

Strategic Plan for Smallholder Support

2011–2014/15



agriculture,
forestry & fisheries

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Strategic Plan for Smallholder Support

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Acronyms

CASP	Comprehensive Agricultural Support Programme
DAFF	Department of Agriculture, Forestry and Fisheries
DRDLR	Department of Rural Development and Land Reform
Mafisa	Micro-Agricultural Financial Institutions of South Africa
MTEF	Medium Term Expenditure Framework
SPSS	Strategic Plan for Smallholder Support
PPP	Public-private partnership

Executive summary

The call to support smallholder producers emanates from Outcome 7, which is one of the 12 outcomes that constitute government's Programme of Action. Outcome 7 pronounces that government should ensure vibrant, equitable and sustainable rural communities and food security for all. The output thereof is sustainable agrarian reform with the sub-output that the number of smallholder producers should be increased from a baseline of 200 000 to 250 000 within a period of five years. As set out in the New Growth Path, the longer-term target is to grow the smallholder sector by 300 000 by the year 2020, as well as create 145 000 new jobs in agro-processing and upgrade conditions for 660 000 farm workers.

Support to smallholder producers is necessary to ensure food security, full utilisation of resources, land being one of the critical ones, job creation and the overall achievement of the Presidential Outcomes, in particular Outcome 7. Smallholder producers are defined as those producers who "produce food for home consumption, as well as sell surplus produce to the market", meaning that earning an income is a conscious objective, as distinct from "subsistence/resource-poor producers" who produce mainly or entirely for own consumption, as well as from "commercial producers" who are defined as large scale. Most smallholder producers have diverse sources of livelihoods, including off-farm income, therefore being a smallholder producer does not necessarily imply a full-time activity nor the only or even main source of household income. In cases of a severely poor resource base, this category of producers can regress to the subsistence level. On the other hand, if adequate support is provided and under the right conditions, these producers may graduate to becoming large-scale commercial producers.

The reason for introducing an initiative to support smallholders is that there is evidence to suggest that this is an area in which there remains much untapped potential to create economic opportunities, especially in rural areas where poverty is concentrated. One piece of evidence relates to the area of underutilised arable land in the ex-Bantustans; another is the fact that to date, the land acquired through land redistribution has seldom been subdivided to create opportunities for smallholders, whereas in principle this could be done. Some of the challenges that have to be resolved to better support and expand the smallholder sector include:

- tenure insecurity and lack of functional land rental arrangements;
- lack of alignment among producer support programmes;
- lack of accessible markets and high transactions costs;
- limited access to markets and finance;
- the lack of clear settlement and selection criteria for prospective producers;
- threat of repossession of properties and businesses, especially those that have a loan component;
- crime.

The Strategic Plan for Smallholder Support (SPSS) aims to coordinate, align and avail all programmes that target support and development of smallholder producers towards achieving optimum utilisation of resources for sustained food security and economic returns.

The SPSS seeks to address immediate challenges facing small-scale producers, while providing alternative solutions for producers in the medium and long term. The SPSS proposes six main mechanisms or approaches that can be pursued in parallel in order to improve support to the smallholder sector: i) improved planning and investment coordination; ii) massifying investment in skills; iii) initiating a stronger and more coherent approach to partnerships; iv) revising and refining infrastructure and mechanisation support programmes; v) scaling-up scheme-based interventions; and vi) phasing in and expanding systemic interventions. Based on the development levels of producers, the support will be provided in line with the existing funding mechanisms: CASP (with the 6 Pillars of on and off-farm infrastructure, technical and advisory support, information and knowledge management, regulatory services, training and capacity building and marketing and business development and finance, which has since been branded Mafisa, the Ilima/Letsema pillars and the other sustainable farming models which seek to promote risk sharing between producers and financial institutions).

1. Introduction

South Africa is a developmental state with almost half of its population living in rural areas. However, rural areas are characterised by higher poverty levels than urban areas, not least because employment opportunities are much rarer there. The vast majority of smallholder producers are among these rural communities, a few new ones are outside these rural communities as a result of the land allocations through the land reform programme, while other smallholdings are found in peri-urban areas (e.g. “plots”). The needs and performance levels of smallholder producers located within communal areas are different from those who are allocated farms and plots through land reform.

