



Scan for Capital Harvest

April 2019

This is a monthly environmental scanning document with extracts from a range of press articles deemed to be of possible strategic importance to Capital Harvest. The articles are arranged according to a framework of topics. For each article its title, author (where available) and source are stated.

Editorial

Agriculture

In Argentina, agriculture accounts for more than half of exported goods in monetary terms. In his 2015 election campaign, the country's centre-right president, Mauricio Macri, promised to strengthen the agricultural sector. He followed through by eliminating export taxes on corn and wheat, while reducing those on soy. But in 2018 Argentina's financial troubles forced the country to take an IMF loan, requiring it to resume taxes on exports. Sales of agricultural equipment plummeted in 2018. Macri is up for re-election in October, but many farmers now oppose him due to the revived export tariffs and business loans with interest rates that exceed 60% (inflation is above 50%). However, the farming sector's strong dislike for populist ex-president and fellow candidate Christina Fernandez, means many farmers may still rather vote for Macri.

Globally bee populations have been shrinking, but the island of Cuba has been a notable exception. After the collapse of the Soviet Union in the 1990s – which used to provide Cuba with pesticides, fertilisers and herbicides – the country was forced to develop natural alternatives. The use of chemicals in agriculture is now all but non-existent, allowing bees to thrive. Agricultural antibiotics are also scarce in Cuba due to the US trade embargo in place since 1962. While not all of Cuba's honey is officially certified organic, there are so few chemicals on the island that almost all of it can be considered organic. Cuban exporters receive an average of \$2 655 per ton of honey. Average national production is 51kg of honey per hive, with some farmers yielding as much as 160kg per hive. Cuba produced 8 834 tonnes of honey in 2018, with virtually all of it exported to Europe. Argentina remains Latin America's biggest producer, at 76 000 tons in 2017.

In the field of healthcare, gene-editing tools are the subject of heated debates regarding ethics. The tool Crispr recently made headlines when a scientist in China reportedly used it to edit the DNA of a pair of twin babies. However, a co-inventor of Crispr would like to use the technology in a different field where the debate is somewhat less fierce – growing food. Crispr is easier to use and more precise than traditional methods when it comes to breeding crops. Several Silicon Valley start-ups are also experimenting with Crispr to make lab-grown meat, including Memphis Meats backed by Bill Gates and Richard Branson. Work on products using Crispr has been ongoing for half a decade, but it's only recently that US regulators have

created a viable path for such products to come to market. The US has exempted many Crispr-modified crops from the oversight that accompanies traditional GMOs – so long as the edited DNA in the crops could also have been created using traditional breeding techniques. It is estimated that the first Crispr'd foods will be commercially available to consumers within five years.

GMO crops are controversial in Europe, where very few varieties are authorised and some countries – notably France – have completely outlawed their cultivation, citing environmental risks. Chemicals group Bayer says French farmers destroyed 18 000 hectares of rapeseed in early 2019 following the discovery of a non-authorised genetically modified organism (GMO) in seeds. German farmers destroyed 2 150 hectares. The destruction was carried out before the flowering of crops, which could have led to the spreading of the non-authorised GMO variety. The seed was sold under the Dekalb brand, developed by Monsanto. Monsanto was acquired by Bayer in 2018, and Bayer is compensating the farmers.

An appeals court in France has also confirmed Monsanto's guilt in the poisoning of a cereal farmer who said he suffered neurological damage after accidentally inhaling fumes from Lasso, a weedkiller made by the company. The active ingredient in Lasso has been banned in many countries in recent years.

The Nouvelle Aquitaine region in France has launched a fleet of buses that run on second-generation bioethanol manufactured using residues from wine. The sugar from the marc (formed by the skin and seeds of the grapes) is fermented into raw alcohol, then distilled and dehydrated to obtain bioethanol. To this is added 5% of non-petroleum additive. The clean buses cost an additional €80 000 compared to the diesel model, and require a further investment of €28 000 euros for the installation of the bioethanol tank.

After a particularly bad year in 2017, world wine production rebounded in 2018 by 17% to the highest level in 15 years. Italy remained the world's largest producer, while France remained the main exporter in value terms. The global vineyard area changed very little, with planting in China and Italy compensating for vines uprooted in the US and Argentina.

The town of Sutherland has suffered drought since 2013, with a significant decline in the sheep breeding population placing the town's economy under strain. Over 200 farm workers in the area have lost their jobs due to drought. Standard Bank, the only bank branch in town, closed at the end of April. By April the region's sheep numbers had dropped from 400 000 in 2013 to just 57 000. Insurer Santam donated R300 000 to Agri SA's drought relief fund to help Sutherland farmers. Gift of the Givers has helped to drill boreholes in the region.

In April high numbers of Fall army worm was detected in sweetcorn in Clanwilliam, proving that it had spread throughout SA and was now present in the Western Cape. The worm usually devastates maize and wheat crops, but also feeds on sorghum, sugar cane, cotton, millet, and vegetables. SA first confirmed the presence of the pest in 2017.

Another pest, the shot-hole borer beetle, is now present as far as Cape Town after travelling across the country from its first detection in Pietermaritzburg. It threatens SA's avo, macadamia, wine, stone-fruit and pecan-nut industries, as well as the decorative oak trees in Stellenbosch. Experts are trying to control the beetle, as there is little hope of eradication.

A number of business relationships tie the small SA town of Grabouw to Japan. Fuji Suprema, a popular apple variety in SA that is grown in Grabouw, originates from Japan. SA is not permitted to export fresh apples and pears to Japan due to strict phyto-sanitary requirements, but processed products may be exported. Some Grabouw farmers export wine to Japan. Japan's Komatsu, an earth moving machinery company, has been supplying SA farmers – particularly those in the deciduous fruit industry – with machines since 1963. Grabouw farmers who have long dealt with Komatsu, believe that investment in SA by companies like Komatsu has helped them keep up with international trends. Earthworks, soil preparation, ridging and higher-density pole planting requirements for modern orchards are made possible by access to proper equipment.

Cape Fruit Coolers has opened a new cold storage facility with a capacity of 5 000 pallets to serve 'cold steri' citrus markets in the US and Japan. The facility could potentially provide a plan B to citrus growers in the north, should a crisis of congestion arise at Durban Harbour. If the EU market should also become a 'cold steri' market, the new facility will help the SA industry to make the transition. It is located in Richmond Park next to the N7, en route to Citrusdal. The new facility also serves the grape, apple, pear and subtropical industries. In addition, the company has an established facility in Killarney with a capacity of 6 500 pallets. Cape Fruit Coolers' shareholders are Dutoit Invest of Ceres, Goede Hoop Verkoeling of Ceres, Ceres Koelkamers and APM Terminals (part of the Maersk Group).

Five years ago Dutch company Origin Fruit Direct enlisted some farmers in northern parts of SA to plant 75 hectares of yellow kiwis. This year the first Kiwi Golds grown in SA arrived in the Netherlands, while the plantations will only come into full production over the next two years. Origin wanted to establish yellow kiwis in SA because the season falls perfectly between those of Europe and New Zealand. Origin sees potential for around one million boxes (200 containers) during the next few years.

Israeli company Tevel Aerobotics Technologies has invented an automated flying machine that can pick fruit in orchards and greenhouses. The machine uses a gripper-ended mechanical claw to take fruits from trees one by one, and put them in a bin on the ground. The company says the fruit is picked gently, without causing damage or bruising. Powered with an electrical engine, the drone — either 40 or 80 cm in diameter, depending on the model — is autonomous and only needs an operator for inspection. It recognises fruit types according to their size, colour, and ripeness, making it sensitive to the kind of fruit is picking. Tevel hopes to commercialise its first fruit-picking drones in 2020.

SA drone company Aerobotics visited Paarl recently. The company specifically addressed the issue of how drones can help wine farmers in the region. They recommend that the first drone flight of the season should be done at first leaf. The second drone flight should happen during flowering and fruit set, while the third drone flight should be conducted during fruit ripening. This enables farmers to monitor early season growth, evaluate bud break and locate deficiencies in vine resources. After the harvest drone data can be used to locate vines and blocks that are stressed. Zonal maps are then created, so less fertile zones can be moderately pruned and fertile zones pruned more aggressively.

In 1999 SA's wine producers saw deinstitutionalisation of the industry and no longer had to deal with price control, state-sanctioned monopolies, marketing boards and surplus alleviation. On the down side this resulted in many producers under-pricing their wines on export markets, a problem that still haunts the industry. Vinpro says in 2017 SA represented the lowest value out of all mainstream wine exporting countries: an aggregated global market price point of €1.27 (€1.95 for packaged wine) for a volume of just over 500-million litres (about 250-million litres packaged). This is while the US obtained €3.80 (€6.34 for packaged wine) at a volume of 380-million litres (about 195-million litres bottled).

Ceres-based Dutoit Agri says it has harvested sweet potatoes of excellent quality this year. The company has been exporting orange and white-fleshed sweet potatoes to Europe and the UK for eight years. SA has a long export window: from the end of March until the European season starts again in August/September. The demand for sweet potatoes is growing, but the vegetable is difficult to harvest and notoriously difficult to pack into a carton due to the irregular shape.

Farm worker evictions in the Western Cape remain in the news. Trade unions have reported cases of what they consider illegal evictions in several towns, including Ladysmith, Robertson, Ashton and Barrydale. Over 150 evicted farm dwellers are living in tents in a caravan park on the eastern edge of Paarl after being evicted from Simondium — many of them were evicted from Blou Huis farm in June 2018 already. The Drakenstein municipality wanted to house the families at a serviced site called Schoongezicht from January this year, but land invaders moved in before the families could be relocated. In addition to their housing problem, former Blou Huis residents are blocked from finding seasonal farm work by locals who feel that jobs in eastern Paarl should not go to newcomers. Drakenstein Municipality has the highest incidence of

evictions in the winelands. Last year the Drakenstein Municipality reportedly had more than 1 200 eviction cases pending on the court roll. At the time the municipality estimated that this could result in as many as 20 000 people being evicted.

In April the Western Cape government and 11 agricultural commodity groups signed a memorandum of agreement to help black smallholder farmers with market access, mentorship and training. The groups also contributed funding for land reform. Included in the 11 groups are the Deciduous Fruit Producers Trust, the South African Table Grape Industry and Vinpro. During the next three years, the Western Cape's department of agriculture will allocate over R1 billion of its budget towards land reform projects, with R315 655 million allocated to farmer support and development in the current financial year. Since 2014, more than 200 mentors have been appointed to support smallholder farmers in the province.

Afgri has launched a strategic grain storage platform – Grain Silo Company – in collaboration with institutional investors to grow its storage capacity from 4.7 million tons to six million tons. In addition to grains, other commodities will also be stored. The partners are Afgri and its BEE partner Izitsalo Employee Investments, Stanlib, Wiphold and the Land Bank. At inception the investment consortium owned storage facilities with a total value of R3.6 billion. Afgri Operations is to manage the facilities.

