POLICY AND INSTITUTIONAL MAPPING FOR SMALL-SCALE PRODUCERS' PARTICIPATION IN DYNAMIC MARKETS IN SOUTH AFRICA

30 October – 3 November 2006

WORKSHOP REPORT

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Acknowledgments: The workshop was funded by the International Institute for Environment and Development (IIED), UK, under the Regoverning Markets Programme.

This report records views and opinions shared at the workshop. These may not necessarily reflect the views of the sponsors, the Government of the Republic of South Africa or those of the Regoverning Markets Programme as a whole.

Report of a five-day workshop on institutional mapping
30 October – 3 November 2006

Background: Given the political economy within South Africa and the shape of modern market concentration, the team opted to develop ideas and first thoughts on strategy more fully before organising one or more single and/or multi-stakeholder meetings.

Objectives: To critically repackage existing M1 and M2 material (C1 meso studies) to work towards C3 outcomes.

Process: Four days of team work plus one day (or half-day) with the Reference Group and/or friends of the project within and beyond UP.

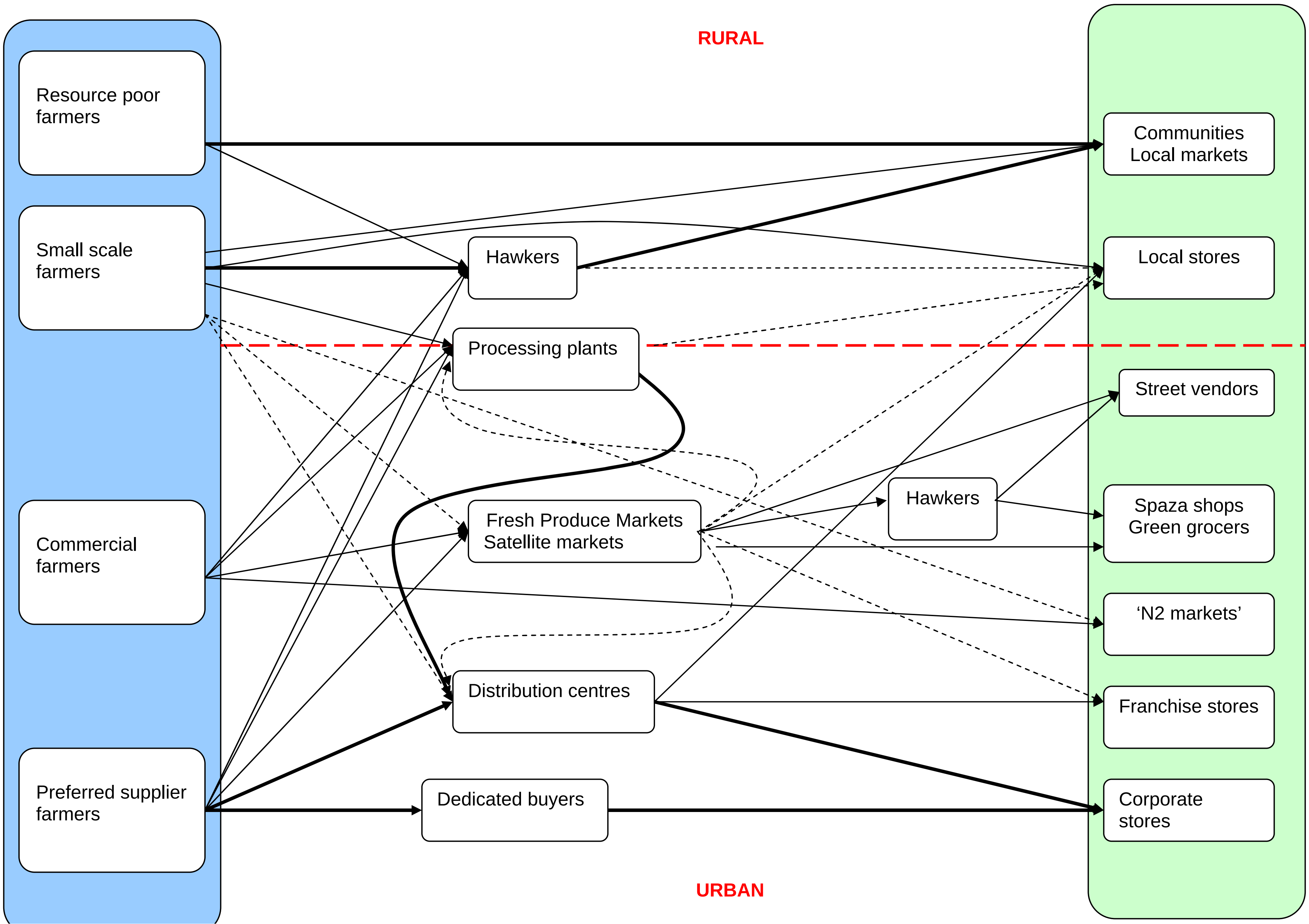
Team: Andre Louw (AL), Estelle Bienabe (EB), Davison Chikazunga (DC), Danie Jordaan (DJ), Johan Kirsten (JK), Hester Vermeulen (HV), Sonja Vermeulen (SV).

