

# SUPPORTING SMALLHOLDER FARMERS INTO ORGANIC AGRICULTURE IN SOUTH AFRICA

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## KEY FINDINGS

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The key findings related to the nature of the South African organic sector and the market for organic produce include:

- The South African organic sector lacks fruitful institutional representation and government support.
- Except for a small working group, the South African Organic Sector Organisation (SAOSO) is considered an inactive representative body.
- Since its inception, SAOSO has failed to gain representative membership of the organic sector in South Africa, resulting only in fairly regular meetings between SAOSO and government, but no implementable results.
- The new SABS-endorsed participatory guarantee system (PGS) framework has the potential to institutionally grow the South African organic sector.
- Production, certification, and markets in South Africa are split:
  - Third party certified organic farmers are few in number, yet supply export markets and supermarkets to a lesser degree.
  - Uncertified and PGS certified smallholder farmers are greater in number yet, due to the inaccessibility of more formal markets, can only supply their local communities or local franchised supermarket outlets to a lesser degree.
- Processing offers a key entry point for anyone wanting to enter the organic sector, yet remains an undocumented segment of the value chain.

The key findings related to ways of supporting smallholder farmers to enter the South African organic sector include:

- Smallholder farmers most likely to be able to enter the organic sector include those who are either market-orientated or small-scale capitalist farmers, but would still require continued support from sources such as government extension, non-governmental organisations (NGOs) or public private partnership (PPP) projects.
- The new SABS-endorsed PGS framework will accommodate the nature of smallholder farming and local markets.
- Key entry points for future smallholder farmers to enter the organic sector include:
  - The sector's acceptance of transitioning efforts to organic production
  - Producing organic production inputs, such as organic animal feed
  - Producing cheaper organic products for local markets
  - Setting up organic processing enterprises
  - Getting certified in groups to wild harvest medicinal plants for export
  - Outgrower schemes between smallholder farmers and the retail sector hold promise if smallholder farmers can maintain a degree of autonomy. Farmers in these arrangements would most likely need to be third party certified.
- Initiatives supporting the entry of smallholder farmers into organic agriculture need to approach farmers as collectives or cooperatives.

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## ABBREVIATIONS

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DAFF	Department of Agriculture, Forestry and Fisheries
DTI	Department of Trade and Industry
EM	effective micro-organisms
EU	European Union
FRIDGE	Fund for Research into Industrial Development, Growth and Equity
GM	genetically modified
GIZ	German Federal Enterprise for International Cooperation
ICS	internal control system
IFOAM	International Federation of Organic Agriculture Movements
INOFO	Intercontinental Network of Farmer Organisations
NGO	non-governmental organisation
OASSA	Organic Agriculture Sector of South Africa
OSSIC	Organic Sector Strategy Implementation Committee
PGS	participatory guarantee system
PGS-SA	Participatory Guarantee System South Africa
PLAAS	Institute for Poverty, Land and Agrarian Studies
PPP	public private partnership
SABS	South African Bureau of Standards
SAFL	Southern Africa Food Lab
SAOSO	South African Organic Sector Organisation
SFSC	short food supply chain
SI	Sustainability Institute
WWF	World Wildlife Fund For Nature

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# 1. INTRODUCTION

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## *1.1 Motivation for the study*

The German Federal Enterprise for International Cooperation (GIZ),<sup>1</sup> in partnership with Naturland,<sup>2</sup> commissioned the Southern Africa Food Lab (SAFL)<sup>3</sup> to conduct a study of the organic sector in South Africa. The overarching aim of the study was to identify ways through which smallholder farmers could be supported to enter the sector. The study was designed to consist of six steps: a literature review, a set of dialogue interviews, a half-day seminar, a learning journey, a roundtable discussion and a final proposal.

The first step or literature review was conducted by consultants of the Sustainability Institute (SI) and revealed research gaps that resulted in a dated and incomplete picture of the South African organic sector. The SAFL then used the second step or dialogue interviews to begin to fill in some of these gaps. This report documents the findings derived from the dialogue interviews. The SI consultants and the SAFL team presented both the literature review and the dialogue interview report at a half-day seminar in Stellenbosch, South Africa on 22 June 2015. The purpose of this seminar was to share critical findings about the sector with key stakeholders and to outline areas for urgent future research. Through the seminar the SAFL team recorded feedback on the literature and interview findings to review the final reports and incorporate lessons learned into subsequent steps. The learning journey and roundtable discussion are two additional events, based on the findings and feedback to date, they will aim to engage important decision makers in the organic sector to develop a contextualised proposal to support the entry of smallholder farmers into organic agriculture.

## *1.2. Research process and methods*

The SAFL team<sup>4</sup> completed 14 dialogue interviews with key stakeholders. The list of potential candidates took form during the literature review as the SI consultants contacted various individuals to gain access to relevant documentation. Snowball sampling was also employed once the interviews started. The SAFL team intended to engage stakeholders across the sector including representatives from government, the private sector, and civil society. Table 1 contains an overview of the interviewees and which parts of the sector they represent. The interviewed stakeholders signed permission slips to be interviewed and recorded. Although the permission slips were not signed on condition of anonymity, the SAFL team decided to keep interviewees' names confidential due to some sensitive information that was shared. Therefore their names are not given in Table 1 or elsewhere in the report. Where relevant, their comments are indicated using the coding P1 to P14 as indicated in Table 1. Comments that were made off the record are not documented in this report.

A transcription company, The Typing Pool, transcribed interview recordings. The SAFL team developed a coding scheme after listening to the recordings and reading through the transcripts. A coding scheme was then applied to the transcripts using qualitative data and analysis software called Atlas.ti. References to

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<sup>1</sup> GIZ is a company owned by the German Federal Government, which specialises in international development. Its website is available at this link: <http://www.giz.de/de/html/index.html>.

<sup>2</sup> Naturland is a German non-governmental organisation (NGO) established in 1981, which currently certifies a number of organic producers in South Africa and is looking to increase its presence in the country. Its website can be visited at this link: <http://www.naturland.de/en/>.

<sup>3</sup> The SAFL is a local organisation working to improve the sustainability of South African food systems. The website is available at: <http://www.southernafricafoodlab.org/>.

<sup>4</sup> The SAFL team consisted of the project director, Kenneth Carden; project lead, Anri Landman; and an organics specialist, Jeremy Lister-James.

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direct quotations in this document draw on the tracking system of Atlas.ti, which refers to a specific interview transcript using a primary document number (for example, P1) and the exact quotation using the paragraph numbers in that transcription (for example, P1:15). This referencing method not only ensures that the report stays true to the original interviews, but also ensures traceability. As mentioned above, this report was also presented at a half-day seminar on 22 June 2015. Delegates were given two weeks to review the report and submit their comments. Changes made to the document based on post-seminar feedback are referenced accordingly (for example, seminar correction). If a previously interviewed delegate suggested the change, his/her reference number is also included (for example, seminar correction from P1).

It is important to note here that, although this report aims to fill some of the gaps identified by the literature review, the findings are based on interviews with a non-representative sample of the organic sector. The report should thus be read as an in-depth case study rather than a generalised sector overview. Further research is required to confirm or disprove some of the claims in this report, as outlined in section 4.

