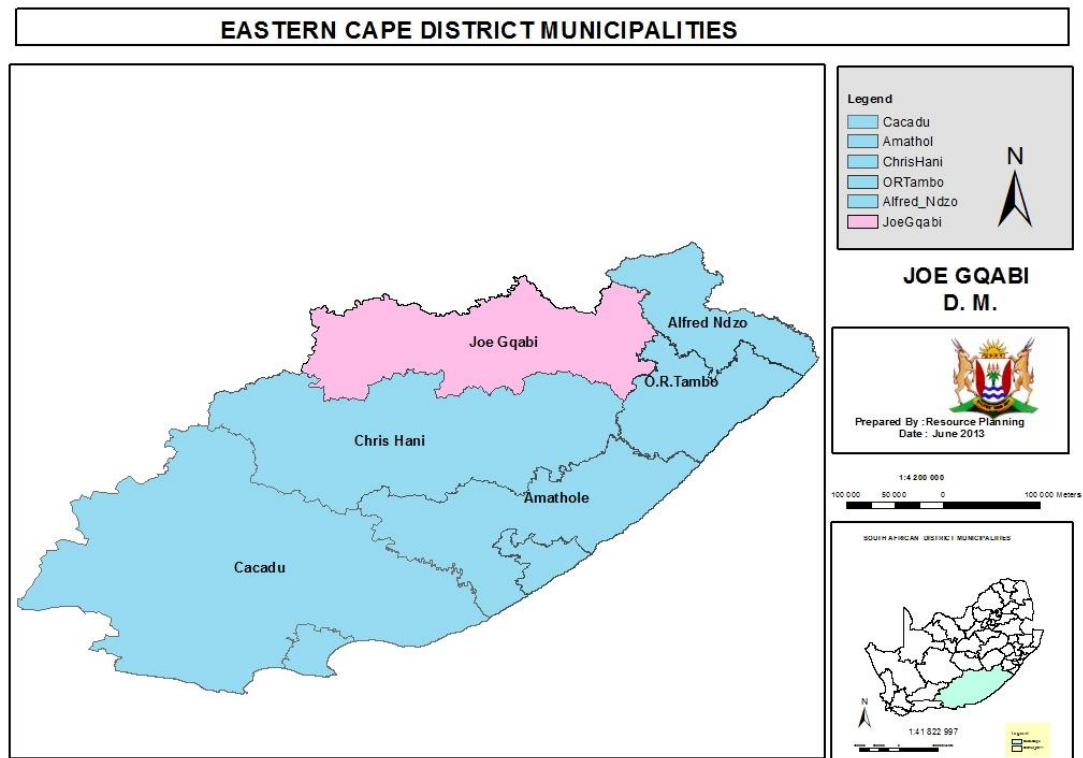
## 4. LOCATION CONTEXT

The following chapter provides a description of the Joe Gqabi DM in terms of the location, major towns, transport routes and main economic activities. A description of the location of the Agri-Park is put in context. The economic infrastructure of the district is also briefly discussed in this chapter.

### 4.1 Description of Joe Gqabi District Municipality

The Joe Gqabi District Municipality, previously known as Ukhahlamba District Municipality, is a Category C (district municipalities which are water services authorities) municipality located within the Eastern Cape Province. The total surface area is 25 663km<sup>2</sup> and is characterised by deeply incised mountainous terrain in the wetter eastern part of the district to flat with Karoo-type vegetation in the western part of the district, consisting mainly of commercial agriculture. Joe Gqabi DM is bordered by Free State Province, Lesotho, Alfred Nzo, O.R. Tambo and Chris Hani District Municipalities. The district consists of four local municipalities: Elundini, Gariep, Maletswai and Senqu. The Figure 4.1 below shows the location of Joe Gqabi DM in the Eastern Cape.