Activities:
- Team discussion, analysis and joint decision-making
- Reference group meeting
- Review of SA context and M1 + M2 materials
- Discussion and revision of value chain
- Checklisting of institutional factors
- Scenario mapping and forcefield analysis
- Monitoring and evaluation planning
- Planning for strategic stakeholder engagement

Products:
- Revised value chain diagram
- Checklist of institutional factors
- Gap identification
- Approaches to scenario mapping
- Forcefield analysis applied to current and future scenarios
- Monitoring and evaluation plan
- Workplan for strategic stakeholder engagement

See succeeding pages for products plus a short set of conclusions.

Product 1: Revised value chain diagram



Product 2: Checklist of institutional factors

Key formal and informal institutions in government, private sector and civil society

Institutions = the set of rules that structure the way that society (in this case, the tomato value chain) functions
Note that the lists below are a mix of factors of higher and lower importance.

Government structures & decision-making processes:
- Currently disarray & reluctance to make major policy decisions, with jostling for succession within the ruling party
- Decision-making power concentrated within central government, and among parliamentarians rather than civil service
- Politicians have more of an ear for business than for popular concerns and movements
- Civil service often more oriented towards production of policy papers than real management of implementation
- Provincial departments are the budget holders and have mandate for extension, farmer settlement and farmer support
- Much variation among municipalities in extent & effectiveness of farmer support

Government policy instruments:
- Actually very few government policy instruments since the market has been so deregulated
- Land reform and BBBEE are perhaps the two current political imperatives that should create “a place in the sun” for small-scale black entrepreneurs
- Competition Act under DTI
- Tariffs etc under ITAC (part of DTI) to deal with international competition
- Land reform process under DLA, including approaches such as LRAD land equity scheme
- Minimum wage set by Department of Labour
- New Water Act under DWAF defines water quotes for producers
- MAFISA microfinance programme for farmers
- CASP Comprehensive Agric Support Programme to help get small farmers going (those with newly successful land claims)
- Food security and grant system for the very poor and landless (but they are not included in agric policy)
- Very low levels of farmer subsidies (PSE price subsidy equivalent around 5% compared to 30% in UK & 22% in US)
- Main policy instruments available to Agric Dept are research & education

Ongoing government multi-stakeholder processes:
- New agric CEO forum since Nov 2005, convened by govt
- Don’t really see PPPs

Government infrastructure and service delivery:
- Infrastructure, especially roads, cannot keep up with economic growth and urban shift
- See CASP and MAFISA Above

Private sector (processor, trader and retailer) strategies:

- Generally risk-averse, e.g. looking for govt to share costs such as transaction costs of working with small growers
- Huge differences in procurement strategies depending on whether corporate or franchise, which LSM selling to, etc
- Mainly focused on cutting consumer prices by driving down procurement prices and costs, but expect to see a trend towards more competition on quality
- Linked with above, private standards (often benchmarked against EurepGAP) on the increase
- Interested in using intermediary organisations to deal directly with farmers (both Freshmark and Woolworths have mentioned this)
- Not interested directly in dealing with "small-scale" – simply interested in best product at best price – so small-scale producers must deliver attractive business, otherwise the only incentive to deal with them will be BEE
- "Corporate social investment" can be an important driver (e.g. do business locally in order to reduce likelihood of crime or unrest in vicinity of factory)
- BEE scorecard expected to be increasingly a driver of inclusion/exclusion of companies in the food chain

Bank and insurance sector strategies:
- Risk vulnerability excludes small-scale farmers even if they have the collateral to apply for a loan

Informal sector strategies:
- Flexible and entrepreneurial e.g. cross-border trade
- In rural areas based on direct transactions with farmers (small, med & large) while in urban areas mainly through FPMs
- Pick up lower grade produce excluded from formal channels, but overall standards rising, due partly to overflow effects of standards in the formal industry and partly to growing consumer awareness

Civil society strategies:
- Little presence of local, national or international NGOs
- Consumer organisations little developed

Some informal institutional features of different sections of the supply chain

Small-scale producers:
- Low bargaining power because of (a) too many alternative suppliers and (b) relatively little business acumen
- Isolated examples of collective action e.g. to transport into FPMs
- Land tenure security a major institutional issue and linked into local land claims and tribal leadership
- Some municipalities very supportive while others are weak
- More excluded if white since no BEE-based opportunities
- Mainly older people, over 50 (gender issues?)

Larger-scale producers:
- Willing to sell excess and lower quality into informal sector, but need to know and trust the buyer
- Subject to land claims on their land
- Some have partnerships with small-scale farmers to make up volumes – but the scale of this is difficult to fathom

Bakkie and truck traders:
- Use informal verbal contracts with producers
- Feed into informal chain, which can have multiple participants (e.g. bigger marketplace traders selling down to bucket or door-to-door sellers)

Fresh produce markets:
- Agents are white and Indian and do not have natural rapport and social networks with small-scale black farmers
- Discourse of market managers – want to increase purchases from, and services to, small-scale producers (with BEE behind this)

Processors:
- Contracts depend on whether you are a larger (less risky) or smaller (more risky, therefore more need for contract) supplier
- Oligarchy collusion over prices

Spaza shops:
- Provide the only market for SA's many small-scale processors (e.g. small-scale canneries)

Greengrocers:
- Often Portuguese nationality and purchase preferentially from kith and kin producers
- Hard negotiators

