



NATIONAL EMERGENT RED MEAT PRODUCERS' ORGANISATION

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**Business plan for the development of the emerging red meat sector
For funding from the Red Meat Statutory Levy
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DRAFT

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1. BACKGROUND

In the Department of Agriculture, Forestry and Fisheries' (DAFF) Agriculture Strategic Plan for 2009/10, it is reported that animal production along with horticulture production were leading over field crops in terms of volume of production in the period 2005 – 8. In the same period, the highest gross farm income was realised from animal production (more so from red meat production (DAFF, 2009). It is also pointed out that demand for red meat in the coming years will continue to outstrip production. Part of the reasons given is that South Africa has reached its maximum herd size of breeding cows; and hence any growth in the sector will have to be in weaner production. Estimates are that some 40% of cattle in the country are in the emerging sector, largely those farmers on communal land. In this sector, productivity levels are very low; and it is not uncommon for farmers to report calving percentages between 30% and 40%. It is therefore quite evident that if any growth is to take place in the red meat sector, substantial improvements in the productivity of the herds in the emerging sector will have to be realised.

The red meat industry and national government are fully cognisant of these facts. Consequently in the approval of previous industry levy applications it was stated that 20% of the fund must be allocated to the development of the emerging sector, and in the first application (2005– 2007), the entire portion was allocated to the development of primary production, specifically. The National Emergent Red Meat Producers' Organisation (NERPO) has been assigned to oversee the development of primary producers in the red meat industry.

1.1 NERPO'S APPROACH TO DEVELOPING THE EMERGING RED MEAT SECTOR

NERPO's programme for the development of primary producers focuses on the following:

1. Strategies for optimal utilisation of available land and development of infrastructure;
2. Improvement of quantity and quality of saleable livestock produced by the smallholder farmers;
3. Development of entrepreneurial skills of the farmers and other emerging role players in the red meat industry;
4. Increasing the smallholder farmers' access to markets; and
5. Encouraging collective action by the livestock farmers so that they may attract discounted prices in input procurement and lower transaction costs in bulk marketing.

The programme that has been drawn up consists of the following phases and components:

Phase 1: preparatory phase:

1. Subsector analysis of the emerging red meat industry in South Africa
2. Farmer identification, mobilisation and resource audits
3. Business plans for the development of emerging livestock farmers

Phase 2: Implementation of development programmes

4. Farmer training programme
5. Livestock improvement and market access programme
6. Community-based Livestock Worker Programme

Phase 3: Monitoring of transformation in primary production

7. Monitoring and evaluation of project impact

1.2 ACCOMPLISHED ACTIVITIES FROM STATUTORY LEVIES OF NOVEMBER 2005 TO DECEMBER 2009

In this period, NERPO was allocated R4,857,860 (VAT inclusive) by the Red Meat Levy administrator to spend on developing the emerging sector according to agreed upon business plans submitted for the first (2005) and second (2007) applications. (A final tranche of R1,642,330 should be paid out for the period November 2009 – October 2010).

Progress on the planned development programme has been reported on over the four years. In summary, a sector study was conducted in 2006, from which NERPO worked out the approach to developing the emerging sector. The plan entailed identifying and mobilising 1,000 farmers on private land and 100 farming communities on communal land, training and mentoring them to be entrepreneurs within the red meat industry and also facilitating livestock improvement and market access in order to ensure that they have the appropriate product quality and adequate volumes to meet the market requirements.

Identification of the farmers (especially obtaining information about their enterprise) was quite a challenge. The situation improved lately (2008) when NERPO was appointed a credit provider for the MAFISA loan scheme. Many more farmers came up with their personal and livestock business details in the application for the loans.

Business planning was an even greater challenge for most emerging farmers. Those who did submit some plans had contracted officials of the Departments of Agriculture to ‘assist’ them and invariably did not fully relate to the plans that were drawn up.

Despite the challenges, NERPO continued to work with the identified farmers. They were organised into study groups with annual schedules to address challenges to livestock production. In evaluating

the group activities, it emanated that business planning, record keeping and financial management were the key limitations of the farmers as business persons. Other key challenges, which were more or less beyond their control, were land ownership, lack of or limited rights to use available land and poor infrastructure endowment. NERPO has come up with strategies to try and address these challenges in the 3rd period of the levy funding.

With respect to monitoring transformation, NERPO put together a plan to execute this task but unfortunately did not receive buy in from the industry to implement the plan. Consequently NERPO will not be monitoring transformation henceforth but will leave it up to each role player to report on their activities in effecting transformation.

2. PLAN FOR THE DEVELOPING THE EMERGING RED MEAT SECTOR

The plan that is proposed for 2010 - 2014 is a continuation of the activities of 2005 - 2010, except for the monitoring of transformation that has been left out.

