Workshop Report: Designing a smallholder farmer-focused agri-hub

Sustainability Institute, Stellenbosch, 21–22 September 2017

1. Background

The *Western Cape Food and Nutrition Security Strategy* (WCFNS) was developed to address the multiple dimensions of hunger, food insecurity and nutrition. It aims to improve food system governance by bringing stakeholders in communities together to address linked issues related to food, mobilise effective coordination of State and non-state actors, maximise existing programmes to identify ways to capitalise on positive outcomes, and promote greater efficiencies for stakeholders actively supporting the reduction of food insecurity.

The Strategy has identified opportunities for achieving short, medium and long-term objectives to address the challenges and causes of food insecurity. It aligns with a 'whole-of-society' approach to improving food security and nutrition in the Provinces, and is hinged on improved coordination and partnering across provincial programmes, specifically drawing a diverse range of individuals, organisations and Departments into the identification and delivery of interventions.

The *Southern Africa Food Lab* (SAFL) is a multi-stakeholder initiative that grapples with questions around food systems in Southern Africa to foster long-term food security in the region. It brings together diverse, influential stakeholders in the regional food system to respond to systemic issues in creative ways, and inspire change in how we think about and act on complex social challenges. The SAFL facilitates dialogue between these stakeholders to bring about collaborative learning, and foster innovations and experimental action towards a just and sustainable food system. Founded in 2009, it is housed under the umbrella of the Food Security Initiative at Stellenbosch University.

SAFL was contracted by the Western Cape Government to convene stakeholders across the Western Cape food system with a view to enabling broader participation in the implementation of the WCFNS. The reflections from this process resulted in the formulation of 6 project ideas that were presented to a group of political stakeholders who endorsed a process to carry these projects forward into a design phase.

2. Context

The smallholder agri-hub project was provided with a small pot of seed money by the Western Cape Department of Agriculture to conduct activities to finalise a plan for the establishment of an agri-hub that is intended to provide a model for replication across the Province. In particular, the pilot is intended to identify impediments to the set-up, operations, growth and development of hubs designed to both stimulate rural economies and increase food and nutrition security.

The initiative falls under the 'Inclusive food economy' pillar of the WCFNS, and was initially conceptualised as a process to develop a model by-law to support the development of smallholder producer hubs linked to local level food markets—essentially linking smallholder producers to local markets in a short value chain. On reflection, it was decided that in order to develop the by-law (and associated systems and processes to support the sustainability of the hub), a pilot learning site would need to be established to test how the hubs could/should function and identify the by-laws which would need to be amended or developed to support such initiatives more widely. Scale-up would be part of the next phase of implementation. In addition to the by-law, the pilot would also help identify the critical success factors (both programme content and processes) that would support scaling up.

A specific intention of the process to enable the WCFNS and the implementation of the project's design was to demonstrate a 'different way of doing business'—to develop a model based on genuine partnership, unreliant on Government intervention, which would achieve sustainable results beyond inputs from the State.

dala! Consulting Services was contracted to facilitate a two-day process for a small group of diverse stakeholders to begin the process of finalising the implementation plan.

The following outcomes were used to inform the design of the agenda:

- Review previous and current experiences of similar initiatives;

- **Jointly interrogate the key critical success factors for the smallholder farmer-focused agri-hubs and their implications for choices for a future 'model';**
- **Continue to build a community of practice.**

3. Process

Workshop participants reviewed and discussed a number of case studies drawn from a variety of experiences of working with smallholder farmers in the Western Cape. These included: the experience of the Department of Agriculture in relation to their direct support to smallholders (Ebeneazer, Friemersheim, Matjiesrivier; and Goedverwacht) and the implementation of the national Agri-Parks initiative led by the Department of Rural Development and Land reform; non-governmental projects including work with cooperatives in the Western Cape (Heiveld Cooperative); smallholder agriculture and market linkage support in KwaZulu-Natal (Siyavuna) and a nascent honeybush project in Genandendal; a review of the market infrastructure development projects across the country; and a reflection on the SPAR-driven farmers' hubs in Limpopo.