There is an immediate target to establish an additional 50 000 new smallholder producers by 2014/15 and provide support. At the same time, support should be provided to existing smallholder producers to help them graduate to become commercial producers.

The SPSS is designed to build on existing interventions towards subsistence and smallholder producers, whether those of DAFF, provincial departments of agriculture or others. To effectively implement the SPSS interventions envisaged, activities will require high degrees of coordination and synergy. The SPSS is purposely excluding the fisheries smallholder sector issues owing to their uniqueness. However, fisheries' contribution to the overall target that DAFF has to realise towards the establishment of 50 000 new smallholder producers by 2014/15 is critical (as indicated in Table 9.1 herein for 2011/12). A separate process is followed in dealing with fisheries smallholder targets.

2. Problem statement

There are various reasons to believe that the smallholder sector has huge potential to prosper and expand, and thereby contribute significantly to mitigating South Africa's employment crisis and food security challenges. Smallholder producers tend to use labour-intensive methods rather than capital-intensive ones, and as such, if properly capacitated, smallholder agriculture tends to absorb more workers and use land more intensively. There is extensive literature and persuasive evidence to suggest that measures that improve smallholder producers' capacity to increase food production and productivity, while linking them to markets, will enhance their purchasing power and increase wider food availability. This will contribute to increased food production and domestic food security. Measures to improve food availability and accessibility are necessary so as to ensure that the poorest have the purchasing power to access food and the ability to absorb nutrients consumed. However, the smallholder sector has effectively remained static over the past 10 years, for which there is comparable data.

This is despite the fact that over this period there has been a significant rise in expenditure on the sector and a fair degree of the policy innovation.

Among the main challenges of supporting smallholder producers in South Africa, are the dualistic nature of the agricultural sector, lack of institutional capacity of government, the lack of influence on policy by smallholder producers and problematic land reform planning processes. According to DAFF's Integrated Growth and Development Plan (DAFF, 2012), smallholder producers' production inefficiency is linked to the poor management skills with respect to natural resources, production and infrastructure.

Added to poor management skills is the poor and uncoordinated support services directed to smallholder producers. The SPSS seeks to promote alignment and coordination of support services, including financial services, technical support and access to on and off-farm infrastructure. According to Output 5 of Outcome 7, there is a need for the promotion of the establishment of an enabling institutional environment for sustainable and inclusive growth by having at least 30% of smallholder producers organised into producers' associations or marketing co-ops to give collective power in negotiations for inputs and marketing. It is of urgent importance to ensure that smallholder producers are organised into cooperatives, forums, associations and even commodity organisations for collective bargaining.

3. Purpose of the SPSS

The SPSS seeks to support initiatives aimed at the smallholder producers' development towards:

- improved land and agrarian reform;
- food security;
- job creation;
- rural development;
- sustainable livelihoods.

Progress has been made in terms of introducing various important initiatives, such as CASP in 2004, Mafisa in 2006, Ilima/Letsema in 2008 and others. The introduction of these initiatives led to improved access to resources and services, which increased expenditure, but with ambiguous impact on the livelihoods of producers or numbers of producers. Towards the coordination, alignment and availing of all programmes that target support and development of smallholder producers, achieving optimum utilisation of resources will require a road map on how to best coordinate smallholder producer activities.

In terms of enlarging the smallholder sector, it must be indicated that many of those entering the sector will be from the subsistence sector, therefore support to “smallholders” subsumes support to those subsistence producers who have potential or interest in “graduating” to smallholder status. Nor is the distinction between smallholder and subsistence producers always a clear one. At the same time, government does not seek to promote the smallholder sector at the expense of large-scale commercial agriculture, rather what is anticipated is a more robust and diverse agricultural sector across the board.

4. Underlying principles of the SPSS

Smallholder producers play a critical role in the supply of food for their families, supplying surplus food to the market, and creating employment. However, the smallholder sector is not playing the role yet that it could. In order to boost the contribution of the smallholder sector, both to employment and food production, the SPSS will observe the following principles:

First, the most important aspect of expanding the smallholder sector is to improve support to the sector as it now exists. Support to both existing and new smallholder producers is vital towards the growth of this sector.