**Table 3: An overview of interviewees and their representation in the South African organic sector**

Interviewee code	Organisation/company
P1	Founding member of the South African Organic Sector Organisation (SAOSO) (the representative body of the South African organic sector), and author of a number of organic training textbooks for South African farmers.
P2	Operations manager of the Bryanston Organic and Natural Market (an independent market in Johannesburg, which has been in operation for 39 years), and committee member of the Bryanston Organic and Natural Market participatory guarantee system (PGS) (the only market-run PGS currently active in South Africa) (seminar corrections from P2).
P3 <sup>5</sup>	Technical divisional manager, business unit head, and technical produce manager of Pick 'n Pay (a national supermarket).
P4	Managing director of Afrisco (the last remaining South African third party certifier, which will be closing at the end of 2015), and a member of the South African Bureau of Standards (SABS) organic standards working group.
P5	Owner of Go Organic (an online organic store).
P6	Smallholder farmer, founder of a Western Cape PGS, and working for Green Road (a short food supply chain (SFSC) organisation supplying locally grown food weekly to 160 families), PGS-South Africa (PGS-SA) (an organisation set up to manage PGSs across South Africa wanting to use the SABS-endorsed PGS logos), and the Intercontinental Network of Farmer Organisations (INOFO) (an autonomous self-organised structure within the International Federation of Organic Agriculture Movements (IFOAM) that supports the development of organic farmer organisations).
P7	Founding facilitator/manager of the Bryanston PGS, and the leadership academy and programme manager of IFOAM.
P8	Organic farmer, former member of SAOSO, and secretary of PGS-SA.
P9	Organic farmer in Namibia, chair of the Namibian Organic Association, and chair of IFOAM Southern Africa.
P10	Certification officer at Ecocert (an international third party certifier).
P11	Former organic farmer, organisational strategist involved in the development of the currently inactive organic strategy for the South African organic sector: <a href="http://saoso.org/Organic-sector-strategy-implementation.php">http://saoso.org/Organic-sector-strategy-implementation.php</a> .
P12	Director of Biowatch (an environmental justice NGO promoting sustainable food systems).
P13	Manager of Farming for the Future (a standards initiative by the national supermarket, Woolworths, to transition farmers from conventional to more sustainable farming practices).

<sup>5</sup> This interview was not recorded at the request of the three interviewees. References to this interview are based on the interviewer's notes, which were transcribed and included in the coding and analysis processes.

P14	Director for agricultural economic services within the Western Cape Department of Agriculture.
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### *1.3 Outline of the report*

The remainder of this report consists of four sections. The first of these (section 2) offers an overview of the South African organic sector. This section covers a short historic overview of the sector and the formation of its institutional structures, organic production, organic processing, and organic markets (including certification issues and the customer base for organic produce in South Africa).

Section 3 explores the issue of smallholder farmers and ways of supporting their entry into the organic sector in South Africa. The section introduces the definition used by the SAFL when referring to smallholder farmers and justifies why they require support to enter the organic sector. Drawing on a key identified area for future research in the literature review, the section then explores reasons interviewees gave for smallholder organic success stories, as well as smallholder challenges. The section concludes with a look at the most accessible entry points for supporting the entry of smallholder farmers into the organic sector.

Section 4 lists a number of key areas for future research identified during the dialogue interviews. The final section concludes the report and proposes a way forward.

## 2. OVERVIEW OF THE SOUTH AFRICAN ORGANIC SECTOR

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### *2.1 A brief historic overview of the sector and the formation of institutional structures*

The organic sector in South Africa has had a range of representative institutional structures. Twenty years ago the Organic Agriculture Sector of South Africa (OASSA) had provincial structures and held annual meetings. The organisation put pressure on the then Department of Agriculture to develop standards, and a good set of draft standards was published in 1999. These became the basis of certification by the two local certifiers. From the beginning, however, European certifiers did most of the third party certification for the export market. All this activity slowly fell away due to internal struggles.<sup>6</sup>

In 2008 a group of organic enthusiasts approached the Department of Trade and Industry (DTI) in South Africa to do a countrywide study to determine the size of the organic sector and whether or not it required representation within government. Up to that point the South African organic sector had no acknowledged institutional representation within government (P1, P8), even though it was one of the founding members of the International Federation of Organic Agriculture Movements (IFOAM) in 1972 (P7). Consequently, the DTI commissioned the Institute of Natural Resources to conduct a Fund for Research into Industrial Development, Growth and Equity (FRIDGE) study named the *Study to develop a value chain strategy for sustainable development and growth of organic agriculture* (P1, P7, P11). Before the FRIDGE study it was thought that only a few organic farmers serving mostly export markets existed (P4, P12). The export market had always been the largest part of the industry (seminar correction from P4). The study was published in 2008, and to date has been the only study to present a near complete picture of the sector (P11), although there had been attempts to establish the size of the industry from 2002 onwards. These attempts had always been thwarted by the fact that the certifiers were not required by government to submit data (seminar correction from P4).

The findings of the FRIDGE study led to the formation of the South African Organic Sector Organisation (SAOSO) to represent the South African organic sector (P1, P8). At roughly the same time, the government formed a public-private partnership, called the Organic Sector Strategy Implementation Committee (OSSIC) (P1, P7), which was to meet with SAOSO on a monthly basis to discuss matters concerning the sector. When it was formed OSSIC consisted of members from various departments and private sector initiatives (P7), as government did not have any organic experts at the time (P1). Due to other government priorities, OSSIC and SAOSO have only met on average once every second month (P1). Except for one remaining working group, SAOSO is now generally considered to be inactive (P7, P8, P9, P14).

Nevertheless, during SAOSO's first few years, the South African organic sector seemed to gain momentum (P3). In partnership, OSSIC and SAOSO set out to develop an organic policy (P1, P8), refine a set of organic standards developed in 1999 by the then Department of Agriculture (P1), and launch an organic strategy (P1, P11). Although work on the first policy draft was started by the Department of Agriculture in the Western Cape (P14), it was eventually situated within the Plant Production Unit of the National Department of Agriculture, Forestry, and Fisheries (DAFF). The policy is currently in its tenth draft (seminar

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<sup>6</sup> This contextual background was included after the half-day seminar. P4 submitted it.



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correction),<sup>7</sup> but, according to interviewees, is unlikely ever to be implemented in its current form. The draft policy conflicts with the Agricultural Products Standards Act of 1990, as organic standards are voluntary, while the Act enforces mandatory standards (P1, P4, P7). Introducing a government Act on organic agriculture, which is expected to take some years, could solve this (seminar correction from P4). Two interviewees also reported that a draft agro-ecology policy exists (P7, P12) in its seventh draft (P12), in many ways duplicating what is said in the draft organic policy (P7).

Instead of restarting the process of pushing through an organic policy, which after almost a decade remains unsuccessful (P4), SAOSO submitted the set of organic standards developed in 1999 to the South African Bureau of Standards (SABS) with the aim of at least getting a set of agreed upon voluntary national organic standards published (P1, P4, P8). SABS is expected to launch a set of organic standards based on the original draft, but updated by a SABS working group, before the end of 2015 (seminar correction from P4). The working group finally approved the set of standards in February 2015 (P1, P2, P8). However, it would appear that this process is also currently being delayed. Further investigation is required to determine the cause of the hold-up. One interviewee felt that even if these standards are passed, the sector will still need an enabling policy and legislation to drive it forward (P12).

Another initiative that emerged in the years shortly after the FRIDGE study was a project run by the DTI (P4) attempting to organically certify smallholder farmers (P10) to supply supermarkets (P8). Pick 'n Pay invested in this project, making dedicated shelves available for fresh organic products, but because of inadequate supply eventually pulled out (P8). This project failed because of smallholder production challenges that were disregarded, and a general lack of organic training material and trainers in the country (P4). The project was market driven, on the assumption that smallholder farmers merely required certification and access to markets, rather than intensive production training and support. One interviewee stated that the DTI had to repay the remaining money to Treasury after three years (P4), whilst another explained that all but three farmers failed their final organic certification assessments. These failed farmers had not received adequate training, nor been allowed to pass through the three-year conversion period (seminar correction from P4).

