

Japan International Cooperation Agency

**Republic of South Africa  
Preparatory Survey on BoP Business on  
Incubation Program for Emerging  
Small-scale Vegetable Farmers through  
Production and Business Training**

**Final Report (Summary)**

**May 2015**

**SAKATA SEED CORPORATION  
PlaNet Finance Japan**

OS
JR
15-043

## Map for Survey Target Area



Source:

[http://www.embassyworld.com/maps/Maps Of South Africa/images/south\\_africa\\_2000.jpg](http://www.embassyworld.com/maps/Maps Of South Africa/images/south_africa_2000.jpg)

## **Table of Contents**

1	Study Overview and Background .....	1
2	Sakata's Business Operations in SA and sub-Saharan Africa .....	1
3	Agricultural Sector.....	1
	3.1 Agricultural distribution market	
	3.2 Small-scale farmers and BEE legislation	
4	Initial Business Model Development.....	2
5	Partnership Formulation for Pilot Program .....	2
6	Preparation and Implementation on Pilot Program .....	5
	6.1 Pilot program preparation (Module development)	
	6.2 Pilot program implementation	
7	Evaluation of Pilot Program.....	9
	7.1 Development impact	
	7.2 Project evaluation	
8	Expansion Strategies for Neighboring Countries .....	12
9	Operation Plan.....	13
	9.1 Operation and personnel plan	
	9.2 Cost projection	
	9.3 Financing plan	
10	Potential Collaboration with JICA .....	15
11	Summary .....	15

## Abbreviation

AgriSETA	Agriculture Sector Education Training Authority
ANC	Africa National Congress
BB-BEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
BOP	Base of the Pyramid
BRICS	Brazil, Russia, India, China, South Africa
COOP	Agricultural Cooperative
CSI	Corporate Social Investment
DAFF	Department of Agriculture, Forestry and Fisheries
DRDLR	Department of Rural Development and Land Reform
DTI	Department of Trade and Industry
ECRDA	Eastern Cape Rural Development Agency
FAO	Food and Agriculture Organization
FNB	First National Bank
FS	Feasibility Study
FTFA	Food and Trees for Africa
GDP	Gross Domestic Product
JICA	Japan International Cooperation Agency
MAFISA	Micro Agricultural Finance Scheme of South Africa
MASDT	Mobile Agri-Skills Development and Training
MOU	Memorandum of Understanding
NEF	National Empowerment Fund
NGO	Non-governmental Organization
PFJ	PlaNet Finance Japan
PFSA	PlaNet Finance Southern Africa
PF	PlaNet Finance
SA	South Africa
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SCGs	Saving and Credit Groups
SME	Small and Medium Enterprise
SSSA	Sakata Seed Southern Africa
SVI	Sakata Vegetable Institute
TOR	Terms of Reference
TOT	Training of Trainers
USAID	United States Agency for International Development

## **1 Study Overview and Background**

This project aims to conduct a feasibility study on an inclusive business of agri-business development services including horticultural/crop production assistance and business management training for small-scale vegetable farmers in South Africa (SA).

The SA government started a land reform program after the victory of Nelson Mandela's presidency in 1994 in order to address social and economic inequalities that had arisen between the White and Black population groups under the Apartheid regime. This resulted in an estimated 3 to 4 million black emerging farmers acquiring their own land. However, a lack of knowledge and know-how in the agricultural production and management restricts these farmers in developing into commercial farmers, who earn an income through the sale of agricultural produce in the open market. As a result, 90% of black small-scale farmers are still subsistence farmers.

In this context, Sakata Seed Corporation (Sakata) plans to establish a "Sakata Vegetable Institute" (SVI), with the aim of incubating the commercialization of small-scale vegetable farmers through the provision of horticultural/crop and agri-business training as well as the facilitation of value chain linkage and financial access.

## **2 Sakata's Business Operations in SA and sub-Saharan Africa**

Sakata entered the SA market in 1999 through the purchase of a local seed distributor, Mayford Holdings Ltd. The company was re-named Sakata Seed Southern Africa (SSSA) focusing on the sub-Saharan Africa market. SSSA is involved in vegetable seed production, as well as the marketing and distribution.

Although SSSA's current business focuses on large-scale white farmers, it recognizes that emerging farmers will be a future growth market; however, a major challenge is that many of these farmers are not yet ready to purchase Sakata's high quality, hybrid seeds. In order for Sakata to penetrate this market, the Company sees the need to actively assist the emerging farmers' development through the provision of education and training opportunities that will contribute to more commercially viable farming businesses in the long term.

## **3 Agricultural Sector**

### **3.1 Agricultural distribution market**

The agricultural value chain consists primarily of inputs, production, food processing, and distribution (retail, wholesale). There are two major distribution channels in SA, i.e. commercial retail markets in cities and rural distribution outlets. The commercial retail markets are largely dominated by six major supermarket chains (Shoprite, Pick n Pay, Spar, Massmart, Metcash, and Woolworths), who make up 60% of this sector. Rural markets make up 32-45% of the total food market sales in the country, mainly led by informal small business owners including middlemen, local grocery stores and street vendors. About 70 % of locally produced commodities enter the processing sector.

Agricultural providers can generally be divided into 2 segments i.e. large-scale commercial farmers and small-scale farmers. According to the 2007 National Census, the number of subsistence farmers is estimated to be around 2 to 2.5 million, whereas small-scale commercial farmers number between 0.2-0.25 million.

### **3.2 Small-scale farmers and BEE legislation**

#### **a). BEE legislation**

The government launched the "Broad-Based Black Economic Empowerment : BB-BEE" legislation in 2003, that aims to re-dress the inequities of Apartheid's legacy. This ensures that private and governmental institutions promote wider participation of black people in corporate ownership and management, supports skills development, as well as the employment, market participation and social development of certain disadvantaged groups (black people and coloured people). The BB-BEE legislation provides a series of indicators and guidelines for the wider

participation of black people in corporate activities. Private companies are scored against their level of compliance with the BEE indicators. Companies with higher scores receive priority in government procurement tenders and trade-related legislation such as licensing.

In the agricultural sector, DAFF announced an “AgriBEE Framework” in 2004 and upgraded it to formal legislation with the “AgriBEE Charter” in 2008.

The AgriBEE charter aims to promote BB-BEE in the agricultural sector through encouraging black people’s participation in various levels of the agricultural value chain. It defined its own “AgriBEE Scorecard” to incentivise producers, processors, and retailers in the agricultural sector to comply with BB-BEE legislation .

#### **b). Amendments to the BB-BEE Act**

The Code of Good Practice on BB-BEE was announced on February 2007 by the Department of Trade and Industry (DTI), setting guidelines for the generic BB-BEE scorecard, amending the code in October 2013. The new BB-BEE code identifies ownership, skills development, enterprise and supplier development as priority elements. Under the new enterprise and supplier development element, preferential procurement and enterprise development in the former code have now been merged into a single priority element. To gain points for this element, it requires spending 2% of net profit after tax (NPAT) for Supplier Development with a 3 years contract in place, and 1% of NPAT for Enterprise Development to the related activities and beneficiaries.

### **4 Initial Business Model Development (Planned Pilot Program Model)**

The initial draft for the business model of the pilot program was developed based on market research into the current situation of targeted farmers, training needs assessment as well as review of existing training programs, with two components i.e. as a ‘training program’ and ‘value-chain development’: ‘Training program’ is divided into ① vegetable production training and ② business training that includes a financial literacy component. ‘Value-chain development’ consists of ③ facilitating market access through partnerships with retailers and processing companies, and ④ promoting financial access through partnership formulation with financial institutions.

Sakata Vegetable Institute aims to be financially sustainable as an independent entity for the services continuation while its objective is not profit-oriented. The expected sources of income for the institute were set as;

- (A) Participation fees collected from farmers
- (B) Training fees paid by partner financial institutions
- (C) Training fees paid by governmental/developmental institutions

By structuring the sources of income above, it was designed to minimize the participation fees of farmers. However, if delivery of training was provided at no cost to farmers, this could trigger low participation which is the reason that SVI felt the need to ask farmers to bear even a small amount of the fees. SVI also considered free training opportunities for the first few times as a trial for stakeholders to experience the SVI training.