Second, the SPSS will seek to take advantage of the relative labour intensity of smallholder agriculture; the practical implication of this principle is to promote technologies that are inherently labour using as opposed to those that have the effect of displacing labour. (This must be within limits, however, given that labour productivity in agriculture has to be sufficiently high in order to ensure decent returns.)

Third, the SPSS seeks to unlock the potential of people, as well as land. In terms of people, the SPSS recognises the talent and knowledge of subsistence and smallholder producers, which can be amplified through appropriate extension techniques, and given more opportunity to express it through addressing the many constraints that hold back small-scale farmers. In terms of land, the SPSS recognises the large area of underutilised land within the former homelands as a key resource, while also acknowledging that land reform should be contributing much more to creating opportunities for the smallholder sector than is presently the case.

Fourth, the SPSS has an open rather than prescriptive approach to “graduation”. This means, for example, that the SPSS seeks to enable those smallholders who are interested and capable to “graduate” to full commercial status, while also acknowledging that some smallholders will not do so, but will still make a valuable contribution to rural development and to the economy. By the same token, it is not all subsistence producers who can or wish to “graduate” to smallholder status.

Fifth, the SPSS is not predicated on significant expansion in irrigation capacity, also opportunities to expand irrigation capacity will be sought where possible. South Africa is a water-scarce country wherein additional opportunities to irrigate are scarce, and in light of which a national decision has been taken to reduce the share of water resources allocated to agriculture. However, in order to advance the SPSS, the further

rehabilitation of homeland irrigation schemes is urgent, and there is also scope to increase smallholders' access to irrigated land by means of land reform.

Sixth, the SPSS adopts a holistic view of marketing, whereby smallholders will be assisted with all possible market opportunities, including local, regional and international markets; however, the emphasis will be on producing for local markets, in order for the smallholder agriculture to contribute to affordable food availability. Noting the continued lack of access to markets for many smallholders and limited exposure to value addition, especially in rural areas, collaboration with other DAFF strategies is essential towards sustainable support for smallholder producers, especially *via* the implementation of the Agricultural Marketing Strategy for the Republic of South Africa (2010).

Seventh, the SPSS favours individual production while promoting the advantages of participating in groups such as cooperatives and farmer associations. This does not mean that the SPSS will seek to deny support to groups involved in primary production; however, this will not be the emphasis of the SPSS.

Eighth, in the short term, the SPSS will continue with existing producer support modalities, even while there may be questions as to whether these will carry on, and if so, in what form. A key unresolved question is whether beyond the short term, government will carry on with 100% grant financing of on-farm infrastructure and production inputs.

And ninth, the SPSS acknowledges that meeting the ambitious targets for smallholder establishment, will require learning to do new things as well as scaling up existing practices while making them more effective. The SPSS therefore consciously seeks to be reflective, that is, to learn through practice so as to improve as rapidly as possible. As such, this document is offered not as final and therefore static description of the SPSS, rather it is a living document which will adjust and improve over time as the SPSS develops.

5. Vision and objectives of the SPSS

The vision of the SPSS is to ensure a larger and more prosperous smallholder sector that contributes to economic empowerment, food security and rural development.

The overall objective for the SPSS is to ensure the development and support of 45 000 new smallholder producers by the year 2014/15, starting with 15 000 smallholder producers during 2011/12. The plan is also geared towards the realisation of the New Growth Path target of expanding the number of smallholders by 300 000 by the year 2020.

Specific objectives are to:

- Coordinate support activities to increase the production of 15 000 new and existing producers.
- Develop a clear strategy for expanding the sector by 300 000 smallholders by the year 2020.
- Improve access for the 15 000 smallholder producers to finance, extension services, training, research and development information and markets. To this effect a detailed framework outlining linkages for these support services towards smallholder support will be developed as a follow-up process to this SPSS.
- Align programmes to improve coordination within and between government departments.
- Promote and strengthen smallholder producers' institutional capabilities for sustainable and inclusive growth.
- Source enterprise-specific support through partnerships. Implementation guidelines to allow for participation by all commodity organisations and partners will be drawn up.
- Increase the number of producers producing for sale from 4% to 10%.

