Scan for Capital Harvest

June 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

Dairy alternatives are becoming popular world-wide as part of a vegan diet. While sales of actual dairy products have declined for multiple decades now, dairy alternatives have seen a 5% to 17% (depending on the product) year-on-year growth in the US. The taste of dairy is copied using substitutes such as almonds, cashews and rice miso to manufacture a range of vegan products from cheese to butter. Traditional dairy companies are increasingly annoyed by the use of words such as 'milk' and 'cheese' on products that do not contain dairy. While companies producing dairy alternatives are multiplying and thriving, Wisconsin (also known in the US as the 'Dairy State') is seeing dairy farmers exit the industry at a rate of three farmers per day. To protect dairy farmers, the US's proposed federal Dairy Pride Act aims to regulate product labelling and the use of certain words. Under the proposal, the word 'milk' would only be used on products that come from a 'hoofed mammal'. Individual states are also taking action, with Wisconsin fiercely protecting its hard-hit dairy industry by asking supermarkets to take non-dairy products labelled 'butter' off their shelves. The state's protection of dairy is not new – for 75 years, until the 1960s – Wisconsin did not allow the sale of margarine in the state. To this day, serving margarine instead of butter to students, patients or inmates at state-run institutions is prohibited, unless requested by a doctor.

In a blow for animal rights campaigners, a German court has ruled that the slaughter of male chicks may continue in the poultry industry until a practical method is found to determine the gender of an embryo in the egg. Approximately 45 million male chicks are slaughtered in Germany each year, because only hens yield farming income. The remains of slaughtered male chicks are usually used in animal feed. The German government does not wish to harm the poultry industry, but is opposed to the practice of culling male chicks and has allocated €8 million to find an alternative solution. Several methods for the testing of a chick embryo's gender – which would allow the destruction of eggs before hatching – are being tested, but none are ready for use on an industrial scale.

The growing trend among consumers to have food delivered at home has sparked a high demand for cold storage warehouses and distribution centres in the US. It is forecast that an additional $100 billion in annual grocery sales will be conducted online by 2022. Presently there is 3.6 billion cubic feet of cold storage and distribution space in the US, but this is set to expand exponentially and significantly impact the real estate market.

Peru is offering stiff competition to other southern hemisphere fruit and vegetable exporters. The country is seeing stable growth in its shipments. In the first four months of 2019, Peru's most popular fruit and vegetable export was fresh grapes, earning 14% more than in the same period the previous year. Grapes were followed by large export volumes of mangoes, avocados, blueberries and organic bananas.

In the Mexican state of Michoacán, known for its violence, up to four trucks carrying avocados are stolen per day during harvest season by organised crime groups. Avocado packers and exporters have resorted to taking out newspaper adverts to draw attention to the situation. Around 80% of US avocado imports come from Michoacán. Mexico's president has promised to fight crime, but violence has continued across the country. In the Mexican state of Sinaloa mango orchards are robbed, with losses sometimes as high as 50% of the harvest. The police agreed to patrol orchard areas around the clock in season due to the lucrative nature of the harvests.

The Philippines was left with 2 million kilograms of excess mangoes after an El Niño weather pattern yielded an unusually large crop. A long dry spell was eventually broken and resulted in profuse flowering and fruiting in mango orchards. To get rid of the excess, the government organised a mango festival, with stalls selling fruit at discount prices and cooking classes. The recorded price of mangoes dropped to as low as $0.40 per kilogram, but some farms gave them away for free.

In the Spanish province of Huelva low demand and low prices of citrus have resulted in millions of kilograms of oranges being left unharvested. Mandarins fared slightly better than oranges, but also made a net loss. Fresh fruit as well as those intended for processing fetched prices below the cost of production. The costs of fuel, electricity and wages were the main expenses dragging down income. On the revenue side, the late Spanish season caused an overlap with imports from SA. Spanish farmers are again calling for stricter phytosanitary requirements (targeted at pests like black spot) to curb SA imports.

The Technical Centre for Agricultural and Rural Co-operation (CTA) is a joint institution of the African, Caribbean and Pacific group of states and the EU. It works to advance food security, resilience and inclusive economic growth. In a recent study, the CTA found that the limited access to technology and connectivity on the African continent will be partially overcome within the next three years. The report suggests that digital solutions in agriculture can be a net job creator. Technology platforms in Africa that combine multiple aspects including digital market linkages, digital finance and digital advisory services are associated with improved yields of up to 168%. Most African farmers will have mobile phones by 2030. Africa will achieve near universal phone access in the coming years, suggesting that 100 million smallholder farmers could be registered for digital services within three years and as many as 200 million by 2030.

In Africa, agri-food entrepreneurs often struggle to find finance once they become too large for micro-financiers, but too small to qualify for traditional bank loans. Telecoms company Econet and Norwegian agricultural firm Yara International have launched an initiative, Generation Africa, aimed at helping young entrepreneurs enter the agri-food industry.

Benin in West Africa has 11 million people, of which 80% depend on agriculture. Agricultural bootcamps are now being hosted in the country by the organisation Gardens of Hope, helping new farmers to learn the trade. The techniques taught emphasise organic and sustainable farming. The cost of the training is $45 per week, and includes training on the land, marketing courses and networking. Participants come from a variety of African nations. Gardens of Hope 'rents' the farmland for training by paying the owners in vegetables. It hopes to expand the lessons to Chad and the Ivory Coast.

In Kenya human toilet waste is fed to fly larvae and the fly larvae is turned into animal feed. When chickens eat the larvae, Kenyan farmers report yellower egg yolks, larger eggs and a significant increase in the number of eggs produced. US companies McDonald's and Cargill are among many large companies studying the use of insects for chicken feed to reduce reliance on soy protein in the $400 billion-a-year animal feed industry. The Kenyan solution addresses problems with sanitation and food production simultaneously. Local company Sanergy owns a franchise that makes toilets available in slum areas for a fee. Waste from the toilets is then harvested by an organics recycling factory (which also receives food waste from hotels and restaurants) where it is fed to the fly larvae. Two products are produced: larvae that can be sold for animal feed and organic fertiliser. The larvae are sold to animal feed millers, who grind them into powder and mix them with other ingredients to create a balanced diet for poultry, pigs and fish.

Stellenbosch-based CanbiGold builds cannabis factories in shipping containers to grow medical grade cannabis. The company sells the containers for R6 million each, and each container can grow 25 kilograms of medical (Grade 1) cannabis per month. At that volume, one could earn R5.4 million per year on the export market. Containers are used because it's easier to obtain the necessary certification for a modular unit than for a brick-and-mortar factory. The containers are also easily transported. Each container has to be individually certified, and each is equipped with a single entry and exit point with a biometric system, alarm and cameras for security. Apart from selling containers, CanbiGold also exports its own cannabis from its farm in Lesotho to Australia, where the product is turned into CBD oils and related products.

Traditionally, truffles are foraged from the forests of France and Italy by well-trained dogs and pigs. Truffles differ from mushrooms in that they grow entirely underground. The most valuable are white winter truffles, which sell for over R35 000 per kilogram. The black winter truffle, or Périgord, fetches up to R21 000 per kilogram. SA entrepreneurs are increasingly interested in cultivating truffles, with many opting for Périgord. Truffle orchards cost between R250 000 and R350 000 per hectare, with up to R20 000 per year in maintenance costs. Trees, such as truffle-bearing oak trees, grow for a decade before coming into full production. While input costs are high and returns are slow to come in, great profits can be made in the long run. A 10-year-old orchard can produce around 50 kilograms of truffles per hectare per season. In Australia – the southern hemisphere's biggest producer – some orchards produce up to 200 kilograms per hectare. Woodford Truffles is SA's largest truffle supplier. The company forms joint ventures with farmers – Woodford supplies the truffle technology, marketing and distribution. The income split is 70% for the farmer and 30% for Woodford. Truffles need alkaline soil, enough cold units and adequate water to grow. In the Cederberg, for example, cold conditions are ideal for truffles, while rough road conditions make it difficult to get fruit to market on time (but do not affect truffle production). The future of truffles in SA holds risks and opportunities. SA truffle farmers' biggest concern for the future, is thieves. While thieves in SA have not caught on to this commodity yet, truffle-related crimes are well-established in France. On the upside, there is great untapped opportunity for revenue – southern hemisphere suppliers can supply the northern hemisphere (notably Europe and the US) in the off season.

In the past season, Cape citrus exporters had their fruit destined for Japan inspected and loaded in their own provinces for the first time ever. Western Cape citrus was inspected at Cape Fruit Coolers' facility close to Cape Town, while Eastern Cape exporters could send theirs to PE Cold Storage. A Japanese inspector visited both facilities in April. Previously, Cape citrus destined for Japan had to be transported to KZN. The new arrangement saves costs and reduces risk for farmers, while helping to ease congestion at Durban harbour. Shipments to South Korea, predominantly grapefruit, still have to pass through Durban's facilities.