Figure 4.1: Joe Gqabi DM Location



Source: DRDAR, 2015

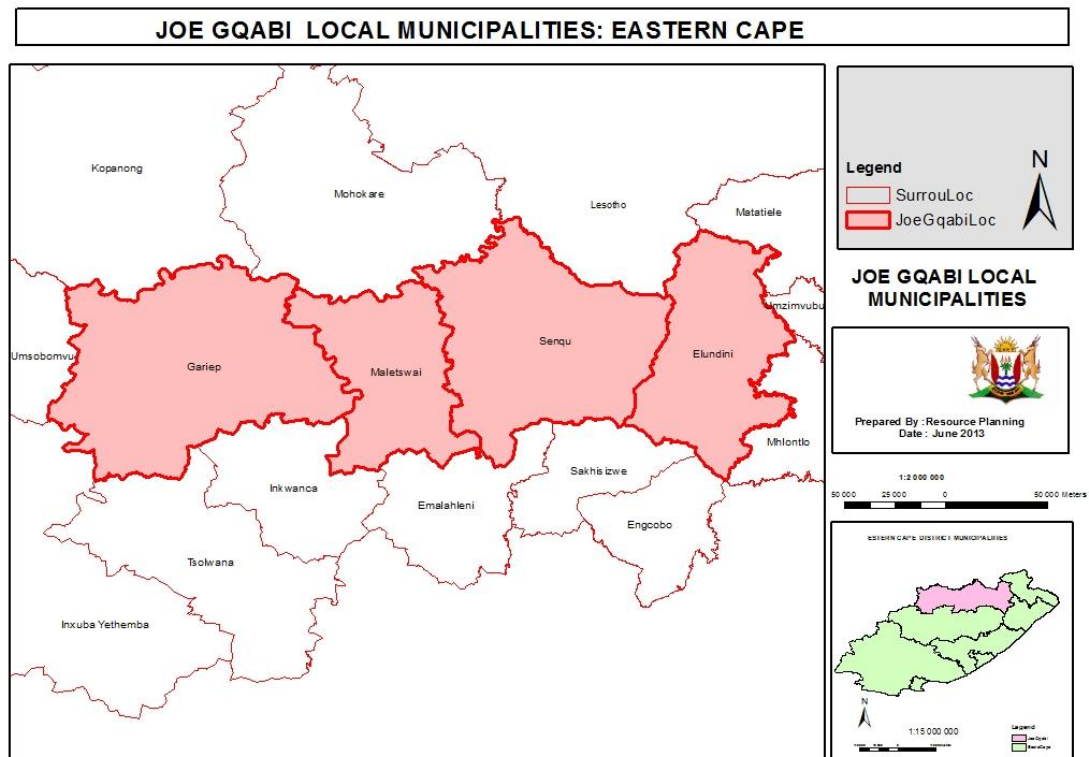
The commercial centre of Joe Gqabi DM is Aliwal North, situated in Maletswai LM. The district municipal offices are located in Barkly East, in the Senqu LM. Table 4.1 shows the major cities/towns of Joe Gqabi DM by local municipality.

**Table 4.1: Joe Gqabi DM towns**

Local Municipality	Cities/Towns
Elundini	Maclear Mount Fletcher Ugie
Gariep	Burgersdorp Steynsburg Venterstad
Maletswai	Aliwal North Jamestown
Senqu	Barkly East Lady Grey Rhodes Rossouw Sterkspruit

The Figure 4.2 shows the local municipalities of Joe Gqabi DM.

**Figure 4.2: Joe Gqabi DM Local Municipalities**



Source: DRDAR, 2015

The N6 serves as a link to the coast, between East London and Bloemfontein. The national road passes through the Joe Gqabi District in the south, passing through Jamestown and Aliwal North before exiting in the north to the Free State Province. Regional roads such as the R344, R390, R391, R392, R393, and R396, serve as linkages between major settlements. Major regional routes include the R58 between Barkly East and Elliot (in Chris Hani), and the R56 linking Chris Hani and Alfred Nzo through Mount Fletcher. The railway runs between East London and Bloemfontein and passes west of Aliwal North through Burgersdorp.

## 4.2 Location of Agri-Park

Joe Gqabi District Municipality is a diverse district, making up a large portion of the Eastern Cape northern border. Agricultural activity in the district can be divided by regions. In the eastern part of the district forestry is the main agricultural activity, expanding on the OR Tambo DM forestry operations. The extreme western region has limited, but viable goat and game-related production opportunities, as well as ostrich and poultry opportunities. The rest of the district has cattle and sheep production potential, with maize opportunities in the west. The rainfall and climate conditions in Elundini LM have contributed to the region becoming a significant timber producer. Possibilities for potato and vegetable crops also exist in this region.

The Joe Gqabi District Council took a resolution that the JGDM Agri-Park be located in Lady Grey in Senqu LM. These towns are central and can link the eastern and western regions of the district. It will also allow the Agri-Park to easily access major transport routes, which will link the Agri-Park to Aliwal North and the Free State as well as Lesotho. Figure 4.3 shows the proposed location for the Agri-Park.

**Figure 4.3: JGDM Agri-Park Location**



Source: Urban-Econ GIS Unit, 2015

Based on analysis done by the province, the following reasons were provided for selecting Lady Grey as the location for the Agri-Park:

- Close Proximity to Lesotho.
- Marginal Land Capability.
- Fair road connectivity.
- Ginner to the west of the location.
- RID Projects to the east of Lady Grey town.
- Restitution Claims, CASP projects in the area.

- Rivers available for water source.
- Poorest wards to the north of the location.
- There are many CASP 15-16 Projects surrounding Lady Grey town.
- There is an AVMP farm to the north west of the proposed location.
- Road condition may be poor due to prevailing road surface condition.

### 4.3 Economic Infrastructure

Understanding the infrastructure status quo of the DM is important for the development of an Agri-Park. The availability, condition and location of key infrastructure is important to note when developing an Agri-Park that will be dependent on this infrastructure. This section specifically considers the roads, electricity and water supply of the district, as these are critical in ensuring the development of an Agri-Park is successful.