6. Mechanisms of the SPSS

The SPSS starts by identifying where the majority of smallholder producers are and the support currently provided *versus* the support that can be availed. The SPSS submits six main mechanisms or approaches that must be pursued in parallel in order to have maximum impact. These main mechanisms are:

6.1 Improved planning and investment coordination

Improved planning processes have to be developed at two levels. First, area-based planning at district and subdistrict level is being embraced with the idea of determining how to unlock each area's agricultural potential for the sake of maximising the breadth and depth of impact. In some places, this is already happening. It facilitates a shift of practice away from funding production projects for their own sake in favour of using scarce resources more strategically. This also creates a platform for ensuring the proper coordination of investments, inclusive of that of non-state partners. At another level, in the context of land reform, land-use planning practices need to be refined so as to improve our ability to identify land that is suitable for subdivision and then to undertake that subdivision.

6.2 Massifying investment in human development and skills

The state invests significant resources into extension services and specialised training. These services must continue, but they must also be improved and for the most part vastly expanded. Measures to improve the effectiveness of extension services started about three years ago with the Extension Recovery Programme, but it is increasingly clear that this is not sufficient. Methodologies for massifying human resource development and investment in skills within the current resource envelope have to be identified and tested as a matter of priority.

At the same time, government will increasingly seek to build its human development approach, a coherent focus on conservation agriculture and agro-ecological agriculture, and will draw on partnerships with civil society and the private sector in order to enhance skills development.

6.3 A stronger and more coherent approach to partnerships

Partners can be national-level bodies such as commodity organisations (some of which already have well-designed smallholder support programmes), or local partners identified through the area-based planning process referred to above in 6.1.

6.4 Revising and refining infrastructure and mechanisation support programmes

CASP was launched in 2004, and the National Mechanisation Programme in 2010. Both programmes can boast numerous achievements, but both require and are undergoing significant reworking. For CASP, the key issue is to partially shift away from on-farm infrastructure in favour of types of investments (e.g. marketing infrastructure and agro-processing) that will benefit larger numbers of producers at the same time. This means that CASP investments will increasingly be guided by area-based planning. For the Mechanisation Programme, the key issues are sustainability and suitability. The DAFF policy should clearly capture aspects of maintenance for the tractors before their transfer from DAFF to the specific province. The medium and long-term suitability of this model is uncertain, nor is the equipment procured for such mechanisation services necessarily appropriate for conservation-oriented smallholder farming.

6.5 Scaling-up scheme-based interventions

"Schemes" are interventions that impact on groups of producers at the same time, whether these groups are defined by geography or commodity. The rehabilitation of an irrigation scheme is one type of scheme-based intervention with the potential to assist a number of smallholders at the same time. An example of a commodity-based intervention would be government's biofuels strategy. Scheme-based interventions that focus on particular commodities will often be implemented by means of a partnership with a relevant body, such as a commodity organisation or an agro-processor. The success of the intervention in such cases will depend upon the active participation of players involved in the public-private partnerships (PPP). While schemes have a great deal of potential, they can also be risky and expensive.

6.6 Phasing in and expanding systemic interventions

Systemic interventions aim to make the economic environment more conducive to smallholder development. The types of interventions that might fit into this category are many, but the common denominator is

that they are not aimed at particular individual producers or even necessarily areas or groups, but rather at seeking to make the environment more supportive to smallholders who are already there, and for new smallholders to enter. Examples of such interventions will include investment in marketing infrastructure, improving systems to convey technical and marketing information to smallholders, influencing the procurement practices of state and private institutions to favour smallholder producers (including through the Zero Hunger Programme initiative), improving tenure practices (including the promotion of land rental arrangements), and improving access to affordable inputs (e.g. credit, mechanical traction services, seed and fertiliser), establishment and sustaining of cooperatives, increased funding to PPP initiatives, etc.

These mechanisms are not mutually exclusive; on the contrary, they are mutually reinforcing, both in time and space, though some will merit greater emphasis than others, depending on the local circumstances. A key concept to grasp is that going into the medium term; it is unlikely that scheme-based interventions will account for the majority of new smallholder opportunities. Moreover, no single support approach will suit all producer categories.