### **5 Partnership Formulation for Pilot Program**

#### **a) Governmental Institutions**

Partnership model with governmental institutions was discussed mainly through DAFF to utilize a ‘Training of Trainers’ (TOT) approach but this could not be finalized with DAFF headquarters. However, DAFF provincial offices in Modimolle and Nwanedi helped facilitate the co-ordination of training activities when SVI training was delivered. With other sites, SVI partnered with SEDA, which had a support program for agri-COOPs in specific sites, also with ECRDA (Eastern Cape Rural Development Agency) to experience different means of co-ordination. The chart below indicates discussions held with governmental stakeholders.

Chart 5.1 : Discussions with Governmental Institutions

Name of Organization	Outline	Discussion	Discussion Summary
DAFF (Department of Agriculture, Forestry, Fisheries)	Total management for agriculture related program: study on Small-scale farmers, managing Extension Officers, provision of agri-finance (MAFISA)	<ul style="list-style-type: none"> <li>Request for small-scale farmers' Macro data</li> <li>Conduct ToT through Extension Officer</li> </ul>	Explored possibilities of partnership formulation in each site through discussion with DAFF HQ. Though once agreed and reached its mutual understanding, detailed discussion towards partnership formulation was forced to be suspended because of the Farmer director general's leave. Have approached via South African Embassy in Japan, but no remarkable progress has been made. However, conducting baseline surveys and coordination for pilot training was supported in some provinces and sites.
SEDA (Small Enterprise Development Agency)	Under the Department of Trade and Industry(DTI), conducting technical trainings to primarily cooperative (including agri-cooperative)	<ul style="list-style-type: none"> <li>Technical training to SEDA staff and their vegetable farmers</li> </ul>	Agreed on partnership formulation in North West, where vegetable farmers are relatively in large number, after the discussion and conducting hearings with headquarters. Though pilot project has been implemented with coordination of SEDA, actual formulation of MOU took amount of time for their internal procedures; therefore, it did not conclude during the period of FS.
DLARD (Department of Land Affairs and Rural Development)	In charge of Land reform, Facilitating Recapitalization/partnering with DAFF	<ul style="list-style-type: none"> <li>Feasibility for technical training to farmers who acquired land through land reform</li> </ul>	SVI prioritized discussion via DAFF for Production training, therefore discussion with DLARD was suspended. Once FS period is over, SVI will update our information to DLARD.
AgriSETA (Agricultural Sector Education Training Authority)	In charge of human resource development for agricultural sector under the Ministry of Higher Education and Training. Funding resources are available from private companies as well. It has agri university.	<ul style="list-style-type: none"> <li>Conduct ToT via capacity building to agricultural university students</li> </ul>	Submission of proposal was requested at initial stage of FS. Though no response was received by AgriSETA, therefore, AgriSETA was not on the shortlist for possible partners of SVI project. Another approach was reconsidered within the team in the scope of sustaining SVI. Any funding as well as receiving commission will be pursued.
Eastern Cape Rural Development Agency(ECRDA)	State government of Eastern Cape set up its organization with aim of facilitating rural development.	<ul style="list-style-type: none"> <li>Provision of loan scheme for farming and facilitation of value chain system</li> </ul>	In Feb 2014 JICA's seminar held in Yokohama, Mr.Tasaki met Ms. Kall who is a board of director of ECRDA. Ms. Kall informed SVI of their project details and requested the site visit. SAV and PSA kept discussion with ECRDA in SA and formed pilot implementation around Mthatha in EC.

### b). NGO/ Other Training Partners

The partnership with NGOs planned to use the TOT approach by providing training to their field staff. However, the partnership with Technoserve continued to provide “direct training” except for the first mini-pilot. Technoserve functioned as a window for the training co-ordination at least during the feasibility study period. This was because SVI first conducted a mini-pilot of TOT to Technoserve’s junior business advisors (field staff) in September 2013 but found that they had a limited number of advisors and languages differed between sites. Therefore, the direct training approach was used. SVI also decided to apply the direct training approach with Food and Trees for Africa (FTFA) due to a lack of capacity of their field staff. Discussions are summarized as below.

Chart 5.2 : Discussions with NGO and Other training partners

Name	Outline	Discussion	Summary
Technoserve	US based NGO. Hires “Business Advisor”(BA) as their own staffs, and provides continuous support (procuring input as well as technical support provision).	Intended to apply ToT approach, but switched to direct training approach.	Conducted mini-pilot in September 2013 to BAs. Trainings conducted even in outside of SVI sites, in response to their requests. Overall, reputation was well received by Technoserve so the pilots were conducted in Bejama, NW and Jodini, KZN. The partial costs were beard by them.
Food & Trees for Africa(FTFA)	US based NGO that supports agriculture and planting in African countries. Primal sponsors are mining companies and the fund received is utilized to promote green activities and community development. Agricultural projects are also included.	Understanding their agricultural projects and feasibility to partner with them.	Phase 1 training was conducted in Bronkhorstspuit, GP. Training itself was highly evaluated, but the site encountered community problem(conflict). So far, the phase2 is suspended because of the community conflict.
LIMA	NGO who is specialized in Agriculture development and rural development. It provides credit loan product for input procurement in farming with support from Massmart.	Discussed and confirmed potential pilot sites(Jodini and others). Interview regarding LIMA's program and farmers' profile. Feasibility study on: potential partnership with SVI training.	Baseline surveys was conducted to farmers in Jodini, KZN among potential sites. However, their target level was slightly lower than what we had expected. In addition, SVI and LIMA was not able to formalize the discussion about partnership, therefore, the partnership formulation during FS was suspended.
DAI (Development Alternatives Inc)	US based consulting agency. In SA, DAI supports farmers who are entering or can contract with retailers for supplying their products.	Selection of farmers among DAI's agricultural projects.	Intended to identify the right farmer group, but they were not found. Partnership formulation was suspended during FS.

### c). Retailer/Food Processing Companies

According to the interviews conducted, all the primary retailers were generally keen to procure from small-scale farmers, provided these small-scale farmers were able to consistently supply the required quality and volumes. Nonetheless, it was difficult to measure remarkable progress on volume/quality and to result in off-take agreements with retailers/food processing companies as training outcomes during the limited period of the FS. SVI will follow-up these discussions after the FS.

Among the retailers and food processing companies, Massmart showed a keen interest for entering into a partnership. Massmart conducts a support program for emerging farmers in many sites. Its support program is to contract with farmers for provision of agricultural inputs, supplied directly to Massmart.

In terms of the relationship between Massmart and SVI, SVI conducted a pilot training at Nwanedi with the DAFF provincial office, in response to a request from Massmart. This was not a question of linking farmers to Massmart for an off-take agreement, but rather Massmart wanting to improve the quality and quantity of



produce from these farmers. SVI will also discuss with In2Foods, a processing company, after the FS, since In2Foods are interested in procuring from trained farmers by SVI if the quality and quantity of fresh produce is assured.