SAOSO's momentum can be attributed to a core group of enthusiasts who have remained determined to grow the organic sector (P2, P7). Since the 1990s many organic enthusiasts have come and gone (seminar correction from P4). A more recent initiative, the revival and refinement of an existing organic strategy,<sup>8</sup> emerged after OSSIC gained new membership (P2). According to one interviewee the strategy, which was developed in line with the organic policy and agro-ecological policy drafts, aims to "... build up the organic sector from ground level; first taking care of smallholder farmers, their immediate and extended communities, [and] through this also the environment and ethics, and only if these aspects are thoroughly managed should the system be financially viable" (P1:1). "... [I]n the context of global warming and sustainable development ..." (P1:26), the strategy will see the development of training material and infrastructure, a nationwide roll-out of training workshops, purchased land to grow organic seed and set up on-site mentoring programmes, and the development of a cell phone application to record smallholder locations, planting schedules, and yields in one central databank (P11). Although government approved the strategy informally during a meeting on 20 January 2014, it has not been implemented (P1, P11). The

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<sup>7</sup> A copy of the current draft can be downloaded here:

<http://www.saoso.org/files/documents/National%20Organic%20%20Production%20Policy%20Draft%208.pdf>.

<sup>8</sup> The strategy can be downloaded here: <http://saoso.org/Organic-sector-strategy-implementation.php>.

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strategy requires a budget of R19 million for implementation. Government has pledged R58 million to the DTI to develop smallholder markets, in turn the DTI has pledged R1 million to the organic strategy. Apart from being insufficient, the R1 million also needs to be spent before it can be reclaimed from the DTI, and no one in SAOSO is willing to risk spending R1 million of their own money (P11).

Although South Africa used to have two local third party certifying bodies, one was never accredited (seminar correction from P4). The other certifying body, called Afrisco, upgraded the original 1999 set of standards to meet international requirements to gain international accreditation. Unfortunately, it has informed its members that they need to transfer their certification to international agencies in the next few months, as it will close at the end of 2015 (P1, P4). The main reason for this is that Afrisco has been unable to compete with international certification agencies as South African organic exporters are usually advised by their foreign importers to use one of the seven European certifiers active in the region (seminar correction from P4). Any new and continued third party organic certification in South Africa will thus be done by international agencies, most likely to the European Union (EU) standards (seminar correction from P4).

Consequently, third party certified farms are unlikely to request certification of their production processes according to the SABS standards, as they will prefer to conform to the standards of their respective international certifiers. Nevertheless, under the draft SABS standard, farmers who wish to be certified according to the SABS standards will be able to obtain a SABS-endorsed organic logo (P8, seminar correction from P2), provided that they are certified by a third party certifier (seminar correction from P4). This is one of the amendments to the original 1999 standard (seminar correction from P4). One interviewee felt that DAFF should own the standards and should be responsible for enforcing them (P1).

The draft SABS standards also contain a new set of guidelines for participatory guarantee systems (PGSs), which to date have not been regulated or recorded by a central organising body. Although SAOSO will own the standards (P8), Participatory Guarantee System South Africa (PGS-SA) is expected to handle all administrative matters such as keeping records of the various PGSs in South Africa and overseeing assessments for those farmers wishing to use the SABS PGS organic logo (P6, seminar correction from P2). The guidelines for the process of approval for use of the PGS-endorsed logo are still in development by PGS-SA in discussion with SAOSO (seminar correction from P2). PGS-SA may recommend an assessment of the effectiveness of a PGS group's mechanisms to support the key elements of PGSs, rather than deal with farmers directly as PGS-SA cannot function as a certification agency (seminar correction from P2). The PGS is promoted by IFOAM,<sup>9</sup> and therefore any farmer is free to use the system without being regulated by PGS-SA. However, if farmers wish to use the SABS-endorsed PGS logo (seminar correction from P2), they need to be a member of an assessed PGS affiliated to PGS-SA (P6), which in turn will be overseen by SAOSO and inspected by SABS (P8).

The consequences of a lack of institutional momentum and coordination within the South African organic sector have been:

- a small non-representative membership
- different and/or shifting goals
- a lack of formalisation, including information networks and record keeping, leading to a loss of indigenous knowledge and duplicated efforts

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<sup>9</sup> For more information from IFOAM on PGSs, visit this link: <http://www.ifoam.bio/en/pgs-practice>.

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- a loss of confidence in the sector's ability
- a lack of political backing
- a lack of subsidies, training and extension services to farmers, processors, and markets
- unregulated markets leading to confusion about what organic produce is
- a general mistrust of "organic" by consumers
- independent alternative grassroots efforts driving organic initiatives
- organic stakeholders continuing to support international certifiers and export markets (seminar correction from P4).

Interviewees openly discussed possible reasons for this lack of momentum and coordination. Major internal conflicts in OASSA (seminar correction from P4) and then SAOSO (P1, P2, P4, P6, P7, P9, P11, P14) have prevented its representation from growing beyond a group of middle-class, mostly white individuals (P4, P7, P11, P14). Consequently, it has failed to represent the larger organic sector that reaches across age, race, and class differences (P7). Although disagreements can be pinned to specifics, such as the appropriateness of applying effective micro-organisms (EM) in organic systems, it is more likely that these specific disagreements are mere triggers (P7) for deeply rooted differences linked to different organic systems (such as permaculture, biodynamic agriculture, larger scale commercial organic agriculture that buys in organic inputs, smaller scale organic agriculture that produces all inputs on site, and more hybrid farming systems such as climate smart agriculture or agro-ecology, which may still use non-organic chemical inputs) (P7, P14).

In South Africa, with its disparate history and society, currently facing issues from electricity cuts to women's rights to land reform, any initiative that is to be inclusive actively needs to reach across cultures and work for a common cause (P7, P10). SAOSO did not actively recruit members during its early years, consequently failing to sustain attention from government, and except for the SABS standards, has relied too heavily on government direction and initiatives (P7): "... the sector itself then pinned their hopes on this process; or the people who were then talking to government, the SAOSO group and the OSSIC group. [These groups] pinned their hopes on government [taking them] forward ... [T]his is a malaise, a thing that happens all over Africa and it happens in developing countries: We always hope that government will help us to pull something forward" (P7:37). If the SABS standards are launched before the end of 2015, this may well give the sector the necessary momentum it needs to grow and be more inclusive, as discussed further in section 2.3.

## 2.2 Production

Reasons for producing organically in South Africa include inheriting existing organic systems from previous generations (P7), wanting to improve the environment and live more sustainably (P7, P9, P10), and the promise of a premium and greater profit (P7, P9, P10) due to cheaper input costs (P9) and access to niche markets (P4, P14). Those who farm organically for profit are more likely to convert back to conventional agriculture when facing challenges than those who farm organically due to personal beliefs (P10). Although the number of organic farmers in South Africa remains unreported, the lack of organic training materials and programmes in the country seem likely to prevent their numbers from increasing (P2, P4, P6, P7, P10, P11, P13, P14).

SAOSO and other interviewees appear to hold the general view that South African organic farmers consist of two groups (P1, P2, P3, P4, P7, P8, P9, P11, P12, P14). The first encompasses larger scale third party certified organic farms, which produce for exports and specialised niche markets. These farmers mostly

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export their produce or sell surplus to local retailers such as Woolworths (P1, P2, P3, P7, P8, P11, P14). The second group covers more informal farming systems, often based on indigenous knowledge systems. Their outputs remain uncertified or in some instances they are informally acknowledged as organic or agro-ecologically produced. Farmers belonging to the second group mostly sell their produce to their own communities at local markets or through informal systems. In a very few cases they supply their local franchised supermarket outlets (P1, P2, P3, P7, P11). One interviewee commented that certified organic farmers are decreasing in number, whilst more informal smallholder farmers incorporating organic methods are increasing (P6).

