

FINAL REPORT
COMMERCIALIZATION PROGRAM FOR DEVELOPING FARMERS
OVK, GSA AND FREE STATE DEP. OF AGRICULTURE
ECONOMIC EMPOWERMENT PROJECT

18 AUGUST 2008

1. PURPOSE

The purpose of the report is to give feedback to the Maize Trust and communicate the final outcome for the first year (2007) of the **Eastern Free State Commercialization Project**. (Project leader is Deon van der Ross, BEE Manager at OVK).

The project involved six developing farmers who were identified for a three year commercialization program.

The Maize Trust funded the first year of this project with R78 000.00. This project was successfully completed within the approved budget.

The report also indicates the financial disbursement to the farmers and will clearly show the success of the project as projected in the profit column.
(See financial analysis page 4)

2. BACKGROUND

OVK, GrainSA and the Free State Department of Agriculture signed a memorandum of agreement to develop six farmers to become commercial over a period of three years.

The parties agreed to be responsible for the items as listed below

Department of Agriculture:

The DOA will be responsible for 50% of the cost for the items as specified below.

1. Seed
2. Fertilizer
3. Weed Control
4. Pest/Disease control

The grant from the Dep. of Agriculture will be reduced to 30% in the second year and 15% in the third year.

OVK will cover the rest of the input cost on a loan agreement with reduced interest.

OVK and GrainSA will jointly be responsible for the following:

- a) Train the identified farmers to prepare soil, plant, maintain and harvest grain planted for this project.
- b) Coordinate working relationships with other stakeholders that can assist with this initiative.
- c) Assist farmers to comply to the requirements for input insurance
- d) Facilitate insurance process

The Maize Trust supported the project with a grant of R78 000 and Monsanto supplied seed and fertilizer at a reduced cost.

3. GUIDING PRINCIPLES

The selected farmers had to conform to predetermined requirements as set out below:

- Approved input cost insurance
- Selected farmer must take ownership and be part of the total activities
- All purchases to be discussed with GrainSA and OVK according to the predetermined recommendations

The budget for this project was managed by OVK. All purchases were done after approval by Johan Kriel (GSA) or Deon van der Ross (OVK).

Total project spend was monitored and reported on a weekly basis. The progress report for this project was presented to the Maize Trust on 17 March 2008.

4. MENTORSHIP

The mentorship strategy was guided by GrainSA and mentors were identified to train and advise the farmers on planting practices and equipment use.

Developing Farmer	Mentor
1. PI KHUTO	Fanie Pienaar
2. M MATSHABE	Fanie Pienaar
3. SM MOLOI	David Exley
4. S NYAMBOSE	Frikkie du Preez / Koos Mthimkulu
5. P KATASE	Edward Foord
6. HA JACOBS	Boetman Brink

5. PROJECT OUTCOME / PROGRESS

This project was successfully completed within the approved budget. The Free State Department of Agriculture contributed R134 417.00 and R78 000.00 was made available as a grant by the Maize Trust.

Planting was done during November 2007 and December 2007 and planting deadlines was communicated by ARS (Agri-Risk Specialists). A total of 246 ha of maize and 91.2 ha of sunflower (337.2 ha) were planted in Ficksburg, Hobhouse, Marseilles, Fouriesburg en Paul Roux.

Harvesting was done in May/June 2008 for sunflower (91.2ha) and July/August 2008 for maize (264ha).

The total tonnes harvested were: **Maize - 934 tonnes** **Sunflower – 114.6 tonnes**

FARMER	MAIZE	ACTUAL YIELD	STATUS
S.M. MOLOI	103 ha	5.2 t/ha (536 t)	Commercial
P.I. KHUTO	64 ha	3.1 t/h (198 t)	Commercial Also delivered 180 tonnes of wheat
S. NYAMBOSE MOTSIMA	51ha	2.1 t/h (107t)	Potential to become commercial in 2008
M. MATSHABE	14 ha	3.4 t/h (51t)	Not Commercial
Sr. P. KATASE	14 ha	3.0 t/h (42t)	Not Commercial

FARMER	SUNFLOWER	ACTUAL YIELD	STATUS
S NYAMBOSE	80 ha	1.3 t/ha (105 t)	Potential to become commercial in 2008
H.A JACOBS	11.2 ha	0.86 t/ ha (9.6 t)	Not Commercial

Weather conditions during the 2007 summer planting period were very favorable during the initial planting phase but dry patches did have an impact on the final yield.