Chart 5.3 : Discussions with Retailers /Food Processing Companies

Name	Outline	Discussion	Summary
Massmart	Under the Walmart Holdings Ltd. Started involved in fresh produce sales in Africa. Its target for year 2013 is to facilitate 1,500 small-scale farmers' support.	Conducting small-scale farmers' support in KZN, LP, and MP. Exploring the feasibility of partnership model in each province.	Based on the multiple discussion, pilot project has been determined to be conducted in Nwanedzi, LP. Conducted pilot with DAFF provincial department to emerging farmers/Massmart supports in their program.
Pick 'n Pay	One of the biggest retail companies in SA. Its support program is implemented through Ackerman foundation and Enterprise Development Fund. Soft loan provision (interest free) to farmers is in practice.	Intended to discuss about feasibility of Input purchasing by Pick'n Pay Foundation's program and of procuring certain amount of volumes & quantities from Pick'n Pay.	MOU formulation has been our agenda, but PnP's target was not solely small-scale farmers. Eventually SVI and PnP could not conclude in agreement with the size and target, therefore partnership was suspended during FS. However, some farmers in certain areas supported by SVI are already procuring for PnP, so SVI can introduce clustered farmers that can meet its procuring condition.
Woolworth	High-end supermarket which deals with organic products. Required quality is high and most of the stores are located in the mall.	Whether they can introduce adequate farmers in Jozi, KZN.	SVI has visited Jozi area and explored the possibility, but discussion was suspended. Their targeted supplier is slightly higher than SVI support farmers. There is a room for future partnership if training received farmers keep growing and building their capacity.
Freshmark (Shoprite)	One of the biggest supermarket, Shoprite's fresh produce procurement department. Currently supporting 50 small-scale farmers. (assisting cucumber farmers in North Cape)	There are 30 items in checklist regarding measure of crop quality. If emerging farmers can meet the requirement, Freshmark is willing to procure from them.	Check points and demand for off-taker agreement formulation has been studied, but partnership formulation was not considered until after the FS period. Because its outreach in outside of SA (Mozambique, Zambia, Namibia) is also high, follow-up discussion will be needed after the FS period.
Sper	It has the biggest presence among black population such as Township. Each store has its ownership, and how to procure necessary goods is dependent on each store.		Discussion did not take place at initial stage of FS since there were no clear vision planned. The store not only procure from HQ's procuring department and fresh produced market, but they purchase from local small-scale farmers mostly such as cabbages, spinaches, and other veggies. Outreach to Botswana, Namibia, Zimbabwe is observed. Follow-up meeting will be held.
In 2 Food	Food processing company for Woolworth distribution. Ready-made items is their primarily production.	Keen to procure from small-scale farmers if they meet the quality standard. However, cold chain (storage) is necessary.	In2 Food is keen to procure from our beneficiary farmers if all the conditions such as quality and quantity are fulfilled with their expectations. Partnership was suspended, but SVI will negotiated after FS.
Tiger Brands	One of the biggest food processing companies in SA.	In certain areas, credit loan for seed is provided to small-scale farmers. Tiger Brand is keen to work in the area where SVI already started supports for farmers.	Most of the farmers already supply for Tiger Brands at one of the SVI conducted site, Nwanedzi. Therefore, SVI contacted and they showed interested in partnership formulation, but we could not conclude partnership formulation during the limited time in FS. We will try to discuss with Tiger Brands once again.

#### d). Financial Institutions (Private/Governmental)

All the major private financial institutions have already implemented loan programs to small-scale farmers, but the market was shrinking due to the low repayment rates, etc. No remarkable change was seen during the FS period. However, FNB still shows interest to partner with SVI as a way to improve the repayment rate as long as FNB secures enough funds. Follow-up discussions including whether loan disbursements to small-scale farmers are possible when a guarantee institution is on board will be held after the FS. As for governmental financial institutions, although many financial institutions were already giving loans to small-scale farmers, not much interest in SVI was received from them; therefore, discussion was suspended during the FS.

Chart 5.4 : Discussions with Private Financial Institutions

Name	Outline	Discussion	Summary
First National Bank (FNB)	One of the biggest 4 commercial banks. Limited experience in agricultural loan disbursement, but had scheduled to receive 50 million Rand through DAFF.	FNB was designing the product (design as well as criteria for loan application) to utilize the 50 mil R budget. SVI and FNB held meeting to further discuss if SVI farmers would be considered as target client.	Discussion was suspended and given up from both side of SVI and FNB because negotiation between FNB and DAFF took amount of time and yet the funding has not reached to its final contract. Though FNB still showed an interested in engaging in SVI and mentioned that they were thinking to apply so called value chain finance model in real practice, instead of direct loan disbursement to SVI farmers. For example, FNB would disburse loan to partner NGOs of SVI (potentially Technoserve, LIMA) and those partners will provide payment in-kind to farmers for input in agriculture. FNB is in the process of formulating contract with SEFA, governmental financial institution for private companies and MSMEs. However, their target level is slightly higher than SVI. The loan size of SEFA's program is up to 20 million Rand at most, and the beneficiaries are relatively in semi-commercial level and not considered to be subsistence or small-scale farmers. The discussion with SEFA is suspended because of the described reasons. However, SVI will seek a possibility of accessing their loan products to SVI farmers when the guarantee fund (specifically Thembani Guarantee Fund) can secure the financial risk even to small-scale-sized farmers.
ABSA Bank	One of the four biggest commercial banks known to be actively involved in agricultural loan. There are two types of loan products: (1) over 5 million Rand (2) below 5 million Rand. And their target client is relatively larger farms.	Discussed about their existing small-scale farmers' program and possibility of partnership with SVI. SVI also checked their definition of "small-scale farmers" to understand if there is a gap between us.	Though meeting with ABSA was conducted, their target level was higher than SVI's perspective, so the partnership formulation was suspended. ABSA sees its importance of clients' repayment capacity, and it will be questioned as long as loan product is provided. (For example, 5Ha of farm size and presenting off-taker agreement are the criteria for loan application)
Westbank	Westbank is commercial bank under First Rand Group (FNB is also under this group). Primary product is asset based loans such as auto loan.	Westbank itself did not disburse loan for small-scale farmers, but Westbank Fund does (Funding scheme for small-scale farmers existed)	Westbank introduced SVI their agricultural projects, but the discussion was not proceeded. Discussion about partnership formulation was suspended during the FS period.
Old Mutual (Nedbank)	Parent company is a leading insurance company, also hold Nedbank (one of the major 4 commercial banks) as subsidiaries		Old Mutual is known to have Masizane fund and existing development program for small-scale farmers. However, the interview did not take place.
Standard Bank	Emphasized in agricultural finance. To be known as one of the most leading banks in the sector among four commercial banks.		Standard Bank once inquired SVI for its project details, but no correspondence was made after. Based on that, SVI concluded their interest level was not high.
Capitec Bank	Capitec Bank's capital comes from securities company. Agricultural finance is not provided.	Capitec Bank did not have agricultural loan program.	N/A

Chart 5.5 : Discussions with Governmental Financial Institutions



Name	Outline	Discussion	Summary
SEFA (Small Enterprise Finance Agency)	Under the DFI, SEFA conducts SME loan provision. Partially, loan disbursement to agri-coop is conducted.	<ul style="list-style-type: none"> <li>List up agri loan</li> </ul>	Outreach for Agri-related product is still limited. Since their engagement in the vegetable farmers is very few, discussion for partnership has been suspended.
NEF (National Empowerment Fund)	NEF is engaged in investment and loan provision to the black enterprises. Invested in small-scale farmers' agriculture projects. There are technical service department as well after they implemented investment.	<ul style="list-style-type: none"> <li>Technical advisory service to loan clients.</li> <li>Sharing potential agri-loan clients.</li> </ul>	SVI proposed an program to their loan clients (beneficiaries) they support as to add within their training program. Though priority is relatively high, partnership formulation seem that it would take some more time.
Land Bank	Governmental loan provider for agriculture. Its entity holds credit department for emerging farmers. Under the department of finance.	<ul style="list-style-type: none"> <li>Partnership with regards to agri-loan</li> <li>Technical training to the bank's loan recipients.</li> </ul>	SVI saw their limited interest for partnership. Discussion will be suspended.

### e). Input Companies (Fertilizer, Chemical)

After the mini-pilot conducted in September 2013, an SVI trainer suggested inviting third party experts to deliver special training about fertilizer and chemical use. The team agreed to this as it was perceived to be a benefit to farmers. Through the discussions with a fertilizer company, Omnia, and a chemical company, Bayer, the team reached an agreement to include their participation in the training programme.