Afgri's Harvest Time Investments is now known as Lemang Agricultural Services. It is a subsidiary of Afgri that was created to assist black farmers financially and through training and mentorship. The company has trained and supported 650 farmers over the last four years.

Banking and Capital Markets

In October last year GroCapital Holdings, owned by Afgri, Fairfax Africa and the PIC, acquired the SA Bank of Athens. The bank came with existing assets of R2.4 billion. It has been renamed Grobank, and Afgri hopes to serve agricultural customers better than commercial banks can. The aim is to employ digital banking, but to retain a strong focus on personal interactions such as farm visits. Grobank will do business in the farming sector and across the food business chain including retailers, restaurants, warehouses and factories. Afgri wants to continue growing its offering, especially on the loan book, with Land Bank as partner. Afgri presently holds 8% to 9% of SA's agricultural debt and would like to double this.

A study by North West University finds SA's commercial banks face substantial credit risks due to farmers defaulting on loans and being increasingly unable to provide security for loans. Many farmers struggle to repay loans due to failed harvests, increasing input costs, and low livestock prices. When it comes to land being used as security, emerging farmers are frequently unable to participate as they often do not own land. Commercial farmers affected directly or indirectly by land claims see a reduction in the value of their land, hampering their ability to borrow.

SA's agriculture department is working to establish a hemp industry to diversify agriculture and create jobs. Hemp can be used in 25 000 consumer products, but falls within the cannabis family and is presently still classified as a drug. It is illegal to cultivate hemp in SA, except for research purposes. However, government has received 36 applications for commercial hemp cultivation. The agriculture department needs to work with the departments of health and justice to legalise hemp for commercial production, as the two relevant laws are administered by those departments. In the US the federal government legalised the cultivation and sale of hemp in 2018, but big banks have been cautious and remain reluctant to invest in hemp-related operations. With less regulatory oversight and looser capital requirements, smaller direct lenders in the US have stepped in to finance the hemp industry. With the industry set for explosive growth, some analysts believe it is important for lenders to get into the market early.

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Banking & Capital Markets

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Agriculture

Seeds of discontent: Argentina's farmers turn cool on their man Macri

Argentine President Mauricio Macri rode to power in 2015 promising to bolster the farming sector and cut back taxes that had stymied exports. The country's backbone industry welcomed him with open arms after years of export controls aimed at keeping domestic prices low.

The powerful sector is now cooling on the center-right president, frustrated by revived export tariffs and sky-high borrowing rates that have bruised smaller farmers, a concern for Macri ahead of national elections later in the year.

Argentina's farming sector, which brings in more than half of the export dollars in South America's second-biggest economy, is a key barometer for Macri, who has sold himself as a champion of business and industry, none more so than the country's huge soy, wheat and corn farms.

"We publicly supported the administration in the last elections (mid-terms in 2017) as we believed they were managing the policies farmers needed," said Carlos Iannizzotto, president of the Confederación Intercooperativa Agropecuaria, one of the country's four major farming bodies.

"Today we cannot do the same."

Reuters spoke to the leaders at all four associations, who collectively make up the influential "Mesa de Enlace" or liaison committee. They cited Macri's backtracking on cutting taxes on exports and the high cost of credit with interest rates above 60 percent.

The farm lobbies do not directly sway the votes of a huge proportion of voters, analysts and pollsters cautioned, but said that their weakening support was a sharp warning sign for Macri ahead of the October election, which is expected to be closely fought.

Dardo Chiesa, president of a second lobby, the Confederaciones Rurales Argentinas, said farmers had become "disappointed" with Macri's performance on the economy, with a tumbling peso and inflation running at over 50 percent.

"The first issue in terms of voting this year is the economy, and the reality is that the government's economic management has not satisfied the sector," he told Reuters.

Everything had started so well.

After Macri's election in 2015 he eliminated export taxes on corn and wheat and lowered those for soy; he also got rid of limits on corn and wheat exports - gaining cheers from farmers.

However, an acute financial crisis last year forced Macri to take a \$56.3 billion lifeline from the International Monetary Fund (IMF), in return pledging to balance the country's deficit - including restarting taxes on exports.

In addition, to deal with inflation and protect the peso currency, the government has hiked interest rates to almost 70 percent, choking off the ability of farmers and other small businesses to obtain funds to expand and buy equipment.

Sales of combine harvesters, tractors and seeding machines plummeted last year, government data showed.

"I voted for Macri because I wanted a change, but Macri has really let us down," Carlos Boffini, who runs a 400-hectare farm in Colón in the province of Buenos Aires, told Reuters.

"(Macri) spoke about how the export taxes were unfair. Yet here they are again. He was going to get rid of a lot of things and he did not get rid of anything."

To be sure, not all farmers are turning away from Macri, who is still viewed by many as the most business-friendly candidate.

Daniel Pelegrina, head of Sociedad Rural Argentina, which generally represents larger farming groups, stopped short of giving his direct support for the president but said the government's policies were roughly in the right direction.

"Argentina needs to be reintegrated and active globally, it needs to have an export-oriented economy," he said, adding that there is, however, a need to review the high taxes.

Macri is facing a split field in the elections that start in October before a potential run-off if there is no clear winner.

Likely rivals include ex-President Cristina Fernandez de Kirchner, whose populist and interventionist policies made her deeply unpopular with farmers. More moderate members of the Peronist opposition include former economy minister Roberto Lavagna and former congressman Sergio Massa.

Carlos Achetone, president of the Federación Agraria Argentina (FAA), the last of the four main agricultural bodies, said many farmers were looking beyond Macri if there was a "third alternative with substance."

Analysts and farmers, however, said if the election ended up being between Macri and Fernandez - as many polls expect if she runs - then farmers would have little choice about how to vote.

"There is a consensus of not returning to populism. Argentina cannot return to populism," said Chiesa, referring to Fernandez's administration which had introduced export quotas on grains and meat to keep domestic prices low for consumers.

Farmer Boffini agreed, adding the sector's general dislike of the former leader could well be Macri's saving grace.

"Do you know what Macri's advantage is? It's that we don't like Cristina and so if Cristina shows up and there are no other options, we will simply vote for Macri so that Cristina does not get in," he said.

Maximilian Heath, *Reuters*, 22 April 2019

Cuban beekeepers' worker bees boost blooming honey business

In the floral valleys of Cuba's Matanzas province, old-fashioned farming means bees can swarm without the threat of pesticides that have decimated populations across the world.

Life is sweet for Cuba's winged wonders, and Europe's honey-lovers are catching on.

"The bee is made neither for urban areas nor rural areas. It is made for the mountains," says Rogelio Marcelo Fundora, surveying a lush mountain valley east of Havana where his bees are thriving.

Fundora is a mechanical engineer by trade. His brother, Santiago Esteban, is a teacher. But both have become Cuba's best-known beekeepers by passion, owning 600 hives in the valley.

In this idyllic valley a few hours drive from the capital, "last year we produced 80 tonnes of honey," said Santiago, his face covered by a black net to avoid stings while bees swarmed in agitation as he manipulated a hive.

Shrinking bee populations around the world have caused scientists and conservationists to sound the alarm over the effects of intensive agriculture, disease and pesticides.

But not in Cuba, a Communist-run island nation that has become a kind of apicultural paradise, thanks to the purity of its countryside.

That environmental integrity dates back to Cuba's crippling economic crisis of the 1990s, following the collapse of the Soviet Union, which once provided the island with thousands of tonnes of pesticides, fertilisers and herbicides.

Deprived of that support, Cuba had no choice but to develop natural alternatives. In the process, it reduced to almost zero the use of chemicals, so harmful to bee populations and the quality of their honey.

Average production is 51kg of honey per hive, a level considered high. However, the Fundora brothers, considered the nation's beekeeper kings, show yields of up to 160kg of honey per hive —triple the national average.

"There's no miracle, just a lot of work," said Santiago. "It's endless work to change out the queen, select the bees," he said, his face tanned by many hours working under the sun.

From their 21 apiaries on the flank of a hill near the village of Navajas, east of Havana, the two brothers extract a honey they say is absolutely "clean" — meaning chemical free.

The beekeepers' success means organic honey has joined rum and cigars as one of Cuba's quality exports.

The island produced 8,834 tonnes of honey in 2018, 1,500 tonnes more than the target set by the Apicuba, the Cuban Beekeeping Company.

There's still some way to go to catch Argentina, however. Latin America's leading producer brought 76,000 tonnes to the market in 2017, according to UN Food and Agriculture Organisation figures.

Of the total, about 1,900 tonnes of Cuba's honey have been certified as organic honey, a "national record" said Dayron Alvarez, the director of technology and development at Apicuba.

Almost every drop is exported, with Germany, France, Spain, Britain and Switzerland the main markets, worth \$18m in 2017.

And there's likely more to come: "We are working on entering the Chinese and Saudi markets," said Alvarez.

Apicuba has a monopoly on exports — beekeepers with more than five hives must sell it their honey. In exchange, the organisation provides them with discounted fuel and equipment.

It pays up to \$1,000 per tonne to beekeepers and sells honey at different prices depending on the country, which is not disclosed. Based on the most recent figures, from 2017, Cuba received an average of \$2,655 per tonne for its honey abroad.

And the quality is excellent, according to Adolfo Perez, head of the Apicultural Research Center.

"Because of the tendency to use very little chemicals, we can say that the honey of Cuba is almost all organic honey," says Perez.

In the Cuban countryside, bees are exposed to no great natural risk or human threat and enjoy year-long summer temperatures with enough humidity to ensure a permanent supply of flowers. "The bees are in very good health," said Santiago.

"We don't use any chemicals when fumigating apiaries or weeding," and "no antibiotics" — products that are anyhow hard to come by because of the US trade embargo in place since 1962.

That's not to say they don't have to use a certain ingenuity to keep pests at bay, particularly the potentially devastating Varroa mite — a tiny red parasite that sucks the blood from the bees.

The Fundoras use a "nest trap" technique that attracts the parasite and diverts it from the rest of the hive.

On harvest day, the two brothers head up the hill in an old truck they call Frankenstein, accompanied by eight young workers. They pay them \$80 a month, \$50 above the national average.

Nearly all of them are in military uniform, because the material is resistant and the camouflage pattern doesn't excite the bees.

Under a crushing sun, they will spend the day collecting honeycombs and put them in a mechanical centrifuge that separates the wax from the honey.

Here, the downside of Cuba's years of isolation is apparent. Rogelio complains about the equipment, which he says is "a little archaic".

"We need an efficient centrifuge to extract the honey, and the truck is very old."

AFP, 10 April 2019

We'll be eating the first Crispr'd foods within 5 years, according to a geneticist who helped invent the blockbuster gene-editing tool

While ethicists debate the applications of blockbuster gene-editing tool Crispr in human healthcare, an inventor of the tool believes it has a more immediate application: improving our food.