#### 4.3.1 Transport

The only national road in JGDM is the N6 which runs from the north to the south of the district, connecting the coast with the Free State, inland. The R58 and R56 are major regional routes. The R58 links Joe Gqabi DM to Chris Hani DM and the R56 links Joe Gqabi DM to Alfred Nzo DM. The majority of the roads are in a fair to good condition. The most important main roads (surfaced) are:

- R58 - Norvalspont – Venterstad – Burgersdorp – Aliwal North - Lady Grey – Barkly East.
- R56 - Ugie – Maclear – Mount Fletcher
- R56 - Steynsburg – R391
- R393 - Lady Grey – Sterkspruit
- R391 and R390 Orange River – Venterstad – Steynsburg. The condition of this road is deteriorating due to the increase in heavy loads.

#### 4.3.2 Electricity

JGDM does not supply electricity in the area. In most of the major settlements the local municipalities are responsible for electrical services. Eskom does however service the rural areas and some townships. The commercial farming communities enjoy relatively high levels of access to electricity, in comparison to the rural settlements. Household electrification has improved over the last decade, 69% of households in JGDM now have access to electricity.

#### 4.3.2 Water

Joe Gqabi DM is the water authority for the district. In 2011, 65% of households had access to the regional/local water scheme or boreholes. The proportion of households with piped water within their dwelling was 17.6% in 2011. The Orange River is the most important source of water in the district and it covers most of Gariep, Maletswai and Senqu LMs. The Gariep dam is the largest dam in South Africa and is a major source of water for irrigation in JGDM. Smaller dams also provide the district with water for both agricultural purposes and human consumption. Many commercial irrigation ventures are fed from groundwater. A study conducted for the DM concluded that many places in Senqu and Elundini have very high groundwater development potential. In 2003, the district conducted a feasibility study on utilising the water in the Orange River as a resource for economic and agricultural development. The study focused on the Senqu and Malestwai LMs. It was concluded that the district should take the study forward to the design phase of the project.

2015 was the driest year on record for South Africa, blamed on the El Nino affect. Dry weather conditions during the planting and growing season, severely affected the production of many agricultural crops in South Africa and

particularly in JGDM. The impacts of the drought are expected to be country wide and far reaching- on households, the economy and the agricultural sector.

At a farmer level, drought is likely to increase debt levels and worsen the financial situation of many affected farmers. The South African Red Meat Producers' Organisation indicated that it would take three to four normal seasons to recover both financially and to restore stock numbers, from the 2015 drought (Farmers weekly, 2016). The losses of grain farmers, estimated to be close to R10-12 Bn for 2015 alone (Willemse and Strydom, 2015). The agricultural sector lost 12.6% in the 3rd Quarter 2015 its third consecutive quarter of negative growth.

While the long term effects of this drought is not clearly known it has been factored into the situation analysis of JGDM as it has had a significant impact on the region in the short term.

# Role-Players

## Chapter 5

## 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:

**Table 5.1: DRDAR Projects**

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 Joe Gqabi Economic Development Agency (JoGEDA)

JoGEDA is an economic development agency at the Joe Gqabi District municipality and aims to increase economic development in the district.

The vision of JoGEDA is:

*To be a world-class vision led and output driven district-focused economic development and investment vehicle. JoGEDA aims to initiate, promote and implement activities and projects that lead to increased economic development for the entirety of Joe Gqabi District.*

In order to achieve its mission, the Development Agency shall:

- As its prime objective, promote comprehensive economic development of Joe Gqabi District;
- Act as a formal link to the private sector to facilitate private sector led developments and the establishment of Public-Private Partnerships (PPP);
- Respond to private sector preferences that necessitate the creation of separate entities for
- Sustained and/or increased partnership and involvement;
- Use the District's under-utilised resources as economic levers and inputs.

JoGEDA has recently funded a business plan for the development of a maize meat feedlot in Maclear. The feedlot is aimed at assisting the rural communities with establishing agricultural business ventures for local farmers (JoGEDA, 2015).

### 5.1.4 Eastern Cape Rural Development Agency (ECRDA)

The ECRDA's 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. The projects most relevant to agriculture are listed below:

**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 of these programmes falls 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.

### 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 ECDC's 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. Table 5.2 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:

**Table 5.2: ECDC Projects**

Sector	Project	Details	Spatial location	Investment	Partner
	High-scale forestry development	Opportunities for large-scale forestry development throughout the Elundini LM, as the	Elundini LM, JGDM	R100+ million	DEDEAT & DAFF