Supermarkets:
- Extremely hard negotiators – short-termism rather than partnership-building
- Local procurement relationships only in rural areas and regional centres
- Franchise arrangements becoming more common, opening doors to more diverse procurement (in very general terms – varies a lot among companies)

Product 3: Gap identification

There was fruitful discussion and consensus as to how to make progress on the following gaps in the M1 and M2 studies:
- Distinction between supply chain pathways that are predominantly rural (agro-processing, local procurement and hawkers) and those that are urban in end use (supermarkets, fresh produce markets)
- In light of the importance of the AgriBEE as a mechanism to improve conditions for small-scale farmers, the need to document and quantify the differences between black and white small-scale farmers
- Verification of tomato supply figures given by key informants, particularly the claim that four producers produce 80% of SA's tomatoes
- As far as possible with present data, a better understanding of consumer preferences around FFV in SA

Product 4: Approaches to scenario mapping

Ways to create future scenarios (adapted from Shell guidance):

- Inductive – Where are current trends going?

e.g. Scenario 1: Realistic future for sale by small producers into rural markets (local procurement, informal sector, processing sector etc) Scenario 2: Realistic future for sale by small producers into urban markets (role of FPMs, meeting standards, contracting etc)

- Hypothetical (deductive) – What are possible extreme cases?

e.g. Scenario 1: Maximum BBBEE and minimum market change Scenario 2: Maximum market change and minimum BBBEE (can have Scenario 3 Maximum BBBEE and maximum market change and Scenario 4 Minimum BBBEE and minimum market change in this case)

- Normative – Where do we want to be?

e.g. Scenario 1: Increased inclusion for smallholders in modern markets (what are its features, what does it take to get there?) Scenario 2: Increased market options for smallholders (what are its features, what does it take to get there?)

Product 5: Forcefield analysis applied to current and future scenarios

The reference group used the process summarised in the boxes to generate four forcefield analyses of specific supply chains under present and future conditions:

FORCEFIELD ANALYSIS:
PRESENT & FUTURE
SCENARIOS

Purpose: Identify current & future barriers to inclusion of smallholders in markets

Process: Four working groups, three steps, one and a quarter hours, brief report-back highlighting a few key points from your group

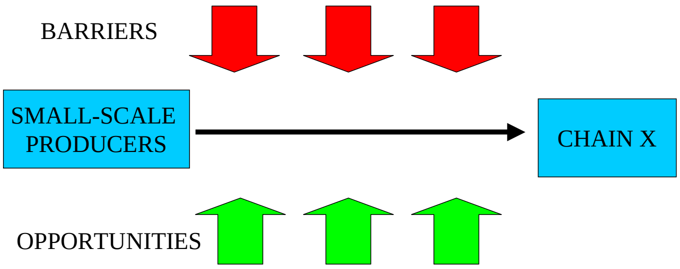
FOUR GROUPS BASED ON FOUR KEY MARKET CHAINS FOR SMALL-SCALE PRODUCERS

CHAINS:

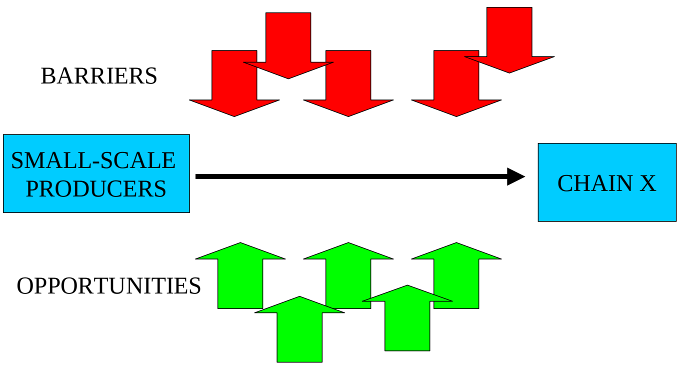
A. SUPERMARKETS (INCL. CONTRACT GROWING)
B. FRESH PRODUCE MARKETS
C. AGRO-PROCESSING
D. LOCAL PROCUREMENT & HAWKERS

E. REGIONAL MARKETS etc (NOT INCLUDED TODAY)

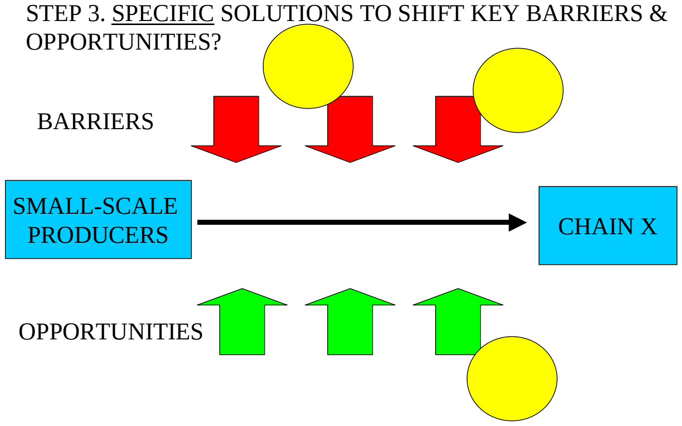
STEP 1. IDENTIFY BARRIERS & OPPORTUNITIES



STEP 2. AND IN TEN YEARS TIME? WHAT ARE THE TRENDS IN BARRIERS & OPPORTUNITIES? WHAT NEW ONES?