The case study reviews were followed by reflection on the lessons emerging from the projects, and discussion on what critical factors would increase the likelihood of a successful smallholder agri-hub project. While it is recognised that the process was not very deep, in that participants did not have the opportunity to interrogate the design assumptions in great detail, the group nevertheless provided the team with valuable insight and pointers on how to proceed.

In addition, participants committed to engage with the design process and implementation of the project as it unfolds.

4. Discussion

The content of the following sections is clustered in a manner intended to make sense of the complex conversation held over the two days. It is not a process record, rather an attempt to distill and summarise the conversation.

The process identified several challenges that would need to be overcome in order to make a success of any proposed pilot.

- **Cash flow is a severe limiter for smallholders. They cannot wait for payments on long cycles and often end up selling crops at lower value because of the need to access cash.**

- Smallholder farmers cannot access some value chains because of the high cost of compliance, particularly with food standards regulations.
- The potential impact on high value commodities will impact on diversity, thereby exposing smallholders to the risk of variable and unfavorable market prices because of their often-precarious financial positions.
- A lack of diversity in production will also impact on local food systems, in terms of the volumes and nutritional diversity of food available locally
- Environmental concerns include the very current issue of water and land management and the impact on biodiversity. Taking an approach that is underpinned by an 'intensification' drive could have significant impact on the natural environment and community resilience.
- Building collaborative practice has proved difficult in many initiatives of this nature. The general experience has been that cooperatives fail because of poor group formation and low levels of trust, both of which take time to develop.
- Aspiration plays a big role in the decision as to what people consume, and the general experience is that locally grown food is considered to be of low quality and value. Many poorer communities have a tendency to want to buy food rather than grow and consume food.

Key components of an **approach** became evident through the conversation, the elements of which are described in the following paragraphs.

The WCFNS promotes an adaptive approach to programme work—pilot projects are to be designed as experiments with well-defined learning approaches that will support adaptation and adjustment in response to changes and environmental shifts. The pilot is intended to provide the core components of a model that could easily be replicated in any context where there is a demand for support.

A 'hub and spoke' model for the operation of the hub was discussed. Rather than seeing the system as a 'value chain', the analysis of impacts and opportunities should be framed as a 'value network'. A systems approach to design, monitoring and implementation management would allow for a deeper understanding of the impacts of the hub in relation to:

- the availability and diversity of food at local level;
- nutritional status of communities being 'serviced' by the hub;
- ownership and control of resources up and downstream of the hub;
- demand and supply patterns and, as a consequence, the opportunities for developing emergent value chains.

The approach to establishment should remain participatory and open. This will ensure high levels of ownership, which will in turn improve the sustainability of the initiative. There is a need to move to develop a social justice mandate in the founding principles, guided by the question: How does the agri-hub in its construction and operations contribute to the greater good of society?

Some elements to inform commodity selection were discussed:

- **A critical area already identified was the need to select the appropriate commodities that would ensure that smallholder farmers could have year-round production and sales.**
- **It was also considered important that the whole of the volume of the commodity produced could be traded—from processing grade all the way through to export grade. Once commodities were selected, it would be necessary to develop an integrated production, processing and marketing strategy for each.**
- **An area for exploration is the tension between the need to improve food security and nutrition of local communities, and the need to improve the overall livelihood position of smallholders. At face value, these outcomes are irreconcilable, but there were suggestions in the conversation that a more adaptive, systems approach could meet both needs. This is a critical area for continued exploration.**
- **The selected commodities should have minimal impact on the environment, both in terms of the inputs required and their potential encroachment on indigenous varieties.**

Core components of the agri-hub components were identified:

- **In order to address the cash flow issues, a coordination/market agent function must be included in the hub service set.**
- **Input side services must be in place to support smallholders, e.g. a mechanisation centre; nursery, extension support, etc.**
- **A means of value addition must be included in the centre activities, e.g. sorting facilities, pack houses and processing infrastructure.**
- **A knowledge generation/innovation function must be built into the activities of the hub, both to share good technical practice but also to collect and disseminate local, indigenous knowledge and practice.**
- **The hub and all its functions must be controlled and managed by the farmers themselves. A strong and locally appropriate governance system to ensure the smooth operation of the hub is an important feature.**