"I think in the next five years the most profound thing we'll see in terms of Crispr's effects on people's everyday lives will be in the agricultural sector," Jennifer Doudna, the University of California Berkeley geneticist who unearthed Crispr in early experiments with bacteria in 2012, told *Business Insider*.

Crispr has dozens of potential uses, from treating diseases like sickle cell to certain inherited forms of blindness. The tool recently made headlines when a scientist in China reportedly used it to edit the DNA of a pair of twin baby girls.

Then there are Crispr's practical applications - the kinds of things we might expect to see in places like grocery stores and farmers' fields within a decade, according to Doudna.

Crispr's appeal in food is straightforward: it's cheaper and easier than traditional breeding methods, including those that are used to make genetically modified crops (also known as GMOs) currently. It's also much more precise. Where traditional breeding methods hack away at a crop's genome with a dull blade, tools like Crispr slice and reshape with scalpel-like precision.

Want a mushroom that doesn't brown? A corn crop that yields more food per acre? Both already exist, though they haven't yet made it to consumers' plates. What about a strawberry with a longer shelf life or tomatoes that do a better job of staying on the vine?

"I think all of those things are coming relatively quickly," Doudna said.

Work on Crispr'd produce has been ongoing for about half a decade, but it's only recently that US regulators have created a viable path for Crispr'd products to come to market.

Back in 2016, researchers at Penn State used Crispr to make mushrooms that don't brown. Last spring, gene-editing startup Pairwise scored \$125 million from agricultural giant Monsanto to work on Crispr'd produce with the goal of getting it in grocery stores within the decade. A month later, Stefan Jansson, the chief of the plant physiology department at Sweden's Umea University, grew and ate the world's first Crispr'd kale.

More recently, several Silicon Valley startups have been experimenting with using Crispr to make lab-grown meat.

Memphis Meats, a startup with backing from notable figures like Bill Gates and Richard Branson that has made real chicken strips and meatball prototypes from animal cells (and without killing any animals), is using the tool. So is New Age Meats, another San Francisco-based startup that aims to create real meat without slaughter.

Last spring, the US Department of Agriculture issued a new ruling on crops that exempts many Crispr-modified crops from the oversight that accompanies traditional GMOs. So long as the edited DNA in those crops could also have been created using traditional breeding techniques, the Crispr'd goods are not subject to those additional regulatory steps, according to the agency.

"With this approach, USDA seeks to allow innovation when there is no risk present," secretary of agriculture Sonny Perdue said in a statement. Genome editing tools like Crispr, he added, "will help farmers do what we aspire to do at USDA: do right and feed everyone."

Although several researchers and scientists have cheered the decision, many anti-GMO activists have not been pleased.

Despite the pushback, Doudna believes that Crispr'd food could help dispel some of the fear around GMOs and increase awareness about the role of science in agriculture.

"I hope this brings that discussion into a realm where we can talk about it in a logical way," she said. "Isn't it better to have technology that allows for precise manipulation of a plant genome, rather than relying on random changes?"

Erin Brodwin, *Business Insider US*, 22 April 2019

French rapeseed farmers destroyed 18,000 hectares over GMO risk, says Bayer

French farmers destroyed a total of 18,000ha of rapeseed, more than double the area initially expected, following the discovery of a non-authorized genetically modified organism (GMO) in seeds, German group Bayer said.

Bayer announced in February that farmers in France and Germany were turning over thousands of hectares of rapeseed crops after traces of a GMO variety grown in Canada were detected in batches of seed sold in Europe.

GMO crops are widely grown across the world, but remain controversial in Europe, where very few varieties are authorized for growing and countries like France have completely outlawed their cultivation, citing environmental risks.

A spokesperson for Bayer, which had previously estimated around 8,000ha of rapeseed would be lost in France, said on Friday the area had reached 18,000ha after further precautionary removals of crops, for example when there were doubts over the traceability of seeds.

The latest figures in Germany showed the area of rapeseed destroyed there was 2,150ha, slightly lower than initial expectations of 2,500ha-3,000ha, Bayer said on Monday.

The destruction was carried out before the flowering of crops, which could have led to the spreading of the non-authorized GMO variety.

The affected seed was sold under the Dekalb brand, developed by US group Monsanto, which was acquired by Bayer in 2018.

Bayer has offered compensation to farmers for the loss of the 2019 crop and an obligation not to grow rapeseed in 2020 to avoid re-emergence of rapeseed containing the GMO strain.

Bayer said the cause of the contamination of the seeds is still unclear and an internal investigation is continuing.

The seeds were produced in Argentina in a GMO-free zone, Bayer said, adding that the South American country had not authorised cultivation of GMO rapeseed nor conducted field trials of such varieties.

The crops lost in France and Germany are relatively small given a rapeseed area of about 1-million hectares in each country.

But they will add to a sharp decline in area in 2019 after drought led farmers to scale back sowings.

Gus Trompiz, *Reuters*, 8 April 2019

Monsanto loses appeal in French farmer's poisoning case

A French appeals court on Thursday said US chemicals giant Monsanto was guilty of poisoning a farmer who said he suffered neurological damage after accidentally inhaling fumes from a weedkiller made by the company.

Paul Francois, a cereal farmer, had already won previous lawsuits against Monsanto, which was bought by Germany's Bayer in 2018, in 2012 and 2015.

He said he fell ill in 2004 after being exposed to Lasso, a weedkiller containing monochlorobenzene that was legal in France until 2007 but which had already been banned in 1985 in Canada and in 1992 in Belgium and Britain.

He argued that Monsanto was aware of Lasso's dangers long before it was withdrawn from the French market and sought damages of more than €1m for chronic neurological damage that led to long hospital stays.

The court in Lyon, southeastern France, rejected the company's appeal but did not rule on how much Monsanto might have to pay, which will be determined in a separate ruling. It did order the company to pay €50,000 immediately for Francois's legal fees.

In its ruling, the court found that Monsanto should have clearly indicated on Lasso's labelling and instructions for use "a notice on the specific dangers of using the product in vats and reservoirs".

"The plaintiff's assumed technical knowledge does not excuse the lack of information on the product and its harmful effects — a farmer is not a chemist," it added.

Speaking after the verdict, a lawyer for Monsanto France, Jean-Daniel Bretzner, said it would probably appeal, since the ruling applied to Lasso's producer — in this case — Monsanto Europe.

It was the latest conviction against Monsanto involving its weedkillers and pesticides, which have been widely used around the world for years.

In March, a San Francisco court ordered it to pay around \$80m to a retiree who blames its popular Roundup weedkiller, which contains glyphosate, for causing his non-Hodgkin's lymphoma.

The company said it would appeal as it faces thousands of similar lawsuits in the US.

Monsanto denies that the weedkiller causes cancer and has challenged findings by the International Agency for Research on Cancer, an arm of the World Health Organisation, which classified glyphosate as a "probable carcinogen" in 2015.

AFP, 11 April 2019

France: Buses running on grape waste

La Rochelle and the Island of Ré are now being connected by a fleet of nine ecological buses with one unique ecological characteristic: they run on a fuel made from biowaste from wine production.

The Nouvelle Aquitaine region and the transportation company Transdev have launched a fleet of buses to connect La Rochelle with the Island of Ré, a rather busy line and a source of pollution. In order to tackle this problem, these buses, manufactured by Scania, run on second-generation bioethanol, also called ED95.

This fuel is produced by the company Raisinor, based in Coutras (Gironde). It recycles residues from wine production to convert them into fuel. The sugar from the marc (formed by the skin and seeds of the grapes) is fermented to be turned into raw alcohol, then distilled and dehydrated to obtain bioethanol. To this is added 5% of non-petroleum additive.

Thanks to these buses, the environmental impact is reduced considerably. They allow for a reduction of 85% in greenhouse gas emissions, 50% in nitrogen oxide and 70% in fine particles. The Nouvelle Aquitaine region will invest 2,395 million euros [2,692 million USD] over a 6-year period to set up this new fleet. These clean buses represent an additional cost of 80,000 euros [89,932 USD] compared to the diesel model, and require an investment of 28,000 euros [31,476 USD] for the installation of the bioethanol tank.

FreshPlaza, 5 April 2019

World's winemakers rebound to bottle biggest vintage in 15 Years

World wine production rebounded in 2018 to the highest in 15 years, which could bring relief to drinkers after bad weather cut the previous year's volume to the lowest in more than two decades and pushed up prices.

The amount of wine produced rose by 17 percent, to the equivalent of about 39 billion bottles, the Paris-based International Organization for Vine & Wine, or OIV, said on Thursday. Production beat the group's October forecast, with higher-than-expected output in Italy, France and Spain.

Italy kept its spot as the world's biggest producer in 2018, with volume surging 29 percent. The main European wine-growing nations had very clement weather for grapes, "contrary to 2017, which accumulated unfavorable conditions during the production season," the OIV said.

Lower production in 2017 translated into higher prices last year, according to Pau Roca, the OIV's director general. The value of global wine exports rose 1.2 percent to 31 billion euros (\$35 billion) in 2018.

The world's vineyard area was little changed in the past season, with planting in China and Italy compensating for vines being uprooted in the U.S. and Argentina. Some California grape vines have been ripped up as drought forced farmers to switch to higher-yielding crops such as almonds, wine broker Ciatti Co. has said.

Southern Hemisphere producers are off to a less favorable start in 2019, with production expected to fall in Argentina, Chile, Australia and South Africa, the OIV said. As some countries are in the middle of grape harvesting, the outlook is based on first estimates, though it's clear the region's production "isn't exactly good," Roca said.

Rudy Ruitenberg, *Bloomberg*, 19 April 2019

Global wine output recovered in 2018 from 60-year low

Global wine output rose to near-record highs in 2018 after a sharp rebound from a poor harvest the previous year, though consumption stopped growing, the International Organisation of Vine and Wine (OIV) said on Thursday.

After a 60-year low in 2017, when production was dented by extreme weather in Europe, including drought and storms, world output rose 17 percent last year to 292.3 million hectolitres (mhl), the OIV said.

The growth was driven by steep rises in Italy, France and Spain - three of the world's major producers - which all recorded output at least 13 percent above their five-year averages.

The figures confirmed an initial trend projected by the Paris-based OIV in October last year.

A hectolitre amounts to 100 litres, or the equivalent of 133 standard wine bottles.

Wine output, excluding juice and new wine, also jumped in the Southern hemisphere last year, with rises of 22.8 pct in Argentina to 14.5 mhl and 35.9 pct in Chile to 12.9 mhl.

OIV estimated that worldwide consumption was stable in 2018 at 246 mhl, compared with 246.7 mhl in 2017.

The slight drop could be linked to the decline in production the previous year, it said, adding that consumption estimates were tentative due to limited data.