Following citrus season, *FreshPlaza* analysed and reported on the activities of the Karsten Group. The farming group has around 85% of its production hectares in the Northern Cape, centered on the Orange River. Karsten produces table grapes, dates, citrus, and pecan nuts – as well as top fruit and cherries on two farms in the Western Cape. More than 1 350 permanent workers are employed, with 4 500 to 5 000 seasonal workers helping out in peak season. The group has 13 packhouses and the majority of sales are done through Karsten Marketing, with fruit going to the UK and the EU, Russia, South East Asia and Africa. The company's logistics partner, Horizon Fruits Logistics, moves about 11 500 containers per year. The logistics company is a partnership between Karsten SA Holdings, Suiderland Plase and Fruit & Veg International. Karsten holds a 50% share in Timerfruit, which markets Karsten's fruit as well as third party fruit to European customers.

In the Cederberg more than 20 families live on 130 hectares of land known as Proefplaas, some of them since the 1980s. The land owner, the Agricultural Research Council (ARC), stopped operating on the farm in 1996. Residents say they have been trying unsuccessfully since then to get permission from the ARC to lease the land on reasonable terms and to farm on it, while more people continue to settle on the land. Proefplaas is presently not suitable for farming, as municipal services have been cut. The ARC considers the tenants illegal occupants – it is considering leasing the land to a commercial farmer, and perhaps resuming research activities in future. The Cederberg Municipality has been delivering water to the residents since 2017. The non-profit organisation Surplus People Project (SPP), which advocates for rural communities' economic empowerment, has contacted the departments of agriculture and land reform to advocate for the families. Because these departments have not taken action, the SPP plans to approach the Human Rights Commission.

Banking and Capital Markets

In 2018 Santam reported a decrease in gross written premiums received for crop insurance, with the figure moving down to R729 million in the year to December 2018 from R829 million in 2017. The company says insurers are not making profit on multi-peril crop insurance. Unlike hail (which is area and time-specific), drought poses a systemic risk that ought to be addressed by a public-private-partnership, as is the case in most countries. In the US half of the insurance premium is subsidised, resulting in 85% of crops being insured. For many SA maize farmers, multi-peril insurance is neither affordable nor practical. When farmers can't plant within the optimal planting window, they tend not to plant at all, which means their insurance policies are cancelled (cover only sets in from the date that the crops emerge). Last season Santam, which has the capacity to insure 250 000 hectares of SA's 2 million hectares for multi-perils, wrote policies covering only 158 000 hectares. Of this, only 83 000 hectares was incepted and the rest of the policies were cancelled. Santam accounts for 50% of the market. Since 2014 the cash flow position of grain farmers in SA has been deteriorating. FNB says the average grain farmer with 1 000 hectares borrows R8 million to R10 million per year for production purposes. However, in the commercial agriculture sector, the ratio of total farm debt to total farming assets is still favourable.

Over the medium term budget period, SA has allocated R3.9 billion to the Land Bank to support emerging farmers. One of the biggest stumbling blocks for emerging farmers is access to credit. R97 billion of SA's R158 billion in farming debt is held by commercial banks, but many emerging farmers do not own land to offer as collateral. Personal loans are an option for them, but these are not ideal for agriculture. Until recently Standard Bank had a credit line in place to assist emerging farmers on an individual basis in applying for production credit and loans. However, the bank has moved to collaboration with organised industry bodies who can support emerging farmers with production finance and technical support. Standard Bank says government grants should be given to emerging farmers so that banks can safely leverage the farmers' balance sheets. FNB agrees that financial models need to change – more complex structures with blended finance are needed, supported by access to markets and skills. Blended finance in this context usually refers to official development assistance from private or public resources, generally with the aim of leveraging development finance from other players. FNB is establishing a fund using its own corporate social investment funds as well as development funds from the international community to assist farmers who cannot provide security for loans. The fund should launch within a year.
Standard Bank recently joined up with the University of the Free State and the Free State Department of Agriculture to put together a programme that will train and equip emerging crop and livestock farmers. The aim is to grow the programme from 25 to 50 farmers. Standard Bank funds the programme, provides financial guidance to farmers, and will ultimately consider assisting them financially. If the project is a success, it will next be extended to the Northern and Eastern Cape. Standard Bank says it is also working with an insurer on a combined project where the applicant will apply for production funding, with the insurer providing insurance to address risks.

There are 2.4 million small and medium-sized enterprises (SMEs) in SA that employ 60% to 70% of the working population, but many SMEs lack adequate access to finance. Fundrr aims to provide R1 billion worth of funding to SMEs over the next five years. Fundrr launched in June 2018, has offices in Johannesburg and Cape Town, and uses an automated credit model that analyses nearly 100 data points. Loans of R20 000 to R500 000 are then granted according to the SME's score. Presently 70% of applicants are successful in their loan applications. To qualify, a business must have a 12-month track record and R1 million in either turnover or asset value. Online loan applications take approximately 8 hours and responses are ready within 24 hours. Payback terms vary depending on the cash flow of the business, while interest rates are adjusted for risk. There is no early settlement penalty. Around 40% of Fundrr clients return for additional loans.

Absa is two years into its three-year programme to separate itself from Barclays. The separation is highly complex and comprises the gradual replacement of services, primarily involving operational and information technology, provided to Absa by Barclays. In SA rebranding is complete, but it is still ongoing in 12 other countries. Barclays made a R12.6 billion contribution towards the separation programme in 2017, of which R8.5 billion has been spent. The programme is running on time and within budget.

Contents

Agriculture

Banking & Capital Markets

Agriculture

Big dairy wants vegan product purveyors to stop using dairy names

Japanese immigrant Miyoko Schinner started a small company in the US that blossomed into a wildly successful vegan cheese maker, one with the potential to do for dairy alternatives what Beyond Meat is doing for beef substitutes.

Her business, Miyoko's Kitchen, began in 2014 as an e-commerce platform, trading on the popularity of her vegan cheese cookbook. After one weekend in which she received $50,000 worth of orders, Schinner knew her 20kg batches wouldn't be enough to satisfy demand.

So she figured out how to make 700kg an hour, raised $25m and built a 2,800m² facility in Petaluma, California.

"It was very difficult to scale," said Schinner, now 61. Making dairy alternatives out of ingredients like cashews and rice miso doesn't always work as planned.

Today, her products are sold in 12,000 stores across the US. Sales are booming, Schinner said, citing growth of 168% in 2018. Her company now makes a line of dairy-free products, including versions of chèvre, cream cheese, mozzarella, roadhouse cheese — and Schinner's number one product: butter.

Until recently, the US dairy industry had been relatively quiet about the proliferation of non-dairy products that use words like "milk" or "cheese". But lately it has been pushing back.

Wisconsin, which calls itself America's Dairyland, is one of the biggest dairy producers in the country. It's also America's biggest maker of actual butter.

So when it came to the kind of "butter" Schinner makes, Wisconsin and its powerful dairy lobby decided to draw the line.

Entrepreneurs such as Schinner have been riding a wave of popularity for plant-based products, especially dairy alternatives. Plant-based milk retail sales totalled $1.8bn for the year ending May 25, a 6.5% increase. Cheese substitute sales totalled $117mn, showing 17.4% growth. Cashew butters were up to $12.6mn, representing an uptick of 4.9%.

Milk sales, meanwhile, have been suffering a multi-decade decline. In Wisconsin, the pain has been particularly acute. The state's dairy farmers are exiting the industry at a rate of three a day as low milk prices persist and bankruptcies accumulate.

Adam Spierings is one of those former farmers. He asked 27 different banks to reconsolidate his debt, but none would consider it. He has taken a job as a crop insurance adjuster while his wife teaches at a technical college. They recently sold their cows but are still trying to sell their other assets, including their farm and home in Weyauwega.

"It's sad to think about what we had and what we were building and what we lost," Spierings said. "But in the grand scheme, we're not living in poverty like we were the last few years."

Such dire circumstances have led some in the dairy industry, most notably lobbying groups like the National Milk Producers Federation, to campaign against alternative dairy products —specifically their use of dairy terms on labels.

Changing consumer tastes are regularly cited as a chief cause of dairy's slow demise, but vegan products using labels such as "milk" — or in this case, "butter" — are seen by the milk lobby as misleading consumers to unfairly steal market share.

In September, the US food and drug administration announced it was "considering approaches to modernise standards of identity" of dairy foods and would be collecting comment from the public. A review of the those comments, commissioned by the Plant-Based Foods Association, contends that 76% were fine with the status quo.

Senators Tammy Baldwin of Wisconsin, a Democrat, and Jim Risch of Idaho, a Republican, are pushing the Dairy Pride Act, which would require the food and drug administration to create a system of stricter nationwide enforcement for product labelling and the use of certain words.

Under the proposal, labelling something “milk,” for example, must mean the product comes from a “hooved mammal”. A bipartisan version has also been introduced by Peter Welch, a Democrat from Vermont, and has 33 co-sponsors.