7. Smallholder producer typologies

As much as smallholders are distinct from subsistence producers on the one hand and commercial producers on the other, the “smallholder sector” is itself very diverse. This diversity relates to a complex combination of contextual factors (e.g. former homeland *versus* land reform beneficiaries), specific personal circumstances (e.g. former farm workers, or those renting land *versus* those owning land), and to “scale” of production (e.g. from those not far beyond subsistence producers to those who are difficult to distinguish from commercial producers).

These distinctions are important to acknowledge, not least making clear why a one-size-fits-all support programme is not likely to be adequate for the task. Such adjustments are provided for in a number of ways. For instance, to the extent the SPSS will seek to promote land rental arrangements, this applies in particular to former homeland areas; similarly, promoting subdivision of land is of relevance mainly to land redistribution.

Also, most types of agricultural support (e.g. extension, financing, mechanisation, etc.) require some degree of catering to specific circumstances, albeit within a unified approach.

Nevertheless, the SPSS singles out “scale” as being of particular relevance, because of the general belief that if provided with appropriate forms of support, most smallholders can become larger and more prosperous. (“Larger” does not necessarily imply the size of the land farmed or herd managed, but rather a general sense of the economic returns or turnover of the productive enterprise.) Therefore the SPSS proposes a basic, qualitative typology based on “scale” that can assist in differentiating smallholders in a manner that has practical implications for the type of support rendered:

- SP1 (“Smallholder producer type 1”): Smallholders for whom smallholder production is a part-time activity that forms a relatively small part of a multiple-livelihood strategy. Some of these producers may aspire to grow their agricultural enterprise, but possibly at the expense of pursuing off-farm activities, therefore it is a risky prospect.
It is worth bearing in mind that more than 50% of smallholder households live in poverty, and most of these appear to fall into this category. This category of smallholders is worthy of focused support, not least to raise their households above the poverty line.
- SP2 (“Smallholder producer type 2”): Smallholders who are more or less in the middle of the spectrum, meaning that they rely largely on their agricultural enterprises to support themselves and are not living in poverty, but need further assistance both to expand production (or make it more efficient and/or profitable), join in the value addition and find markets.
- SP3 (“Smallholder producer type 3”): Smallholders who operate according to commercial norms but who have not reached the threshold at which they are obliged to register for VAT or personal income taxes. These smallholders tend to be capable all-round entrepreneurs; they often command large amounts of support from government by virtue of the fact that they tend to be mobile and vocal, but in reality often have the capacity to sustain themselves and even grow on their own, not least by means of loan finance. (Some producers who appear to be in this category are, in fact, commercial-scale producers who do not wish to be liable for taxes; this attitude is understandable, but for the sake of fairness, government must seek ways of easing them into the tax net.) This category would also include practising or retired professionals who have access to resources to produce at a commercial level.

7.1 Defining newly established smallholder producers

In line with Outcome 7, output 1 and the sub-output that requires the number of smallholder producers to be increased from a baseline of 200 000 to 250 000 by 2014, new smallholder producers should be established. Newly established smallholder producers are defined as the producers who:

- are newly settled on land either through the land reform programme or private acquisition;
- reside in communal areas and have not been using their land for the past four (4) years and are reintroduced into production;
- have received or privately purchased land, but have not received any form of support from government to make the land productive;
- are newly settled on existing state land;
- owing to sufficient support, subsistence farmers graduated into smallholder producer level.

7.2 Smallholder producer production systems

To pursue the support plan to prosperity, the implementation of certain production systems are necessary to ensure that all important support aspects are addressed holistically. Systems that are proposed, include the following:

- Collective production, which is similar to the Letsema approach towards production. In this approach little to no government intervention is necessary because production is initiated and implemented by the producers collectively. Similar to this is collective marketing wherein markets are targeted by producers as a collective.
- The clustering approach: This is clustering of producers, and an existence of the public/private partnership is evident, the main attribute being a market directed value chain approach to ensure sustainable market access from the start of production. An example is the irrigation schemes, government-provided infrastructure and market and technical production funding (by other partners).
- Contract farming: that is geared to ensure market-led production and improved relations between the producer and the processor/value adding/agent.
- Smallholder-oriented commodity associations: these will be targeted at strengthening institutional arrangements for smallholder producers, including their cooperation and planning. These can function as clusters, cooperatives, individuals, associations, and producer support organisations.
- Out-grower scheme: wherein producers have obligations to sell to a specific agro-processor and, in return, the agro-processor provides specific services such as enterprise specific advice, transportation and even land preparation. Examples are the sugar-cane growers and their processors.
- The overall achievement of the above will be realised through better cooperation and coordination, and the establishment of the Smallholder Task Team becomes urgent and necessary. The establishment and use of already existing commodity-specific enterprise schemes is encouraged to focus and target the support for smallholder producers.

Support and development of producers is based on the pillars of CASP, which are Information and technology management; Technical and advisory assistance; Marketing and business development; Training and capacity building; On/off-farm infrastructure and product inputs and financial support. Support will be on the farm/production units with the intention to develop the producers and a fully sustainable farming unit. Support to the farm/production units will be through on/off-farm infrastructure and product inputs, marketing and business development as well as financial support. Development of the producers will be achieved through training and capacity building, information and technology management, technical and advisory assistance and marketing and business development.

7.3 Proposed interventions for the SPSS short to long term

As indicated above, factors such as the lack of access to land, water, markets, finance, communication infrastructure, education, skills development facilities and access to information and opportunities still prevent marginalised South Africans from making substantive progress in farming, forestry and fisheries across the entire value chain (DAFF, 2012). Tailor-made support requires that factual information on the status of smallholder producers be availed and used to determine the future projections in terms of growth,

job creation and increase in the number of smallholder producers to the estimated 50 000 by 2014 if the 300 000 target is to be realised by 2020 as projected. Research on the current status of smallholder producers is necessary to get an insight into the challenges facing the producers.

7.3.1 Immediate interventions: First six months

In the immediate term three main activities will be pursued. First, there will be an inventory of initiatives to establish and/or support smallholders in South Africa, with a view to identifying “best practice” or elements thereof and to help clarify the range of existing and potential partners in smallholder development. Second, for those sites selected by and in each province, district-based planning will be undertaken or, where it has already been done to a degree, be enhanced. Third, pilots to find alternative or complementary means of promoting skills development will be initiated.

7.3.2 Short-term interventions: First 12 months (2012/13)

The short-term interventions are aimed at resolving immediate production-related challenges. Producers should be consulted and they must acknowledge the need for assistance. For selected schemes or sites, support will be at 100% government contribution of all the requirements for the operation.

Priority will be on the land reform/smallholder producers with the following:

- accessing, occupying and utilising land and or operational area. Land might still be in the process of transfer (forestry and agriculture), registered in the name of government (PLAS cases) or registered in that of the current user;
- producer readiness in terms of the farming equipment and skills (product processing skills, marketing technologies and skills, breeding technologies, harvesting technology);
- what is on land in terms of the infrastructure relating to the main enterprises such as dams;
- previous government support (in the case of CASP identify which pillar of CASP was funded);
- fishing licences/permits already acquired;
- producers with water rights and or in irrigation plans;
- provinces with existing forests and possibility to expand;
- provinces with aquaculture to support, current and possibility for expansion.

Immediate support, in order of priority:

- training of producers;
- production inputs (need to identify provinces with input support policies or related policies);
- infrastructure support (fencing for livestock producers);
- technical support, co-management structures and legal entities are funded;
- desalting of dams for stock watering;
- market opportunities.

Information that can assist in the location of some of the smallholder producers, especially for agriculture-related production, is available from the former Land Settlement database. Forestry and fisheries information has been sourced from the provinces.

7.3.3 Medium-term interventions: Two to three years

Focus will be given to scaling-up the number of scheme-based interventions. Support will continue for the initially assisted projects and inclusion of new projects to increase the smallholder producers’ figures from 15 000 to 30 000. During this period the Land Bank’s Value Chain Financing Model will be implemented and support should be at 80% government support and 20% producer contribution (either loan or sweat equity) for the initial 15 000 producers and 100% for the newly supported producers. The initial approach will be used to locate new producers and the following support will be priority:

- fencing infrastructure;
- stock-watering systems infrastructure;

- smallholder producers' alignment with commodity organisations;
- formal local market links (Zero Hunger programmes: local schools, hospitals, etc.).