Mainland China recorded the largest fall in consumption among the world's top 20 largest wine consumers, with a 6.6 percent decline on year to 18 mhl, according to OIV, without detailing the reasons for the fall. In Britain, consumption fell 3.1 percent to 12.3 mhl.

French exporters estimate that wine and spirit exports to China tumbled 14.4 percent in 2018 after growth of 24.5 percent a year earlier.

In contrast, Russian demand jumped 6.9 percent last year to 11.9 mhl.

The global wine trade rose slightly in volume to 108 mhl as a rise in volumes exported from the southern hemisphere helped compensate for smaller shipments from historical European leaders, OIV said.

On the other hand, nearly all European exporters saw better exports in value in 2018 as opposed to their southern hemisphere counterparts and the United States.

Overall global exports rose 1.2 percent in value last year to 31.3 billion euros (\$35.25 billion), the OIV said.

France was still the main exporter in value, with wine shipments totalling 9.3 billion euros in 2018, up 2.8 percent on the previous year, OIV said.

Reuters, 12 April 2019

'We are going to lose our land': Sutherland farmers pleading for help amid 6-year drought

The farming community of Sutherland in the Karoo is begging for help as they watch the lives of farmworkers, farmers and shopkeepers fall apart because of a prolonged six-year drought.

"Our situation is grim," said Hester Obermeyer, a member of the region's drought-relief committee.

"Farmers plan for one, two years of drought. But never in their wildest dreams did they think a drought would last this long.

"Nobody could foresee six years," she said.

Over 200 farm workers have been laid off by farmers who are defaulting on their loans, unable to pay their debts for feed or fertiliser. Some who are able to eke a crop of potatoes from the dry ground, cannot afford to buy fuel to get their harvest to market.

The town which is famous for its giant telescope, is also faced with the fact that each farm worker was supporting at least seven people. The combination of joblessness and cash-strapped farmers could be catastrophic if help does not come soon.

"Some of the farmworkers stand near where the animal feed is being driven into town by donors and when the truck arrives, they rush forward to help take the bales off, hoping they will get a few rand," says Obermeyer.

Sheep are dying in such high numbers from hunger or unable to fight bacteria that they have dropped from 400 000 before the drought to the 57 000 counted on April 8.

All of this leaves farmers with severely depleted incomes, and they are unable to pay off loans.

The drought is having the ripple effect of stripping businesses in the region of their normal turnover, as farmers do not have money to pay off their accounts, or replenish anything.

The only bank in town - Standard Bank - is closing at the end of April, so anybody who needs to do face-to-face banking has to find the fuel to drive to Worcester.

"We cannot cope," said Obermeyer. "We are going to lose our land."

Even the local home for the aged is feeling the pinch.

In better days the farmers used to chip in large amounts to supplement the coffers at a home for the aged, whose only income is their South Africa Social Security Agency (Sassa) pensioner grants.

The first to go, are the adult nappies they need, which are extremely expensive, and their children simply cannot afford to buy them.

"There is now no money," said Obermeyer.

The terrain itself is under severe stress, with underground water tables dropping, and bushes with no leaves so the plants are unable to photosynthesise.

Save our Sheep founder Derick Hanekom said that there is so little greenery left that the sheep surround the farm house and bleat for food.

"The situation on the ground is terrible," he said.

Gift of the Givers has been assisting with drilling boreholes for the region but pumps also have to be purchased for some of the farmers who initially thought they would be fine. Farmers are chipping in with what they can to contribute to the costs of the relief, but they too are struggling.

On Thursday it was announced that Santam would donate R300 000 to the Agri SA Drought Relief Fund.

"The ongoing drought in Sutherland in the Northern Cape has caused a devastating decline in the sheep breeding population and placed the town's economy under tremendous strain," a statement said.

"In light of this, leading South African insurer Santam has donated R300 000 to the Agri SA Drought Relief Fund which aims to provide relief to farmers, farm workers and the community of Sutherland."

Jenni Evans, *News24*, 18 April 2019

The dreaded Fall armyworm has just been detected in the Western Cape – these are the foods at risk

The department of agriculture has confirmed the presence of "high numbers" of Fall armyworm moths as well as larvae near Clanwilliam in the Western Cape – showing that the dreaded crop pest has now spread throughout South Africa.

The department has urged farmers in the province to step up surveillance and scout for the worm, especially as South Africa moves into autumn, the season during which the Fall armyworm migrates, and for which it is named.

The Fall armyworm (technically *Spodoptera frugiperda*) is found in Central and South America, where it is particularly well known for devastating maize and wheat crops. But it also feeds on sorghum, sugarcane, cotton, millet, and vegetables.

It was detected in sweetcorn in the Western Cape.

It was first detected in parts of Western and Central Africa in early 2016. By early 2017 it was wiping out entire crop fields in Zambia.

The UN Food and Agriculture Organisation has warned that it could have a serious impact on Zimbabwe's food security, and has expressed a "growing sense of alarm" of its impact in Asia.

South African farmers as far south as the Free State first started reporting the presence of the worm in early 2017, and the department of agriculture officially confirmed the presence of the pest in February 2017. At the time there was no registered pesticide in South Africa to deal with it.

One study has suggested the worm could cost Africa's biggest maize producers up to a combined R75 billion per year in lost crops as it wipes out up to 60% of potential yields – but some experts think that is a conservative estimate.

Phillip de Wet, *Business Insider SA*, 4 April 2019

A tiny beetle is killing SA's trees, and it is doing so at speed

A black beetle the size of a sesame seed is killing SA's trees, and no one knows how to stop it.

After arriving from Southeast Asia about four years ago, the polyphagous shot-hole borer has spread 1,600km across SA, from Pietermaritzburg, where it was discovered in 2017, to indigenous forests near Cape Town.

An unwelcome side effect of globalisation, the pest is believed to have arrived along with wood pellets on a ship.

The polyphagous shot-hole borer (PSHB) first drew scientific attention in 2008 after infesting avocado orchards in Israel and was then found burrowing into millions of trees in urban southern California.

Now, SA is probably facing the largest invasion by surface area to date. The pest is likely to drastically reduce the green canopy of Johannesburg, one of the largest man-made forests in the world, with some tree experts saying that as much as 30% of all trees could die.

It could also hurt the country's avocado, macadamia, wine, stone-fruit and pecan-nut industries, which account for a large slice of SA's \$11bn of agricultural exports.

At risk too are the iconic oak trees of Stellenbosch.

While most types of the beetle prefer dead or dying trees, the polyphagous shot-hole borer is one of fewer than 20 bark beetle species worldwide that aggressively target an extraordinarily wide range of healthy trees, said Wilhelm de Beer, a forest pathologist at the University of Pretoria, who is leading a nationwide PSHB network that includes researchers from eight universities.

"Typically, these forest insects go for one particular tree," De Beer said. "Now, we have something that is sitting on everything and that makes it so difficult to study, because some trees die in three years, some in five years and some don't die at all. We can't predict what's going to happen."

The beetle has infested pecan nut orchards in the Northern Cape, and SA's avocado industry is monitoring for a potential outbreak. Macadamias, peaches and grapevines may also be affected, according to the department of agriculture, forestry and fisheries.

While the government has pledged R5m for research on pest control, most funds so far have come from commercial agriculture — pecan, macadamia and avocado farmers.

The female beetle burrows into trees and leaves fungus in the tunnel for her offspring which contains a pathogen that blocks the circulation of the tree. Some trees, planes particularly, become reproductive hosts, or breeding grounds, and the fungus is always lethal for the English oaks, Chinese and Japanese maples and box elders.

The beetle cannot fly but reproduces rapidly and has no known natural enemies in Africa.

That is why Johannesburg has been hit hardest: Its avenues are lined with as many as 10-million primarily exotic trees, most of which were planted during a gold rush that transformed it from a dusty mining camp into a sprawling metropolis of 10-million people within 130 years.

The city has countless parks, and residents in wealthy suburbs own relatively large properties, which has created a thriving cottage industry of gardeners, tree fellers and tree surgeons.

While it is possible to inject trees with fungicide and insecticide, the treatment works only if trees are not big or too heavily infested and will not eliminate a large-scale invasion such as the one in Johannesburg, De Beer said.

"It's toxic for the trees and only feasible for individual high-value trees in a garden," he said.

Cutting down all the infested trees is not an option either — it risks spreading the pest even more rapidly if, for instance, the wood is harvested for firewood.

Developing a biological control programme may take between five to 10 years, he said.

Worried Johannesburg residents have started marking dead or dying trees with red paint or plastic ribbons and created WhatsApp groups to discuss the invasion. Many are outraged by the slow response of City Parks, the department in charge of parks and green zones, said Julian Ortlepp, a tree surgeon who sent an angry letter on behalf of residents to mayor Herman Mashaba in February.

"Trees are what make the city so beautiful, and they're disappearing," Ortlepp said. "City Parks is failing to protect our green heritage."

Still, municipal authorities say it is too early to classify the invasion as a disaster. City Parks, which is hosting public meetings and cutting down dead box elders, has started mapping the health of trees in highly infested areas, according to spokesperson Jenny Moodley.

But it is hard to deal with a "complex little monster" for which no chemical or biological remedies exist, she said. "It would be an ecological disaster if we had to remove all the trees that we suspect might be prone to infestation," she said. "We know we're not going to be able to eliminate the beetle because of the nature and the extent of the infestation, so we're looking at control rather than eradication."

Grabouw agriculture celebrates strong ties to Japan

The agricultural sector in Grabouw in the Western Cape has a constantly growing relationship with Japan. Fuji Suprema, a top-sold apple variety in South Africa, comes originally from Japan.

Although fresh apples and pears cannot be exported to Japan because of that country's specific phytosanitary requirements, processed products like South African wines can be. "While apples and pears make up 70% of our business, increasingly our wines are finding a welcome home, especially in Japan, which is one of our largest international customers," says Tru-Cape grower James Downes who also produces Shannon Wines.

Tru-Cape Fruit Marketing, the largest marketer of South African apples and pears, says that about half a million cartons of South African-grown Fuji apples have been sold in the last two years.

Furthermore, the Japanese earth moving machinery company Komatsu celebrates 100 years in business in 2021. Komatsu's relationship with South Africa stems from 1963 and it provides equipment and support for agriculture.

According to Graeme Cherry of Cherry Diggers, Komatsu plays an integral part in earth preparation for South Africa's deciduous industry which, currently provides more than 1.34 jobs per hectare, which equates to 107 371 jobs and 429 485 people impacted by the success of the industry.

For James Downes, the current holder of Two-a-Day's Chairman's Award for the Highest Income Per Hectare, the role that successful soil preparation plays in the quality of fruit cannot be underestimated, and on his farm the positive impact of Komatsu equipment from Cherry Diggers is meaningful.

"Ten years ago, you never saw an excavator in open land preparing a new orchard. Now it's the norm," says Downes.

Cherry says that improvements to agricultural production are largely due to the machinery available to develop foundations for crops.