States have been considering legislation of their own. The Plant-Based Foods Association counts 10 that have tried or are trying to limit sales of dairy alternative products. Wisconsin, however, has tried taking a slightly different tack — at least when it comes to butter imitators. It ordered supermarkets to take any non-dairy product labelled “butter” off of its shelves.

For 75 years, until the 1960s, margarine was banned in Wisconsin. Serving margarine instead of butter to students, patients or inmates at state-run institutions is still prohibited, unless requested by a doctor. Irish brand Kerrygold — one of the most popular butter brands in the US — was also pulled from shelves in recent years due to a state regulation that requires all butter sold in Wisconsin to have a federal or state grade mark, effectively shutting out foreign butters. Ornua, which owns Kerrygold, made a deal with the state in 2017 to submit to its grading.

On April 15, Wisconsin’s department of agriculture, trade and consumer protection instructed retail food establishments to remove products that are not complying with the statutory definition of butter, which requires that it be made from milk or cream.

“By definition, a ‘vegan’ product cannot be legally labelled and sold as butter,” the state said. Products can be labelled as imitation butter, imitation margarine, or vegetable oil spread — but not the real thing, according to the memo.

The memo, which cited other non-dairy products, including one from Upfield brands, came in response to industry complaints about Miyoko’s Kitchen, according to copies of
e-mails to state regulators.

Bob Bradley, a professor emeritus at the University of Wisconsin, Madison Department of Food Science and author of two books on the topic of butter, said in an interview that such products are mislabelled. “It is not butter,” he said flatly.

This is not the first time Miyoko’s butter has been challenged. Her company faced a proposed class-action case last October in New York, but it was settled. Steve Ingham, director of the Wisconsin department of agriculture, trade and consumer protection, said on June 12 that the directive banning products such as Miyoko’s has since been suspended in favour of a public comment period.

“We make a significant proportion of the nation’s butter, and that’s a part of the dairy industry that has been doing well,” he said. “So we take it seriously, and when I get complaints about this — these imitation butter products — we do follow up.”

During the almost two months the removal order was in effect Miyoko’s Kitchen said its products were pulled from at least one Whole Foods store in Madison and from the retail chain Skogen’s Festival Foods.

Whole Foods declined to comment. While Festival Foods confirmed Schinner’s products had been removed from its stores, no other products were singled out, said Kayla Paul, quality assurance and regulatory affairs specialist for the chain.

A health inspector arrived at one of Skogen’s locations in mid-April, she said. The inspector said the store could not have Miyoko’s vegan butter on its shelves because of its use of the term “butter”.

“There was a lot of back and forth — ‘whose regulation is this?’” she asked. “We thought, if it’s a Wisconsin regulation, why aren’t other stores doing it, too?”

Schinner said she offered the state a solution: her company would have stores affix stickers that say “vegetable spread”, if the state would approve it. The department of agriculture, trade and consumer protection approved the label on June 12.

Ingham, the Wisconsin official, said his agency is not planning to enforce labelling laws on other dairy products, such as fluid “milk”, but will follow the food and drug administration’s lead.

David Rovella, *Bloomberg*, 19 June 2019

German court allows slaughter of male chicks to continue

Germany's top administrative court ruled on Thursday that the slaughtering of male chicks may continue in the poultry industry until a method is found to determine the sex of an embryo in the egg.
According to the federal ministry of agriculture, about 45-million male chicks are slaughtered in Germany each year. The killings are highly controversial and opposed by agriculture minister Julia Kloeckner in Angela Merkel's government.
"Chick killing is ethically unacceptable and must be stopped as soon as possible," Kloeckner told daily Rheinische Post, adding that €8m ($9m) had been allocated to help find alternatives.
Several methods for the testing of a chick embryo's sex — which would allow the destruction of eggs before hatching — are being tested, but not yet ready for use on an industrial scale.
On Thursday, Leipzig's federal administrative court decided the killing of male chicks is in accordance with the first article of the Animal Protection Act, which stipulates "no one is entitled to inflict pain, suffering or damage on animals without reasonable cause".
Judge Renate Philipp said there were "reasonable grounds" for the current practise to continue "until methods to determine sex in the egg" are ready.
Young male hatchlings are usually condemned to a violent end simply because of their sex, as roosters are deemed largely useless in the world of livestock farming. In many cases, they are mechanically shredded, gassed or crushed to death and used as animal feed.
Just as in the two previous cases, the court in Leipzig ruled that the economic interests of the egg industry took precedent in the immediate future.
The dispute dates back to 2013 when the state of North Rhine-Westphalia outlawed the killing of male chicks under the Animal Protection Act. However, two hatcheries challenged the decision at district level, which took the matter up to federal court.
The Central Association of the German Poultry Industry (ZDG) has warned against hastily banning the killing of male chicks. The industry also wants to end the unethical killings, said association president Friedrich-Otto Ripke, but a mass method of identifying sex in the egg had to be found first.

AFP, 13 June 2019

Cold storage is hot item in US real estate investment

Thanks to new food delivery services such as Peapod by Giant, Amazon Fresh and Blue Apron, cold storage warehouses and distribution centers are suddenly in high demand. Spencer Levy, senior economic advisor for CBRE research: "It is very niche. About 2% or 3% of all goods on groceries are bought online, and we expect the space could explode to 13% over the next five years because of the penetration of the internet."
Much of the cold-storage sector's growth is likely to occur in gateway markets such as Los Angeles and the New York City metropolitan area, as well as leading food-production states, such as California, Washington, Florida, Texas and Wisconsin.
The growth of e-commerce has increased demand for warehouse space exponentially, but one subset of that real estate sector is really heating up. Cold storage warehouses and distribution centers are suddenly in high demand thanks to new food delivery services such as Peapod by Giant, Amazon Fresh and Blue Apron. The sector is small now, but growing rapidly.
"It is very niche. About 2% or 3% of all goods on groceries are bought online, and we expect the space could explode to 13% over the next 5 years because of the penetration of the internet," said Spencer Levy, senior economic advisor for CBRE research.
CBRE's forecast is based on a projection by the Food Marketing Institute and Nielsen that an additional $100 billion in annual grocery sales will be conducted online by 2022. That will likely mean big changes for the cold-storage industry, which at 3.6 billion cubic feet currently accounts for just a tiny slice of U.S. industrial-and-logistics real estate overall.

FreshPlaza, 5 June 2019

Fresh grapes lead Peru's agro-exports

According to a report issued by the Association of Agricultural Producers' Guilds of Peru (AGAP), between January and April 2019, fruit and vegetable exports were led by fresh grapes with 357 million dollars, i.e. 14% more than the 312 million dollars achieved in the same period of the previous year.
Ica was the biggest exporter of this crop with 274 million dollars, followed by Piura with 38 million, and la Libertad with 21 million.
Fresh mango exports also stood out with 179 million dollars. The region of Piura led exports with 131 million dollars. It was followed by Ancash with 31 million and Lambayeque with 11 million.
Fresh avocado exports amounted to 142 million dollars and were led by the region of Lima (50 million), Lambayeque (37 million), and La Libertad (21 million).
Blueberry exports amounted to 83 million dollars and were led by la Libertad with 68 million, Lambayeque with 8 million, and Lima with 6 million.
Finally, organic bananas exports amounted to 58 million dollars and were led by Piura with 54 million and Lambayeque with 2 million.
Exports in the fresh vegetable sub-sector were led by asparagus with 74 million dollars. Ica was the main supplier with 35 million, followed by La Libertad with 30 million, and Lima with 3 million.
Fresh onion exports increased by 3% when compared to January-April 2018, with shipments of 15 million dollars. Ica led fresh onion exports with 11 million, followed by Arequipa with 3 million, and Lambayeque with 1 million.
The performance of the agro-export sector during this period grew by 4%, registering shipments of 1.890 billion dollars; a number that keeps it as the second export sector in the country.
The fresh fruit and vegetable sub-sector recorded shipments of 1.008 billion (+6%), and Ica led fruit and vegetable exports.

FreshPlaza, 18 June 2019

Mexico, state of Michoacán: Up to four avocado trucks stolen every day

In the violent Mexican state of Michoacán, up to four trucks carrying avocados are stolen every day as organized crime groups try to capitalise on the popularity of the fruit.
Avocado packers and exporters took out newspaper adverts on Friday to decry a worsening security situation in the state, which has long been a battle ground for warring crime factions.
Mexico's avocado sector has boomed over the past 20 years as demand from consumers in the US and beyond has proved insatiable. Eighty per cent of US avocado imports come from Michoacán, which was also the testing ground for Mexico's militarised war on drugs that launched in 2006.
As the violence grew worse, self-defence groups and community police forces were formed as local communities in the region sought to defend themselves. Some of those groups were in turn co-opted by organised crime, and most were eventually forced to disarm.
Mexico's president, Andrés Manuel López Obrador, took office six months ago promising a new strategy to fight crime, but violence has continued unabated across the country.
According to *theguardian.com*¸ López Obrador has pushed for the creation of a militarised police known as the national guard – but the force's first deployment will be to southern Mexico to stop migrants entering the country.