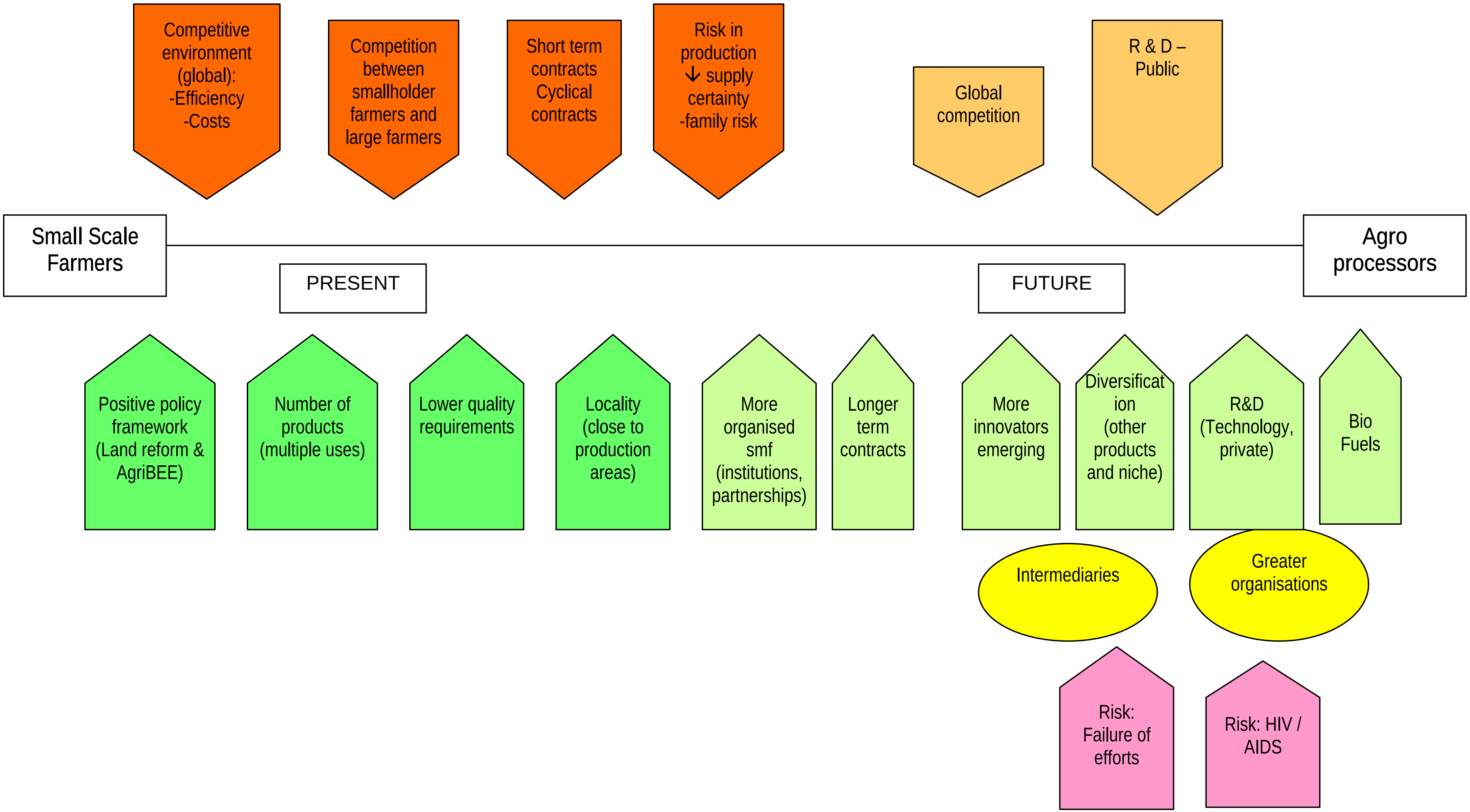


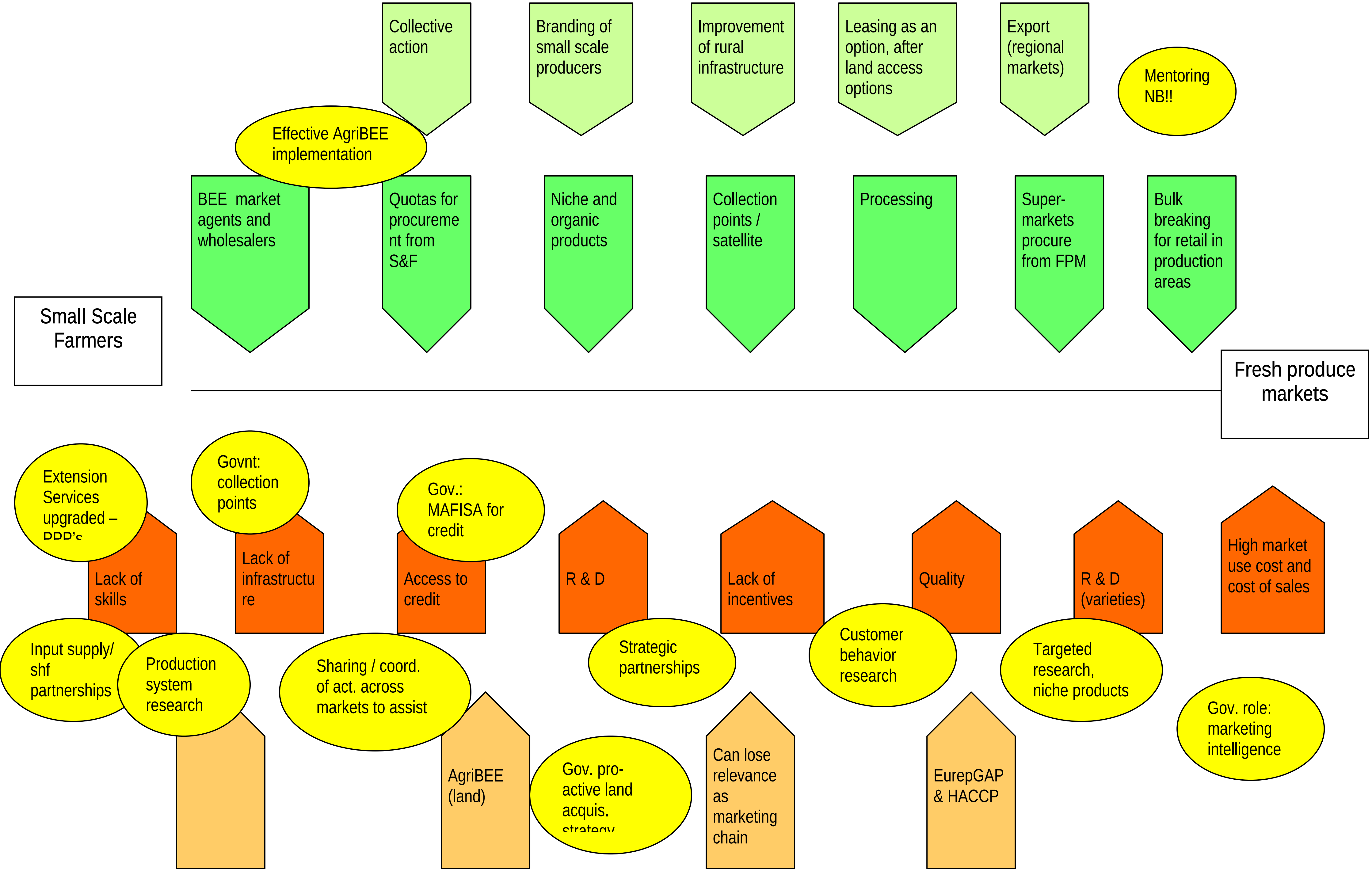
STEP 3. SPECIFIC SOLUTIONS TO SHIFT KEY BARRIERS & OPPORTUNITIES?