"The earthworks, soil preparation, ridging and higher-density pole planting requirements for modern orchards are now all possible thanks to purpose-designed equipment from Komatsu. It is thanks to company's like Komatsu who are invested in South Africa that we are able to keep up with international agricultural trends," says Cherry.

Fin24, 22 April 2019

Cape Fruit Coolers unveil new facility for cold steri markets

Cape Fruit Coolers, an independent organisation with the sole aim of servicing the citrus, grape, apple, pear and subtropical export industries, today unveil a brand new facility designed specifically for cold steri markets.

They will receive their first consignments of soft citrus destined for the United States in this week. The first conventional ship for the USA is expected in the next week.

The 12,000m² facility currently has a capacity of 5,000 pallets (apart from Cape Fruit Coolers' other facility in Killarney, with additional capacity of 6,500 pallets). The company has also recently been approved to handle the citrus consignments for Japan, also a cold steri market, currently cooled at the Killarney facility.

"Growth projections for citrus, particularly from Citrusdal, are pretty drastic over the next five years, so we've made allowance for that by designing this facility to be doubled in capacity," says Steve Oosthuizen, managing director of Cape Fruit Coolers. "Eventually we'll have a capacity of just over 12,000 pallets at our new Richmond Park facility. The entire facility is cooled, and all movements take place under cooled conditions, to the advantage of the shelf life of fruit."

He notes that the facility would be able to provide a plan B to citrus growers in the north should a crisis of congestion arise at Durban Harbour.

And should the EU market also become a cold steri market, this facility will allow the South African citrus industry to seamlessly make the transition.

Last year the decision by FPT in Cape Town harbour that it would no longer provide the cooling facilities for US conventional exports – an announcement that was long expected – forced Cape Fruit Coolers to

expedite its plans for a new cooling facility. Steve notes with pride that a 14-month project was brought to completion in just 10 months, right on time for the start of the US export season, and completely designed and executed by South African engineers.

They hope to handle around 15,000 to 20,000 pallets for the US market this season, he says.

Two years ago, Cape Fruit Coolers had bought undeveloped land in a prime location, right next to the N7 highway which leads up the coast to Citrusdal, for exactly this purpose. The company's shareholders years ago already identified the strategic importance of investing in the expansion of state-of-the-art cooling facilities. Cape Fruit Coolers shareholders are Dutoit Invest in Ceres, Goede Hoop Verkoeling in Ceres, Ceres Koelkamers and APM Terminals (part of the Maersk Group).

Cape Fruit Coolers' new facility will also service the grape, apple, pear and subtropical industries.

Carolize Jansen, *FreshPlaza*, 29 April 2019

"South African yellow kiwi season timed perfectly between the European, New Zealand rush"

The Dutch company, Origin Fruit Direct, have received the first South African Kiwi Golds. "We work with farmers in the north of South Africa. They started five years ago, planting more than 75 hectares of kiwis. At the moment, available volumes are still limited. However, we expect the plantations to come into full production over the next two years. We will then be able to offer a good supply," says Origin Fruit Direct's Randolph Aaldijk.

"In South Africa, in recent years, they have specifically been looking to diversify their fruit supply. Kiwis are a great example of this. I see great potential in South African kiwi cultivation. The season falls perfectly between the European and New Zealand rush," continues Randolph. Origin Fruit Direct gets the kiwis in 3 and 5kg packs.

"Last year, we carefully started offering yellow kiwis. We brought the first shipment in by plane. This year, we are getting a few containers. And next year, the volumes will be even larger."

"This variety's potential in the coming years is at around a million boxes. This amounts to about 200 containers. The season is also very short; five to six weeks. We want to bring these kiwis to our clients' attention this year. Then next year, we can start the programs in time," explains Randolph.

"We have something unique with these South African yellow kiwis. I do not yet see them being sold anywhere else in Europe. There is also enough interest from the wholesale channels. We are, however, not under the illusion that these kiwis will only be sent to Europe.

"The markets in the Middle and the Far East will certainly also be interested. However, in Europe, these yellow kiwis offer good opportunities. Especially in a time when there are hardly any yellow kiwis on the market," Randolph concludes.

FreshPlaza, 24 April 2019

Startup says time is ripe for fleets of drones to help farmers pick fruit

Avocados, mangoes, and apples are on display every morning at the colorful Mahane Yehuda food market in Jerusalem, as well as in many other outdoor and indoor markets across Israel. But what if fruit pickers decided to abandon agriculture and the fruit stands were left empty?

Fewer people work in agriculture globally. Now, Gedera area-based Tevel Aerobotics Technologies says it has come up with an automated flying machine that can do labor-intensive fruit-picking quickly and efficiently, taking over from humans in orchards and greenhouses.

"There is a massive shortage of fruit-picking labor," Tevel's founder and CEO Yaniv Maor said. "Around the world, you can see this problem everywhere you go."

In the US, China, Japan, Europe and elsewhere, Maor said, there is an increasing gap between fruit consumption, which is growing, and farming manpower, which is declining. While farmers invest in land, irrigation, and labor, much of the fruit is left hanging on trees because there are not enough people to pick

it. Maor claims to have the solution to this problem, reducing the costs for farmers and increasing the yield of their crops.

The machine uses a gripper-ended mechanical claw to quickly take fruits from trees one by one, and put them in a bin on the ground.

Maor emphasized that the fruit is picked gently “without causing damage or bruising.” Other mechanized picking techniques are not generally suitable to labor-intensive crops like strawberries, which can be easily squashed by a robotized hand.

Powered with an electrical engine, the drone — either 40 or 80 centimeters in diameter depending on the model — is totally autonomous and only needs an operator for inspection, he added.

Tevel’s prototype is able to recognize fruit types according to their size, color, and ripeness, making it sensitive to the kind of fruit is picking. So far, it can detect oranges and many varieties of apples, and will be able to pick many other kinds of fruit in the future, including mangoes and avocados, Maor said.

The drone will also help farmers optimize their farming patterns and boost yields by allowing them to grow taller fruit trees that can be harvested by drone, Maor added.

Tevel hopes to commercialize its first drones in 2020. Maor said the firm has already lined up potential customers in Israel, the US, and China, and is targeting large fruit companies and growers as well as machinery suppliers and harvesting contractors.

He said that the cost of the technology will be competitive and that the company’s immediate market — for apple and orange harvesting in the US and Europe — is worth some \$5 billion. The worldwide market for fruit picking amounts to some \$500 billion per year, he said.

Tevel Aerobotics Technologies was founded in August 2016 and employs around 15 people. The company has just concluded its second round of investment, raising around \$10 million thanks to the support of angel investors, “very well-known industry experts,” including equity crowdfunding platform OurCrowd and Maverick VC, Maor said.

FreshPlaza, 30 April 2019

Use of drones could revolutionise wine farming

A Cape Town Agri-Tech start-up company has held a post-harvest vineyard management workshop in Paarl to educate farmers and the agricultural industry on how to use the latest innovations in precision agriculture.

Aerobotics head of agronomy Devin Osborne said: “A lot of farmers are misled into believing that the variation in vineyards contributes to the uniqueness of the wine and start talking about terroir.”

He said the key to growing world-class grapes and producing an excellent wine was obtaining uniformity.

He also made recommendations on when farmers should use drone technology. “The first drone flight of the season should be done at first leaf. The second drone flight should happen during flowering and fruit set, while the third drone flight should be conducted during fruit ripening.”

He said the use of Aerobotics to obtain and process data from these flights would enable farmers to monitor early season growth, evaluate bud break and locate deficiencies in vine resources. According to Osborne, there is also important use for drone flights after the harvest is completed.

“The data and analytics can be used to locate vines and blocks that are stressed after the harvest.

“This enables wine farmers to create zonal maps for representative sampling and also helps them to prune moderately on less fertile zones and harder on more fertile zones.

“Partnering with Aerobotics to capture and process the data from post-harvest drones flights empowers farmers to build a solid foundation for the next season.”

Aerobotics processes data from drone and satellite imagery through its proprietary artificial intelligence software to discover and analyse problems.

In addition, the software also measures size, height and canopy volume.

“Our drones and cameras are both calibrated and have an on-board GPS and compass to ensure accuracy. We also have a sunlight sensor mounted on the drone to ensure the imagery can be used to compare data over time.

“Aeroview allows farmers to geo-reference any irrigation issues in the field and our per tree canopy area calculations allow farmers to monitor the growth of their trees.”

Aerobotics uses machine learning and artificial intelligence to detect problematic areas early on.

“This data guides farmers to problematic areas, so that they can apply the corrective measures in a time frame that does not cause economic damage to their produce.”

Mthuthuzeli Ntseku, *Cape Argus*, 12 April 2019

Undervaluation of wine exports at the heart of struggles in industry

Addressing undervaluation, transformation and collective identity is key to driving the SA wine industry’s sustainability.

In 1999, after 81 years under the KWV state co-operative as the proxy for SA Wine, producers at last experienced a world unfettered by state capture. While this was widely celebrated, the institutional vacuum brought about by the repurposing of KWV created its own set of problems. Gone were the days of price control, state-sanctioned monopolies, marketing boards and surplus alleviation. Instead, producers had to design sustainable business models to survive on their own.

Furthermore, with the advent of democracy in the early 1990s, a rapidly growing community of SA wine producers, enthused by the novelty of market access, extended their brands and underpriced their wines on global markets. Spurred on by a bullish export market, increased demand and potential for higher fruit prices, certain areas such as the Swartland engaged in ambitious planting schemes. The effect has been devastating.

Fast-forward 20 years and only about half of SA wine producers are breaking even or are just about profitable, and most of those by less than 5% on the bottom line. SA wine, despite a recent quality leap, is struggling to sustain itself, in part because it is simply undervalued, especially in international markets.

“Nearly half the packaged wine sold locally trades at less than R30 per litre,” VinPro chair Anton Smuts told delegates to VinPro Information Day in January. He noted for comparison that some imported water sells for up to R35 per litre. “We cannot possibly remain sustainable at these price points,” he said.

According to VinPro’s Christo Conradie, by 2017 SA wine exports represented the lowest value out of all mainstream wine producers, at a staggeringly low aggregated global market price point of €1.27 (€1.95 for packaged wine, or about R32) for a volume of just over 500-million litres (about 250-million litres packaged). This compared with new world counterpart the US’s global aggregated export market price of €3.80 (€6.34 for packaged wine, or about R102) at a volume of 380-million litres (about 195-million litres bottled).

A latent problem surfaced through the deinstitutionalisation of SA’s wine sector is that resolving grand societal challenges, such as transformation, is difficult when economic growth is constrained. Without inclusive economic growth the wine sector cannot achieve its stated imperatives of benefiting people and planet. And though small wins have been delivered by the Wine Industry Strategic Exercise (Wise) in recent years, as fast as we try to fix things, more problems emerge. This is the nature of grand societal challenges. The critical struggle for SA Wine is going to be to effectively integrate market and nonmarket actions to address these issues. This necessitates negotiating innovation on differentiation, pricing, branding and quality on the one hand and societal impact, advocacy and industry image on the other. Considering our legacy, it requires sincerity: a consistency between our stated beliefs and our actions. We must “walk the talk”.