FreshPlaza, 17 June 2019

Thieves rob up to 50% of mangoes in Sinaloa, Mexico

Mango producers from the north of the Mexican state of Sinaloa have denounced robberies in their mango orchards, which reach up to 50% of the harvest each season. Representatives of the mango sector have met with authorities of the Municipal Public Security, the Goter Group, and the Federal Police to demand that they reinforce the vigilance in orchards and roads.
Daniel Ibarra Lugo, the president of the Mango Producers and Exporters Association of the Fruit Fly Free Zone, said that the packers didn't work at night, so the vehicles that transit in the area at night should be investigated to corroborate that they weren't fruit thieves.
Commander Denis Castro Valdez, the Syndicate Coordinator of the Goter Group, confirmed that they would reinforce operations to fight the robberies, with two operative groups 24 hours a day.
The leader of the mango producers, whose cultivation generates around 10 thousand direct jobs, also asked the inspector in chief of the Los Mochis Federal Police, commander David Rodriguez Manzanarez, and the Coordinator of Cesavesin, Carlos Rodriguez, to increase vigilance so that the vehicles that come from the south of the State to work with the packaging facilities in the North zone are clean and have no traces of products to avoid infections of the fruit fly.

FreshPlaza, 24 June 2019

The Philippines is overwhelmed by 10 million excess mangoes after a bout of weirdly warm weather

The Philippines is sagging under the weight of millions of excess mangoes after an unusual weather pattern yielded a bumper crop.
"There is a surplus of about 2 million kilos of mangoes now, and this is only in Luzon," agriculture secretary Emmanuel "Manny" Pinol told reporters on June 3.
Luzon is the largest and most populated of the Philippine archipelago's more than 7,000 islands, which are currently experiencing fallout from the El Niño weather pattern.
El Niño - a shift in wind patterns which occurs every two to seven years - heats the Pacific Ocean. This sends warmer currents to The Philippines, making it drier and warmer.
Pinol said the "bumper harvest of mango" was caused by "the long dry spell caused by El Niño which precipitated profuse flowering and fruiting this season".
On Monday, Pinol announced a series of measures to try to shift the fruit before it goes off.
This included the "Metro Mango" campaign, which will see dozens of fresh fruit stalls selling discount mangoes in Manilla. There are also government-organised mango cooking classes, and a mango festival in mid-June.
The average mango weighs 200 grams, one fifth of a kilo.
The cost for a kilogram of mangoes has dropped as low as 20 Philippine pesos (about $0.40). Pinol said he hopes to shift one million kilograms of fresh mangoes in June alone.
DWRS Commando Radio Global reported that some farms have given up hope of making money on the excess mangoes, and are giving them away for free.
Pinol wrote on his Facebook page on Monday that Japanese fruit importer Diamond Star Corporation had just purchased 100,000 kilograms of mangoes.

Bill Bostock, *Business Insider US*, 10 June 2019

Millions of kilos of oranges left unharvested in Spanish province of Huelva

The lack of demand for citrus fruits and the low prices paid to producers have resulted in millions of kilos of oranges being left unharvested in the province of Huelva. According to the president of the Association of Citrus Growers of the Province of Huelva (ACPH), Lorenzo Reyes, the 2018/2019 campaign has been "disastrous" from the start to the end. Reyes reported that the prices paid to producers stand below the

production costs, both in the case of the fruit intended for fresh consumption and the one for the processing industry.
Lorenzo Reyes said that in the case of oranges, "the losses have affected almost everyone." As for mandarins "it has been possible to sell at satisfactory prices at certain moments of the campaign, although the final balance has been negative. The protected varieties have suffered a price drop of between 18 and 30% compared to last year; however, those that have royalties may account for just between 20 and 25% of Huelva's production.
Lorenzo Reyes also mentioned the high production costs that producers have had to deal with during this campaign, and which have increased significantly, especially "energy costs, as both electricity and fuels have recorded very sharp increases. Wages have also gone up by almost 17% compared to the previous year, and the sector has been caught unprepared for this."
One of the reasons for this debacle in the citrus sector is the delay in the fruit's ripening, which caused an overlap between varieties and caused the harvest to overlap with the import of fruit from South Africa. This campaign, the sector also predicted an overproduction at national level.
Lorenzo Reyes has asked the Councillor of Agriculture, Livestock, Fisheries and Sustainable Development of the Government of Andalusia, Carmen Crespo, to urgently convene the Citrus Board of Andalusia. The president of the Huelva citrus growers believes that in order to address the situation, public administrations "should introduce stricter phytosanitary requirements for the citrus products that arrive in our country, as well as find a formula to prevent the overcharging observed in large agro-food chains."

FreshPlaza, 27 June 2019

African farmers increase yields and income with their smartphones

More farmers across Africa are set to turn to digital solutions within the next three years, which will boost productivity and, potentially, employment across the value chain, according to a new study.
The study by the Technical Centre for Agricultural and Rural Co-operation (CTA) and advisory firm Dalberg Advisors, says that several barriers hindering the adoption of digital solutions in agriculture across the continent — notably, limited access to technology and connectivity — will be overcome.
CTA is a joint international institution of the African, Caribbean and Pacific group of states and the EU working to advance food security, resilience and inclusive economic growth in Africa, the Caribbean and the Pacific through innovations in sustainable agriculture.
Africa needs to double current levels of agricultural productivity to meet continental demand and stave off food and nutrition insecurity. The continent must achieve these targets while simultaneously adapting to climate change.
The authors of the report state that digital solutions can be a game changer, boosting productivity and employment across the agricultural sector. While the sector currently lacks precise quantitative data or evidence on employment impacts, the authors of the report believe that digital solutions are likely to be a net job creator.
“In fact, it could even be a significant job creator, opening up hundreds of thousands of jobs in agricultural technology, digital solutions support, agricultural processing, and agricultural manufacturing jobs.”
The study includes interviews with more than 120 agribusiness leaders, technology experts, digital solution providers, donors, investors, policymakers and academics across the continent.
Among the digital solutions tracked and analysed in the report were farmer advisory services, which provide weather or planting information via SMS or smartphone applications, and financial services, including loans and insurance for farmers. Other solutions linked farmers with markets for farm inputs and farm produce, or provided supply chain management to improve traceability and last-mile logistics.
Some services used satellite imagery, weather data, powerful big data analytics and machine learning techniques to deliver valuable real-time agricultural insights and forecasts at national and regional levels.
More than a third of participants in the study said they already used at least one form of advanced technology such as drones, field sensors, big data or machine learning, and most respondents said they expected to integrate these types of technologies into their operations in the next three years.

Figures indicated that farmers saw improvements in yields ranging from 23% to 73% and increases of 18% to 37% in incomes from using these solutions. Models that bundled more than one solution together— so-called “super platforms”, which combine digital market linkages, digital finance and digital advisory services — were associated with yet further improved yields of up to 168%.
The authors of the report highlighted that several of today’s barriers — notably, limited access to technology and connectivity — will begin to be overcome.
“In particular, we expect that most farmers will have access to a mobile phone by 2030. Many will also have access to smartphones; already more than 25% of smallholder farmers in countries like Kenya and Senegal report access to smartphones; these numbers are projected to grow quickly. The cost of data will continue to fall and growing, thriving mobile money ecosystems around the continent will serve as a strong foundation upon which to build platforms for digital transactions.”
They added: “Given that Africa will achieve near universal phone access in the coming years, current growth trends suggest that 100-million smallholder farmers could be registered for digital services within three years and as many as 200-million smallholders will sign on by 2030.”
Michael Hailu, director of CTA said: “Digitalisation can be a gamechanger in modernising and transforming Africa’s agriculture, attracting young people to farming and allowing farmers to optimise production while also making them more resilient to climate change.”