7.3.4 Long-term interventions (Three years +)

In the long-term, the SPSS envisages pursuing all three of the main intervention mechanisms identified above, however, with particular emphasis on scaling-up improved producer support services and deepening system interventions.

7.3.5 Production prospects (2020)

It is estimated that to provide sufficient food for 8,2 billion people it will be necessary that an additional 1,4 billion people in 2030, have provision of food production at an increase of at least 50% between 2005/07 and 2030 (Oxfam, 2011). It is further estimated that the population in Africa would have doubled in the same period. Poverty and hunger are not so much the result of the unavailability of food but rather the inability of the poorest members of society to access food at affordable prices. To ensure sufficient food for the world by 2030 requires that food production be increased and the subsequent food availability to guarantee that the poorest and most marginalised sectors of society have the purchasing power to access the available food.

Most undernourished people in the world live in the rural areas of the developing countries and the bulk of these depend on agriculture directly or indirectly with 50% of them being smallholder producers who survive on 2 ha of land or less, 20% being landless workers, 10% being fisherfolk, pastoralists and forest users. It is further acknowledged that even though there is an increase in the urban population, rural areas will continue to host the majority of the world's poor and undernourished. Five hundred million smallholder farms world-wide support an estimated two billion people or a third of humanity.

The rationale to support development in rural areas as part of the smallholder producers is more urgent and crucial. Achieving growth in smallholder production by 2020 will require among others:

- current and immediate support of smallholder producers in rural areas;
- empowering smallholder producers with the essential capacity, finance and policies that enhance their productivity and competitiveness beyond the farm gate;
- setting guidelines that favour capital investments that target the poor;
- strengthening linkages aimed at value adding between commercial and smallholder producers.

8. Selection guidelines for producers who qualify to be assisted and their graduation from one level to another

Support for smallholder producers should be arranged in a manner that allows producers to organise themselves, collectively supply products to meet the market demands and ensure continuity independently from government.

The following criteria should be used to select producers who should be supported:

- Land reform beneficiaries currently engaged in agricultural activities: projects that are currently engaged in agricultural enterprises and have prospects of growth because of land availability.
- Smallholder producers who have been categorised as in distress by financial institutions: DRDLR, DAFF and Land Bank have joined resources to resuscitate some of the projects that were collapsing owing to repossession. These producers are prioritised in terms of support and DAFF funding programmes should focus on these as priority producers for 100% support.
- Producers who have been funded by CASP, especially through the on-farm infrastructure support, who have not been supplied with inputs to start operating.
- Producers who have readily available markets, even if they are informal, will also be assisted with the aim of expansion.

The graduation of producers from one level to another should also be informed and guided by the following factors:

- increased and consistent production levels coupled with sufficient training to handle such;
- improved quality of produce;
- improved technical abilities;
- improved management of resources;
- improved governance and social cohesion in the case of groups;
- increased access to national and international markets.

Having said that, the SPSS is not limited to direct engagements with smallholder producers, for example, by improving generic support services, investing in appropriate infrastructure and pursuing systemic interventions, the SPSS seeks to create opportunities beyond the producers who can be identified as direct “beneficiaries”.

9. Funding support for the SPSS

Producer financial support is available within the agricultural support budget vote which is inclusive of equitable share, Division of Revenue Act grants and other programmes within DAFF. Financial support needs for producers in the fishery sector will differ from those in the forestry and agriculture sectors. These support requirements are illustrated in the table below.

Table: 9.1 Support split for the financial year 2011/12-2012/13/14

DAFF unit	Number of producers	Support needs and details	Budget	
			Allocated	Required
Forestry and fisheries	2 500 + 5 000	As per BP	TBC	TBC
Agriculture	7 500	BP for CASP, LandCare and Ilima/Letsema	2011/12 allocation	2011/12 allocation
Total	15 000		TBC	TBC

10. Role players and their functions

DAFF as the coordinator of the strategic plan will have the following functions:

- consult widely on the plan;
- develop basic implementation guidelines for smallholder support and development;
- create a favourable or enabling environment through which the private sector can get involved;
- coordinate the provincial submissions on support;
- monitor the support provided to projects;
- review the SPSS.