Although interviewees could not give a complete overview of organic products in South Africa, they mentioned some key products. Wine, herb teas, fruits (including citrus, apples and avocados), and nuts, in that order of importance (P10, with seminar corrections from P4), are produced for export markets and are generally third party certified and capital intensive (P6, P7, P9, P10). The international organic cosmetic (P6) and medicinal markets for products such as aloes, baobab, buchu, devil's claw, moringa, marula, and marogo oils and leaf powder are growing, all of which are produced in South Africa (P9, P10). There is very little attempt at growing field crops, and as a result certified animal feeds are not available (seminar correction from P4). Meat and dairy are thus difficult to produce to organic standards (P6). A number of organic olive producers farm in South Africa (P7, P12). Although there are many organic vegetable farmers, they are not usually third party certified (P6, seminar correction from P4) and mostly supply their local markets. Most farmers who farm organic vegetables cannot enter wine, tea, or fruit production, or animal husbandry due to the higher and long-term capital input requirements (P6).<sup>10</sup>

Apart from a lack of institutional support discussed in 2.1, organic farmers also experience a range of other challenges. A major issue has been the South African government's primary focus on large-scale conventional and commercial farming for food security (P4, P7, P11), resulting in extension services providing free genetically modified (GM) seed, pesticides, and fertiliser (P12). Resource poor farmers welcome these free inputs which, consequently, promote conventional agriculture in the country (P7). South Africa currently uses more than half of the agricultural chemicals used on the African continent (P7). The government does not trust that organic agriculture will be able to maintain food security in South Africa (P7).

Production challenges depend on the kind of farming system employed. Nevertheless affordable organic inputs such as compost, pesticides and seed remain a major challenge in the country. For those making compost, the necessary equipment scalable to farm sizes is not available, and those purchasing it face insufficient quantities and high prices (P6). The lack of organic animal feed and organic processing facilities also prevents organic animal husbandry from taking off and growing as a sector in the country (P6, P9). Organic farmers are not exempt from challenges faced by other farmers, and particularly not smallholder farmers. General challenges such as a lack of water and/or irrigation infrastructure and fencing remain limiting realities for smallholder farmers (P12). Consequently, production is limited in quantity (P5, P7, P9, P10, P13, P14) and variety (P6, P10, P14).

Regardless, or perhaps even because of these challenges, certain opportunities can be identified for producers, and specifically smallholder farmers. To produce organic eggs and organic chickens for example, South African organic farmers require non-GM maize feed (P6). In other words, to develop organic animal husbandry in the country, organic feeds are required. If organic inputs were available, organic producers

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<sup>10</sup> This is only part of the reason. Much more important are the record-keeping requirements of organics which most smallholder farmers are unable to produce unaided (seminar correction from P4).

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could begin to farm with them. The growing market for medicinal plants, which can be harvested from the wild, also offers a unique opportunity.

## 2.3 Processing

An interesting theme that emerged from the dialogue interviews was organic processing. As a specific part of the value chain, processing centres and processes must also be organically certified to deliver a certified organic processed product (P4, P10). This is to ensure that all ingredients are organic, and in the case of imported products to monitor that only genuine organics are imported (chain of custody requirements) (seminar correction from P4). Some stores such as Dischem and Clicks import bulk organic processed products and then repack them in facilities without organic certification, which means regardless of their organic content these products can no longer be sold as certified organic (P4). The fact that these stores are claiming to import processed organic goods, however, is an indication that there is a market for these goods.

Very few organic processing case studies exist in South Africa. One interviewee shared a few including the drying and flavouring of rooibos tea, production of wine, and processing of aloe products (P10). Another case was that of a company making baby foods, called Olli Organic (P10).<sup>11</sup> Most of the farmers certified by one international certifier in South Africa, who supply local markets, sell to processors rather than market outlets (P10). Examples include mango and butternut for processing into baby foods; tea, spices, and herbs for drying; and sweet potato for flour (P10). The shelf life of fresh produce is obviously prolonged once processed (P10). Processing is both a key opportunity to tap into as a business in itself, and has the potential to offer increased demand for locally produced fresh organic products (P10).

## 2.4 Markets

### 2.4.1 Market access – certification

In order to access organic markets, products must either be certified organic, or the consumer must trust that the farmer and/or processor have adhered to organic standards (P1, P14). Certification is thus a useful regulating mechanism that helps farmers gain market access and reassure consumers.

As mentioned before, in the same way as production, certification in South Africa is split in two (P1, P4). On the one hand there is third party certification (of individual enterprises or groups with internal control systems (ICS)); while on the other there is PGS. Third party certification requires a farmer, processor or group to adhere to the set organic standards of a certifier and to be assessed by a non-partial, third party assessor (P1, seminar correction from P4). This form of certification is appropriate for long supply chains in which the consumer cannot easily contact the producer or processor (P4). One interviewee estimated the land under organic certification in South Africa at no more than 100 000 ha (P10), while others estimated that there are about 200 (P8) or 250 certified organic farms (P12).

Third party certification presents a number of challenges. The first is that by the end of 2015 there will be no South African certifiers left, leaving producers and processors only one option – to certify with international certifiers, which is a costly process (P1, P3, P4, P6, P8, P9, P12, P13). Figures mentioned by interviewees range from R14 000 to R50 000 depending on the farming operations (P1, P6, P8). Currently seven European certifiers are active in South Africa (P4), with another three from the United States of America (P8). As international countries do not recognise each other's standards, a producer or processor needs to certify with various organisations to export to different countries (P4, P10). Another challenge is that international organic standards are developed for European and American conditions, which are not

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<sup>11</sup> Visit the website here: <http://www.ollie.co.za/>.

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appropriate for South Africa and are generally considered very difficult to adhere to (P6). The third party assessor is also not allowed to guide the farmer in understanding what he or she did wrong. The assessor may say which standards are not met and for what reasons, but may not show the producer how to correct it (seminar correction from P4). The certification result normally consists of a set of required corrections. Once these are addressed, certification is normally approved for one year (seminar correction from P4). Smallholder farmers generally require extensive and continued support with record keeping if they want third party certification, generally in the form of ICSs (seminar correction from P4). Finally, third party certifiers are generally reluctant to openly share organic statistics due to the competitive nature of the certifying industry (P4, P6, P10).

One alternative to third party certification, which seems to be gaining momentum in South Africa (P1, P2, P4), is PGS. According to interviewees, PGSs are most suited to smallholder farms or larger farms that predominantly supply local farmers' markets and other local and franchised retail outlets, and not to the major chain stores using centralised distribution centres (P1, P4, seminar correction from P4). The PGS was first developed by IFOAM (P2), and allows a group of farmers adhering to organic principles to regulate each other (P1, P8) according to six key principles: a shared vision, transparency, trust, shared learning, horizontality, and participation (P2).<sup>12</sup> The procedures around these principles are determined and owned by each individual PGS (P2).

Some of the challenges related to the PGS have been a lack of record keeping and central regulation, leaving any group open to calling itself PGS certified and causing confusion and mistrust of organics amongst consumers (P4). Consumers generally also do not know or understand what PGSs are (P4, P8). If, however, the SABS standards are launched, PGS-SA and SAOSO will regulate the SABS-endorsed PGSs against the SABS organic standards, and PGSs will be required to keep up to date records (P4). Farmers could either be endorsed as PGS organic or as natural, to allow conventional farmers to transition to organic, or to allow organic farmers who do not want to be formally assessed to be acknowledged for farming more naturally (P8). Unfortunately, there are currently only a small number of successful South African PGSs in existence and thus the number of tested setups with internal quality systems, auditing trails, and maintenance procedures is small (P6). Most existing PGSs also only produce vegetables (P6). Generally a PGS will require a chairperson, secretary, and treasurer. The annual fee to belong to PGS-SA will be R500 per member, and if the PGS wants to be assessed by PGS-SA, it will cost another R2 000 (P8).

A major advantage of the PGS is that it promises to be more cost effective than third party certification, making certification more accessible for resource poor farmers (P1, P8). The different PGS organic and natural logos also allow for transitioning from conventional to organic agriculture (P8), which may motivate farmers to move towards more sustainable farming methods. As records will be kept centrally (P6), PGS structures will cut the time farmers need to spend keeping records. A central databank will also increase the availability of reliable data to contribute to an overview of organic agriculture in South Africa. Namibia currently only has PGS certified farmers, yet their markets and consumers understand and trust that they are farming organically due to transparent and effective record keeping (P9). If PGS-SA takes off, it may well contribute to consumer education and a greater awareness of organic food amongst consumers, as has happened in Namibia.