Bekezela Phakathi, *Business Day*, 25 June 2019

Coffee beans, potatoes and opportunity

From your morning coffee to the packet of chips you might find yourself munching on later in the afternoon, everything you consume today will have started in a field.
Telecoms giant Econet and Norway-based agricultural products firm Yara International have launched an initiative aimed at kick-starting young entrepreneurs in the agri-food space.
Generation Africa was launched on Thursday, together with the announcement of its 2019 GoGettaz entrepreneurship competition aimed at young entrepreneurs seeking to enter the agri-food industry. Prize money of $100 000 will be awarded to two business ventures. The partnership will support a cohort of 12 young agri-food entrepreneurs in scaling up their ventures.
A study by Generation Africa shows that Africa’s agricultural food sector has the potential to offer an estimated $1 trillion opportunity to young entrepreneurs by the year 2030.
Econet group chair Strive Masiyiwa says food is big business and market demand is only going to grow in the decades to come. He says a technology revolution could open new doors and help people in the ways they grow, transport and package food, adding that tools like mobile phones, sensors, drones, solar panels, renewable energy and so on could reshape and make the sector more exciting.
The study also mentions that Africa’s annual food import bill, currently estimated at $35 billion, is projected to reach $110 billion by 2025. At that rate, it will weaken African economies, reduce their export values, and put jobs at risk.
One of Africa’s biggest challenges is job creation, and according to Econet’s group chief of staff, Dalumuzi Mhlanga, agri-food and manufacturing are the sectors most likely to increase job absorption.
South Africa’s agricultural sector is leaking jobs. According to Statistics SA’s first quarter labour force survey, the number of jobs in agriculture fell by 12 000 compared to the fourth quarter of 2018.
The collective sentiment at the launch of Generation Africa is that Africa is positioned favourably as far as agriculture is concerned. “Agriculture is already a large business in Africa,” says Yara president and CEO Svein Tore Holsether, “but how do we deal with growing a business, feeding a growing population and looking after the climate?”
He says we need to leapfrog into technology in order to grow food more sustainably.
The study shows that accessing finance is challenging for agri-food businesses, particularly for the ‘missing middle’ – those too big for microfinance and too small for traditional bank loans.
“Yet financing such [agri-food] enterprises can make the difference between a business that sustains one family and a venture that disrupts an industry, creating jobs and economic opportunity,” the study says.

Ada Osakwe, founder and CEO of Agrolay Ventures, an investment firm with interests in the agri-food sector, says she often hears of young potential entrepreneurs seeking to enter the agri-food sector being hindered by a lack of financing and resources.
She says banks are often not the first route of endeavour for funding, especially for start-ups, because they are generally listed and have to account to shareholders. The next best thing for start-ups is to turn to their savings, or family or friends who believe in their vision and are willing to invest in their ideas and provide capital for their agripreneurship journey.
Osakwe warned that Africa could easily become irrelevant if it does not incorporate fresh and innovative ideas into its agri-businesses.
“The world is learning to farm without land, they are learning to make plant-based proteins, they don’t need cows anymore – the world is moving ahead and we could easily become irrelevant if we don’t keep up with the times of technology,” she says.
The premise of Generation Africa is to inspire young agripreneurs to use their technological skill set to innovate, revolutionise and create an agri-industry that will grow sustainably for the many, many years to come.
Legae La Banareng Farms MD Thato Moagi is a young farmer who kicked off her journey as an agripreneur in her early 20s. Now the owner of two farming operations that she is growing from skill to scale, she finds that the biggest challenge facing the industry is accessibility to technology, resources and information.
She says one of the biggest misconceptions about farming is that it requires a lot of equipment and vast lands: the biggest need is, in fact, innovation. Tapping into creative spaces and finding ideas that are cost-effective, efficient and fresh can bring changes to the industry.
She says farming doesn’t need to be done on a big piece of land – it can start in your backyard, in your home or just by planting a seed and keeping it on your window sill.
“To be a farmer, just start somewhere,” she says.
“We need to see the responsibility of feeding our people and understand our responsibility to our nation,” she adds.

Aarti Bhana, *Moneyweb*, 4 June 2019

West African farm 'bootcamp' gets green entrepreneurs into shape

Machetes in hand and wearing a straw hat against the sun, the participants of an "agro-bootcamp" in the farmlands of the West African nation of Benin harvest maize, cowpeas and rice.
"Cut at the base," says Oluwafemi Kochoni, an organic farming teacher, who runs the agricultural workshop to prepare young people for a future sustainably working the land.
"Then leave the plants in place, we will bury them - they will decompose and fertilise the soil."
It's beginner's advice but the programme in Tori-Bossito, just outside Benin's economic capital Cotonou, aims to teach basic, traditional ways of agriculture to those who have forgotten or never known a life on the land.
In Benin, a poor country next to oil giant Nigeria, some 80% of its 11 million people depend on agriculture, according to the UN's Food and Agriculture Organisation (FAO).
Most are subsistence farmers eking out a living growing crops on small plots where a lack of infrastructure and flooding that can wipe out harvests and seed stocks are key challenges, the FAO warns.
But the "agro-bootcamps" - the name is borrowed from the intensive training of the US army - take place close to the suburbs of the city and are aimed at a different market.
They are part of a wider movement to encourage self-sufficiency on the continent, which has some two-thirds of the world's remaining uncultivated arable land - but spends $64.5bn a year importing food, according to the African Development Bank.
For 27 000 CFA francs ($45, about 40 euros) a week, agro-bootcampers learn agricultural techniques, follow marketing courses and can network with successful agro-entrepreneurs.
Like in traditional farming, the agro-bootcamp way of life is communal on the three-hectare plot of land put at its disposal for the week by a family in exchange for baskets of vegetables.

On the edge of the fields, a border hedge of moringa plants and grasses are grown to help stabilise the soil. There is also a fish farm in a pond, and another area to grow mushrooms.
Behind the scheme is the Gardens of Hope, an organisation promoting sustainable ways of farming.
"The advice usually received by farmers is based on the use of chemicals," said participant Rachidi Idrissou, an agronomy student in Benin.
"We think of quick yields - and not sustainable production to preserve our land."
Benin is a youthful country; nearly two-thirds of the population is aged under 25.
Camp organisers want to show young people struggling in the crowded cities looking for a job that working the land can offer an alternative and successful livelihood.
Originating from Africa and Europe, the 25 participants in this third agro-bootcamp are mostly men and of eight different nationalities but share a vision of an ecological and sustainable way of farming.
They sleep in tents and are kept busy from dawn until long after dusk.
"Our belief is that to solve the employment problem in our countries, young people must create their businesses with awareness of ecology of the climate," said coordinator Tanguy Gnikobou.
Of the 85 people who have taken part in the last two bootcamps, 10 have already launched new agricultural activities, farms or enterprises, according to organisers.
Social networks mean that participants and organisers can stay in touch for support as they develop their farms and small businesses.
Participants farm in ways farmers did before the massive movement of people to the cities.
"Initially, it was an alternative to conventional farming, to return to ancestral methods with the respect of the environment," said Kochoni.
"Then it became a way of life, and a philosophy."
More camps are planned for later in the year in north Benin, then in Chad and Ivory Coast.
Cheikh Amadou Bass, 36, a civil servant in Nouakchott, capital of the desert nation of Mauritania, owns a large plot of land the size of five football pitches in his home village.
Bass dreams of showing his young compatriots that rather than crossing the sea in search of a new life abroad, there are opportunities on the land.
"With nature, you have everything at your fingertips," Bass said, enthusing about how manure means chemical fertilisers are not needed.
"I have made a great discovery," he added.

AFP, 10 June 2019

Kenyan toilet waste turned into fodder for egg farmers

Kenyan farmer Victor Kyalo’s chickens have doubled the number of eggs they are laying. The reason: human excrement.
Kyalo feeds them food from a Nairobi-based organics recycling company. Sanergy harvests waste from toilets it operates in a franchise network in Nairobi’s sprawling slums and feeds it to fly larvae, which become high-quality animal feed.
Kyalo says his customers have noticed the difference in the past three weeks: yellower yolks and larger eggs.
“Before we were getting like five trays (of eggs) per day, but now we are getting 10,” Kyalo said.
As the world looks to feed 10-billion mouths by 2050, businesses harvesting insects — either for human consumption or as animal feed — are growing. They promote themselves as a greener alternative to traditional feed such as soybeans, whose cultivation can lead to deforestation and the overuse of farm chemicals.
Fast-food giant McDonald’s and US agricultural powerhouse Cargill are among many large companies studying using insects for chicken feed to reduce reliance on soy protein in the $400bn-a-year animal feed business.
By 2023 the global edible insect market could triple to $1.2bn from current levels, market research firm Meticulous Research said in 2018.

In developing countries like Kenya, where the World Bank says nearly two-thirds of urbanites live in slums, feeding waste to fly larvae could solve both sanitation and nutrition problems.
Faeces from more than two-thirds of Nairobi's inhabitants go untreated because there are not enough toilets. Many others are not cleaned out regularly, Nairobi City Water and Sewerage Company said. During the rains, they often overflow, polluting waterways. That can make workers ill. Days off slow Kenya's economy by about 1% a year, its health ministry said.
David Auerbach co-founded Sanergy eight years ago to deal with sanitation. The waste management franchise provides more than 2,500 toilets to 100,000 people daily.
Lilian Mbusia runs one of Sanergy's franchises, charging residents of Mukuru Kwa Reuben slum in the south of the city five Kenyan shillings to use her blue "Fresh Life" toilets.
Nestled beneath her squat-toilets are small blue barrels that, once full, are sealed and taken to an organics recycling factory in Machakos County, a bumpy 40-minute drive outside the city.
Beds of writhing black soldier fly larvae feast on a mix of excrement and food waste from hotels and agribusinesses. That produces two products for farmers: fertiliser and animal feed. In 10 days the larvae munch their way through 70% of the waste, leaving behind a manure laden with nitrogen and calcium, which becomes organic fertiliser.
Once the recycling plant is expanded later in 2019, Auerbach says it will provide 400 tons of fertiliser. Larvae production will ratchet up from seven tons to 300 tons a month.
"Right now we are receiving equity debt, and grant investment to scale up operations," Auerbach said. "We're on track for profitability by the end of 2020."
The plump white larvae are boiled in hot water to kill off pathogens, said Michael Lwoyelo, Sangery MD. The larvae are then sold to animal feed millers, who grind them into powder mixed with other ingredients to create a balanced diet for poultry, pigs and fish.
Frederick Wangombe, an animal nutritionist at Unifeed, a Kenyan animal feed miller that uses Sanergy's black soldier fly product, envisages it replacing fish meal from Lake Victoria, which can contain sand and other impurities, or expensive soy beans from Zambia.
"The egg farmer doesn't want to know what's in the feed — they want to know the performance," he said.