Chart 5.6 : Discussions with Input Companies(Fertilizer, Chemical)

Name	Outline	Discussion	Summary
Omnia	One of the most leading fertilizer companies in SA which also deals with explosive manufacturing. There are not many supporting emerging farmers around Johannesburg area, also their target has been relatively large-scale farmers growing corn and maize.	Whether we could partner in potential pilot sites. Checked if they are able to participate as trainers. They are reluctant to be a solely training provider, but agreed to participate as part of SVI training component.	Participated as trainer for fertilizer expert in the series of Phase2. After FS, TOR will be set to enhance mutual understanding and eliminate the risk of them being focused on their sales talk.
Bayer	Global company producing and selling healthcare service and chemical. In SA, they have training module and trainers with the training record.	Keen to partner with SVI as utilizing their accumulated knowhow. SVI wants to deliver chemical training from expert since we acknowledge the importance of securing food safety in order to gain trust from retailers.	Trainers from Bayer attended and delivered its training in several sites as part of Phase2. Normally, they do provide detailed program so the content can be designed beforehand along with the request in case further program is needed.

## 6 Preparation and Implementation on Pilot Program

### 6.1 Pilot program preparation (Module development)

#### a) Mini-pilot with Technoserve

Module development on production and business training was started in August, 2013. SVI trained Technoserve's field staffs (Junior Business Advisor) for 2 days in September 2013 to obtain feedback and further develop the modules. The Day1 production training covered production know-how and checklists for each crop. The contents included detailed crop production training such as soil preparation, crop planning and timing of harvests according to season, typical disease and how to handle these diseases, varieties of fertilizers, as well as the frequency and amount of application of fertilizers. It also included a holistic approach for post-harvest and distribution by including knowledge of market price throughout the year, how to predict important factors that affect sales price, and where to market depending on crops.

During the 2<sup>nd</sup> day, business training was delivered on record-keeping, budgeting and facilitation. As for record-keeping and budgeting, income and expenses were listed and divided whether it was fixed or variable. Once they were categorized, each item was listed as personnel, land fee, electricity, water, or loan repayment, etc. Record-keeping training was aimed at farmers to be able to capture weekly profit and loss. In the training, the idea of "farming as a business", which small-scale farmers had difficulty grasping as a concept and mind-set, was introduced. The training highlighted the importance of differentiating farming accounts to ones in the household.

As a result, according to the evaluations collected, almost all the participants felt their level of knowledge of the topics covered during the production and business training.

#### b) About training implementation with Technoserve outside of SVI (Pre-pilot)

The SVI mini-pilot was highly rated by Technoserve and an additional request to conduct direct training in other 4 sites (Badplaas in Mpumalanga, Nkhomazi in Mpumalanga, Midlands in Kuwa-Zulu Natal, Vuhlamhlo - Port Shepstone, Kuwa-

Zulu Natal) was received. However, since the 4 sites were not SVI pilot sites, those 4 sites trainings were conducted only for module development purpose. The overall evaluation of the SVI training was well-received although the level of production training to the semi-commercial level of farmers was a bit lower. The production module was largely revised and it was decided to conduct 2 hours of in-depth training for each crop. It also included understanding the features of each crop, knowing the right timing for production, application of fertilizers and chemicals. As for business training, how to procure funds or loans for inputs was added. Another modification to the accounting module was made with the inclusion of the agri-business cycle.

### c) Training Module Development

Based on the evaluation of the mini-pilot and pre-pilot mentioned above, the pilot modules used during the pilot phase was revised. One cycle of training flow consisted of Phase 1 with 3 days' training (production and business), 1-day field visit as a follow-up a month after the Phase1 to monitor whether the learned know-how was implemented in actual farming as well as to give advice. Another month after the follow-up, Phase 2 with 3 days of training was planned. After Phase 2, there was another 1 day follow-up visit to the field.

## 6.2 Pilot program implementation

Initially, the plan was to follow a TOT training approach held at SSSA Headquarters in Lanseria, to train staff who would be deployed to train farmers in the North West and Limpopo provinces. However, there were not any pilot sites where the 3 players (training co-ordinator (governmental or NGO), retailer/food processing company, and financial institution) agreed on a partnership. Considering the time to form partnerships, SVI decided to prioritize other sites from Lanseria in which the stakeholders were established and operating. The first pilot was started in the North West at the end of November 2013, and then 5 sites followed till December 2014. A summary of activities at each site follows:

### a) Bojanala, North West province

The pilot training in Bojanala was partnered with a NGO (Technoserve) and a government institution (SEDA). Based on the results of the mini- and pre-pilot with Technoserve, the team was confident to proceed with this NGO. This was the first site to implement a pilot and all the phases were completed: Phase 1, Follow-up, Phase2, and Follow-up2. This is summarized below:

Phase1	December, 2013, 3 days	<ul style="list-style-type: none"> <li>• 9 small-scale farmers from Technoserve and 3 from SEDA attended.</li> <li>• Half of the costs was covered by Technoserve.</li> <li>• Was a big step for SVI since fees for printing and venue was able to be collected.</li> </ul>
Follow-up1	May, 2014 1 day	<ul style="list-style-type: none"> <li>• Gave advices at the field.</li> <li>• Observed an impact of training on ground.               <ul style="list-style-type: none"> <li>✧ Utilizing ridge for better irrigation</li> <li>✧ Selection of right variety and planting season</li> <li>✧ Improvement on record-keeping</li> </ul> </li> <li>• Also found remaining challenges in some farmers:               <ul style="list-style-type: none"> <li>✧ crop disease because of not enough fertilizer application</li> <li>✧ multi-crops were grown by at one site</li> <li>✧ still confused and mixed farming and household accounts</li> </ul> </li> <li>• In Phase2, those will be improved.</li> </ul>
Between Follow-up1 and Phase 2		<ul style="list-style-type: none"> <li>• Detailed module was developed reflecting discussions with input companies and findings from the follow-up1.</li> <li>• Decided to include a reviewing process for record-keeping.</li> <li>• Added training on market trade and access by Mike Cordes who is an expert at fresh produce markets and the chairman of Market Agents Association, in response to the request from Technoserve. Content covers influential elements such as quality of product and packaging, which decide market price.</li> </ul>
Phase 2	August, 2014 3 days	<ul style="list-style-type: none"> <li>• Overall evaluation was very good.</li> <li>• Remaining challenges: Fundraising for inputs purchase (fertilize and chemical) and personnel costs.</li> <li>• Fundraising, Loan management, Budgeting, and Planning for next 3 months were added to future trainings.</li> </ul>

Follow-up2	October, 2014 1 day	<ul style="list-style-type: none"> <li>• Comparison between follow-up1 and follow-up2 based on a checklist.</li> <li>• Phase 2 was effective: improvements were found on both production and business.</li> <li>• Farmers kept using training materials. Presented record-keeping habit.</li> <li>• Lots of questions were asked during the field visit.</li> </ul>
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### b) Modimolle, Limpopo province

This was the 2<sup>nd</sup> site where SVI conducted a pilot. SSSA already had a good relationship with the DAFF provincial office, which helped obtain support to conduct the pilot. All the training phases were completed at this site as well. As the level of farmers was relatively high and well-balanced, together with the co-ordination capacity of the DAFF provincial office, Modimolle is considered one of the best performing sites.