A final regulating standard that must be included is for farms in transition. If a farm transitions from conventional to organic agriculture by abruptly stopping the application of fertiliser, pesticides, and

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<sup>12</sup> For more information on these six principles visit the IFOAM page here: <http://www.ifoam.bio/en/pgs-basics>.

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herbicides, it takes a few years for the soil to be considered acceptable by organic standards. During the conversion farmers generally experience yield reductions and poorer quality produce, which puts them in a difficult position – although the farm experiences these difficulties the farmer cannot collect a premium for his or her produce as it is not yet certified organic. This generally deters farmers from converting. One interviewee commented that all major retailers accept in-conversion crops (seminar correction from P4), although it is unclear whether they would pay a premium price for these crops.

Knowing the challenges of conversion, one supermarket chain in South Africa developed its own standard in 2004 to accommodate farmers wishing to incorporate more sustainable farming methods. Instead of assessing farmers on a set of organic criteria, Woolworths has developed the Farming for the Future brand, which assesses the impact of hybrid farming practices on the environment. The approach is to move farming systems through a “less harm” to a “no harm” approach (P13:8). A typical Farming for the Future assessment consists of a group of scientists visiting a farm and doing various tests on the natural resources. A report is then produced eight weeks later in which the farmer is given guidance on how to reduce the impact of his or her farming methods on the environment (P13). Although the programme’s goals are available on the website,<sup>13</sup> the guidelines are the property of Woolworths and are not freely shared with the public (P13).

This approach helps farmers to subsidise the losses of their organic production with profits made through Farming for the Future (P13). Unfortunately it has also confused consumers who do not understand how Farming for the Future differs from organic standards (P13). Although Woolworths does not claim that Farming for the Future is organic, it has not made a conscious effort yet to clear up this confusion. Reportedly, its marketing budget does not allow for it (P13). Although it is not organic, one interviewee said: “... it’s time not to be too jealous and too possessive of organics and organic produce and if Woolworths is doing Farming for the Future, [well] as long as they are honest then that is absolutely fine. There’s a market for their customers who believe they [Woolworths] have a system in place, so I’ve got no criticism of big retailers [finding alternative approaches to more sustainable food systems]” (P2:540). However, there is general distrust of the programme from members of the organic sector (seminar correction from P4). Although no one from the ZZ2 farming conglomerate was interviewed for this report, Natuurboerdery<sup>14</sup> was mentioned as another in-transition approach to farming and the future of sustainable farming in South Africa (P3). These comments clearly call for greater flexibility during transitions, to allow farmers to gradually build up to sustainable farming operations.

#### 2.4.2 Local markets

Demand for organic produce in South Africa is somewhat unknown. One interviewee said it was low (P4) another that it outstripped supply ten to one (P6), some said it was slowly increasing (P1, P4, P6, P10), while one interviewee declared that demand for organic vegetables was definitely decreasing (P6). Another interviewee declared that South Africa is the biggest market for organic produce on the African continent, with Egypt most likely a joint leader (P7). One interviewee also commented that smaller organic markets might be growing rapidly yet, in relation to conventional market outlets, this growth remained insignificant (P10).

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<sup>13</sup> The goals were not clearly marked on the website, but could be “...principles of building soil fertility, minimizing damage to the environment, working with rather than against natural systems and respecting animal welfare” from this link: <http://www.woolworths.co.za/store/fragments/corporate/corporate-index.jsp?content=../article/article&contentId=cmp100419>.

<sup>14</sup> Read more about Natuurboerdery here: [http://www.zz2.biz/index.php?option=com\\_content&view=article&id=19&Itemid=22](http://www.zz2.biz/index.php?option=com_content&view=article&id=19&Itemid=22).

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In a manner similar to production and certification, local organic markets are generally split in two. On the one side there are informal local markets (P14); more organised, yet still very local markets (P1, P2, P7); and independent food stores (P8). These immediate markets generally serve local communities and rely on short supply chains (P2). PGS certification is acceptable to these markets, as is evident in the case of the Bryanston market (P2). Consumers are drawn to these markets because of no other options (in the case of rural informal markets) (P14), health reasons (P2, P6, P9), wanting to live more sustainable lives (P1, P6, P7), a mistrust of big business (P2), and the organic food trend (P2). In the more organised local markets, such as the Bryanston market, consumers are generally not put off by higher prices (P4).

The other side of local markets consists of supermarkets based on longer supply chains that typically require third party certification (P3) or in-house standards such as Farming for the Future. In cases where third party certified produce is sold in supermarkets, it is most likely poorer grades of product that was originally intended for export (P10). Third party certified organic produce is typically sold in supermarket stores such as Woolworths, Wellness Warehouse, Pick 'n Pay, and Fruit 'n Veg City. PGS certification is acceptable to this section of the market when stores buy directly from farmers in their local community and can guarantee food safety (P10). The stores that buy direct are generally local and franchised local retail outlets that are not forced to buy exclusively from central distribution centres. In one interview, supermarket representatives explained that the demand for fresh organic fruit and vegetables was very small, and that it only came from three or four of their stores in Cape Town. On further investigation they believed that these requests would reveal very few customer names, representing less than 0,001% of their total buyers (P3). Interviewees also reported that supermarkets import processed third party certified organic produce such as coffee, edible oils, and packed vegetables (P10, seminar correction from P4). Consumers are generally drawn to these markets because of the organic food trend (P2), food safety (P10), and convenience (P3, P13).

A major challenge for local markets has been that organic food is perceived as expensive (P3, P4, P6, P7, P9, P10, P13). Local consumers are not willing to pay the premium for organic produce that international markets are willing and able to pay. As a result smallholder farmers producing fresh vegetables for the local market are not motivated to continue (P4), and larger farmers producing for niche markets prefer to export their produce (P1, P4, P7, P9, P11). If this challenge had to be turned into an opportunity, farmers could try to produce cheaper organic products for the local market, drawing on PGS certification to bring down costs or reducing other input costs and producing at standards lower than what is internationally expected. One farmer in the Western Cape has done exactly this – producing a lower quality, yet affordable organic wine that is exported and sold in Woolworths stores. Although he is certified organic, he purposefully reduces his input costs and produces a wine of lower quality: “... he wants to make wine for the poor man – organic wine for the poor man ... so his wine is not the best quality, but it’s certified organic and he exports a lot of it. Woolworths takes some. And, he says, even overseas the young people who have good intentions, they may not be able to afford a €30 bottle of organic wine, so he makes a conscious effort to come in lower priced” (P10:25).

### 2.4.3 International markets

South African organic produce exported to international markets is third party certified organic (P1, P2, P4, P7). Only one smallholder initiative has successfully managed to get certified for export – the Heiveld Small Farmer Co-operative, and this was through group certification for their ICS (P4, P10). International markets believe organic food is safer and better for the environment, they can afford the higher prices, and they generally remain loyal to specific producers (P10).



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As mentioned earlier, wine, herbal tea, fruit (including citrus, apples, bananas, avocados), and nuts, in that order of importance (P10), are produced for export markets (P6, P7, P9, P10). The international organic cosmetic (P6) and medicinal markets for products such as aloes, baobab, buchu, devil’s claw, moringa, marula, and marogo oils and leaf powder are also growing (P9, P10). Although not currently exported to Europe, there is a high demand for organic butternuts (P4). Niche products are thus generally produced for export markets (P7).

Not everyone who was interviewed agreed on the idea of exporting organic produce. Those who believe organic farming should be promoted for sustainability reasons generally would rather promote the development of local markets. A number of interviewees supported the ideal that local communities and regional communities should be supplied before export becomes a priority (P1, P11, P12). Others felt that the premium prices exports attract could help to further develop the organic sector, in the process improving local ecosystems and providing communities with jobs and income (P9, P14).