Hereward Holland, *Reuters*, 17 June 2019

A South African company is building dagga factories in shipping containers

A Stellenbosch-based company is building dagga factories in shipping containers – to make it easier to grow medical grade cannabis.
The company, CanbiGold, wants to sell the containers for a cool R6 million each and says it's possible to grow 25 kilograms of medical grade dagga a month in containers. At current market value, that much Grade 1 cannabis could net you a return of R5.4 million a year from export contracts.
The founders of CanbiGold started using containers because they believe it's much easier to obtain the necessary certification with a modular unit, than to build an entire factory from brick and mortar.
"We started indoor growing in a brick and mortar facility. We struggled to get certification for the setup we had. (This encouraged us) to look at more modular set-ups," said Armand Redelinghuys, operations manager at CanbiGold. "(With a bricks and mortar facility), if you can't get certification you have to break it down and do it all over again. The guidelines are very strict."
Growing cannabis indoors allows growers to control the environment, making production a lot easier. The advantages of the containers is that they are portable; can be built to regulation and then reproduced; and don't require modifying any existing infrastructure. You could plonk them on your abandoned backyard plot if you wanted to.
"Your pest control is a lot easier. That was one of the aims of the 'fortress' (their name for the container). The only thing that goes into it is purified air and water. We try and eliminate any form of fungi or pest from getting in," said Redelinghuys.

CanbiGold want to use the containers to ramp up production under their own cultivation licences, including a contract to export dagga from its farm in Lesotho to Australia, where the product is turned into CBD oils and other related products.
Their modular system consists of 9 shipping containers, covering a space of 260 square metres.
“With the modular concept you’ve got an initial cycle roughly between 3-4 months, including your set up and getting your mother plants growing. Thereafter you can add a cycle per month. You’re working on an average of 250 plants with an average yield of 100 grams per plant – it’s a large crop,” said Redelinghuys.
The module has to be equipped with a single entry and exit point with a biometric system, cameras, alarm and cameras for security.
It will also have a disinfectant room, before you can then go through to the mother plant and clone room, where seeds are germinated.
It takes 3 weeks before the seedlings are moved to a vegetation room where they grow for another 3 weeks.
From there, seedlings are transported to 1 of 3 flowering container rooms for 14 weeks.
“We try and keep our plants as small as possible. 100 centimetres in height. It allows us to manipulate the plant a bit more. At the end of the day it allows you to harvest a lot faster,” said Redelinghuys.
The cannabis is then moved to a drying room for three weeks. After that, the product is cut and packaged for export.
Business is beginning to grow.
In April, four South African companies obtained licences to supply medicinal dagga from the South African Health Products Regulatory Authority (SAHPRA), the regulatory body responsible for granting cultivation and export licences.
And just last week, the City of Cape Town freed vacant land in the Atlantis Special Economic Zone (SEZ) for the production of medical cannabis.
For the 'fortress', it’s still early days.
The factory was inspected a few weeks ago by Control Union, that issues an internationally recognized certification for growing cannabis under its Control Union Medical Cannabis Standard for Good Agriculture Practice (CUMCS – G.A.P.) certification.
“We will hopefully have our first fortress certified within the next 3 months depending on the audit schedule, thereafter each fortress that lands on-site in Lesotho has to go through the initial audit to get G.A.P. certified.”

Jay Caboz, *Business Insider US*, 8 June 2019

Truffles: SA’s black gold

Money, so they say, doesn’t grow on trees. But it might just grow on their roots, if a new breed of optimistic truffle farmer is right.
Traditionally foraged from the forests of France and Italy by well-trained dogs and pigs, these pungent delicacies are highly prized by gourmands.
The most valuable are the white winter truffles (Tuber magnatum), also known as Piedmont or Alba truffles, which sell for upwards of R35,000 per kilogram. One notch below is the black winter truffle, or Périgord (Tuber melanosporum), which will set you back up to R21,000 per kilogram.
SA entrepreneurs, landowners and farmers are fast waking up to the profit potential of the Périgord, the truffle most widely cultivated worldwide.
To get started in the truffle business you’ll need deep pockets. Presuming you already have a few hectares lying fallow on a farm, truffle orchards cost between R250,000 and R350,000 a hectare, with up to R20,000 per year in maintenance costs. Next you’ll need the patience to watch your trees grow for up to a decade before seeing a cent in return. This is no business for a quick buck.
"From germination to first truffle could be anywhere from five to seven years, but we’ve had them as early as three years in the orchard," says Neil van Rij, plant pathologist and mycologist at KwaZulu-Natal’s Mushrush, which sells truffle-bearing oak trees and offers consulting services to farmers.

Unlike mushrooms, truffles are hypogeous fungi, meaning they grow entirely underground, in a symbiotic relationship with a variety of tree species. Yet while the relationship is a simple one, cultivating them is far from it. Commercial truffle orchards begin in hi-tech nurseries, where DNA-certified black truffle material, typically imported from Italy, is used to inoculate the roots of oak trees with truffle spores. English oak, cork oak and pin oak have been used locally, but the holm oak —Quercus ilex — from the Mediterranean is preferred for its disease resistance.

The trees, thousands at a time, are then tended in nurseries for 12 to 18 months, often inoculated further to ensure a high rate of mycorrhizal colonisation. That is, lots and lots of tiny spores that will grow into big, fat, expensive truffles. Once colonisation is established the oaks are planted in orchards. Once the inoculated tree has been planted, it's typically four or five years before the first tiny truffles are harvested, and a decade before the tree reaches full production.

But if you can sit on your hands, and your investment, that long, the rewards are tempting.

"A 10-year-old orchard should produce around 50kg of truffles per hectare in a season. In Australia some orchards are producing up to 200kg per hectare," says Leon Potgieter, technical director of Truffle Growers SA.

Tuber melanosporum can be a finicky fungus, though, and to flourish it demands specific climatic and soil conditions. Using sophisticated geographical information systems, local companies have identified suitable landscapes across SA, from the Cederberg to the Garden Route and from Dullstroom to the Drakensberg.

In crunching the numbers, truffle farmers start by looking for one simple factor: cold.

"In order to fruit, Périgord truffles need a certain number of cold 'units', and without that cold on the site that has been planted you won't get truffles," says Paul Miros, marketing director of Cape-based Woodford Truffles.

Woodford Truffles has been in business since 2007, and was one of the early pioneers of the local industry. It started out importing truffles from Europe, but soon expanded to truffle orchards, forming joint ventures with landowners "to spread the risk, learn about the industry, and put the truffles into different weather conditions across SA to improve truffle technology", explains Miros. "The grower does the farming, and we do the truffle technology, marketing and distribution of the produce."

Income is split 30/70 in favour of the farmer, and today Woodford Truffles is the largest player in the local industry, with more than 100ha under orchard.

While truffles will thrive in a variety of soils, the pH —the scale of acidity —needs to be alkaline. Between 7.9 and 8.2, if you know your chemistry.

To create those conditions most farmers apply large quantities of lime to the soil — up to 1t per hectare — adjusting the soil's chemical composition and retarding the growth of competing fungi.

The availability of water is just as important as cold units and alkalinity, says Potgieter. "With the recent drought in the Western Cape, water has become such an issue that you don't even look at soils until you know you can get water to the site."

Potgieter and Paul Thomas, a UK-based truffle grower and scientist, launched Truffle Growers SA in 2010. At their nurseries in the southern Cape they produce 18,000 truffle saplings annually, selling trees and entering partnership agreements with farmers across SA. They have 80ha of orchard planted out.

Unlike other truffle companies that focus on Périgord truffles, Truffle Growers SA also offers trees inoculated with the white spring truffle (Tuber borchii).

"We've had some great success with Tuber borchii," says Potgieter. "It is a cheaper variety, but it fruits in warmer climatic regions and can fruit all the way through from spring to summer, which makes it easier for people to farm."

After the millions invested and the years of waiting, SA's truffle farmers may soon find one last hurdle in the way of unearthing long-awaited profits: thieves.