Sector	Project	Details	Spatial location	Investment	Partner
Forestry		region has extremely high potential for large developments, with respect to the rest of the province.			
	Langeni Forestry	Expand and facilitate production at the Langeni Forestry operations in O.R. Tambo and Joe Gqabi DM, linked via the Langeni Pass	Elundini LM, JGDM	R5 - R20 million	Merenski & DEDEAT
	Langeni Forestry	Develop linkages between the community and the existing forestry operation, enabling outgrowers in the region.	Southern Elundini LM, JGDM	R5 - R20 million	DEDEAT & SEDA
Agriculture	Small stock farming	Small-stock farming can be expanded within the Karoo, boosting wool, mohair and meat production from small-scale and cooperative farmers	Karoo, JGDM	R5 - R20 million	DRDAR & DEDEAT
	Fodder production	The district is the area with the best potential for maize and wheat production under irrigation. Horticulture initiatives also have potential under irrigation.	Orange River, JGDM	R20 - R100 million	DRDAR & DEDEAT
	Local textile manufacturing	Process local wool and mohair production for local and tourism markets.	Karoo, & Transkei, JGDM	R5 - R20 million	DRDAR & DEDEAT
	Commercial Maize Production	Develop commercial maize farming initiatives within Elundini	Elundini LM, JGDM	R20 - R100 million	DRDAR & DEDEAT
	Commercial and small-scale	Ostrich production initiatives in near Venterstad	Venterstad, Gariep LM, JGDM	R20 - R100 million	DRDAR & DEDEAT

Sector	Project	Details	Spatial location	Investment	Partner
	Ostrich Production				
	Commercial, Cooperative and small-scale Wool production	Develop wool and lamb initiatives within the Joe Gqabi DM.	District-wide, Joe Gqabi DM	R5 - R20 million	DRDAR & DEDEAT
	Cattle Production Initiatives	Develop commercial, small-scale and cooperative cattle production initiatives across the Joe Gqabi DM, excluding the northern half of the Gariep LM	District-wide, JGDM	R20 - R100 million	DRDAR & DEDEAT

Source: ECDC, 2015

### 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 R5 million and R20 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.

## 5.2 Extension and advisory services

DAFF implemented an extension and advisory revitalisation programme valued at 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 were 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.

On a district level, the table below shows some of the main role players in extension services in JGDM, including the type of services rendered and the focus area within the district.

**Table 5.4: JGDM Extension Services**

Name of Organisation	Type of Work	Area/Local Municipality
National Wool Growers Association (NWGA)	Wool production	Senqu & Elundini
Grain SA	Grain Production	Elundini

Name of Organisation	Type of Work	Area/Local Municipality
Mngcunube Development	Livestock Improvement	Elundini
Cape Mohair Wools (CMW)	Wool production	Joe Gqabi

Source: Joe Gqabi DM, 2015

## 5.3 Financial Services

### Land Bank

The Land Bank is a statutory body with a mandate 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. 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.

### Agricultural Co-operative Finance

The Co-operative finance divisions provide 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

*In addition to the above commercial finance institutions the following Development Finance Institutions are functional within the Joe Gqabi District Municipality:*

### Eastern Cape Development Corporation (ECDC)

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.

## Eastern Cape Rural Development Agency (ECRDA)

Given the complexity of the existing operating environment and the history of fragmented approaches to rural development that has resulted in a plethora of organisations engaged in dealing with rural improvement, some more successfully than others, the process of amalgamation and integration was acknowledged as being fraught with significant challenges. The ECRDA is an entity created by the Eastern Cape Provincial Government to fast-track rural development. Its formation is through the integration of the former Eastern Cape Rural Finance Corporation (ECRDA/uVimba) and the former Accelerated and Shared Growth Initiative of South Africa in Eastern Cape (ASGISA-EC). ECRDA provides finance in the form of loans 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.

## 5.4 Private Sector

### 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.

### Agro-Processing Businesses

Joe Gqabi DM is not known as an agro-processing region. The majority of the commodities are processed outside JGDM. On the livestock commodity, the district has a number of small privately owned abattoirs which mainly cater for local consumption. Pioneer Foods Group runs a grain (maize) milling operation in Aliwal North (Maletswai LM). The Agricultural Sector Plan also identified that there might be small or niche type processors in the area but their impact on the local economy is minor. SA Premix operates in Burgersdorp (Gariiep LM) and produces livestock feed (University of the Free State, 2010).

## 5.5 Associations and Organisations

### National

The main agricultural associations in South Africa of relevance to JGDM are outlined below in terms of 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 (Agri-SA, 2015).

**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, thereby ensuring the sustainability of the agricultural sector in South Africa (AFASA, 2015).

**The Agricultural Economics Association of South Africa (AEASA)** is the professional organisation of Agricultural Economists in South Africa. AEASA's products and services support all agricultural economists active in the industry (AEASA, 2015).

**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 (SAAMA, 2015).

### 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 (Agri-EC, 2015).

### Local

The JGDM agricultural sector is well-structured with a District Agricultural Forum and Agri-EC structures including three District Farmers Unions and 16 Farmers' Associations. Several commodity associations are also operating in JGDM. These include SA Wool Growers Association (SAWGA), Red Meat Producers Organisation (RPO), National Emerging Red Meat Producers Organisation (NERPO), Grain SA and Potato SA.

The commercial farmers are organised into 19 Farmers Associations with 3 District Farmers Associations (DFU). The table below shows the three DFUs and the associated farmers associations. There are also a number of Emerging Farmers Associations in JGDM.