All provincial departments of agriculture producer support units:

- adopt the SPSS;
- provide extension support;
- cooperate in the smallholder producers’ needs assessment;
- consolidate the needs and share with DAFF;
- monitor support provided to projects with DAFF;
- report on the 15 000 smallholder producers’ performance.
- Other government departments.

Department of Rural Development and Land Reform—responsible for land allocation for graduating producers and expanding producers:

- Project supporting infrastructure budget.
- CRDP implementation (job creation).
- Department of Roads and Transport (SAMSA): provide sea accident fund and road infrastructure.
- Departments of Health, Education, and Correctional Services: provide markets for the smallholder producers' end products.
- Department Science and Technology: fund piloting and implementation of new farming technologies.
- Department of Trade and Industry: Agro-processing: provides incentives for the post-harvest phase and trade.
- Provincial conservation agencies: provide implementation, support; monitoring and compliance.

Municipalities:

- ensure that smallholder producers who are going to be developed are included in the IDPs;
- avail municipal land and commonages to targeted producers.

Producers:

- Farm and provide feedback.

State-owned entities:

- provide research information and support;
- provide possible enterprise related training.

Role of the private sector: Institutions such as commodity organisations, financial organisations, academic institutions, research institutions, farmer organisations and other NGOs should play the following role: Participate in the development and support of smallholder producers through provision of linkages and technical support.

11. Risks and sustainability

It is envisaged that economic instability, social instability of projects, natural occurrences, etc. may have a negative impact on the production and growth of smallholder producers. It would therefore be prudent for both producers and government to have contingency plans that would minimise the number of projects requiring additional funding over and above the allocated comprehensive support. Development of a risk mitigation strategy will go a long way in identifying possible future threats to projects and will outline contingency plans to minimise or eliminate the threat. In fisheries, for the validity of the fishing right (valid for five years), risk is handed over to legal entities, review policy regulation and an ongoing monitoring and evaluation in terms of performance review. In areas such aquaculture based on the limited CASP support, it is disadvantageous to a producer when government exits the project as early as immediately after the first production cycle.

The following outlined risks are common within the agriculture environment, and failure to identify and counter them could lead to the failure of smallholder projects (FAO Policy Learning Programme, 2008):

- Production risk: This is risk associated with production such as the weather, diseases and pests.
- Market risk: Price fluctuation of products owing to local production variation and “outside forces”. These forces include prices fixed for political reasons, import or export restrictions, exchange controls, subsidies and globalisation.
- Credit risk: The lack of collateral owing to lack of a title deed is a potential credit risk for the smallholder producer.
- Investment returns and capital flow: Smallholder producers as lenders can have serious cash-flow problems because of slow investment returns and low profit margins. The seasonality of some agricultural production leads to cash-flow challenges and a lag between investment needs and expected revenues.

- Low investments and assets: The small asset base of most smallholder producers implies low savings and borrowing capacity.
- Geographic dispersion: High dispersion in rural areas may lead to high costs of operation for both production and marketing.
- Infrastructural capacity: Lack of infrastructural capacity in rural areas tends to discourage new services and increases the outflow of talented and resourceful people.

12. Exit strategy guidelines

A project can be exited when it displays one or more of the following elements:

- Active projects that have gone through all the support phases (100% to 40% sliding scale) over five years should be trained and capacitated to source funding from financial institutions if additional funding is required;
- Projects that have become viable and sustainable should be encouraged to gradually expand in order to create employment and increase production and profit;
- Projects that have graduated to commercial level and are able to access own resources can also be approached to provide mentorship assistance to new projects and struggling projects; and
- Projects showing no sign of development and growth even after provision of additional support should be subjected to a cooling-off period with the possibility of being re-engineered in the near future.

It is further necessary that producers be fully registered prior to accessing the benefit (clusters, cooperatives, producer organisations, breeder societies, etc.), and government should develop a producer benefit tracking/recording and information system and strengthen the monitoring and evaluation systems.

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