### 2.5 Summary

An overview of the South African organic sector as it currently exists is challenging, due to a lack of available and accessible records. According to interviewees, the number of certified organic farmers may be as small as 200 to 250 and certified organic land may only amount to about 100 000 ha. The number of uncertified smallholder farmers incorporating organic methods and the size of the land they are cultivating are unknown, but it is expected that they are greater in number than certified organic farmers. It would seem that the local organic market in South Africa is steadily growing, but that organic farmers consider the export market a more lucrative option. Not everyone agrees that the export market fits into an organic philosophy that places local communities and the sustainability of the natural environment before profit. Instead interviewees who challenged the concept of organic exports felt that this should only become an option once local and regional markets have been saturated. Figure 1 schematically represents the current structure of the South African organic sector with its production, certification, and market components.

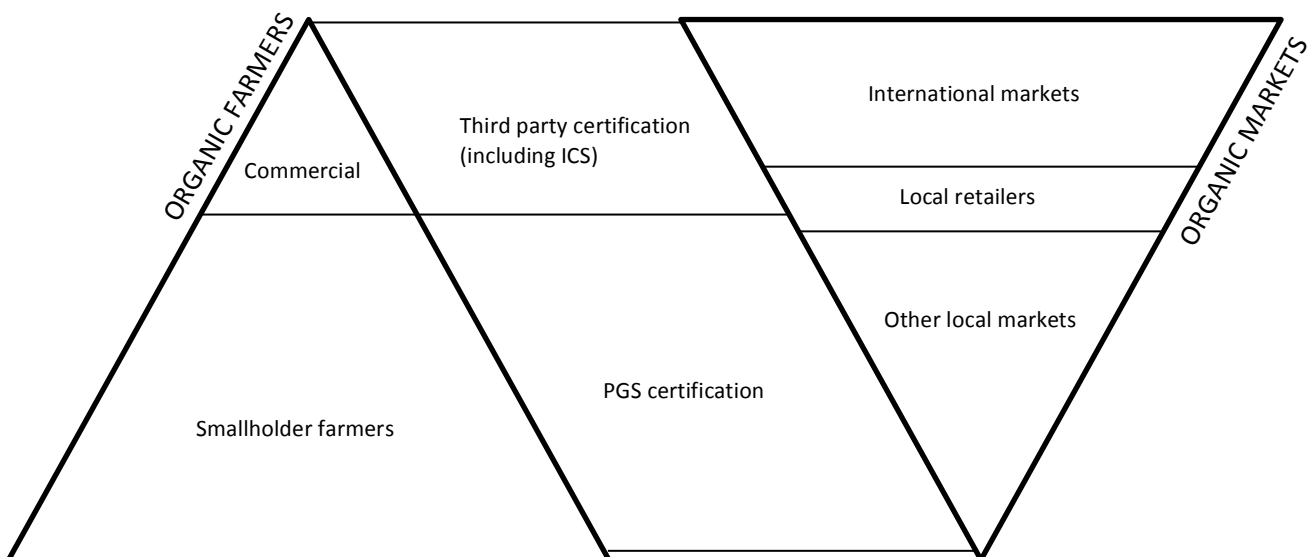


Figure 1: A schematic representation of South African organic production, certification, and markets

Although unconfirmed by official records, figure 1 assumes that commercial farmers are fewer in number than smallholder farmers, but most likely produce slightly greater quantities of varied organic produce. This produce is third party certified and either exported or sold to local retailers if the quality is not good enough for international markets. Locally produced organic vegetables most likely constitute the largest

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category of organic produce sold locally (seminar correction from P4), whether for processing or direct consumption. Smallholder farmers, although greater in number, are producing slightly smaller quantities and less variety of organic produce (mostly vegetables), which is sold to their immediate local markets and, ideally, to their local and franchised retail outlets. It is expected that much more of their produce will be PGS certified in the near future, making increased sales to local markets more likely.<sup>15</sup>

In short, the fundamental challenges preventing the sector from growing include a stagnant representative body, which fails to represent the entire sector in the first place, and government's focus on conventional agriculture. However, a historical overview of the organic sector also points to some key opportunities to develop the sector and support smallholder farmers to enter it. The biggest of these is the newly SABS-endorsed PGS standards, which promises to grow the sector regardless of a lack of political backing. Not only do these standards hold the potential to strengthen the organic sector institutionally, but by their very nature they will include smallholder farmers and enable them to access local organic markets. It remains to be seen whether SABS will successfully launch these standards before the end of 2015, or follow in the footsteps of other government agencies in dealing with the organic sector, allowing the process to drag on endlessly.

Focusing on the production of organic inputs such as organic animal feed for larger scale organic farms or producing cheaper organic produce for the local South African markets could be two key entry points for smallholder (or other) farmers wishing to farm organically. The use of the term 'organic' here would require these farmers to be third party certified. As an example, a large scale organic chicken farmer buying organic feed from a smallholder producer would require the smallholder farmer to be organically certified, or would need to include an assessment in his or her own certification process. Alternatively smallholder farmers could get PGS certification and form part of more local supply chains. It may well be possible to certify the wild harvesting of medicinal herbs for the export market if smallholder farmers apply for group certification of their ICSs. Further research is required to determine whether the cultivation of these plants, as opposed to wild harvesting, will be financially and environmentally sustainable.

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<sup>15</sup> Further research is required to determine the quantities of organic produce exported in relation to the quantities of organic produce sold in local markets.

## 3. SUPPORTING SMALLHOLDER FARMERS INTO THE SOUTH AFRICAN ORGANIC SECTOR

### 3.1 Who are the smallholder farmers in South Africa?

According to the GIZ literature review (Kelly & Metelerkamp 2015:19–20), DAFF divides smallholders into two main categories: the approximately 140 000 households who market their produce and the two million households that produce only for household consumption (Pienaar 2013). Cousins (2013) makes a strong case for a more nuanced understanding or classification of smallholders. He and Chikazunga developed the following typology after surveying various smallholder projects in South Africa:

**Table 4: Typology of smallholder farmers in South Africa**

	<b>Subsistence-oriented smallholders</b>	<b>Market-oriented smallholders in loose value chains</b>	<b>Market-oriented smallholders in tight value chains</b>	<b>Small-scale capitalist farmers</b>
<b>Objective of production</b>	Household consumption	Household consumption + cash income	Cash income + some home consumption	Profit
<b>Proportion of marketed output</b>	None or insignificant	50% or >	75% or >	100%
<b>Contribution to household income</b>	Reduces expenditure on food	Variable – from small to significant	Significant	Very significant
<b>Labour</b>	Family	Family + some hired	Family + significant numbers hired	Hired
<b>Mechanisation</b>	Very low	Low	Medium to high	High
<b>Capital intensity</b>	Very low	Low	Medium to high	High
<b>Access to finance</b>	Absent	Some	Significant	Very significant
<b>Numbers in SA</b>	2–2.5 million households	200–250 000 households	?	?

(Source: SAFL and Institute for Poverty, Land and Agrarian Studies (PLAAS) 2013:3)

Aside from the typology above, Cousins also provides a definition of smallholders that is relevant to the South African context: “Smallholders are small-scale farmers who use farm produce for home consumption to some degree, and use family labour within the farming operation to some degree, but for whom farming contributes a highly variable amount of cash income via marketing of farm produce. Levels of mechanisation, capital intensity and access to finance are also variable among such farmers” (SAFL & PLAAS 2013:3). This definition and the typology in table 2 include all smallholder farmers.