The total project was a very big success in all mayor focus areas which include the following:

- a) Project Management
- b) Mentorship
- c) Skills Transfer

6. FINANCIAL ANALYSIS

Farmer Name	PI Khuto	HA Jacobs	S Nyambose Motsima	M Matshabe	P Katase	SM Moloji
337.2 ha in total	64 ha	11.2 ha	131 ha	14 ha	14 ha	103 ha
Diesel	R 35 857.86	R 3 430.00	R 66 565.00	R 3,191.08	R 0.00	R 20,795.00
Pesticide	R 1 090.00	R 2 931.98	R 24 988.33	R 0.00	R 2,197.01	R 17,873.02
Fertilizer	R 17 506.45	R 6 461.17	R 70 057.68	R 12,009.40	R 14,713.31	R 104,211.41
Seed	R 1 390.00	R 2 957.00	R 15 839.75	R 3 169.20	R 4 705.00	R 32 498.37
Crop Insurance	R 41 586.00	R 3 979.00	R 16 608.00	R 2 544.00	R 3 452.00	R 24 526.00
Life Insurance	R 188.00	R 27.33	R 768.38	R 155.61	R 107.58	R 333.05
Insurance Correction	R 0.00	-R 1 253.00	R 0.00	R 0.00	R 0.00	R 0.00
Other	R 1 337.44	R 1 696.67	R 4 374.78	R 3.78	R 0.00	R 598.93
Contractor Fee / Mentorship	R 0.00	R 3 192.00	R 14 510.53	R 0.00	R 1 410.00	R 19 560.00
Commission	R 0.00	R 159.60	R 725.53	R 0.00	R 70.50	R 978.00
Interest	R 1 866.74	R 1 256.44	R 8 630.32	R 1 232.77	R 1 798.66	R 15 140.35
VAT	R 46.59	R 2 435.79	R 18 269.53	R 647.70	R 3 233.42	R 24 587.08
Total	R 100 869.08	R 27 273.98	R 241 337.83	R 22 953.54	R 31 687.48	R 261 101.21
Insurance Claim	R 105 180.39					
Grant - Government	R 8 029.07	R 4 961.37	R 44 545.64	R 6 097.63	R 8 683.43	R 62 099.86
Grant - Maize Trust	R 15 029.08	R 2 581.93	R 30 522.70	R 3 521.82	R 3 287.06	R 24 183.37
Total Grants	R 128 238.54	R 7 543.30	R 75 068.34	R 9 619.45	R 11 970.49	R 86 283.23
Total duo before crop income	-R 27 369.46	R 19 730.68	R 166 269.49	R 13 334.09	R 19 716.99	R 174 817.98
Total Crop Income	R 153 000.00	R 44 202.00	R 654 900.00	R 88 639.12	*R 68 040.00	R831 600.00
Profit	*R 180 369.46	R 24 471.32	*R 488 630.51	R 75 305.03	*R 48 323.01	*R 656 782.02

7. PROJECT SUCCESSES

All six farmers involved in the project made a profit. The working relationship between farmers, mentors, OVK, GSA, DOA and the Maize Trust was excellent. Two of the farmers conform to the requirements as a commercial farmer. It is anticipated that a third farmer will also step up to be classified as a commercial farmer during the 2008 season.

*Note – Commercialization criteria based on recommendations from Grain SA. (Developing farmer must produce 250 tonnes of grain per planting season)

8. PROJECT CONSTRAINTS

- The available planting areas for some of the farmers are too small and it will be difficult to produce more than 250 tonnes of grain per season.
- Growing input cost is a big concern.
- Some of the planting equipment is very old, this challenge increase the number of contractors. (no BEE contractors are available)
- Most of the farms have medium to low potential soil.

9. RECOMMENDATIONS

Continue with the current business model and increase production to ensure sustainability and continuous improvement.

For the farmers to have sustainable growth in their farming businesses it is a prerequisite that high potential land suitable for cash crops be made available to them. This can be done via the government land transfer program. The support from the Maize Trust and all relevant role-players are crucial to the successes of these farmers.

10. CONCLUSION

The development model will still be improved over time even if the 2007 project was very successful. The relationship between the Maize Trust, Free State Department of Agriculture, GrainSA, OVK and the Maize Trust proved to be a winning combination. This success recipe can only grow bigger, but can only be sustainable if more suitable land is made available to the farmers via the land reform projects.

The stakeholders involved in this project appreciate the support from the Maize Trust and believe that the 2008 season can also be a success.