Scuffles over wild truffles have long simmered in the French countryside, with truffle dogs poisoned and the best spots jealously guarded. In 2015 a French farmer shot and killed a local man suspected of stealing truffles from his orchards, and was sentenced to eight years in prison. What will happen here once word of the valuable "black gold" gets out?

"It is a danger, and it's going to get worse as people get to hear about the truffle orchards," says Potgieter.

That's tomorrow's problem, though, and for now local farmers are focused on the potential profits ready to be unearthed.

In the southern hemisphere truffles begin growing in November, and "in the colder, wetter months of May and June they will expand quickly and grow in size very fast", says Volker Miros, MD of Woodford Truffles.
One farmer partnering him is Dawie Burger of Driehoek farm in the Cederberg, north of Cape Town, where a 5.5ha orchard has recently been established.
Family-owned for generations, the farm was once heavily reliant on sheep and fruit, but "Driehoek is very cold, and by the time the fruit is ripe the markets are already full", explains Burger. "The roads are also bad, so getting fruit to market isn't easy."
Truffles will hopefully prove a useful addition to Driehoek's farming mix: easy to transport, high in value, and an additional drawcard for the ecotourists who increasingly support the local economy.
With orchards increasing exponentially, and established plantations maturing, Volker is hoping to harvest 100kg of truffles this season, all of it to be sold to the local market.
His son, Paul, says: "We're selling directly to anyone who wants to buy truffles, but there will come a time when the local market won't be able to absorb the production and we will push into the international market."
SA is already late to the truffle game. In the southern hemisphere Australia is the largest producer, with about 15t of black truffles produced each year.
As in the case of Australia, SA's truffle season is counter-cyclical to northern hemisphere producers, so local farmers can harvest and supply European markets while northern hemisphere orchards are dormant.
What's lacking at the moment is scale, says Mosbec Truffle Farm MD Willem Mostert.
Mosbec launched in 2014 with the purchase of a farm in the Langeberg outside Montagu, using truffle technology from Spanish company Micologia Forestal & Aplicada. While Mosbec has 17ha under orchard, it also has 10,000 inoculated trees in its nursery, waiting for farmers to plant out.
"The industry needs volume," says Mostert. "If we want to grow an export market in the US and Europe we need volume to guarantee truffles to clients in their off-season. My intention is to get as many people as possible to start planting orchards and producing truffles. If we can do that, the potential market is as wide as anything."

Richard Holmes, *Financial Mail*, 20 June 2019

First inspection and loading of citrus for Japan at two Cape facilities

For the first season ever, Cape citrus growers can have their fruit destined for Japan inspected and loaded in their own provinces.
Starting last week, citrus for Japan was inspected at Cape Fruit Coolers close to Cape Town and from next week, Eastern Cape citrus for the same market will be inspected and loaded at PE Cold Storage at the Coega Industrial Development Zone, Port Elizabeth.
Previously, citrus for Japan had to be transported from the Cape to KwaZulu-Natal, a journey of about 1,500km right across the country, where two facilities in Durban were approved to inspect and load all of the South African citrus for Japan.
"Being able to now do it in the Cape makes a big difference," says Boet Mouton, director at Mouton Citrus in Citrusdal whose mid-season navels were among the first to be inspected for Japan at Cape Fruit Coolers last week. "It saves us a lot of time and strongly reduces our risk. All of the infrastructure is here to do it and it puts our market access to Japan on a much more sustainable footing."
Mouton Citrus has over the years established firm business relationships with Japanese clients in retail, and they were quickly on board with this new development. "This could open the door for mandarins too, once Japan opens for our mandarins. At the moment we're just sending navels but there's definite interest in sending lemons as well."
The possibility to inspect and load citrus for Japan in the Cape was primarily done to help growers to save in costs, says Mitchell Brooke, logistics manager at the Citrus Growers' Association. A Japanese inspector visited both facilities in the Western and Eastern Cape in April.
The volumes sent to Japan aren't huge, but at this stage every little bit diverted from Durban Harbour helps.

Mitchell points out that grapefruit growers along the Orange River in the Northern Cape could also benefit from this development. Sending fruit destined for Japan (an important grapefruit market) to Durban - a journey of more than 1,200km – has presented an obstacle to Northern Cape grapefruit growers and impeded trade, although some did go this very expensive route two years ago.
Shipments to South Korea, predominantly grapefruit, still have to go through Durban facilities.

Carolize Jansen, *FreshPlaza*, 5 June 2019

Strong citrus volumes from Karsten in the Northern Cape

The Karsten Group is a farming enterprise based in the Northern Cape, taking advantage of their proximity to the Orange River to produce (in order of volumes) table grapes, dates, citrus, pecan nuts, top fruit and cherries, the latter two on their farms in the Western Cape. Around 85% of their production hectares are in the Northern Cape.
Their grapefruit season is about a third through and although fruit is a bit smaller than last year, fruit quality is particularly good with strong packouts, says Marius Bester, project manager on Mosplaas Sitrus, a 375 hectare farm on the banks of the river. They started select-picking their Nadorotts last week, and there, too, the quality is pleasing.
Marius notes that current indications in the markets where they send their citrus are positive and they're expecting a good campaign, which ends around week 35 for them.
The Mosplaas Sitrus packhouse will manage 20,000 export tonnes of citrus this season, those of the farm itself and a nearby producer, of grapefruit, oranges, lemons and mandarins, working two shifts a day during the citrus season.
Picking the crop and packing it, with pruning shortly following on its heels, is done by 600 people on the farm. On this, the only citrus farm in their portfolio, grapefruit features strongly, as one would expect, with 146ha Star Ruby and Nel Ruby. Almost all of the citrus orchards were established under a decade ago and they have invested strongly in a broad portfolio of late mandarins over 152 hectares: Nadorcott, Morr, Valley Gold and Leanri.
Alpha, Lavelle and Bennie Valencias cover 77 hectares.
Karsten Marketing sells about 70% of their own citrus; the balance is done by Suiderland Plase. The Northern Cape has market access to the United States, which takes 80% of their grapefruit, the rest going to the EU and Russia.
Their apple harvest is done for the season, a better season than last year, although the heat wave of spring affected their Packham pears which came to a lighter crop.
Their last apples to be harvested were Cripps Pink/Pink Lady apples, but packing will still continue for another four months, until the end of this month for the Regular Atmosphere (RA) rooms.
The Karsten Group is a grower-exporter on a major scale: over 1,350 permanent employees complemented by between 4,500 and 5,000 seasonal workers during peak season. The vast majority of product handled by Karsten Marketing (formerly New Vision Fruit) is grown on Karsten's farms and packed at its 13 packhouses across two provinces.
The company focuses widely, on the UK and the EU, Russia, South East Asia and Africa.
The company's logistics partner, Horizon Fruits Logistics, does about 11,500 containers a year, strongly growing from 1,400 containers just over a decade ago. The logistics company is the result of a partnership between Karsten SA Holdings, Suiderland Plase and Fruit & Veg International.
Karsten owns a 50% share in Timerfruit, a trading business that not only markets Karsten's fruit overseas, but also third party fruit from across the world to European clients.

Carolize Jansen, *FreshPlaza*, 21 June 2019

Farm residents’ hopes of tenure dashed after 20 years

More than 20 families live on the almost 130-hectare land known as Proefplaas, some of them since the 1980s.
The ARC had closed its agricultural and research operations on the farm in 1996, leaving the residents with ambitions to lease and utilise the land.
Proefplaas Residents’ Committee chairperson Willem Williams, 64, said sections of the land had been used for farming and research while the section they resided on had homes built for the locals.
Williams said they had been trying for 25 years to get permission from the ARC to lease the land along with the right to farm on it as since 1996, more people had settled on the land.
He said they heard through a local radio station that the farm would be leased to a commercial farmer.
“We were never consulted by the ARC on their plans, and we don’t know what is going to happen to us. Many of the families here are emerging farmers, but with the lack of water, we are unable to farm on the land,” said Williams.
ARC spokesperson Mpho Ramosili said the families occupied the land illegally. The ARC was considering a possible lease for farming while preparing plans for future research and development, Ramosili said.
“The farm does not have any research or farming operations running at the moment due to a lack of funding. The families living on the farm are illegal squatters and are not tenants of the ARC,” she said.
According to Williams, the last communication the residents had with the ARC was in 2015, when they were brought one-year leases - but did not sign them as they had feared eviction following the end of the contract.
Williams said since 2017, the Cederberg Municipality had been delivering water to them although it was not drinkable. This was because the residents’ water, electricity and sanitation services were cut.
Non-profit organisation Surplus People Project (SPP), which advocates for rural communities’ economic empowerment, said they had reached out to the departments of agriculture and land reform. The rural development department did not respond to the Cape Times by deadline.
SPP manager Harry May said: “The residents have to prepare food on open fires and, because of the circumstances, they pick up all types of stomach and lung diseases. The farm is unsafe, especially at night because there is no light. The department of agriculture in Elsenburg, and rural development and land reform in Clanwilliam, know about the situation but have done nothing,” said May.
He said they planned to approach the SA Human Rights Commission.
The land would be leased to a private entity, May added, but they were unable to get any correspondence from the ARC on the plan for the residents. Cederberg municipal manager Louis Volschenk was not available for comment on Thursday.