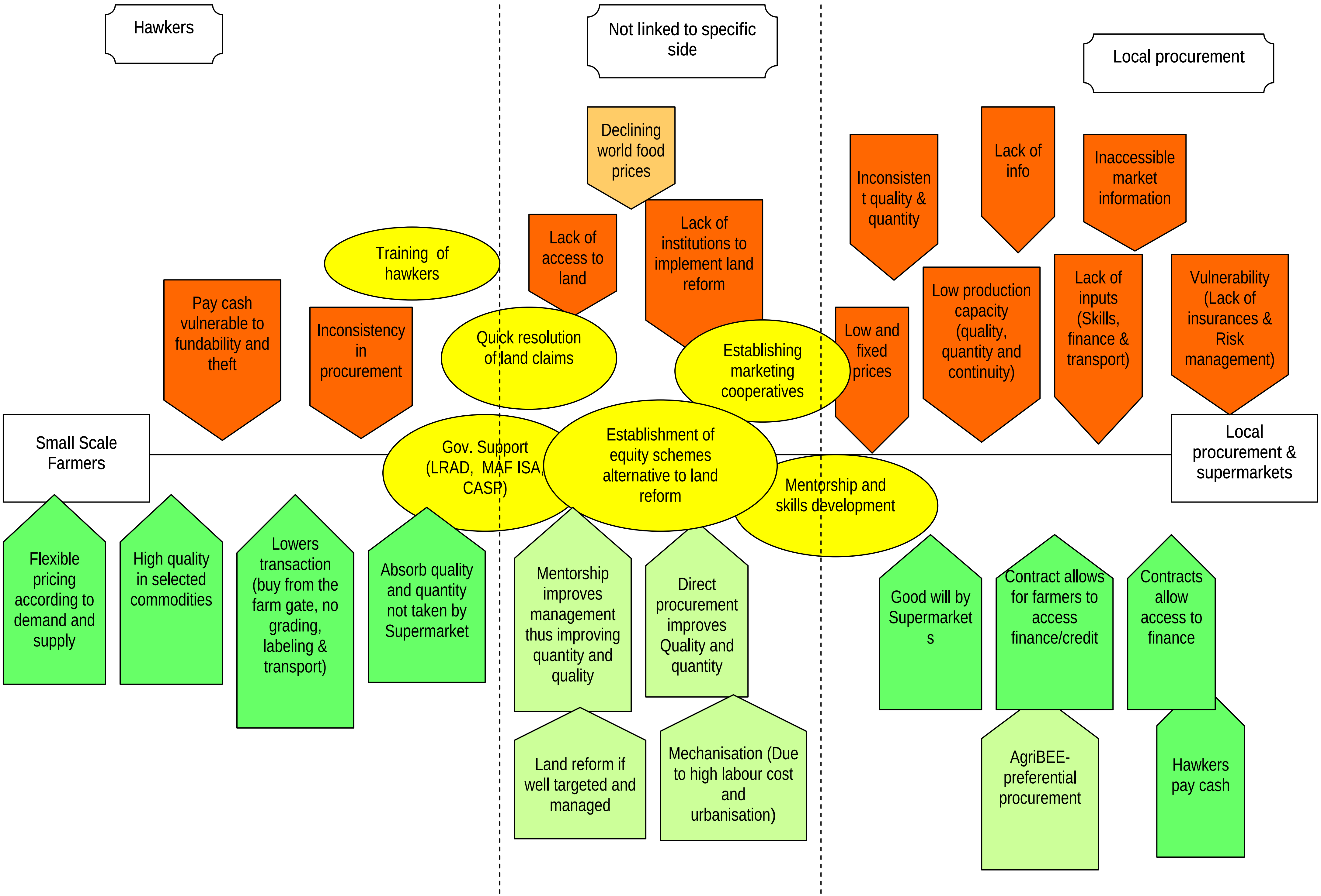


BROAD TYPES OF SOLUTIONS

- Government policies: fiscal, trade, land, water, etc
- Government support: AgriBEE implementation, capacity building, innovation, infrastructure, etc
- Large-scale and small-scale private sector strategies: store placement, procurement, standards, etc
- Smallholder solutions: organisation, technology, communications, business skills, etc
- Consumer movements: demands on stores, etc
- Political: windows of opportunity, etc
- Informal: social & family networks, language etc


Competitive environment (global): -Efficiency -Costs
Competition between smallholder farmers and large farmers
Short term contracts Cyclical contracts
Risk in production ↓ supply certainty -family risk
Global competition
R & D – Public
Small Scale Farmers
PRESENT
FUTURE
Agro processors
Positive policy framework (Land reform & AgriBEE)
Number of products (multiple uses)
Lower quality requirements
Locality (close to production areas)
More organised smf (institutions, partnerships)
Longer term contracts
More innovators emerging
Diversificat ion (other products and niche)
R&D (Technology, private)
Bio Fuels
Intermediaries
Greater organisations
Risk: Failure of efforts
Risk: HIV / AIDS


Collective action
Branding of small scale producers
Improvement of rural infrastructure
Leasing as an option, after land access options
Export (regional markets)
Mentoring NB!!
Effective AgriBEE implementation
BEE market agents and wholesalers
Quotas for procureme nt from S&F
Niche and organic products
Collection points / satellite
Processing
Super-markets procure from FPM
Bulk breaking for retail in production areas
Small Scale Farmers
Fresh produce markets
Extension Services upgraded –
Govnt: collection points
Gov.: MAFISA for credit
Lack of skills
Lack of infrastructu re
Access to credit
R & D
Lack of incentives
Quality
R & D (varieties)
High market use cost and cost of sales
Input supply/ shf partnerships
Production system research
Sharing / coord. of act. across markets to assist
Strategic partnerships
Customer behavior research
Targeted research, niche products
Gov. role: marketing intelligence
AgriBEE (land)
Gov. pro-active land acquis.
Can lose relevance as marketing chain
EurepGAP & HACCP


Hawkers
Not linked to specific side
Local procurement
Declining world food prices
Training of hawkers
Lack of access to land
Lack of institutions to implement land reform
Inconsistent quality & quantity
Lack of info
Inaccessible market information
Pay cash vulnerable to fundability and theft
Inconsistency in procurement
Quick resolution of land claims
Establishing marketing cooperatives
Low and fixed prices
Low production capacity (quality, quantity and continuity)
Lack of inputs (Skills, finance & transport)
Vulnerability (Lack of insurances & Risk management)
Small Scale Farmers
Gov. Support (LRAD, MAF ISA, CASP)
Establishment of equity schemes alternative to land reform
Mentorship and skills development
Local procurement & supermarkets
Flexible pricing according to demand and supply
High quality in selected commodities
Lowers transaction (buy from the farm gate, no grading, labeling & transport)
Absorb quality and quantity not taken by Supermarket
Mentorship improves management thus improving quantity and quality
Direct procurement improves Quality and quantity
Good will by Supermarkets
Contract allows for farmers to access finance/credit
Contracts allow access to finance
Land reform if well targeted and managed
Mechanisation (Due to high labour cost and urbanisation)
AgriBEE-preferential procurement
Hawkers pay cash