Phase1	January, 2014 3 days	<ul style="list-style-type: none"> <li>• DAFF provincial introduced 16 selected farmers who had used to be a part of “tomato growing program” under Technoserve and Massmart.</li> <li>• They were categorized as <u>potentially growing farmers</u>.</li> </ul>
Follow-up1	May, 2014 1 day	<ul style="list-style-type: none"> <li>• Not many farmers who could not keep up with phase1.</li> <li>• Similar observation was found as Bojanala in business training.</li> </ul>
Phase 2	September, 2014 3 days	<ul style="list-style-type: none"> <li>• Positive feedback was received, and active participation in discussion was observed.</li> <li>• Actual implementation of the training know-how to the field could be expected.</li> </ul>
Follow-up2	October, 2014 1 days	<ul style="list-style-type: none"> <li>• Farms visited were good conditions in general.</li> <li>• Comparing to the follow-up1, crops looked fresh and very well and it seemed that a lot of what was introduced in the training was being implemented. <ul style="list-style-type: none"> <li>◇ For example, their produce looked really fresh and well taken care of, the spinach had larger leaves than before and cucumbers were of good size.</li> <li>◇ After receiving the training, a farmer improved their volume overwhelmingly and shared own feeling as <i>“I am now able to control the plant diseases better and have adopted better planting techniques. Therefore, overall I have been able to have high crop yields as a result of the training that has taken place.”</i></li> <li>◇ <i>“I have increased the number of crops that I now plant. Since the training, I have been very precise in ensuring to plant the right crops in the right seasons, and it has saved me lots of costs”,</i> said another farmer managing multiple crops.</li> </ul> </li> <li>• Challenges reported from the trainee: <ul style="list-style-type: none"> <li>◇ Normally presenting evidences for record-keeping and account management was a part of the requirement at the follow-up. However, despite the fact that farmers were notified from DAFF provincial office in advance, some farmers presented no records at the field.</li> <li>◇ Possible reasons were either they did not have a habit of record-keeping or was still facing many challenges to do but did not want to reveal or admit it.</li> <li>◇ Considering the fact, it is important to maximize the training impact by regular visits from the local department to support farmers keep up-to-date with their financial records.</li> </ul> </li> </ul>

### c) Jozini, KwaZulu-Natal provinve

Jozini is situated in a different climatic zone to other projects implemented in the northern areas of the country and has access to a well-equipped irrigation system. This area therefore has received a lot of interest from retailers and food processing companies. Technoserve, which SVI partnered with at the Bojanala site, requested us to provide training to farmers in their Jozini program. SVI decided to partner with Technoserve in this area as well, after confirmation that the profile of potential participants matched SVI's target. Technoserve partially paid for some of the training costs such as training venue, catering service and transportation fees, but SVI paid for personnel costs as well as for the trainers' transportation and accommodation. Operational costs in Jozini were greater than other sites since the site was about 7 hours' drive from SSSA's Headquarter's in Lanseria, Gauteng. Due to budget constraints, only Phase 1 was conducted though SVI tried to ensure the budget for further phases during the FS. However, the SVI training was well received by both Technoserve and the trainees, so this site was highly recommended as a potential site for the future.

Phase1 (Production)	April, 2014 2 days	<ul style="list-style-type: none"> <li>• 23 small-scale farmers who had used to participate in “Growing Butternut Program” under Technoserve and Massmart , who recognized these emerging farmers as potential for future growth</li> </ul>
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		<ul style="list-style-type: none"> <li>• Delivery of production training was prioritized over business training in response to Technoserve's request considering Massmart procurement and quicker effect of the training.</li> </ul>
		<ul style="list-style-type: none"> <li>• After the Phase 1, the trainees switched to a different variety (from Open Pollinated Variety to F1). F1 is more resilient and suited for local circumstances in terms of yield, anti-disease, etc. Not only yield of crops are high, but procurer prefers the F1 variety. Therefore, trade of volume was increased. <ul style="list-style-type: none"> <li>✧ Massmart changed to procure from the site when trained farmers started producing Pluto, a F1, sold by SSSA, over butternut variety.</li> <li>✧ Though many claimed as costly for hybrid seeds, other related costs incurred from utility and inputs would be normally lower than that of using open variety</li> <li>✧ Among participants, there were farmers interested in purchasing F1 seeds from SSSA with regular price.</li> </ul> </li> </ul>
Phase1 (Business)	August, 2014 2 days	<ul style="list-style-type: none"> <li>• Active participation was observed. Participants shared own insight and experiences in group work discussion.</li> <li>• 90% of participants said they had never did budgeting. Some said the budget training was a life-changing moment.</li> <li>• Asked 2 volunteers, and utilized their farming example in group work.</li> <li>• Entrepreneurial Mindset component offered a mindset opportunity. They started seeing 'farming as business'.</li> </ul>

#### d) Bronkhorstspuit, Gauteng province

Gauteng province is located in an easily accessible market place which has 2 fresh produce markets (situated in Johannesburg and Pretoria). The two markets dominate more than half of market trade in total. Bronkhorstspuit has a high potential site in terms of off-take agreements because it is only about 60km east from Pretoria and many food processing companies' have their Headquarters in the Gauteng region. A pilot was designed with an American NGO, FTFA, as coordinator as they have good support programs in place for small-scale farmers. SVI was able to conduct Phase1 and Follow-up1 in this area, but conflicts between farmers who received the training and who didn't within the project site resulted in a community problem. Thus, Phase2 of the pilot training was suspended due to this issue.

Baseline	June, 2014	<ul style="list-style-type: none"> <li>• Baseline survey was conducted.</li> </ul>
Phase1	July, 2014 3 days	<ul style="list-style-type: none"> <li>• 13 farmers participated (5 employees and 8 management staffs). They all belong to the same COOP.</li> <li>• 1 FTFA staff also joined.</li> <li>• Great participation was observed, and SVI trainers felt contribution to them.</li> </ul>
Follow-up1	October, 2014 1 day	<ul style="list-style-type: none"> <li>• Visited a farm of the COOP.</li> <li>• Interview was conducted to 2 farmers of management staffs as well, and they were in charge of the entire operation.</li> <li>• Managers were tracking all the record-keeping and its book keeping, and employees were responsible for applying this knowledge in their own environments.</li> </ul>

#### e) Nwanedi, Limpopo province

Nwanedi was selected as the 2<sup>nd</sup> site in Limpopo province. The city is located 230km away from Polokwane, the provincial capital, and about 70km away from Zimbabwe border. The site was selected because Massmart showed an interest in partnering with SVI to improve on the volume and quality of procurement from emerging farmers in their project. Although DAFF and Massmart helped facilitate the coordination of farmers, DAFF did not have their own training facility and an agreement for covering the costs of presenting the training was not reached. Therefore, SVI had to rent a venue from a private entity for this purpose. In addition, SVI bore the transportation costs (taxi services to transport the farmers to the venue daily) because the farmers resided in remote areas, up to 100km from the venue. As for the Phase 2 training, the participants and the DAFF provincial office requested SVI to arrange and pay for the accommodation of participants for 2-2.5 days training, to avoid the long commute over the 3 days. Therefore, Phase 2 training had to be cancelled as the budget could not accommodate these high costs. However, the level of these farmers is high in terms of both business and production and SVI still sees this as a high potential site.

Phase1	July, 2014	<ul style="list-style-type: none"> <li>• 22 farmers participated.</li> <li>• Profile levels were high: there were commercially independent farmers based on the conducted hearings and baseline surveys.</li> <li>• Most of the target farmers were leasing a farm from owners as a group.</li> <li>• SVI saw a potential as a site since there were still many farmers not entering value chain system yet.</li> </ul>
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#### **f) Mthatha, Eastern Cape (Former Ciskei/Transkei)**

SVI had set Eastern Cape as a potential site because both Massmart and LIMA have shown a keen interest in this area. As it is also known as one of the poorest provinces but with very arable soil, well suited for cultivation, the government is very interested in this as well. With this in mind, the Project Manager, Mr. Tasaki, was invited to the “Seminar for the Participants of the African Women's Entrepreneurship Program” in February 2014 by JICA. There, Ms. Kali Bongiwe from ECRDA (Eastern Cape Rural Development Agency) requested SVI to conduct training to those who were in Mthatha area. Thus, SSSA and PFSA discussed the pilot implementation considering the ECRDA was involved in a support program of fundraising for small-scale black farmers. However, ECRDA could not contribute to covering the cost of providing the training as originally planned which resulted in further training after Phase 1 being cancelled. Operational costs included flight tickets as well as accommodation as it is geographically more remote and difficult to access.