On the market side, one of the first things we need to address is marketing capital. Right now, we’re simply not putting enough of it behind our country brand. The marketing budget for Wines of SA, a not-for-profit industry organisation established to promote SA wine in international markets, is about R50m, funded by industry levies. Australia’s equivalent, Wine Australia, utilises a budget of some A\$50m (about R504.5m). Wine Australia is also funded through levies and user-pays charges, but supplemented by the Australian government, which according to its website “provides matching funding for research, development and extension investments”. It’s clear we’re not able to compete on that front.

In addition, a relative dearth of free trade agreements for SA's wine isn't helping, and Brics membership does not seem to be improving matters. Meanwhile, a newly signed free trade agreement with China has seen Australian wine exports to that country leapfrog other nations in volume. Australia pays zero import duties under the agreement, despite not being a member of Brics.

It also seems unlikely that there will be relief any time soon via government policy, matched funding or subsidies, as in Australia. We are seeing initiatives like Aware (Association for Alcohol Responsibility and Education) being supported, but it's understandable that further government investment will be tentative at best until the industry can demonstrate progress in all valuable beneficiation programmes.

On the nonmarket side, arguably the most strategic area for the wine industry to engage at this stage, is the seeming lack of cohesion at the top of the policy chain. There is a need to start creating a single voice and resonant identity for the SA wine brand, for which there have been calls. This might include reducing the number of brands to market. SA enjoys plenty of diversity in terms of output, but this isn't necessarily a good thing. It has long been mooted that by reducing brands to market we can focus efforts on building a stronger collective identity.

The legacy of state domination in the sector has perhaps created suspicion that collective identity is simply refashioning industry domination. Understandable, but how does the industry achieve its market and nonmarket goals without unified collective purpose?

Within the local industry, there are several groups that are already trying to create value for their respective constituencies: Stellenbosch Cabernet Collective, Pinotage Association, Chenin Blanc Association, Swartland Independent Producers and Old Vines Project are good examples. What they are trying to achieve in these representative associations needs to translate into an even bigger collective, consolidating these efforts in a way that creates a single voice and purpose for SA wine producers, while retaining individuality.

One issue that can be addressed as a lobby, for example, might be how to drive more revenue back to primary producers, one in three of which is running at an unsustainable loss. VinPro estimates that 900 producers shut down in the decade ending in 2017. At the very least, a unified industry can address the fragility of the producer sector and ensure that value realised reaches them.

This approach, in tandem with a market strategy that is working to elevate SA wines' relatively lowly status in the global market, has the potential to deliver strong results. As a relatively small industry, we shouldn't be drifting near the bottom tier of the global shelf, especially given the quality of some of our wines. We cannot compete in terms of volume, but we certainly have the talent and quality to sell uniqueness.

Without a singular purpose, identity and strategy being promoted through greater industry consolidation, it will be difficult to find niches in which to embed ourselves and realise the true value of our product.

Jonathan Steyn, *Business Day*, 25 April 2019

Dutoit Agri foresees big future for the sweet potato

For the past eight years the vegetable division of Dutoit Agri has been exporting sweet potato to Europe and the UK. Based in Ceres, their sweet potato portfolio is fifty-fifty orange and white-fleshed.

The European market, where their largest clients are in France, Germany and the Netherlands, knows and prefers the orange-fleshed variety, while South Africans are familiar with the white-fleshed sweet potato. It is a long marketing window for the South African exporter: from the end of March until the European season starts again in August or September.

"We're very excited about the future of our sweet potato product line. The consumption, both overseas and in South Africa, is growing tremendously," explains Pieter du Toit, the director of vegetable packing at Dutoit Agri. "The sweet potato has the potential to become a delicious substitute to your traditional potato side dish."

He notes that sweet potato is a very challenging vegetable to harvest (and packing the irregularly shaped vegetable into a carton is like "completing a puzzle"). They've done a lot of trials in their sweet potato production over the last few years and they have hit upon a winning recipe.

Volumes have remained constant over the years, packed in 6kg cartons for retail and 10kg for wholesale.

“This year the quality is excellent,” he says.

Carolize Jansen, *FreshPlaza*, 16 April 2019

Farmworkers facing evictions across Cape

There are growing fears that more farmworkers are in danger of being evicted.

“The farm evictions in the Western Cape have grown extensively over the last few months. We are dealing with a number of cases from Ladysmith, Robertson, Ashton and Barrydale,” said Malizo Kwinana, local organiser of the Commercial, Stevedoring, Agricultural and Allied Workers Union (CSAAWU).

He said that the majority of these evictions were not legal.

According to CSAAWU, over 150 farmworkers who were evicted are now living in tents in a caravan park on the eastern edge of Paarl in the Drakenstein Municipality. Earlier this month, a family of 10 was evicted from the Windmeul Kelder Wine Farm after living there for 38 years.

“We want to send a clear message that the situation for many farmworkers is getting worse.

“How many other farmworkers are living in caravan parks. And the farmers evicting them, and the farmlands that they once lived on, remain productive and functioning.”

Earlier this month, the Rural and Farmworkers Development Organisation called on President Cyril Ramaphosa to halt farmworker evictions to allow for proper input from the departments of Social Development and Education.

“We held a picket last Thursday in Goodwood to highlight the issue of Langeberg where there are evictions happening frequently.

“We will be reconvening this week to strategise a way forward.”

Economic Opportunities MEC Beverley Schäfer said: “I am not sure how this will be solved in the near future, we need a solution for this. There needs to be a new development for living. You can’t put a blanket on this and you can’t generalise this because each farm eviction is different.

“The current legislation to protect and highlight the plight of farmworkers evictions is the Establishment of Security of Tenure Act that was implemented in 1997, which is a specific protective response to the arbitrary and rampant evictions,” she said.

“The problem is that there has been no implementation or enforcement from national government.

“What we need to do is look at how we can protect farmers rights and farm workers rights.”

Marvin Charles, *Cape Argus*, 23 April 2019

Farm dwellers march against increase in evictions in wine region

Organisations representing farmworkers say Drakenstein Municipality has the highest incidence of farm dweller evictions in the Cape wine region.

More than 200 farmworkers and dwellers marched to the municipal office yesterday, demanding a moratorium on farm evictions that had seemingly increased.

The march was led by activists from the Women on Farms Project (WFP), the Commercial Stevedoring Agriculture and Allied Workers Union, Mawubuye and Food Sovereignty.

WFP co-director Carmen Louw said evictions in the Drakenstein Municipality had reached crisis levels that could not be dealt with on a case-by-case basis.

“There are still farm dwellers who live in relative squalor without decent basic services. This municipality has the highest incidence of farm dweller evictions but lacks mechanisms, resources and political will to provide decent alternative accommodation in cases where eviction orders are granted.

“Instead, evicted farmworkers and dwellers are accommodated in rural slums that are, in effect, being created by the municipality,” she said.

Louw said the municipality had been given until May 22 to respond to their demands as they doubted they would get any action before the national elections.

The activists handed over a memorandum asking the municipality for a comprehensive strategy for housing evicted farmworkers and dwellers.

According to the activists there were more than 1 200 eviction cases pending on the court roll. The municipality itself estimates that 20 000 people will be evicted.

Drakenstein Municipality has more than 40 families living in tents at a campsite in Paarl East after being evicted from a farm in Simondium. They lived there as a result of land invasions to the land earmarked for them.

The municipality blamed land invaders at a site called Schoongezicht as a reason why the families had not been relocated.

Drakenstein Municipality community services executive director Gerald Esau said: "The memorandum has been received.

"The stalemate situation in relation to Schoongezicht persists. However, ongoing discussions are pursued with the surrounding communities to resolve the matter amicably."

Dominic Adriaanse, *Cape Times*, 25 April 2019

40 families living in tents as a result of land invasions in Drakenstein

The Drakenstein Municipality says the more than 40 families who are living in tents at a campsite in Paarl East after being evicted from a farm in Simondium are doing so as a result of land invasions.

These families, many from Blou Huis farm, should have been relocated to an emergency housing site in January, where they would have had access to all basic services, said the municipality.

"The site, called Schoongezicht, was invaded prior to the relocation by adjacent backyarders, who demanded housing opportunities and prevented the evictees having access to the Schoongezicht site," said Drakenstein Municipality community services director Gerald Esau.

Esau said the New Orleans Park was an interim measure until the stalemate regarding the Schoongezicht site could be resolved.

The families' living conditions drew the attention of South African Human Rights Commission commissioner Chris Nissen, who said he would communicate with the municipality and the Department of Land Reform and Rural Development to help the families following his visit to the site earlier this month.

Farm union the Commercial Stevedore Agriculture and Allied Workers Union, as well as several other land and rural activist organisations, have described Drakenstein and other areas including Barrydale, Robertson and McGregor as "living the crisis of farm evictions", demanding national and local government respond to the crisis.

Last year the Drakenstein Municipality, which covers areas such as Paarl and Wellington in the Cape Winelands, had up to 1200 eviction cases on the court roll, which at the time could potentially see as many as 20 000 people facing evictions.

Women on Farms Project codirector Carmen Louw said: "Blou Huis was a former chicken farm and the community consisted of farm workers and seasonal workers who settled there for a period. "A developer had bought the farm and because of the situation they were moved to the park until alternative arrangements could be made, but that was last year June already." Louw said the Paarl East community in the area, known as "Chicago", were blocking the "Blou Huis" community from taking seasonal work from Paarl farms because they "are not from there".

Dominic Adriaanse, *Cape Times*, 23 April 2019

Western Cape groups commit to farmer development

The South African private sector has shown its commitment to developing black smallholder farmers in the province, with all 11 of the agricultural commodity groups that have been part of the Western Cape department of agriculture's commodity approach to land reform, signing new MOUs last week.

Under the commodity approach, the commodity groups have committed to helping black smallholder farmers and land reform beneficiaries become more successful through access to markets for their goods, mentorship and training. The commodity groups have also contributed funding and in-kind support towards the implementation of successful land reform projects in the province.

“Agricultural development is a process and government alone cannot achieve success without private sector involvement. New black farmers are supported by the department of agriculture through all of its programmes, but the required information and skill sets lie in the broader agricultural sector,” said Minister of Economic Opportunities, Beverley Schäfer. Government most often does not have enough funding and capacity to support new entrants to run successful agricultural businesses, Schäfer said.

“The success confirmed through an independent evaluation on the support to agricultural land reform beneficiaries and new entrants, shows a great achievement, but this was not done in isolation. So, the continued commitment of the private sector was confirmed through the signing of memoranda of agreements last Friday.”