**Table 5.5: JGDM District Farmers Associations**

District Farmers' Association	Farmers' Associations
Aliwal North DFU	Floukrall



District Farmers' Association	Farmers' Associations	
	Jamestown Aliwal North Snowhil Swemport	
Barkly East DFU	Barkly East Rhodes Cullenswood Langkloof New England Voorspoed Bonthoek Lady Grey Maclear	
Burgersdorp DFU	Burgersdorp Knapdaar Steynsburg Venterstad Witkop	

Source: University of the Free State, 2010

# District Overview

## Chapter 6

## 6. DISTRICT ECONOMIC AND DEMOGRAPHIC ANALYSIS

The following chapter seeks to analyse the Joe Gqabi 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

According to Census 2011, JGDM had a population of 349 768 and a population density of 14.7 people per km<sup>2</sup>. JGDM was the least populated district in the province and had the second lowest population density, after Sarah Baartman DM. Table 6.1 shows the population size, density, number of households and household sizes per local municipality. Elundini and Senqu LMs were the most populated LMs in Joe Gqabi with 138 143 and 134 149 persons respectively. These LMs also have the highest population densities with 27.7 and 18.3 persons per square kilometre.

There were 97 775 households in JGDM according to the 2011 Census. The average household size was 3.6. Table 6.1 shows the population size, density, number of households and household sizes per local municipality.

**Table 6.1: JGDM population**

	Population	Population density	Number of households	Average Household size
<b>Joe Gqabi DM</b>	<b>349 768</b>	<b>13.6</b>	<b>97 776</b>	<b>3.4</b>
<b>Elundini LM</b>	138 143	27.7	37 854	3.5
<b>Senqu LM</b>	134 149	18.3	38 048	3.4
<b>Maletswai LM</b>	43 802	10.1	12 104	3.3
<b>Gariep LM</b>	33 674	3.8	9 770	3.3

Source: Census 2011

#### 6.1.2 Age Structure

In 2011 there were 2.1 million children under the age of 14 years old (i.e. minors) in the Eastern Cape, accounting for almost a third (32.9%) of the total provincial population. This is notably higher than the national average, where only 29.1% of the population is under the age of 14 years old.

Approximately 118 822 of JGDM population was under the age of 14 years in 2011, this equates to 34% of the total district population. This is in line with the provincial statistics. Table 6.2 shows the age structure for JGDM by local municipality.

**Table 6.2: JGDM age structure**

	0-14	15-34	35-65	65+
Joe Gqabi DM	<b>34.0%</b>	<b>33.3%</b>	<b>25.1%</b>	<b>7.6%</b>
Elundini LM	35.2%	32.3%	24.2%	8.4%
Senqu LM	33.9%	34.0%	24.4%	7.8%
Maletswai LM	32.3%	35.4%	26.8%	5.5%
Gariep LM	31.6%	32.6%	29.3%	6.4%

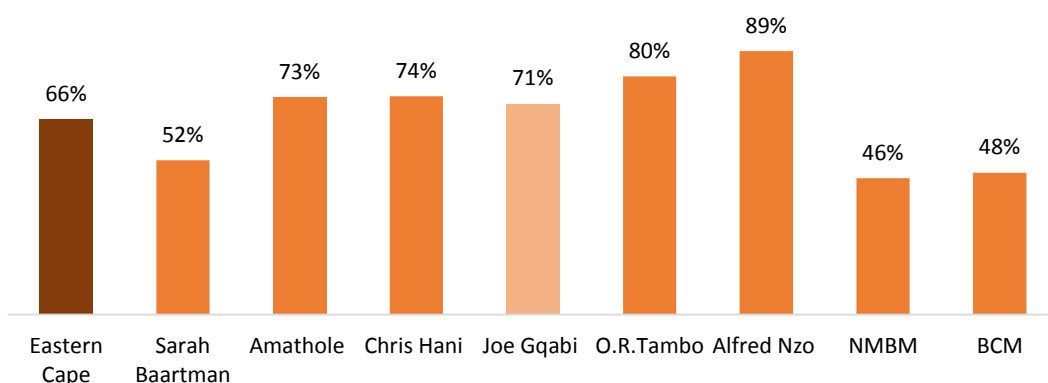
Source: Quantec Standardised Regional (2015)

The size of the working age population is an important consideration in analysing the size of the potential labour force. The statistics show that more than half (58.4%) of the population forms part of the working-age population (15-65).

### 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. The measure, however, does not take into account that age may not be an indicator of economic dependency as children and the elderly can qualify for social security grants. The indicator also assumes that those older than 65 years do not have other sources of income (e.g. pensions). Regardless, the indicator does provide a useful indication of age-based dependency, both for households and for the state.

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 6.1.

**Figure 6.1: Eastern Cape dependency ratios**

Source: Urban-Econ calculations based on Census (2011)

According to the Census 2011, JGDM had a dependency ratio of 71%. This is lower than more rural districts such as Alfred Nzo (89%) and OR Tambo (80%). It is still higher than the urban metros, NMBM (46%) and BCM (48%).

### 6.1.4 Population Growth Rates

Table 6.3 show the growth rates of the Eastern Cape and the various district municipalities. As indicated in the table, 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%. Joe Gqabi DM had a slow growth rate of 0.2% for this period.