Delayed payment
1 versus many suppliers
Safety
Accreditati on costs
Exclusive partnerships between seed companies and supermarkets
Inclusive partnerships PPP's
Quality and safety standards/ requirements
Lack of access to technology
Access to land and economies of scale
CASP, gov techn service
GAP GMP
Lack of skills (managerial, administration and negotiation)
PPP's
Lack of information and network
Preferred supplier schemes / competition
PLAS Acquisition strategy
Production knowledge / skills
Lack of land and assets
Risk adverse attitude of supermarkets
High quality
Traceability
Logistics / distance
Economics of scale
Quantity and consistency
Access to accredited pack house
PR Social responsibility
AgriBEE
Collective action
EF
Gov
Agb
NF
Exit
Small Scale Farmers
Supermarkets
CASP / MAFISA
Governme nt support
Collective action
BEE: 1) ED, CSI and 2) preferential procurement
Access to contracts
Linkage with preferred farmers (AgriBEE)
Gov facilitation of group dynamics
Commodity groups (common goals) and associations
Lack of trust
Lack of link with agri-business
Basis infrastructu re

Product 6: Monitoring and evaluation plan

Indicator	Means of verification	When and who
National public policy documents/statements reflect dynamic market change and support small-scale producers	National and provincial poverty/economic growth strategies; agriculture, trade and food strategies; public sector action plans; political statements; government budgets	Evaluation at end of Phase 2 (AL with team and Reference Group)
Supermarket, buyer and FPM strategies reflect dynamic market change and support small-scale producers	Annual reports (incl CSR); public statements; investment allocations; evidence of strategy change (incl partnerships)	Evaluation at end of Phase 2 (AL with team and Reference Group)
Producers' organisations and groups able to identify opportunities and become effective commercial partners	Representation in national and provincial policy & strategy processes; new initiatives and partnerships with the private sector and the public sectors; evidence that members understand opportunities	Evaluation at end of Phase 2 (AL with team and Reference Group)
Empirical research findings, action research outputs and policy products are well received and used by target audiences	Record of production and distribution of targeted outputs Evidence of use of information by national and provincial government, private sector, producer organisations and other groups Attendance at and positive response to Reference Group meetings & other project events Team members invited to provide advice on policy/strategy/investment options, to meet and share programme outputs, and to participate in external processes	Ongoing tracking; evaluation at end of Phase 2 (All team members to keep records, joint evaluation)
Environment for dialogue and policy debate in place at international/regional levels and at national level	Record of sub-national, national and regional working groups on smallholders in dynamic markets & their links with the Regoverning Markets project	Evaluation at end of Phase 2 (AL with team and Reference Group)
Capacity built of national research team	Record of all publications, including in peer journals Record of training and skills development by all members of the team	Evaluation at end of Phase 2 (jointly by country team)

Specific indicators for Reference Group:

Indicator	**Means of verification**	**When**
Representation	a. List of participants b. Representation categories c. Record of efforts to include missing categories	Every meeting (invitations and participant list)
Legitimacy	a. Meeting agenda showing techniques to include different points of view b. Meeting minutes show level of consensus and record differing viewpoints	Every meeting (agenda, minutes and photos)
Generating and maintaining support and effective change	a. Number of participants remaining within the process b. Links with parallel processes c. Co-organising and co-funding	Ongoing meeting minutes and final evaluation
Increased levels of awareness and change; stakeholders' expectations meet	a. Unelicited feedback from participants b. Structured feedback (e.g. short email questionnaire)	Ongoing records

Product 7: Workplan for strategic stakeholder engagement

General objectives of C3

- Get all the organisations in the chain to take smallholders into account: inform public policy and private strategy
- Give them some basic advice on what they can do
- Get the different members of the chain to talk to each other

Issues

- National focus versus provincial?
- Balancing feeding info to the Ref Gp and getting info from them
- Using available resources, time and energy as effectively as possible
- Balancing *general* approaches for small producers versus the *specific product chains* that interest people in the business
- Ensuring *continuity* rather than raising expectations and then project cutting off (hence putting plans in place for a Phase 3 for continuity, under NAMC)

Strengths of the team

- Good networks and taken seriously by many stakeholders
- Practical and pragmatic, not abstract
- Understand the business angle not just the econometrics

Overall

- Biggest picture: Working towards a centre that works as a database, thinktank and lobby group on food chains – surely there is scope for this (e.g. to source funds) in Africa?
- Minimal picture: Keeping it lean and mean to ensure continuity (3-4 people university core group & then including students)

Reference Group

- Who to include? Are these the right people?
    - Seniority: It is their bosses who move policy but might be disconnected from real ground issues (for more senior people might have to be one-on-ones, though that means they don't get benefits of interactions)
    - Representation (what orgs not here but wanted): Retail sector (supermarkets – need to avoid putting competing orgs around the table, so at the moment have Freshmark, but not Pick'n'Pay – but perhaps this is too risk-averse?), processors (should it just be tomato processors?), producer organisations and other associations & cooperatives (or DTI or NDA person who is dealing with coops)
    - Influential and dynamic individuals: have a substantial list already, including Nick Tselentis, Johann de Venter, person from Gant Processing who has lots of policy ideas
    - Completely new participants? E.g. the seed industry
- Activities and topics? More specific issues e.g. real immediate issues for supermarkets. More on trends – where are markets going. Synergies and competition among channels. Need more discussion on specific solutions and how they can work in reality (i.e. proper action plans that take into account all of the costs and benefits for different participants):
    - Cooperatives
    - PPPs and contract models
    - Risk analysis and mitigation
    - Mentorship
- Is it better to continue the general group or to work on more specific topics with more specific stakeholder groups? Better to get more specific. But match participants to the question. E.g. Some are cross-cutting like collective action or PPPs, while others specific to a kind of stakeholder or kind of chain.
- Style? Structured facilitated activities work well. Need particular analytic tools (role for IIED to suggest tools).
- Incentives to attend? Recognition of importance of marketing (not just land) for small-scale producers, telling them other important people will be here too