Baseline	June-July, 2014	<ul style="list-style-type: none"> <li>• Conducted baseline surveys in Ciskei and Transkei.</li> <li>• Target farmers for 10 were selected in each site</li> </ul>
Phase1	August, 2014 3 days	<ul style="list-style-type: none"> <li>• Selection process for farmers primarily depended on ECRDA because the site was far.</li> <li>• ECRDA wanted to compare the results in different sites, so farmers from two sites (Ciskei and Transkei) were selected.</li> <li>• Trainers ranked the participants as one of the most enthusiastic and passionate of all pilot sites.</li> <li>• Discussion for provision of loans to SVI farmers under the ECRDA's loan program was held, but due to lack of budget allocation for SVI farmers during the FS, it was not developed. Further discussion will be held after the FS.</li> </ul>

## **7 Evaluation of Pilot Program**

### **7.1 Development impact**

To measure the developmental impact of the pilot program, the SVI program set the following indicators and target numbers:

- 10% increase of total units yield for each small-scale black farmer
- 10% increase of units yield for each crop
- 10% increase in the number of trade and total sales price for each small-scale black farmer

To add to the questionnaire for the indicators above, SVI conducted baseline surveys for each farmer to capture basic information (income and expense) including the varieties of crops they were growing. A post survey (named “endline survey”) was also conducted using the same questionnaire to compare behaviour and knowledge pre- and post- the training. The development impact was measured by comparing and analyzing various items, samples of which are shown below.

Table 7.1 indicates the pre- and post- training comparison of yield in units, trade amount (units sold), sales price per unit, and total sales price per crop, for the specific farmers who received SVI training in Nwanedi and Modimolle. A number of farmers recorded remarkable increases leading to high scores in self-evaluation of own knowledge as seen in table 7.2. As indicated in the column of “ratio of change”, the target of 10% increase in units yield, units sold, and total sales price has been achieved. Regarding Nwanedi's tomato production, units yield, units sold, and total sales price are high in general due to the level of Nwanedi farmers being higher and the fact that off-take agreements with Tiger Brands are in place. The value chain finance model used by Tiger Brands provides agricultural inputs to the farmer and deducts the costs from the total payment to the farmer. This scheme allows farmers to plant larger volumes than usual.

Table 7.1 Changes in Units Yield, Units Sold, Total Price

Crop	Farmer		(yield)	(yield/Ha)	(units yield)	(units sold)	(Price)	(Total Price)
<b>Nwanedi</b>								
Tomato	A	Before Training	9 ha	80 tons	720 tons	720 tons	R1200 per ton	R864,000
		After Training	8 ha	120 tons	960 tons	960 tons	R3,000-3500 per ton	R 2,880,000-3,360,000
		ratio of change			33%	33%		233-288%
	B	Before Training	3 ha	80 tons	240 tons	240 tons	R900 - 1200 per ton	R216,000-288,000
		After Training	3 ha	180 tons	540 tons	540 tons	R900 - 1200 per ton	R486,000-648,000
		ratio of change			128%	128%		128-128%
D	Before Training	3 ha	60 tons	180 tons	180 tons	800 per ton	R144,000	
	After Training	7 ha	500 tons	350 tons	350 tons	R700 - 1300 per ton	R245,000-455,000	
	ratio of change			94%	94%		75-218%	
Butternut	C	Before Training	2 ha	3200 bags(10kg)	6400 bags(10kg)	6400 bags(10kg)	R25 per bag(10kg)	R160,000
		After Training	4.5 ha	4500 bags(10kg)	20250 bags(10kg)	20250 bags(10kg)	R25 -35 per bag	R506,250-708,750
		ratio of change			216%	216%		216-242%
<b>Modimolle</b>								
Cucumber	A	Before Training	3 ha	1 tons	3 tons	3 tons	R2250/ton	R6,675
		After Training	3 ha	1.4 tons	4.2 tons	4.2 tons	R3500/ton	R14,700
		ratio of change			40%	40%		130%

Table 7.2 indicates the comparison between the pre- and post- training period with regard to the planting season, timing of sales, crop planted, record-keeping and financial planning, all of which are considered to lead to the development impact besides the indicators mentioned in Table 1. This illustrates that farmers have changed and adjusted the timing of planting, when to sell the product, and what to plant, as a result of the training. Changes that were made by the farmers after the production training include a shift from planting small volumes of various crops at the same time to focusing on specific crops suited to the weather and soil conditions or cash crops such as butternuts and tomatoes. Furthermore, many of the farmers are now planning the funding of their farming businesses and are keeping records. The table below shows sample results from Modimolle, but similar training impacts have been observed at other sites.

Table 7.2 Changes in Planting Season, Sales, Planted Crops, Record-keeping, and Fund planning

Asked Question	Before	After
Change in planting season	N/A	75% answered Yes. They changed their time of planting as a result of the production training.
Sell at different times due to market fluctuations	N/A	100% answered Yes. They sell their produce at a different time from the harvest point as a result of the marketing training.
Plant vegetables different from the baseline	N/A	75% answered yes to planting new crops as a result of the production training.
Percentage of farmers gave their ideas and opinions to retail/toll-takers	33% answered Yes, about the quantity required.	75% answered Yes, about the quantity required.
Knowledge of income from vegetable production	70% answered Yes. Average amount: R 118,840	100% answered Yes. Average amount: R 749,000
Knowledge of expenses from vegetable production	55% answered Yes. Average amount: R 185,600	100% answered Yes. Average amount: R388,000
Record-Keeping	<ul style="list-style-type: none"> <li>+80% : writes down how much they produce, and have in stock</li> <li>+55% : have someone else maintain their records</li> <li>+70% : keep delivery notes</li> <li>+90% : Prepare crop sales invoices and keep copies</li> <li>+80% : Write down money coming in for the household</li> </ul>	<ul style="list-style-type: none"> <li>+100% : maintain and keep record of farming activities in a number of ways</li> <li>+50% : have someone who maintains their records</li> </ul>
Percentage of farmers saving for the farm		67%
Average price farmers would be willing to pay for training		R 357
		100%
		R 375

## 7.2 Project evaluation

### a) Customer satisfaction survey

#### Participants' Evaluation

After the trainings, participants were asked to fill out a self-evaluation form prepared by SVI, to collect feedbacks and comments. Though it was a self-assessment asking "how do you see yourself pre- and post-training", it was very important for SVI to measure their level of satisfaction for the training. Table 7.3 and 7.4 show the results from Modimolle's Phase 1 training with every aspect of the training being evaluated highly in terms of knowledge improvement. Similar results were seen in other pilot sites as well. (1=The level is the lowest, 6=the highest level)

Table 7.3 Self Evaluation for phase1

Table 7.4 Self Evaluation for phase2

Average answer per topic	Before training	After training	Average answer per topic	Before training	After training
Pumpkins and Butternuts	2.63	4.88	Chemicals	2.75	4.62
Cabbages	2.25	4.50	Irrigation & Soil Analysis	3.31	5.07
Green Beans	2.44	4.50	Fertilization	3.15	5.00
Open field tomatoes	2.69	4.81	Budgeting & Record-Keeping	3.38	5.00
Swiss Chard	3.00	4.80	Marketing	2.62	4.64
Budgeting	2.88	4.623	Costing & Cash Flow Analysis	3.00	4.40

Record-Keeping	3.06	4.75	Managing Debt	2.15	4.50
Planning	3.06	4.81	Planning for the Next 3 Months	2.92	5.00

### Level of Satisfaction and Evaluation from Partners

The Project Manager and sub-Manager in the team conducted interviews with partners during December 2014.

The training in Bojanala, North West was highly appreciated by Technoserve. However, a request for in-depth training on soil by an expert in local conditions was received. Another partner, SEDA, also expressed their great appreciation for the entire training. SVI will formulate an MOU with SEDA in response to their request for conducting training at other sites in the North West when the FS phase has been completed. The costs for training venue, catering fee and transportation for participants will be paid by SEDA.