**Table 6.3: Eastern Cape population growth rates**

District Municipality	Population		Annual population growth rate (2001-2011)
	2001	2011	
Eastern Cape	<b>6 278 650</b>	<b>6 562 057</b>	<b>0.4%</b>
Sarah Baartman	388 205	450 585	1.5%
Amathole	962 203	892 634	-0.7%
Chris Hani	809 454	795 461	-0.2%
<b>Joe Gqabi</b>	<b>341 961</b>	<b>349 768</b>	<b>0.2%</b>
OR 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: 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 Joe Gqabi 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 Joe Gqabi District Municipality.

### 6.2.1 Learners, Educators and School Structure

Education is an important indicator of development due to its correlation with human capabilities, productivity and, ultimately, income. The level of educational attainment is used as an indicator of the skill levels of the population, with the higher educational attainment levels being associated with greater opportunities for higher earnings, better social circumstances and the potential investment attraction. In this section, the current structure of the education system within the Eastern Cape is provided to contextualise the extent of education system within the province.

The current size of the education system within each district is provided based on the number of learners and schools. 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. Table 6.4 shows the number of learners, the number of educators and the number of schools in the province by district.

**Table 6.4: Learners, Educators and Schools in the Eastern Cape, 2011**

District Municipality	Number of learners	Number of educators	Number of schools
Eastern Cape	<b>1 963 578</b>	<b>68 499</b>	<b>5 755</b>
Sarah Baartman	90 534	3 176	264
Amathole <sup>1</sup>	459 255	18 030	1 757
Chris Hani	251 673	9 521	934
<b>Joe Gqabi</b>	<b>108 534</b>	<b>3 763</b>	<b>365</b>
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)

Table 6.4 shows that 108 534 Eastern Cape learners (5.5%) attend school in JGDM. There are 3 763 educators teaching in JGDM (5.5%) in 365 schools (6.3%).

### 6.2.2 Education Attainment Level

Educational attainment levels within the adult population (all those over the age of 20 years) are provided as an indicator of skills levels within the population of the Joe Gqabi District Municipality. The graph below shows the educational attainment levels in JGDM by local municipality.

**Table 6.5: JGDM educational attainment**

	No Schooling	Some Primary	Completed Primary	Some Secondary	Matric	Higher
Joe Gqabi DM	14.1%	24.2%	7.2%	32.9%	13.8%	6.2%
Elundini LM	15.6%	25.9%	7.8%	32.7%	11.6%	5.1%
Senqu LM	13.9%	25.5%	7.0%	34.0%	12.7%	5.5%
Maletswai LM	10.6%	17.5%	6.4%	31.7%	21.3%	10.1%
Gariep LM	14.1%	22.4%	6.4%	31.6%	16.1%	7.3%

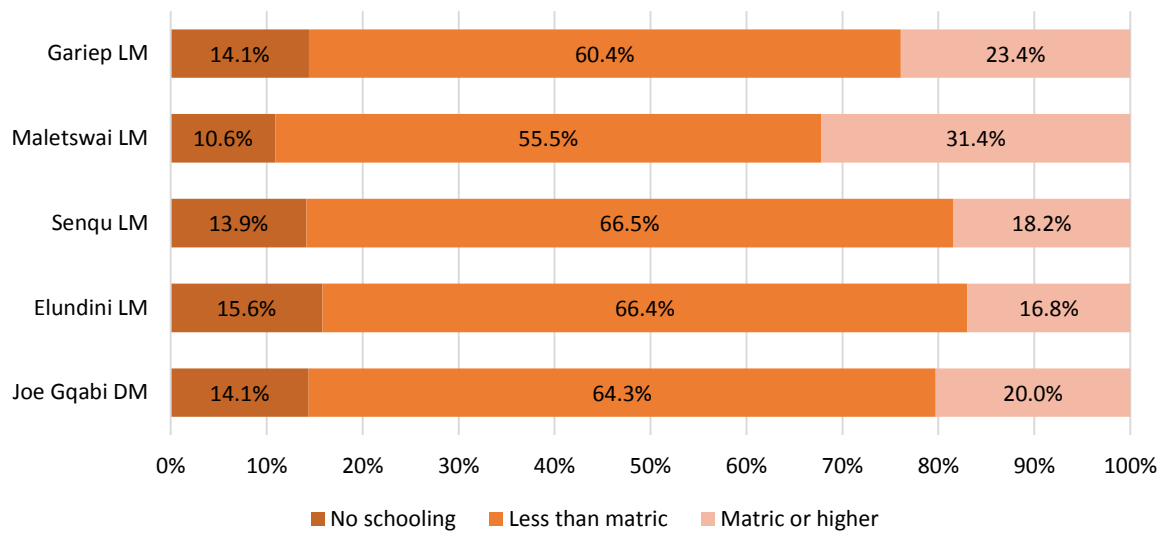
Source: Urban-Econ calculations based on Census (2011)

According to Census 2011, 20% of JGDM residents over the age of 20 years had a matric or higher. Approximately 14% of JGDM residents had no schooling in 2011. Maletswai LM had the highest level of educational attainment in the district, 31% of residents had matric or higher. Elundini LM had the highest proportion of residents with no schooling (15.6%).