During the next three years, the Western Cape’s department of agriculture will allocate over R1 billion of its budget towards land reform projects, with R315,655 million allocated to farmer support and development in the current financial year.

Since 2014, more than 200 mentors across all the commodities have been appointed to support smallholder farmers and land beneficiaries, at no cost to the department of agriculture or to the farmers themselves.

The minister said supported farmers were experiencing real success as a result of the partnership between the department, the commodity groups and the public entity, Casidra. “A recent independent study found that 72% of all land reform projects receiving support from the department, are successful,” she said.

Among the successful projects managed under the commodity approach, was a commercialisation programme for fruit farmers, funded by the Jobs Fund in which 210ha of fruit have been planted since 2016 for black producers.

“The Western Cape is the only province to have perfected the commodity approach and we believe that with continued partnerships like these, we have the ability to build black smallholder farmers into commercial success stories,” Schäfer said.

The 11 commodity groups are:

- The Deciduous Fruit Producers Trust
- Potatoes South Africa
- Grain SA
- The South African Poultry Association
- The Red Meat Producers Organisation
- The National Wool Growers Association
- The South African Table Grape Industry
- Vinpro
- South African Pork Producers Association
- The South African Citrus Growers’ Association
- The Seed Industry.

“We want to thank these groups for partnering with us for another five years and invite other commodity groups to speak to us to see how they can help in the future,” said Schäfer.

FreshPlaza, 8 April 2019

AGH, investors create strategic grain storage platform to strengthen food security

Agri-based company AFGRI Group Holdings (AGH) said on Monday it had created a strategic grain storage platform vehicle in collaboration with a consortium of institutional investors to enable the growth of grain storage capacity in South Africa and on the continent and strengthen food security.

Under the agreement, effective March 31, the AFGRI Grain Silo Company will aim to expand current storage capacity from some 4.7 million tons to six million tons in the near future.

"This will allow us to not only cater for grain storage, but to expand into the storage of other types of commodities," AGH CEO Chris Venter said in a statement.

The current 4.7 million tonne storage footprint consists of grain silos and bunker complexes throughout six provinces in South Africa.

Three new institutional investors, namely STANLIB Infrastructure Investments, Wiphold and the Land Bank, have committed to investing in the platform alongside AGH and its black economic empowerment employee partner Izitsalo Employee Investments.

The investment consortium will initially own storage facilities with a total value of R3,6 billion at inception.

Africa News Agency, 8 April 2019

Afagri opens a new investment unit to boost growth

Unlisted agriculture business Afagri Group said its new investment vehicle, which allowed institutional investors to invest in its grain silo properties, has given it the capacity to expand its operations.

Afagri Group CEO Chris Venter said the company wanted to significantly grow the business but the pace of this growth would be limited if it had to depend only on its own financial resources.

The creation of the investment vehicle, Grain Silo Company, enabled it to accelerate its growth as it opened a way for Izitsalo Employee Investments, Stanlib Infrastructure Investments, Wiphold, and the Land and Agricultural Development Bank of SA to invest R3.6bn in the group.

Venter said the plan was to increase storage capacity to between 4.7-million tonnes to 6-million tonnes. "This will allow us to not only cater for grain storage, but to expand into the storage of other types of commodities."

"Afagri Operations will manage the storage facilities on behalf of Afagri Grain Silo Company in terms of an evergreen management agreement. This arrangement provides the strategic benefit of Afagri's excellent track record in managing storage operations, and deep experience of the sector," Venter said.

Venter said he hoped the deal would have a similar impact such as the one it had closed with the Land and Agricultural Development Bank of SA in 2011, where it sold its debtors book. At the time, the book was valued at R1.7bn and had since grown to R15bn.

The disposal of its debtors book had enabled the Afagri Group to expand its financial service offerings across all nine provinces, and to provide financing not only for grain production but various other commodities.

Venter said the sale of its debtors book and the creation of the Grain Silo Company was part of its broader strategy of offering a range of financial services in the agriculture sector. "Through the recent acquisition of the South African Bank of Athens — renamed GroCapital — we are today able to offer a wide range of additional banking products to farmers."

This has seen it increase the number of loans it had made to farmers from the 1,290 it made in 2011, to 8,620.

Larry Claasen, Business Day, 8 April 2019

Access to finance, training key to building SA's black farming community – AFGRI

Access to finance, training and entrepreneurship is critical to building South Africa's black farming community, agricultural services company AFGRI's subsidiary Lemang Agricultural Services has said.

Lemang was specifically created to train, develop and mentor new era farmers and focuses on developing black farmers towards becoming full-scale commercial producers through financial assistance.

"With food security becoming an increasing concern for South Africa and the rest of the continent, it's important that agribusinesses such as AFGRI get behind our farmers, particularly black farmers wanting to take the next step into full commercialisation," Lemang Agricultural Services head Marion Shikwinya said.

"With agriculture being the key driver of food security, AFGRI is fully supportive of bringing a new generation of successful farmers into production to ensure the sector continues to thrive."

Shikwinya said some of the constraints faced by many new era farmers included the lack of access to affordable credit to finance their operations, including state-of-the-art equipment and other new technologies required to increase production and produce high-quality crops or livestock.

She said Lemang had trained and supported over 650 farmers in the past four years, in its previous capacity as Harvest Time Investments, resulting in over 18,400 hectares being planted, some 660 permanent jobs created and a total yield of 49,873 tonnes. On average, farm income had tripled in cases where Lemang supported the farmer.

Operations manager Bankies Malan said another stumbling block for farmers was the lack of access to information and training.

"Agribusinesses such as ours have huge role to play in ensuring our farmers are not only trained in the latest farming techniques but are also mentored and given relevant business skills. Knowing how to run a business is integral to growing a successful farming enterprise," Malan said.

African News Agency, 15 April 2019

Banking & Capital Markets

With Afgri's backing, SA Bank of Athens is now Grobank

NOMPU SIZIBA: Formerly known as the Bank of Athens, the bank has now repositioned itself in the financial market as Grobank. In October 2018 GroCapital Holdings – whose shareholders are from Afgri Group Holdings, Fairfax Africa and the Public Investment Corporation – acquired the South African Bank of Athens Ltd with all the regulatory approvals. Now called Grobank, it plans to support the food and agricultural value chain in South Africa.

Well, to tell us about the repositioning of the bank and the kind of game-changer it hopes to be in the sector, I'm joined on the line by Chris Venter, the CEO of Afgri Group. Chris, why did Afgri decide to make this investment and set up this rejuvenated bank? What's its value proposition going to be, and how far and wide across the agricultural and food chain will it be venturing?

CHRIS VENTER: Do you refer specifically to the Bank of Athens, which we renamed Grobank today?

NOMPU SIZIBA: That's right.

CHRIS VENTER: Thank you for the opportunity. I think for us it's really the opportunity of expanding across the food value chain, and, specifically of providing a service to the customers in a value chain that's not necessarily always understood by commercial banks.

We have close to 100 years of experience in agriculture and food, and the Bank of Athens, or now Grobank, has 70 years of experience in banking. We hope that we can offer our customer base something different in terms of financial services and financial products.

NOMPU SIZIBA: We know that the banking landscape is changing rather quickly, so how will Grobank be a quick and efficient machine that employs digital means to do so, while also placing the importance of relationships with its customers at its heart – which is what you say in the documentation? Will clients be going physically to the bank, or is the bank going to be going to them?

CHRIS VENTER: I think both. We truly believe that technology platforms are a good enabler for our customers. We also do believe that relationships are probably key for us in making sure that the customer has somebody to talk to. That is something that we as Afgri Group have done for many, many years – making sure that we get to the farm, making sure that we can talk to the customer, and that the customer has somebody to talk to. So we will do both.

But we do still see that technology offers us a key enabler which we need to make sure that we are at the front end of. We have published a very strong [robotic] electronic platform over the last four years, which is currently acting as a digital platform for customers, specifically farmers, to do transfers and to act on farm management.

NOMPU SIZIBA: Chris, Afgri also announced the launch of a strategic grain-storage platform that you'll be running in collaboration with a consortium of leading South African institutional investors; this is in a bid to enable the growth of grain-storage capacity in South Africa. Just tell us about this new development, and why it's important.

CHRIS VENTER: I think it's part of diversifying ourselves from the rest of the banking environment. But it's also creating an opportunity for us to expand our storage footprint with some strong partners. We refer to the example of where, in 2011, we sold our debtors book to the Land Bank – and at that point in time it gave us access to a strong support base from the Land Bank, and obviously a balance sheet. It allowed us to increase the debtors that we finance, with their support, from R1.7 billion to R13 billion. I think that is really the approach that we've taken in a similar fashion – to say that for the storage platform we need strong financial partners, that we hope we can expand the storage platform across commodities, but also specifically grain from 4.7 million tonnes to six million tonnes. Also it is very closely linked to our financial offerings, where we can view the product of the customer as the enabler to financial services and financial products.

NOMPU SIZIBA: On the practical socioeconomic level, there are lots of concerns about climate change – that change and the impact it's going to have on the continent. How significant is this development, and is it one that you are hoping to grow throughout the continent?

CHRIS VENTER: It certainly was the one that we hoped to grow across the continent, similarly to our banking offering. We do believe that as a group, as Afgri Group, our vision is food security across the continent. So what we are putting in place, we believe, are all puzzle pieces in the global or in the group regions, to reach people across Africa. And for us, both financial services offerings linked to a group and a well-positioned storage platform are two key ingredients in food security – and that is something we will continue to develop.

NOMPU SIZIBA: In your role as a conscientious corporate citizen, will there be some flexibility in trying to uplift eager emerging farmers, who perhaps have all the will in the world to make a difference in farming their land, but don't necessarily have the collateral?

CHRIS VENTER: It's part of our focus. We have over the last four years already invested R90 million into developing programmes in South Africa, and we have specific programmes in Zambia, Mozambique and Zimbabwe at the moment. The key is to also bring financial services offerings to those small-scale farmers. So it's not just that we want to link up with a commercial farmer base. I think it's important to make sure that you have the different products, also for the small-scale farmers – and that's something that we will continue to develop.

NOMPU SIZIBA: And hopefully those small-scale farmers, if invested in, can grow to become commercial farmers themselves.

CHRIS VENTER: Absolutely. If you think about commercial farmers today, they all started somewhere. It may be generations back, but I think it's important for us to develop the new generation.

NOMPU SIZIBA: Quite. And then, in terms of your ambitions – you don't have to go into the numbers – the loan book that you have now, how much are you hoping for it to grow now that you've decided to be this niche bank that looks specifically at agriculture and food?

CHRIS VENTER: We will continue to grow our offering, especially on the loan book itself, with the Land Bank as our partner. The Land Bank is quite a good stakeholder for us, and a very important one. It's not just that we will grow for Grobank. For the Land Bank it's also important that we keep that relationship in good standing and we will do that.