Additional value that can be generated through the establishment of the agri-hub includes:

- The development of the agri-hub provides opportunity to create a centre through which the wider community can engage—promoting local governance and ownership. The engagement could be moved beyond governance and include consumers in the conversation about what is grown, traded and distributed as a means of maintaining market relevance.
- The hub must be run on a commercial basis to ensure its sustainability. Skills training in business development, management and entrepreneurship could be extended to include smallholder farmers and the broader community.
- The hub could serve as a financial centre to improve access to financial services to farmers and the community. The package of products could include micro-insurance and savings products to support community resilience.
- Distance from urban centres provides an opportunity to stimulate employment in processing activities to improve product lifespan. Skills training and the setting up of processing facilities could contribute significantly to local employment.
- The hub provides an opportunity to explore alternative certification systems, e.g. participatory Guarantee Schemes, in an organised manner with a view to scaling and replication.
- The hub could be used as site to test the use of technology for remote support, with this being provided to participating smallholders. This could include information resources, technical training and extension support.

The following guidance was provided for **site selection:**

- There should be a history of collaboration/joint work amongst the farmers in the area chosen. The groups should have established conflict resolution mechanisms, a common identity and an interest in pursuing the project.
- There should be a history of collaboration between Government departments active in the area, clear delineation of roles and responsibilities and a willingness to integrate the delivery of services and programmes. Ideally, the site selected should integrate with the Agri-Parks initiatives.
- There should be pre-existing diversity in production methods and commodities produced in the area, as well as a pool of local/indigenous knowledge and practice that could be learned from/shared.
- Wherever possible, the site should provide efficiencies. In particular, the chosen site should be able to draw down resourcing and support from a

number of Government, civil society and corporate sector initiatives active in the area.

- The availability of water, good water management infrastructure and a strong water governance framework is a central consideration for site selection.
- It was recommended that the site be located closer to rural production zones than to urban markets. This would create a 'buffer' against competition from more established markets and allow for lower grade produce to be absorbed by local markets.
- Pre-existing or easy to develop infrastructure to support project delivery.
- Access to a sustainable (possibly renewable) source of energy.
- The shortest possible value chain/route to market should be given preference. The need for income must be balanced by the imperative to supply local markets.
- The site should be located in an area where there is a possibility to diversify income generating opportunities (e.g. services, tourism) for cross-subsidisation and multiplication of impact.
- There should be no environmental risk associated with production.
- There should be no pre-existing conflict, e.g. land claims, land tenure or contestations around the ownership and control of natural resource.

5. Conclusion

The time allocated for the process was short, and some questions will still need to be tackled during the design and implementation phases of the project. There is, however, a commitment to continue to engage and involve participants in this meeting, and other role-players in the ongoing process of establishing the agri-hub.

A few of the more critical question are listed below:

- The strategic purpose of the pilot needs to be defined against the question: Is the approach to scaling determined by opting for a project's highest chance of success to have proof of concept early or to attempt a more difficult implementation site to test the model more broadly? Both approaches have advantages.
- This is a new model that will impact on the status quo—possibly in a disruptive/conflictual way. How will the project be 'protected' from entities who have vested interests?

- **The tendency towards urban migration, particularly of young people, will have serious consequences for the medium to long-term viability of agriculture projects. It is important to understand who actually farms currently, who will or will not engage in agriculture in the future, and how to create real livelihoods opportunities for future generations in rural communities.**
- **The balance between the food security and livelihoods drivers will need to be found to support an equitable food system. How could the project balance the need to service local markets (what people already eat in the community) with servicing high value, trendy (and as a consequence, variable) urban markets?**
- **Resources like seed are becoming increasingly valuable and are being exploited commercially. How will the pilot ensure that the ownership and control of these resources and indigenous knowledge remains in the hands of the farmers?**