As for Modimolle in Limpopo, SVI conducted an interview with the provincial officials at DAFF. The training was highly evaluated. However, a request for further training on soil and fertilizer was received. They also mentioned the importance of training being practical and suited to the situation of each individual. The DAFF provincial office shared their intention formalizing an MOU once requests were well accepted. The costs of the training venue, catering service, transportation for trainees will be covered by the DAFF provincial office.

The partner for Jozini in KuwaZulu-Natal was Technoserve, and as mentioned, their evaluation on a series of SVI training was very positive. Specific requests such as the translation of modules into local languages (Zulu) and in-depth soil analysis were shared. During the follow-up discussion, three potential sites (Jozini, Nwanedi, and Eastern Cape) for future partnership were proposed by Technoserve. Not all the costs were covered during the FS, but Technoserve intends to include all the costs for those 3 sites in their new financial year budget in April 2015-16.

FTFA staff who participated in the training in Bronkhorstspuit, Gauteng evaluated both the production and business components of the curriculum as highly beneficial to farmers. To enhance participants' motivation towards the training, a request for issuing a "certificate" was received. Also, FTFA staff showed an interest in seed/seedling trials at their fields after they recognized the quality of Sakata seeds. Generally, the SVI training was highly evaluated and FTFA was positive towards formulating an MOU. There were however no more farmers at this site that could be identified as meeting the SVI target; thus, FTFA agreed to inform about potential targets in neighbouring areas. FTFA will bear the costs of venue, catering service, and transportation for trainees.

An interview with Massmart, who partnered with SVI in Nwanedi, Limpopo did not take place during the field visit in December 2014 due to a company restructure. However, as mentioned, SVI already received a great evaluation on training that was held. SVI will consolidate training outcomes and performance and will discuss their intention for procurement for the post FS period.

The visit and face-to face interviews in Mthatha, Eastern Cape was called off because of time constraints and distant location. Although the visit did not take place, SVI confirmed their positive feedbacks before-hand. Since the provision of soft loans to farmers by ECRDA is in our interest, discussions will continue after the FS period.

### **b) Areas of Need Improvement within the Training Component**

The project team re-designed the training flow, components, and module after carefully considering the participants' self-evaluation, partner's feedback described in a) as well as the SVI trainers' own evaluation.

Further suggestions include giving away a scoop for fertilizer and chemical measurement as well as a sowing chart, which would help practical practice of knowledge learned during the programme. The chart summarizes the right timing



for planting and harvesting in each of the key growing areas as well as additional growing tips for each crop. In response to the partners' feedback, a summarized version of the training material could be translated into a local language (if it is either Zulu or Tswana).

Phase 1 training will cover general components focusing on the basics with in-depth training being tailored to fit the requirements from partner organizations and farmers in Phase 2. Also, adult learning approaches such as role play and games will be applied to the training to make it more practical. Furthermore, SVI will distribute a laminated 1-page summary for each crop in the production training material so that farmers can take it to the field. The term of Phase1 production training will be two days at most same with the pilot phase, and that of business training will be two days which is a bit longer than the pilot phase.

Phase 2 training module will be also amended to be more practical. In the production training curriculum, SVI will take the farmers to field visits and conduct training on the farm. Business training will be also modified to be more practical. For example, farmers would bring their daily book-keeping to the training venue, and then trainers take a close look at areas that can be improved. Another approach is to enhance participants' motivation through the simulated experiences from successful farmers. It is important to share their practices (crops, yield, and units sold) to all the participants so that others can learn from actual examples. As for designing detailed components in Phase2, it needs to be tailored more than before. For each component, trainers, partner organizations and farmers requested more details to be covered. For example, the following describes the days allocated to each component.

- Irrigation and soil preparation: 3 days
- Fertilizer (based on soil analysis): 2 days
- Chemical: 3 days
- Marketing: 2 days
- Food security and "Local Gap": 1day

Business training will be conducted as follows:

- Phase1 review (Entrepreneurship, record-keeping, budgeting): 3hours
- Sharing current situations and discussion among farmers: 1 day
- Understanding loan products and funding planning: 1 day

From the available curriculum listed above, SVI will deliver training on the components requested by the partner organization and the farmers' group in each site. The collected self-evaluation forms from the farmers revealed that they would prefer a maximum of 3-day-periods of training at the longest stretch for one training. Each training component will be scheduled so as to not affect farming practices.

Lessons learned in the follow-up training will also be utilized. SVI thinks that current timing for follow-ups is a bit too late. In terms of better implementation, follow-up visits need to be less than a month after each Phase of training has been conducted. Also, a request for consistent follow-up visits was heard from several participants, so SVI will try to co-ordinate with partner organizations for them to be able to deliver the necessary monitoring services to farmers' fields. In the first year of the full launch of SVI programmes, TOT to partner organizations will be conducted. From the 2<sup>nd</sup> year, partner organizations will manage also the primary follow-ups after Phase 1 and Phase2.

Furthermore, Refresher training will be organized for SVI trainee farmers in the 2<sup>nd</sup> and 3<sup>rd</sup> year, so a series of SVI training will be considered as 3 year cycle.

## **8 Expansion Strategies for Neighboring Countries**

Besides a strong presence in South Africa, SSSA operates in other sub-Saharan areas such as Kenya, Tanzania, and Namibia. Based on Sakata's outreach and other macro factors such as socio economic situation and agriculture/vegetable sector information, those 3 countries are shortlisted as preferential countries for implementation.

## 9 Operation Plan

### 9.1 Operation and personnel plan

As described in section 7, most of the partner organizations requested to formulate a partnership with SVI even after the FS. A pilot site will be selected with FTFA near the Bronkhostspruit area, but all the other 5 sites will remain with partnering either same or different stakeholders. More specifically, Bojanala in North West will be proceeding with SEDA expanding to other sites inside of North West. Modimolle in Limpopo will continue to be a site where SVI conducts trainings partnering with the DAFF provincial office. In the site of Jozini, KuwaZulu-Natal, partnership with Technoserve will remain. The site of Nwanedi in Limpopo (partnered with Massmart and the DAFF provincial office) and Eastern Cape (partnered with ECRDA) had received great evaluation on our training from all of the 3 organizations, but SVI could not have an official meeting with them for future partnership. However, since Technoserve is requesting training in the mentioned 2 sites, discussion with Technoserve will be continued and prioritized. Therefore, in the first year of full launch, SVI will target 5 provinces and 6 sites.

Table 9.1 below indicates overall 5 years plan for the training component. Firstly, 5 province and 6 sites were the project sites for year 1 to year 5, and from the fourth year, the SVI project will expand to a neighboring of SA. As for SVI trainers, one person for each of production and business training will be hired in the first year of full launch. In the second year, it aims that they will deliver trainings on their own. Other personnel plan is as follows, and basically the team members will remain as they were during the FS.

- Coordinator in Japan side(1 person : SSC)
- Total Coordinator for Local (2 persons : SSSA)
- Business Training Coordinator (2 persons : PFSA)
- Production Trainer(1 person : SSSA)
- Business Trainer (1 person : Local consultant in the FS)

Table 9.1 5 Years Plan for Training

Year	Interventions	Training		Training Outside of SA		SVI Trainer		Country
		Ph1 + Ph2	Refresher course	Ph1 +	Refresher	SAF	PF	
First year 2015/2016	- Centralized ToT training to each organization's extension staffs and field staffs. - Identify possible successors for the training, in-field visits and monitoring. SVI will start mentorship and training to successors.	20 × 6 (newly introduced farmers)	20 × 6 (farmers who have gone through Phase1 and Phase2 trainings)	-	-	Kobus (+1)*	Abednigo (+1)*	SA only
Second year 2016/2017	- Current trainers(Kobus and Abednigo) supervise the new trainers.	20 × 6	40 × 6	-	-	(Kobus) 1	(Abednigo) 1	SA only
Third year 2017/2018	- Newly trained trainers will start provide training service on their own. Trainers of trainers will also engage in regular training.	40 × 6	40 × 6	-	-	Kobus +1	Abednigo +1	SA only
Fourth year 2018/2019	- Expansion to neighboring countries around SA(will select 1 country from the list)**	20 × 6	60 × 6	20 × 1	-	Kobus +1	Abednigo +1	SA + 1
Fifth Year 2019/2020	- Project implementation within the same country selected in fourth year	20 × 6	60 × 6	20 × 2	20 × 1	Kobus +1	Abednigo +1	SA + 1 (same country as 4th yr)

\*: it represents the number of person under training. For the first year, newly joined trainer will go through an OJT (On-the-job Training) process by attending and observing all the trainings conducted by former trainers.