Other processes to engage in

- Feed into Agribusiness Forum (via Tobias Doyer; can't be a member)
- NAMC Committee for Future of Markets

Other ideas

- Roadshows of the outreach process in provinces etc
- Expanding the reach by getting key people interested who will spread to others e.g. Prof Nesamvuni
- Bring together players who have never talked to each other e.g. seed industry with supermarkets and agri-processors
- Document practical examples (models) to see exactly how it was done, what was learnt and how it can be built on (e.g. North West Cooperative example)

- Specific commissioned action research – working with the producers and buyers involved to test out different options (this is a longer-term project goal, not within C3)
- SA Agric has done some kind of audit of who is doing what in this area – get this and build on to be strategic
- Policy brief – early warning system – "supermarkets of the future" – e.g. an unpublished private letter to supermarket CEOs – have you thought about what AgriBEE is going to mean in terms of costs and benefits to you – and here are some solutions! (could also go to Agro-Processors, to government and so on, all specifically targeted with constructive messages)
- Possibly link the specific topic meetings above with specific policy briefs (circulate a note before the meeting so that people are well prepared)
- Professional scenario planner (will cost a bit but could form basis for very interesting final event)

Agreed workplan

- Minimum three events – with at least one (a) information sharing based around structured participatory exercise, either at provincial level or through a further national-level Reference Group meeting, and two or more (b) analytic, especially looking in more detail at specific types of solutions for smallholder inclusion (e.g. local procurement, PPP, FPM strategies, mentorship) – in all cases with an anticipatory policy (future scenario) orientation.
- Two to three policy briefs targeted at specific audiences, definitely (a) retail sector and (b) Agribusiness Forum (& agribusiness in general), and possibly (c) large-scale producers (& producer organisations), (d) government, and/or (e) FPMs, with a anticipatory policy (future scenario) orientation, noting specific costs, benefits and challenges for the target group, and suggesting possible actions. These briefs may or may not be linked to events.
- Final national-level information event to share findings of the project in an interactive manner (possibly presenting scenarios)

Conclusions

Overall, we made good progress against the steps of the draft toolkit, as summarised in the table below. We found it possible and useful to combine different steps into single exercises (e.g. the useful session with the Reference Group, which combined market chain analysis with future scenarios, forcefield analysis and generation of options for greater inclusion). But we also felt that it would be useful to revisit particular steps and exercises, for example to do a more sophisticated future scenario analysis using a set of fully developed scenarios. Our experience points to a need for a toolkit that:

a. Is simpler than the current version (fewer repetitive steps)
b. But has equal flexibility
c. Places greater emphasis on solutions and practical means for implementing them

Step in institutional mapping	Progress during 5-day workshop
Step 1 Mapping and understanding the value chain	Detailed discussion and revision of separate market chains and collated market chain diagram
Step 2 Mapping and understanding the institutional and policy environment	Generation of checklist of policy and institutional factors – this list could be

	further extended, refined & categorised e.g. using IFPRI-Wageningen format
Step 3 Drivers, trends, issues and opportunities	Not clear on the utility of this additional step, which appears to be covered by Steps 1&2 if done thoroughly
Step 4 Future scenarios for markets and inclusion	Consideration of different methods of generating scenarios; use of inductive scenario technique with Reference Group
Step 5 Options for greater inclusion	Identification of key options linked to particular barriers by Reference Group; identification of need to unpack specific solutions in greater detail leading to specific practical guidance for different audiences
Step 6 Strategies for supporting change	Discussed via planning for stakeholder engagement, with recognition of continuing need to reassess and react tactically to opportunities to influence public policy and private strategies

Appendix: Agenda and attendees at reference group meeting

09:00 Welcome: Introductions, purpose and outline of the day
09:15 Presentation: Insights into changing food markets in South Africa
09:45 Group exercise: Forcefield analysis of present and future scenarios
11:00 Tea break
11:15 Quick report-backs from group exercise
11:30 Roundtable discussion: Way forward for the Reference Group
12:15 Thanks and close
12:30 Lunch

Person	**Institution**
Chris Gladwin	National Agricultural Marketing Council
Bongiswa Matoti	Western Cape Department of Agriculture
Mike Ramushu	Limpopo Department of Agriculture
Tsakani Ngomane	Post Graduate School of Agriculture
Tobias Doyer	Agricultural Business Chamber
Roydon Frost	Department of Trade and Industry
Junior Ferreira	Consultant
Shellboy Sedutla	Tshwane Fresh Produce Market
Hilton Madevu	National Department of Agriculture
Juanita du Preez	Fiyafakata Development and Training
Patrick Mphahlele	Johannesburg Fresh Produce Market
Sydwell Lekgau	Limpopo Department of Agriculture
Natasha Nel	FreshMark
Sam Hlungwani	Limpopo Department of Agriculture
Makgaba Sefura	Limpopo Department of Agriculture
Doctor Phuti	Limpopo Department of Agriculture