

Can Agri-parks be the 'silver bullet' for small farmer and rural development in South Africa?

By Annelize Crosby, Dr. Jack Armour and Theo Boshoff

10 Feb 2017

Launched in 2015 as one of the cornerstones of rural economic transformation, the Agri-parks are conceptualised as one-stop shops for agro-production support, processing, logistics, marketing and training within district municipalities. The concept entails a centrally-planned, state funded, three-tiered model consisting of farmer production support units in each local area from where extension services will take place, and an agro-processing hub in each district municipality linked with a handful of rural-urban marketing centres.



[Image Source: Mail & Guardian. Photo: Madelene Cronjé](#)

Broadly speaking the aim is to create farmer-owned value chains in conjunction with areas targeted for land reform. Thereby providing not only access to markets and support to land reform beneficiaries but also to provide them with meaningful ownership and control in the value chain. It is hoped that the initiative will create 300,000 jobs and contribute to transforming both the primary sector as well as the value chain.

These are noble aims, but the 'nuts and bolts' of the design reveal a centrally planned structure that largely depends on government support. Whilst we urgently need to promote the growth of a viable intensive smallholder sector that is integrated into a successful value chain, there is concern that the design regresses back to the model of a highly-regulated industry reliant on state support like South Africa had prior to the decision to deregulate the industry in line with the General Agreement on Trade and Tariffs (GATT).

Areas in the Agri-park concept design that require attention:

Site selection

One of the critical success factors will be whether the producers in the local area can supply sufficient material for the Agri-park to process or package. Socio-economically depressed areas with abundant and underused agricultural land have been prioritised by the state thus far. The rationale is that the Agri-parks must act as a catalyst to develop these areas but it presents an enormous challenge as sufficient primary production would have to be stimulated simultaneously whilst the processing facilities are being built. To give these farmers the best chance of succeeding, a guiding factor for site selection must be sufficient water and irrigable soil to cater for intensive irrigation production. The choice of the commodity must also

be driven foremost by market intelligence.

Duplication of existing value chains

There is undoubtedly a need for greater transformation within the sector, however, there is a concern that Agri-parks, if heavily supported by government, may interfere with the normal operation of the market and create white elephants that cannot sustain themselves when government funding finally dries up. An alternative would be to craft a series of meaningful incentives to transform the value chain itself as well as make it more accessible to smallholder and emerging farmers by utilising the globally competitive skills and market access agreements already developed and maintained by existing agribusinesses.

Budget constraints

The initial budget allocated is R2 billion per year or R45 million per Agri-park. As such, it will be key to incentivise additional investment by the private sector and prioritise the initial budget for creating an enabling environment for existing, local business to grow and to purchase shares on behalf of HDIs in new commercial ventures for the Agri-parks as a form of seed capital.

International lessons

Drawing on the successes of Agro-parks in India and the Saemaul Undong of South Korea, there are a few principles that should be incorporated into Agri-parks in South Africa to promote their success.

Firstly, any development must be market driven. The historical distribution of commodities should be approached with circumspection as the impacts of climate change should not be underestimated. More importantly, Agri-parks must produce what the market wants. Site and commodity selection must be based on market intelligence. In this regard, the existing commodity traders, agribusinesses, and commodity organisations have a wealth of knowledge that should be tapped into.

Secondly, Agri-parks should not duplicate the existing structures nor try to compete with it. A model reliant on central planning may not be able to compete in a fast-changing environment where quick decisions need to be taken. As such, it is worth investing in experienced managers without being overly prescriptive regarding the governance model. In this regard the South Korean model has highlighted the sustainability advantage of incorporating existing, local social and governance structures as much as possible.

Finally, government's role should be limited to providing incentives and some basic infrastructure to attract investment and this should be developed in partnership with existing private sector institutions. In exchange, conditions could be placed on the investment to ensure that developmental goals are adhered to by the investors.

Alternative approaches to consider

There is both theoretical and empirical basis to believe that value-added production in agriculture is a potentially valuable source of rural earnings growth, however, this does not necessarily mean that a centrally planned, government funded model is the only way to achieve this. While there is scope for large commercial developments, the potential value of supporting farmers in loose and informal value chains should not be underestimated. Electrification, efficient extension services coupled with affordable credit and insurance can make a meaningful difference. To date, commodity organisations have proven to provide the most effective support to emerging and commercial farmers. Instead of reinventing the wheel, government should consider partnerships to further capacitate these organisations and enable them to provide the support needed.

Sourced from the original article written by Annelize Crosby, Dr Jack Armour and Theo Boshoff.

ABOUT THE AUTHOR

Annelize Crosby, Agri SA's Advisor Legal and Land Affairs; Dr. Jack Armour, Free State Agriculture, Commodity Manager, and Theo Boshoff, Agri SA Legal Officer

For more, visit: <https://www.bizcommunity.com>