Figure 6.2 shows educational attainment by no schooling, less than matric and matric and higher. Elundini LM had the largest proportion of residents with some schooling but less than matric (66.4%).

<sup>1</sup> Under Department of Education statistics, Buffalo City is included within the Amathole dataset.

Figure 6.2: Educational attainment, 2011



Source: Urban-Econ calculations based on Census (2011)

### 6.3 Poverty and Income Levels

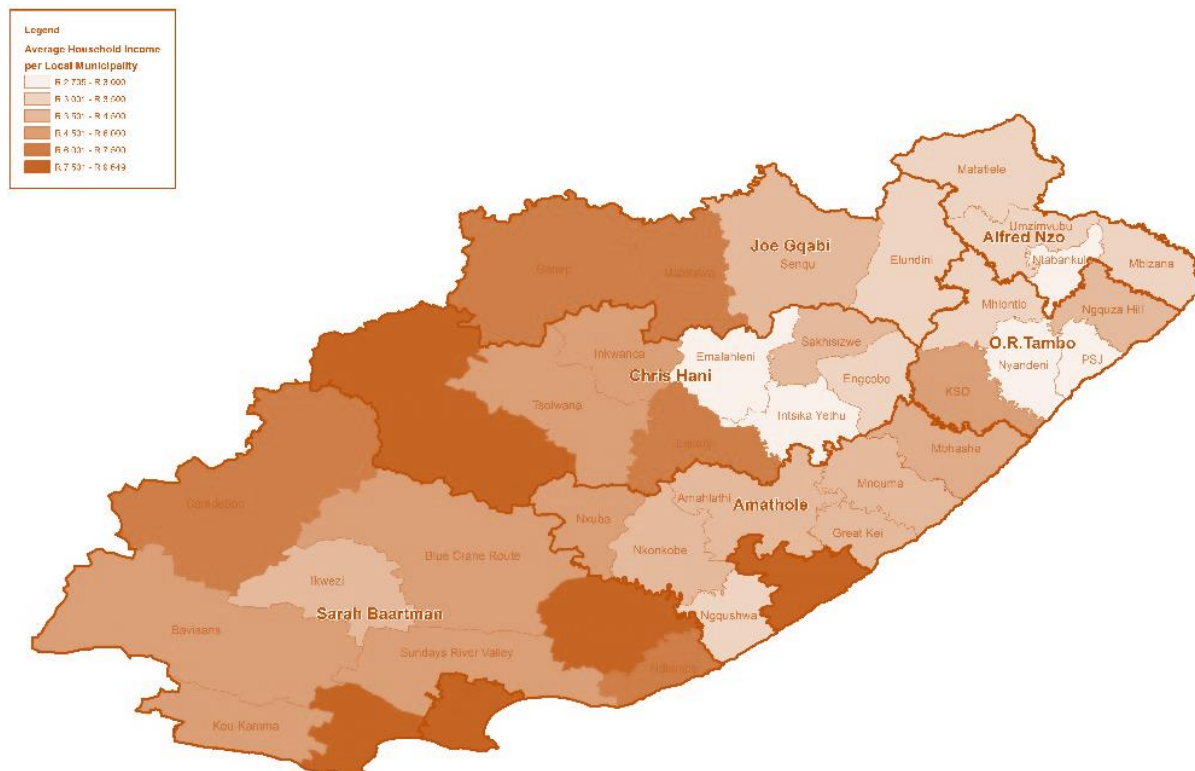
Poverty and household income levels serve as a measure of relative deprivation within an area, as well as serving as indicators of economic success. Monetary measures of poverty and income distribution are often the most widely quoted measures when assessing the level of poverty. The following section 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.



Figure 6.3: Average Monthly Household income across the Eastern Cape in 2011



Source: Urban-Econ calculations based on Census (2011)

Table 6.6: Average Monthly Household Income Levels across the Eastern Cape

District Municipality	Average Household Income		Absolute change (%)
	2001 <sup>2</sup>	2011	
<b>Eastern Cape</b>	<b>R 4 548</b>	<b>R 5 803</b>	<b>27.6%</b>
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%
<b>Joe Gqabi</b>	<b>R 3 021</b>	<b>R 3 922</b>	<b>29.8%</b>
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: Urban-Econ calculations based on Census (2001) and Census (2011)

Table 6.6, the average household income for JGDM (R3 922) is significantly lower than the provincial average (R5 803) in 2011. The district's average household income growth (29.8%) was however higher than the provincial growth rate (27.6%).

Table 6.7: shows the average household income per local municipality in JGDM. Maletswai had the highest average household income in 2011 (R6 951.46), while Elundini LM had the lowest average household income (R3 086.33).

<sup>2</sup> 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.

**Table 6.7: Average household income local municipalities**

Municipality	Average Household Income
Joe Gqabi DM	<b>R3 929.05</b>
Elundini LM	R3 086.33
Senqu LM	R3 301.19
Maletswai LM	R6 951.46
Gariep LM	R5 894.82

Source: 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 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.