This GIZ organic research project specifically focuses on smallholder farmers regarded as market-oriented, whether in loose or tight value chains, and smallholder capitalist farmers. This overarching market-orientated group includes smallholder farmers who sell at least 50% of their produce to markets for household income; who hire at least some labourers who are not their own family members; who have access to finance, as their farms have low to high capital intensity; and with at least some mechanisation on their farms. The total number of farmers with these characteristics is unknown, but it is greater than 200 000.

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### *3.2 Why support them into the South African organic sector?*

On the PLAAS blog, Chikazunga presents a good overview of the arguments for and against organic agriculture in general, as well as arguments for and against supporting smallholder farmers to enter the organic sector in South Africa. In South Africa, “[a]bout 99% of the food is produced by 3% of the farmers and distributed by four retail chains which control 55% of the food retail industry” (Chikazunga 2012). This food system makes it difficult for market-orientated smallholder farmers to access markets beyond their immediate communities.

Chikazunga (2012) reports that some organisations promote organic agriculture as a solution to the increased input costs of conventional agriculture and inaccessible markets, despite the drawbacks of too costly organic certification, and costly and risky organic production with low outputs unless farmers have access to large pieces of land and increased labour resources (Chikazunga 2012). He seems unconvinced that organic enterprises can address the market access challenges of smallholder farmers, even if they have the potential to “... free smallholder farmers from the enormous power of capital-driven, industrial agribusiness”. He argues that it is not a proven livelihood strategy for smallholder farmers in South Africa, but accepts that it may have benefits for society as a whole by reducing the ecological damage caused by conventional agriculture and posing less health risks (Chikazunga 2012). Chikazunga (2012) also states that those who oppose organic agriculture include representatives from agribusiness and the organic grassroots movement. Whereas the former argue that organic agriculture cannot produce enough cheap food for the masses, the latter oppose the current organic industry, which has become capital intensive, thus copying models of industrial production.

Not much has changed since Chikazunga wrote this blog post in 2012, apart from the development and progress of the set of national organic standards currently being finalised by SABS. How this set of standards could support the entry of smallholder farmers into the South African organic sector and resolve some of the issues highlighted by Chikazunga, is discussed in section 3.5.

### *3.3 Key challenges*

Smallholder farmers are not represented in SAOSO membership. They consequently lack the necessary support of government to enter the organic sector and do not receive the extension services required to set up organic initiatives. As government is geared towards conventional agriculture, relying on government to provide these services to smallholder farmers may only prolong the inertia in the sector. Being resource-poor, smallholder farmers also do not have the capacity to afford expensive organic inputs, risk low organic outputs, or access organic markets with unreachable standards.

As already mentioned the South African government supports conventional agriculture and is not convinced that supporting smallholder farmers into organic agriculture is a viable strategy: “... when we talk in the sector about smallholder and subsistence farmers, and working with agro-ecological systems to develop their capacity, [government] sees that as playing too small and thinking too small. They want to get these people to become big and successful farmers, so the idea and the focus are on agribusiness in the traditional industrial way. I think that is still the ruling perception of DAFF” (P7:17). Consequently the “... [smallholder] work that has been done in organic doesn’t fall under the focus point of agriculture, because agriculture is looking at it from a commercial zone. So the smallholder farmer seems to sit on the fringes, under feeding schemes, under social services, all of those things. They don’t really sit under the spotlight of agriculture, [and thus do not get the necessary agricultural support]” (P6:34).

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Another key challenge has been that the vastness of the challenges smallholder farmers experience leaves those responsible for addressing them incapacitated. Mostly in the case of government, it is then easier to rather address these issues at a theoretical policy or strategy level, with the hope that these ideas would somehow “trickle down” to solve the myriad of issues on the ground (P7:46). Examples of this mentality include the national policy, strategy, and now standards, which have all been developed at a theoretical level. It remains to be seen if the new standards have been designed in a practical way that will be relatively implementable in the South African context.

Generally smallholder farmers do not have the necessary training or access to support services that could give them support in organic production endeavours. One interviewee gave a practical example, explaining that due to a lack of training, smallholder farmers do not understand that they cannot rotate their organic production units onto patches of land that grew GM maize the previous year (P10).

### *3.4 Reasons for smallholder organic project successes*

Interviewees discussed a number of generic catalysts that have helped to grow the organic sector in South Africa. The most prominent ones included:

- key champions driving the sector forward
- the development of the SABS-endorsed PGS standards
- transparencies in organic supply chains
- growing environmental awareness and commitment to more sustainable lifestyles
- growing health consciousness
- sustained support to organic producers
- market demand
- the flexibility of the market in allowing and supporting transitions to organic agriculture
- the increased costs of conventional agricultural inputs.

These catalysts would naturally also be relevant to smallholder organic projects. The role of champions, the new PGS standards, sustained support to organic producers, market-driven initiatives, and increased costs of conventional agricultural inputs were mentioned by interviewees when specifically discussing smallholder farmers.<sup>16</sup>

Interviewees also provided reasons for the successes of specific smallholder organic projects, some of which relate to the catalysts to the growth of the South African organic sector. One interviewee explained that Siyavuna, the smallholder third party certified rooibos project, has been successful due to the sustained mentoring to keep production going that was built into their funding model (P6). Another interviewee said that a strong, committed champion who effectively managed the Heiveld project made it a success (P10). Yet another explained that market-driven initiatives were often more likely to succeed (P2, P6), whilst others felt that small, niche markets in local communities were particularly accommodating of smallholder organic agriculture (P9, P10). One interviewee also felt that linking organic initiatives and certification to Fairtrade certification strengthened their chances of success (P10). An understanding of and commitment to environmental and ethical issues also tended to contribute to the sustainability and thus success of projects (P12).

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<sup>16</sup> By using the code co-occurrence tool in Atlas.ti, it was possible to determine which catalysts were mentioned when interviewees specifically discussed smallholder farmers.

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An interviewee expressed the view that organic agriculture could be accessible to smallholder farmers if government implemented a programme that increased their access to land as organised collectives and offered them training (P1). He explained that land would be held in a trust and only be available to those who employed agro-ecological methods. If these methods were compromised by conventional agriculture, the beneficiaries would lose their right to the land (P1). Another interviewee stated that “the only way to get smallholders into organics, is to run them as a group and do group certification” (P4:55), whilst another stated that “... from a production point of view, it has to become a collaborative arrangement between producers, instead of this one-man-on-your-own. We actually have to now be collective, because there’s enough capacity for everybody to make a good living out of [organics]” (P6:19). There thus seems to be some consensus that initiatives supporting the entry of smallholder farmers into the organic sector, need to take a collective approach.

In short, the elements that interviewees agreed contributed to successful smallholder organic projects, and factors that may contribute in the future, include:

- increased costs of conventional agricultural inputs
- an understanding of and commitment to environmental and ethical issues, and standards
- group or collective approaches
- market demand
- the new PGS standards
- champions
- sustained support to smallholder farmers.

### *3.5 Accessible entry points for smallholder farmers*

Although not all have been implemented, there are a number of agro-ecological training initiatives currently available to smallholder farmers in South Africa. The first forms part of the unimplemented organic strategy developed by SAOSO, as discussed in the first section of this report. Another is offered by one of the organic farmers who participated in this study (P8), and yet another by the Sustainability Institute in Stellenbosch (responsible for the literature review for this research project). SAFL is currently also engaged in a project funded by the World Wildlife Fund for Nature (WWF), in which the ZZZ farming conglomerate will offer agro-ecological training to smallholder farmers. Key production opportunities include the production of organic inputs for organic production in South Africa, as well as the formalisation of wild harvesting of indigenous medicinal plants.

One interviewee shared an overview of the Namibian organic sector. This relatively young sector has been successful because of a market for organics, consumers’ understanding of PGS certification, transparency throughout the value chain, and healthy relationships between organic farmers and local supermarkets (including Spar and Fruit ‘n Veg) (P9). This interviewee was of the opinion that the formal South African market is arrogant and has impossible standards that organic farmers simply cannot adhere to if they are farming organically. She said that customers who buy organic produce do so for other than aesthetic reasons and that the South African retail sector did not seem to understand this (P9).