\*\* One country will plan to be selected among **Namibia, Kenya, and Tanzania**.

### 9.2 Cost projection

The estimated P&L for the 5 years period, together with the personnel and development plan above, is as follows.

Table 9.2 Estimated P&L for 5 years  
(Unit : ZAR)(Reference : 1ZAR ≅ 10.31JPY(As of 2015.1))

	Year 1st	Year 2nd	Year 3rd	Year 4th	Year 5th
	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Earnings</b>					
Sales Commission	45,000	55,000	75,000	120,000	150,000
Training fee paid by Partners	50,000	75,000	80,000	100,000	110,000
Member Fee	200,000	300,000	400,000	500,000	550,000
Supporting Fee from SSC Japan	500,000	500,000	500,000	650,000	650,000
<b>Total Earnings</b>	<b>795,000</b>	<b>930,000</b>	<b>1,055,000</b>	<b>1,370,000</b>	<b>1,460,000</b>
<b>Expenses</b>					
Salaries & Personal Costs	250,000	270,000	290,000	310,000	330,000
Cost for Training	400,000	450,000	450,000	600,000	600,000
Refreshments	40,000	45,000	50,000	60,000	65,000
Travel & Entertainment	100,000	110,000	120,000	150,000	180,000
Fee for Consultant	200,000	100,000	50,000	50,000	50,000
Fee for 3P Services	100,000	100,000	100,000	110,000	120,000
Cost for Texts	20,000	20,000	20,000	25,000	25,000
Communication	5,000	5,000	5,000	5,000	5,000
Office Supplies	10,000	10,000	10,000	12,000	12,000
Cost to develop new sites out of !	0	0	20,000	30,000	30,000
<b>Total Expenses</b>	<b>1,105,000</b>	<b>1,110,000</b>	<b>1,115,000</b>	<b>1,352,000</b>	<b>1,417,000</b>
<b>Yearly P &amp; L</b>	<b>-310,000</b>	<b>-180,000</b>	<b>-60,000</b>	<b>18,000</b>	<b>43,000</b>

### 9.3 Fundraising plan

#### a) Collecting training fees from partner organizations

As described in Section 9, SVI and Technoserve are almost at the point of concluding that all the costs incurred for Jozini in KuwaZulu-Natal, Nwanedi in Limpopo and Eastern Cape will be paid by Technoserve. As to other project sites where SVI will partner with SEDA (Bojanala in North West), DAFF provincial office (Modimolle) and FTFA (Gauteng), partners expressed their intention of covering the costs of training venue, catering service fees, transportation fees, etc. In these cases where entire training costs cannot be covered, the support generated by assisting the market sales of Sakata seeds would be considered to justify the company bearing these costs.

#### b) Training fees collected from beneficiary farmers

Based on the post training questionnaires collected from farmers who had received the SVI training, the amount they specified that they would spend on training increased from previous research due to their satisfaction with the program. However, the level of intention to pay as well as the amount to be paid varied among the different groups of farmers, so the question of when to start charging for training needs to be measured after the FS.

#### c) Improvement on Initial Business Model for Fundraising

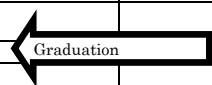
As indicated in 9.3 –a), not all the sites' costs will be covered, so another fundraising plan was considered. SVI will be registered as either a Public Benefit Organization (PBO) or Section 18 Company to be a tax-exempt organization and as a beneficiary of private companies' CSI funds. Under the revised BB-BEE legislation as mentioned in 3.2, private companies and governmental institutions in South Africa need to acquire high points on their scorecards for licensing and procurement contracts. Especially, the new BB-BEE legislation requires 40 points from a total of among 109 points earned from Supplier Development and Enterprise Development. The full target of the element of Supplier Development is hard to achieve because 2% of the net profit after tax (NPAT) needs to be spent on Supplier Development as well as a 3 year contract to be in place. Compared to Enterprise Development that requires only a spend of 1% of NPAT for it, Supplier Development requires a more sophisticated strategy. Therefore, SVI will facilitate a model which can contribute to investor's scorecard points on Supplier Development and Enterprise Development.

Three main ideas for sourcing fundraising are proposed: One is from large Agri COOPs, the second is from retailers/food processing companies, and the third is from Japanese private companies that are not active in the agricultural sector. Large Agri COOPs could be SVI training partners and SVI would deliver training to members who are small-scale farmers. If the training targets of farmers are categorized as relatively low income level farmers with the intention of transforming them from

subsistence farmers to semi-commercial farmers, it can be considered as Enterprise Development. On the other hand, Supplier Development will occur if SVI conducts training to semi-commercial farmers and leads to a 3-year contract being put in place with retailers or food processing companies. These COOPs will aim to spend 1% of NPAT for Enterprise Development and 2 % of NPAT for Supplier Development – this being ensured through the payment for SVI training. As for retailers and food processing companies, SVI will deliver training to the farmers that they support. If these companies enter into a 3 year contract with the farmers in addition to spending 2% of NPAT, they will get Supplier Development points. Lastly, the case of non Agri-related Japanese companies would fall into a Supplier Development scheme only. For example, the procurement of food for their canteen’ assumption can be a potential target for a 3 year contract with small-scale farmers. If they are able to spend 2 % of NPAT for the training fee, points spending on Supplier Development will be scored. Table 9.3 summarizes examples of fundraising partners.

Table 9.3 Potential Partners and Elements Considered under New BEE legislation

	Potential Partner	Supplier Development(SD)	Enterprise Development(ED)
Coop	Afgri, AgriSA	○	
Retailer, Food Processing Company	Massmart	○	○
Japanese Companies in SA(including non agrirelated)	Toyota, Hitachi	○	-



#### d) Investments from SSSA and SSC

As mentioned in c), for the full launch after the FS period, SVI will be re-organized as a PBO as a tax-exempt organization for SSSA. SVI will not be a totalburden for the SSSA business, as SSC will shoulder part of the costs. Those costs will be considered a prior investment or market development fees.

#### 10 Potential Collaboration with JICA

A possible partnership with JICA’s SHEP approach project, recently being implemented in African countries, exists. If SVI could be commissioned to participate in SHEP, it can contribute to the capacity building of extension officers, specifically their production training. In time, this would benefit the developmental impact for the farmers.

#### 11 Summary

The combination of production and business training can be considered a ‘value-added’ series of training. This is because it was uniquely designed as one-package and tailored to respond to the needs and level of the farmers. The quality of training as well as the trainers was high. On the other hand, regarding ‘market access’ in the ‘value chain development’, not many cases that SVI led the farmers to off-take agreement formulation were proven, especially within the time constraint of one year. Nonetheless, there was a huge impact in the increase of yield and sales price, demonstrating the great contribution of SVI. After the FS, data will be organized and utilized for discussions with retailers and food processing companies.

Regarding “promoting financial access” as another component of ‘value chaing development’, direct loan provisions from financial institutions to SVI farmers were not formalized; however, the concept of the value chain finance model was understood by the partner organizations including a financial institution, so future discussions could be continued.

The fact that several partners have expressed an interest in MOU formulation after the FS indicates their positive evaluation and the high performance of the SVI. The full launch of the project will be made possible by increasing the collection of training fees from partner organizations as well as individual farmers with the aim of reaching break-even point and subsequent financial sustainability in five years.