Table 6.8 shows the number and proportion of people living under the poverty line, as well as the gini coefficients for all the districts in the province.

**Table 6.8: Eastern Cape Households below Poverty Line and Gini Coefficient in 2010**

District 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
<b>Joe Gqabi</b>	<b>226 697</b>	<b>60.2%</b>	<b>59.5</b>
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)

In 2010 60.2% or 226 697 JGDM were living below the poverty line. This is considerably higher than the provincial average (49.8%). The JGDM gini coefficient (59.5) was however lower than the Eastern Cape gini coefficient (63.6).

## 6.4 Socio-Economic Summary

The review of the statistics presented in the 2011 Census indicated that Joe Gqabi District Municipality was the least populated district and second least dense district in the province. Migration patterns suggest that while a number of people leave the Eastern Cape in search of economic opportunities, 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 Joe Gqabi District generally performs poorly against the Eastern Cape average. The exception to this was educational attainment, as measured by the number of individuals with either matric or some other form of higher education was 20% for the Joe Gqabi District in 2011, compared to a provincial figure of 18.9%. 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 more than 60% 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 3 922 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 Eastern Cape economy experienced low growth in 2014, in line with the underwhelming national economic performance. Weak sectoral performance in key industries, such as automotive manufacturing, is expected to continue in 2015. This is to be compounded by continued slow growth in the Euro Zone economy, which in turn will adversely affect provincial exports. Despite these vulnerabilities, it is expected that key investments planned for the Eastern Cape in the short and medium term, will offset some of these factors, helping to promote job creation and output growth.

This chapter considers district economic and sectoral performance between 2003 and 2013, as well as labour market conditions and future economic performance. In addition, the chapter provides a high level analysis of the identified priority sectors at a provincial and district level. This will help to contextualise the more detailed sectoral analysis presented in subsequent chapters.

A review of the GDP-R per district reveals that the Joe Gqabi District had a total real GDP-R of R 5.2 billion in 2013, representing a R148 million increase in real GDP-R from the previous year. This equated to approximately a 3.69% share of the total GDP-R of the Eastern Cape. This represents a 0.04% increase from 2012, when the Joe Gqabi District only accounted for 3.65% of the total real GDP-R of the Eastern Cape.

**Table 6.9: Real GDP-R for South Africa, the Eastern Cape and District Municipalities**

Area	GDP-R (R, Millions <sup>3</sup> )			% 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%
<b>Joe Gqabi</b>	<b>R 5 063</b>	<b>R 5 211</b>	<b>R 148</b>	<b>2.9%</b>
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)

<sup>3</sup> Figures are in Constant 2005 Prices

### 6.5.2 Economic Sector

The economic structure of the Joe Gqabi DM is similar to that of the province (see Table 6.9), with all three economies being dominated by the government and community services sectors. Positively, the government and community services sectors overall share of total GDP-R for JGDM has declined steadily since 2000 when it accounted for between 41.2% and 49.5% of total production.

Given the more rural nature of the Joe Gqabi, the agricultural sector plays a far greater role in their economy than the rest of the Eastern Cape. The result is that the agricultural sector in Joe Gqabi contributes between 4.7% of total GDP-R, compared to only 2.1% at a provincial level. Table 6.10 shows the percentage share of total GDP-R per economic sector.

**Table 6.10: Economic Contribution**

Sector	Joe Gqabi DM		Eastern Cape
	2000	2011	2011
Agriculture	10.5%	4.7%	2%
Manufacturing	6.9%	10.2%	17%
Construction	1.9%	3.2%	3%
Trade	18.8%	12.7%	14%
Transport and communication	5.5%	7.3%	9%
Finance and business services	13.0%	27.4%	23%
Government & Community services	27.9%	22.2%	31%

Source: Quantec Standardised Regional (2013)

### 6.5.3 Employment

Employment levels in the Eastern Cape, while fluctuating year-on-year, have been in a steady decline since 1995. This is evident by the fact that total employment contracted by an average annualised rate of 1.3% between 2006 and 2011. Although the Eastern Cape exhibited negative growth over the period, it outperformed the national average (-0.2%).

Table 6.11 shows the employment contribution by each sector in the Joe Gqabi economy for 2013. The agriculture sector was the largest contributor to employment in 2013, 25.8% of all employed persons worked in the agriculture sector in JGDM. This is significantly higher than the provincial contribution (15.1%) and again emphasises the importance of the agricultural sector in the district.

**Table 6.11: Employment contribution by sector, 2013**

Sector	Eastern Cape	Joe Gqabi DM
Agriculture	15.1%	25.8%
Mining	0.3%	0.3%
Manufacturing	9.9%	5.7%
Electricity and water	0.2%	0.2%
Construction	5.3%	5.9%
Trade	21.7%	17.0%
Transport and communication	4.2%	3.5%
Finance and business services	10.6%	9.3%
Community services	15.3%	15.7%
General government	17.4%	16.6%

Source: Quantec Standardised Regional (2013)