Due to the unrepresentative nature of SAOSO and its consequent inability to retain government’s commitment, it may well be necessary to organise smallholder farmers into collectives supplying outgrower schemes. Two interviewees spoke about supermarket outgrower schemes in other African countries as a possible solution for supporting the entry of smallholder farmers into the South African organic sector, specifically supplying to the retail sector (P2, P4). “... big business runs it and then they have outgrowers who supply centrally and they supply them with [inputs] ... there are many such schemes around Africa and almost none here. I suppose the sugar industry has quite a lot. I’m afraid I think that’s the way forward,

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because then you know that it's managed" (P4:64). However, both interviewees also warned that these schemes would have to be approached with some caution: "... we have to be a little bit suspicious of people running it, because they're making more money off of it [than the smallholder farmers]" (P4:64), and "... they're giving the farmer the support, maybe even financial infrastructure [and] transport ... [and then they're] allowed to publicise that and say we do this, but then what happens is the farmer has got one customer and then the nature of economics in retail in this world of ours is that [the retailer] can start putting pressure on the price and then the farmers are completely dependent and that is never a healthy situation" (P2:55). If outgrower schemes are promoted as a solution for supporting smallholder farmers to enter the organic sector in South Africa, it will have to be done with some caution.

In considering whether to support new larger commercial or smallholder farmers to enter the organic sector a key requirement is an understanding of the challenges of transitioning to organic agriculture, and ensuring both the flexibility to allow for this, and acknowledgement of such efforts. This brings us to another key entry point for smallholder farmers – the newly developed organic, and specifically PGS standards currently desk-bound within SABS. The PGS standards include a PGS natural and an organic logo (seminar correction from P2), that would acknowledge those farmers who are making an effort towards organic agriculture, ideally earning them a premium price for their produce to make up for reduced yields. Furthermore, these standards have the potential to bring down the cost of organic certification for smallholder farmers, and as they are designed for local markets or short supply chains, they will also bring down the cost for farmers to transport their produce to consumers. One key requirement for building trust within the as yet unregulated South African PGS structures would be to include scientific testing of soil and water. This would both demonstrate progress towards healthy soils, and adherence to minimum organic requirements and could even contribute to the retail sector accepting PGS certified produce.

Although the requirements are as yet unclear, processing could also be a viable entry point into the organic sector for smallholder farmers and other small business entrepreneurs. This needs to be further explored during the learning journey and roundtable engagements with key organic stakeholders in South Africa.

In short, the key entry points thus include available agro-ecological training, the production of organic inputs and cheaper organic produce for local markets, harvesting of wild medicinal plants, possible outgrower schemes with the retail sector in which smallholder farmers consciously maintain a degree of autonomy, an organic sector that can tolerate and acknowledge transitioning efforts, as will be done by the new PGS standards, and possibly opportunities in organic processing.

### *3.5 Summary*

Although smallholder farmers in South Africa can be divided into a number of categories, this study focused on those farmers who are market-orientated, whether in loose or tight value chains, or capital intensive. The organic sector holds a lot of promise for smallholder farmers, although it is not a simple solution. Major barriers include the high price of third party certification, and costly and risky production with possibly low yields, not to mention the lack of institutional representation and government support. The SABS-endorsed PGS standards, currently desk-bound with SABS, hold a possible key for smallholders farmers to enter the South African organic sector. It is also important to note that PGSs could be established even if the SABS standards are not launched (seminar correction from P4). However, standards are not the all-encompassing solution. Farmers require basic training and extension services, which will most likely not be provided by government since it focuses on conventional agriculture. One possible solution could be outgrower schemes between smallholder farmers and the retail sector, but this would have to be approached with some caution to ensure smallholder farmers maintain a degree of autonomy. Possible key products for

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production include organic inputs for organic farming (such as organic animal feed) and indigenous medicinal herbs. Farmers would also need to be acknowledged and incentives provided for efforts to convert to organic agriculture to grow the sector.



## 4. KEY AREAS FOR FUTURE RESEARCH

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A number of key research areas were already highlighted in the literature review. The dialogue interviews confirmed the need for further investigations into these areas and specifically research into the following.

- Reliable data that could produce an overview of the organic sector in South Africa in terms of the number and profile of third party and PGS certified farmers, quantity and kinds of produce, existing organic markets, and further demand for organic produce. The South African government should mandate international certifying bodies and the PGS-SA to produce annual figures on these areas. DAFF and SAOSO should then keep a central database that must be publically accessible.
- Imported organic products, markets, and prices consumers are willing to pay.

Further research to support the entry of smallholder farmers into the organic sector should focus on these areas.

- Smallholder challenges in general, and those specifically related to organic systems, to inform appropriate training and extension services to enable smallholder farmers to enter the organic sector.
- Successful PGSs and their operating structures used as guidelines to facilitate the implementation of PGS structures in smallholder communities (seminar correction from P2).
- The possibility and necessary steps required for transition from PGS schemes to certified internal control system projects (seminar correction from P4).
- Key opportunities related to the production of organic inputs, untapped niche markets such as the growing demand for organic medicinal products, and processing projects.
- Ways of sustainably setting up wild harvest projects within ecosystems to simultaneously develop local communities and preserve these systems, as well as the best ways to certify these products.

## 5. CONCLUSION AND NEXT STEPS

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Although key areas for future research remain, both the literature review and this report have contributed to a more complete and current overview of the organic sector.

The key findings related to the nature of the South African organic sector and the market for organic produce include:

- The South African organic sector lacks fruitful institutional representation and government support.
- Except for a small working group, the South African Organic Sector Organisation (SAOSO) is considered an inactive representative body.
- Since its inception, SAOSO has failed to gain representative membership of the organic sector in South Africa, resulting only in fairly regular meetings between SAOSO and government, but no implementable results.
- The new SABS-endorsed participatory guarantee system (PGS) framework has the potential to institutionally grow the South African organic sector.
- Production, certification, and markets in South Africa are split:
  - Third party certified organic farmers are few in number, yet supply export markets and supermarkets to a lesser degree.
  - Uncertified and PGS certified smallholder farmers are greater in number yet, due to the inaccessibility of more formal markets, can only supply their local communities or local franchised supermarket outlets to a lesser degree.
- Processing offers a key entry point for anyone wanting to enter the organic sector, yet remains an undocumented segment of the value chain.

The key findings related to ways of supporting smallholder farmers to enter the South African organic sector include:

- Smallholder farmers most likely to be able to enter the organic sector include those who are either market-orientated or small-scale capitalist farmers, but would still require continued support from sources such as government extension, non-governmental organisations (NGOs) or public private partnership (PPP) projects.
- The new SABS-endorsed PGS framework will accommodate the nature of smallholder farming and local markets.
- Key entry points for future smallholder farmers to enter the organic sector include:
  - The sector's acceptance of transitioning efforts to organic production
  - Producing organic production inputs, such as organic animal feed
  - Producing cheaper organic products for local markets
  - Setting up organic processing enterprises
  - Getting certified in groups to wild harvest medicinal plants for export
  - Outgrower schemes between smallholder farmers and the retail sector hold promise if smallholder farmers can maintain a degree of autonomy. Farmers in these arrangements would most likely need to be third party certified.
- Initiatives supporting the entry of smallholder farmers into organic agriculture need to approach farmers as collectives or cooperatives.

As mentioned in the introduction, these key findings informed both a half-day seminar and learning journey that took place in June 2015. Feedback from these events refined the final version of this report, as

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indicated where relevant. The next event will be a roundtable discussion in July 2015. The event will aim to engage important decision makers in the organic sector to develop contextualised proposals to support the entry of smallholder farmers into organic agriculture. Key sector stakeholders may drive some of these proposals, whilst others may receive continued support from GIZ and SAFL.

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