2.1 FARMER IDENTIFICATION, MOBILISATION AND RESOURCE AUDITS

Objectives: To identify and mobilise a focus group for the developmental projects

To date NERPO has 1,300 audited farmers in its database, mainly those on private farms. Few farmers from the communal land system are included. Moreover whereas the study group approach that was used to mobilise farmers has been effective with farmers on private land, it has yield little success with farmers on communal land because of the land tenure and land use rights issues in these areas. Consequently, since April 2009, NERPO has been facilitating the formation of cooperatives, especially focussing on farmers on communal land. The advantage of Co-operatives is that they are more formal and legally recognised structures that are governed by rules and regulations. They should therefore be more effective in setting the rules for the communal use of grazing land and infrastructure than study groups.

Deliverables: Farmers (especially those on communal land) mobilised into co-operatives. These will be the development units for the project.

2.2 BUSINESS PLANS FOR THE DEVELOPMENT OF EMERGING LIVESTOCK FARMERS

Objectives: Assist emerging livestock farmers to develop 5-year business plans.

Several workshops were conducted to assist farmers to draw up business plans. However, very few of them actually attempted to do so. As a follow up NERPO has drawn up an AgriSETA accredited programme to assist farmers to develop business plans. The skills programme is such that at the end of the training each participating farmer will have and submit a business plan. The budget for this activity is included in mentorship and training.

Deliverables: At least 100 new farmer business plans in 2011.

2.3 FARMER TRAINING AND MENTORSHIP

Objective: To provide technical and market information and guidance to the 1,000 farmers and co-operatives of farmers on communal land.

The first version of the beef farmer training manual has been developed. This will be the basis of several training programmes (e.g. in record keeping, business planning, financial management). Where possible, skills programmes will be developed around the farmer training needs so that those who wish to can obtain AgriSETA accredited certificates at the end of each skills programme. Secondly there are sections that are still outstanding in the farmers' manual, which need to be developed and added on. Finally, NERPO has developed a skills programme for frontline extension personnel who are working with livestock farmers. This will be implemented, especially targeting those extension officers who have a special working relationship with NERPO through Service Level of Agreement or Memorandum of Understanding. All farmer-training is supported through mentorship.

Deliverables: Expanded emerging cattle farmers' producers' manual
Trained trainers (mainly Animal Scientists in Agricultural Extension Services and NERPO personnel)
Trained emerging livestock farmers. The targeted training for 2011 is business planning, record keeping, and financial management.

2.4 LIVESTOCK IMPROVEMENT AND MARKET ACCESS PROGRAMME

Objectives: Improve livestock productivity and enhance farmer participation in available markets.

Market opportunities will be identified and farmers and farming communities will be assisted to acquire and produce livestock to meet the specific market requirements (e.g. linkage with Gaza Beef enterprise).

Deliverables: Supplier agreements for emerging livestock farmers
Regular marketing information delivered to emerging livestock farmers

2.5 COMMUNITY-BASED LIVESTOCK WORKER PROGRAMME

Objectives: To provide farmers with adequate assistance in animal care in order that they may improve general livestock management and hence livestock productivity and farm profit

Preliminary research on approaches for the delivery of primary animal health to farmers commenced in 2007 and is due to be completed by April 2010. Thereafter, the findings from the study will be used to develop and test the primary animal health delivery methods that are effective for emerging livestock farmers, which will be recommended to Veterinary Services for implementation.

Deliverables: Clear guidelines for providing primary animal health care to meet farmers' needs
Demonstrations of effective delivery of primary animal health care

2.6 MONITORING AND EVALUATION OF PROJECT IMPACT

The impact of NERPO's interventions have not been fully evaluated in the previous years, largely because of poor feed back from the beneficiaries. From 2010 on, NERPO intends to assist farmers to implement systems that will allow for effective monitoring of impact (e.g. and electronic record keeping system and annual submission of herd/flock status). Monitoring and evaluation reports will be submitted on an annual basis, which will give an indication of the extent of transformation in primary production in the red meat industry.

3. BUDGET: NOVEMBER 2010 – OCTOBER 2014

	Annual budget for Nov 2010– Oct 2012	Annual budget for Nov 2010 – Oct 2014
Farmer identification and mobilisation	R 94,000	R 90,000
Farmer training & mentorship	R 760,000	R 1,015,000
Livestock improvement and market access facilitation	R 400,000	R 600,000
Community based livestock worker programme	R 300,000	-
Monitoring and evaluation (5%)	R 70,000	R 81,400
Project direct costs	R 1,624,000	R 1,786,400
Administration fee (10%)	R 162,400	R 178,640
Subtotal	R 1,786,400	R 1,965,040
VAT	R 250,096	R 275,106
Total (including VAT)	R 2,036,496	R 2,240,146