If you look at the total agricultural debt today, it's probably close to R160 billion, and I think it's something that we need to play a successful role in, in capturing a big portion of that. It's difficult to say what portion. Currently we have 8%, 9% of it, and we would like to probably double that.

NOMPU SIZIBA: Our thanks to Chris Venter from Afgri Group.

So long Bank of Athens, hello Grobank

In a shift from pita to ploughs, Bank of Athens this week rebranded itself Grobank.

This is the latest shake-up in SA's banking sector, which has seen Discovery launch a behavioural lender, the big four traditional banks rejigging their branch networks, and low-fee options Zero and Tyme rubbing their hands at the prospect of taking a slice of the retail pie.

"We are launching what is effectively a 70-year-old 'new' bank," says Spiro Georgopoulos, Grobank's CEO.

Originally established to cater to the needs of SA's Greek community, the institution now has agricultural services company Afgri as its largest shareholder and will pivot towards being a lender for those in farming and food production.

And the bank, which has assets of R2.4bn, is not aiming for the mass market.

"It is a highly competitive space and probably overbanked," says Georgopoulos. Grobank has a carefully carved-out niche that it wants to grow. The focus will be on "chunky, family-run businesses", says Georgopoulos. The institution will fundamentally still be a business bank and the lessons learnt over decades serving small and medium-sized enterprises, such as family-owned restaurants, will come in handy as it vies for clients across the food business chain.

Bank of Athens, founded in 1947, has been thinking of transforming itself for nearly a decade. But with the National Bank of Greece as its controlling shareholder, the debt crisis and economic meltdown in the Hellenic Republic disrupted the initial plans.

"As we started transforming the bank in 2010, the crisis in Greece hit," Georgopoulos says.

Though the bank's owners were officially in the Greek capital, the shots would soon be called from Frankfurt, home of the European Central Bank (ECB), and Luxembourg, seat of the European Stability Mechanism (ESM).

Between the ECB and ESM the funds were raised to tide Greece and its financial institutions over, but with certain strings attached.

One of the conditions was that the National Bank of Greece let go of non-core assets, such as Bank of Athens.

Afgri, which has an existing financial services business in the agricultural sector, in 2017 saw a big opportunity in acquiring the business and getting a banking licence to boot.

TJ Strydom, *Financial Mail*, 11 April 2019

SA Bank of Athens repositioning as Grobank

The former South African Bank of Athens has repositioned itself as a new banking entity – Grobank.

The Grobank brand reflects the transaction that concluded in October 2018 when GroCapital Holdings, supported by its shareholders AFGRI Group Holdings, Fairfax Africa and the Public Investment Corporation, obtained all the regulatory approvals for the acquisition of the South African Bank of Athens Limited (SABA), corresponding to 99.81% of the issued share capital.

The SA Bank of Athens has been operating in South Africa since 1947.

According to a statement, Grobank is positioning itself "to deliver both the extensive banking experience gained through its history as Bank of Athens, as well as accessing the deep food and agri-business knowledge of its shareholders".

The bank will be focused on building an agri-banking offering based directly on the insights gained through direct relationships with farmers and agri-businesses held across generations and will add these to its existing range of business banking products and services.

"We are marrying our strengths as bankers and financiers to the strategically important need to support food security," said Grobank CEO Spiro Georgopoulos.

"This focus will not only lie in the farming sector, but also across the food business chain including small and medium enterprises, business investors, entrepreneurs, retailers, restaurant owners, warehouse owners and factory owners."

In a time where banking services are becoming increasingly digital, Grobank also intends on placing relationship banking at the heart of its offering.

While a great digital offering remains a critical element of banking services, Grobank believes that a true relationship with an expert banker remains a core need for businesses that make complex banking decisions, according to the statement.

"We will continue our strategy to reach out to business owners, learn their business, listen to their needs and provide products and services tailor-made for our market. We are committed to develop a deep understanding of the Grobank client's world, their financial needs and aspirations," said Georgopoulos.

Fin24, 22 April 2019

'Drought has created a perfect storm for SA banks'

Finding solutions to the challenge of financing farmers during drought has become extremely difficult.

Commercial banks in South Africa face enormous credit risks due to agricultural producers defaulting on loans and being increasingly unable to provide security for loans.

This was underscored by the fact that 61% of the approximately R160 billion in farming debt in South Africa was owed to commercial banks, said Prof Sanlie Middelberg of North-West University's School of Accounting Sciences in Potchefstroom.

She told *Farmer's Weekly* that many farmers were unable to repay their loans due to failed harvests, ever-increasing input costs, and low livestock prices.

"Agricultural land is typically offered as security by a farmer when applying for credit and a mortgage bond is [then] registered on the property. Decreasing value of agricultural land and the uncertainty about loss of ownership [due to land expropriation without compensation], negatively impacts the value of the collateral held by banks."

According to Middelberg, banks operated in a strict regulatory environment and reinsured their loan books by using the collateral provided by farmers as security.

Should the value of land decline by 30%, for example, the security offered to a reinsurer also falls 30%. The reinsurer would therefore require additional collateral.

Middelberg said it was consequently safe to assume that commercial banks that supplied agricultural finance were facing "a perfect storm".

Besides having outstanding debt, defaulting farmers would no longer have access to loan facilities for planting or rebuilding livestock herds.

Many emerging farmers did not own land to use as security for funding, and the limited capital they have would, in all probability, be "swallowed up" during a drought.

Many farmers had left and would continue to leave the sector in search of more lucrative and less risky business opportunities.

If the drought continued and farmers kept exiting the sector, it could seriously affect food security in South Africa, she said.

Annelie Coleman, *Farmer's Weekly*, 1 April 2019

Government planning to establish a hemp industry, says Senzeni Zokwana

The government is looking at ways of establishing a hemp industry to help diversify the agricultural sector and to create jobs, agriculture, forestry & fisheries minister Senzeni Zokwana said.

Currently, it is illegal to cultivate hemp in SA. Hemp production is only authorised for research purposes under special conditions granted by the director-general of the national department of health.

According to the Agricultural Research Council, hemp can be used to make more than 25,000 consumer products, from hemp clothing and accessories to houseware and cosmetics.

The global industrial hemp market size is expected to reach \$10.6bn by 2025, according to US-based market research and consulting company Grand View Research.

In a written reply to a question from the EFF, which was published earlier this week, Zokwana said to date the department of health has received and is still considering 36 applications for commercial hemp cultivation. The area to be cultivated ranges from 2ha to 20ha.

EFF MP Nazier Paulsen had asked Zokwana whether there are industrial producers of hemp in SA, and whether there are plans to expand the industry in the future.

Zokwana pointed out that hemp is still regarded as a drug, and thus regulated by two pieces of legislation, namely, the Medicine and Related Substances Act administered by the department of health, and the Drugs and Trafficking Act, which falls under the purview of the department of justice and enforced by the SA Police Services.

Zokwana said his department was in talks with other relevant state entities with the aim of establishing a hemp industry.

“The department of agriculture [is] with the departments of health, trade & industry, environmental affairs, justice & constitutional development, SA Police Services, Agricultural Research Council and the Council for Scientific and Industrial Research towards developing a new regulatory framework for hemp,” said Zokwana.

He said much progress has been made in dealing with technical matters regarding production of hemp, research and technology development, and commercial feasibility.

“The departments of health as well as justice & constitutional development have been requested to amend their respective legislation to facilitate commercial production of hemp and manufacturing of related products. The department of agriculture and the department of health are also developing guidelines for regulating the cultivation and manufacturing of hemp and hemp products. The two departments will make pronouncements once this process has been concluded,” the minister said.

Trade & industry minister Rob Davies recently said the government recognised the potential of commercial value chains of cannabis and related products. It will consider the obstacles and opportunities for SA to become an active and innovative player in the growing hemp market.

Bekezela Phakathi, *Business Day*, 10 April 2019

Direct lenders see profits in hemp where big banks fear to tread

With banks steering clear and the industry surging toward \$22 billion in sales, hemp and its trendy ingredient known as CBD could be the next lucrative frontier for direct lenders.

Earlier this month, Mile High Labs — which says it’s the largest extractor of cannabidiol in the world — closed on a \$65 million term loan from MGG Investment Group, a New York-based lender to lower middle-market companies with \$10 million to \$40 million in earnings. Mile High is using some of the proceeds to pay farm partners who grow the hemp it needs to produce CBD, which doesn’t give a high and is said to be a natural way to ameliorate health issues from anxiety and insomnia to inflammation.

It’s the latest example of direct lenders stepping up where more traditional banks have been hesitant. While federal lawmakers in December opened the door for banks to get involved in the hemp sector, most remain reluctant for fear of accidentally running afoul with regulators. Direct lenders in the past have swooped in to provide capital to out of favor businesses or smaller companies in the tech and consumer spaces, as well as during bouts of volatility in more liquid credit markets. Even though some direct lenders were hesitant to be first into the hemp industry, strong interest suggests others will soon be hot on MGG’s heels.

“We’ve talked to a lot of mezzanine lenders and they all want to jump into this space, but they don’t want to be the first mover,” said Mile High Labs Chief Financial Officer Jonathan Hilley.

Mile High needed the loan to secure enough hemp to keep expanding following last year’s passage of the Agriculture Improvement Act, which legalized the cultivation and sale of hemp at the federal level, but also prompted speculators to begin hoarding supply.

With the help of Danny Moses, who served as an adviser on the deal, the company talked with about a dozen potential lenders before selecting MGG. Moses, best known for shorting subprime loans prior to the financial crisis, is a private investor and on the investment committee of Merida Capital Partners, a cannabis-focused private equity firm.

The loan, which closed this month after an initial term sheet was signed in February, is priced at “L+single digits” — meaning less than 10 percentage points above the London interbank offered rate — and is for between four and seven years, Hilley said. The \$65 million loan didn’t include any special terms due to Mile High’s business line, only the “standard” debt deal covenants.

A spokesman for MGG declined to comment.

Due to little regulatory oversight and looser capital requirement guidelines, private credit players are by their very nature able to make loans to newer or riskier industries.

“In some new, fast-growing sectors, banks are not typically the first to lend to them as it lacks track record,” said Floris Hovingh, head of alternative capital solutions at Deloitte.

If borrowers don’t have a history of stable cash flow, the loans aren’t secured by a hard liquid asset, or the debt raised isn’t against a fixed contract with a creditworthy counterparty, “it can take a lot more in-depth analysis to get comfortable with the deal, and this is an area where alternative lenders can be more flexible,” he added.

The booming appetite for CBD may provide an opportunity for more debt deals in the sector going forward. The U.S. market brought in \$620 million last year before the December Farm Bill passed, and is poised to become a \$22 billion industry by 2022, according to CBD and cannabis research company Brightfield Group. As CBD gets put into everything from pet food to beauty products, “extraction is a really key piece of that explosive growth,” said Bethany Gomez, managing director at the firm.

Kelsey Butler, *Bloomberg*, 23 April 2019



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