Dominic Adriaanse, *Cape Times*, 7 June 2019

Banking & Capital Markets

Farmers cut back on multi-peril crop insurance

As maize farmers around the country survey their crops for the 2018/2019 season, many are battling with tight margins that have prompted cutbacks on insurance in recent years.
Santam has seen a decrease in gross written premiums received for crop insurance, with the figure moving down to R729 million in the year to December 2018 from R829 million in 2017
Schalk Schultz, Santam’s head of business development for crop insurance, says insurers in the market are not making profit on multi-peril crop insurance.
“The risk posed by drought is systemic. It’s not the same as hail claims where events are area-specific or isolated. This is why the agri industry wants government to re-examine a public-private-partnership to deal with the effects of the drought.

“If you look at global practice, most countries offer government subsidies or assistance in these situations but that is not the case in South Africa,” he says.
Dawie Maree, head of information and marketing at FNB Agriculture, says that following the 2016 drought, there have been preliminary discussions on the issue with government.
“One proposal was to look at a crop insurance scheme where government subsidises the premium to enable more farmers to insure their crops. It has also been suggested that a part of the national budget allocation to agriculture should be earmarked for such a scheme,” he says.
Schultz explains that from the perspective of maize farmers, for example, the margin is insufficient for them to be able to afford multi-peril crop insurance. “A farmer’s running costs such as fuel, fertiliser, labour and electricity are all non-negotiable costs needed to produce a crop.”
Schultz confirms that the take-up of multi-peril crop insurance in the total insurance market has decreased in recent years. “Farmers have to plant within a specific planting window. This past production season, the rains arrived late. If the rain doesn’t arrive in time, then that planting window expires and the farmer either plants late or not at all.
“If they plant late, they runs the risk of early frost negatively impacting on a crop that is not as mature as it should be.
“Many farmers couldn’t plant within the optimal planting window so they did not plant at all, which meant that their policies had to be cancelled. Insurance cover only sets in from the date that the crops emerge.”
Schultz explains that farmers typically take out multi-peril crop insurance in October and plant their crops in December. The insurer then carries out an inspection around February, and it is only once the crops emerge that cover incepts.
“This last season [2018/2019] we initially had policies in place covering 158 000 hectares, but at the end of the day only 83 000 hectares of cover incepted and the rest was cancelled,” says Schultz, adding that Santam has capacity to insure 250 000 hectares for multi-peril crop insurance.
“When you consider that Santam accounts for 50% of the market, and that the national crop that has been planted is close to two million hectares – that gives you an indication of how small a portion of the national crop had multi-peril crop insurance this season.”
This scenario ties in with a statement issued earlier this year by the Agricultural Business Chamber of South Africa (Agbiz), which said that the initial optimistic outlook for the 2018/19 production season had taken a downward turn.
“Although the season started on a sound footing, rainfall was erratic and not widespread. As a result, planting activity proved to be a challenge in most areas, particularly the central and western regions of South Africa,” Agbiz said.

Neesa Moodley, *Moneyweb*, 21 June 2019

Agriculture sector welcomes R3.9bn cash injection for black commercial farmers

SA's agricultural industry has welcomed the close to R4bn the government will plough into the sector to benefit black commercial farmers.
President Cyril Ramaphosa announced during the state of the nation address (Sona) on Thursday that over the medium term budget period, R3.9bn has been allocated to the Land Bank to support the farmers.
"We are going to substantially expand the agriculture and agroprocessing sector by supporting key value chains and products, developing new markets and reducing our reliance on agricultural imports," Ramaphosa said.
"We must be a country that can feed itself and that harnesses the latest advances in smart agriculture."
AgriSA deputy executive director Christo van der Rheede said they were happy about the funding Ramaphosa announced.
"We are of the opinion the Land Bank should have been restructured to develop commercial black farmers," he said.
He said the bank played a huge role in developing white commercial farmers in SA.

"What happened after 1994 is that the bank became institutionalised. Part of the bank should be restructured to become an agricultural development agency for black farmers."
Van der Rheede noted that it was important for the Land Bank to work with the private sector to improve and increase the success rate of black commercial farmers as farming was a "risky business".
"Black farmers can get all the finance in the world, but if they don't get the necessary support and extension services, they will struggle."
The funding comes after the industry bled 12,000 jobs during the first quarter of 2019, and during which the GDP declined by 3.2%, or R56bn.
It was also announced recently that the Agbiz/IDC agribusiness confidence index had fallen by two points in the second quarter, to reach 44 — a level suggesting the sector is downbeat about the operating environment, according to Agbiz chief economist Wandile Sihlobo.
Black farmers in SA are represented by the African Farmers Association of SA, led by president Dr Vuyo Mahlati. Mahlati, who also chairs the presidential advisory panel on land reform and agriculture. Mahlati could not immediately be reached for comment.
Ramaphosa also announced during Sona that the government had received the report of the advisory panel, saying it will now be presented to cabinet for consideration.
"The panel's recommendations will inform the finalisation of a comprehensive, far-reaching and transformative land reform programme," he said.
"In the immediate term, government will accelerate efforts to identify and release public land that is suitable for smart, urban settlements and for farming."
The advisory panel on land reform and agriculture was appointed in September last year a few months before parliament resolved to pursue a constitutional amendment to allow for the expropriation of land without compensation to redress skewed land ownership patterns.

Luyolo Mkentane, *Business Day*, 24 June 2019

Offering loans to farmers who do not own land remains big risk

Some years ago, renowned investor and commodities guru Jim Rogers told Americans to learn how to drive a tractor if they wanted to become rich.
He predicted that stock brokers were going to be driving taxis. The smart ones will learn to drive tractors so they can work for the smart farmers. The farmers are going to be driving Lamborghinis.
A large part of SA's investment community has not been pressed to "learn how to drive a tractor". It is simply not the go-to sector for investments. The future profitability of the country's farmers has become a critical concern.
Various experts agree that this has to be fixed.
SA is currently one of 10 countries in Africa that is food secured, and one of the few countries that is a net exporter of food.
However, farming debt in 2017 amounted to more than R158bn and the cash flow position of farmers, especially in the grain producing areas of the country, has been deteriorating since 2014 and shows very little sign of improving.
According to the Agricultural Business Chamber of SA (Agbiz), a major driver behind the current position of the agricultural sector is a lack of confidence.
Agribusiness confidence reflects future development in the sector based on the views of industry players on agricultural production, turnover, operating income, market share, employment, capital investment and export volumes, to name a few.
At times, there was more than simply a lack of confidence, there was despondency. It usually coincided with prolonged periods of drought where rainfall for the period has been below the average level of 500mm.
Another issue that has become the elephant in the room is the adoption of the government's policy on land expropriation without compensation.

We have managed to get a lot of the emotions out of the way, and to make the debate more businesslike. Farmers have come to the table and they are willing to take the issues forward, but there is still a lot of uncertainty.
Grain SA agrees that the agricultural sector had gone through “a bad patch of emotions”, but believes things have calmed down.
If the impact of land reform is compared to the impact of profitability on our grain producers, profitability is probably a bigger threat than land reform.
If we are not planting all our hectares that are available, we will be short of the 11.5-million tonnes of maize that we need and prices will rise again to R4,500 per tonne. We will be able to import, but it will cost us.
During the 2016 drought prices did increase to R4,500 per tonne and although farmers were delighted, consumers and grain users in the agricultural value chain suffered. The challenge is to get funding for farmers to start planting again. The average grain farmer borrows between R8m and R10m
In many countries the government subsidises insurance premiums to assist farmers who want to mitigate the risk of climate volatility. In the US half of the insurance premium is subsidised, resulting in 85% of the crops being insured.
We do not have a similar situation in SA as the insurance industry does not yet have capacity to fully insure parts of the country that are high risk, i.e. the western parts.
And in the eastern part, because of sufficient rainfall, farmers are not too keen to insure their crop for multi-peril insurance.
Following the 2016 drought, there have been preliminary discussions on the issue with government. One proposal was to look at a crop insurance scheme where government subsidises the premium to enable more farmers to insure their crops.
It has also been suggested that a part of the national budget allocation to agriculture should be earmarked for such a scheme.
Grain SA believes there are sufficient hectares available for production, whether it is grains, meat or fruits. However, the stumbling block is that those who do not own the land find it near impossible to get a loan from a commercial bank. Commercial banks remain the primary source of funding, with R97bn of the current R158bn of farming debt sitting with them.
Smallholder farmers still find it challenging to reach their full potential, as they still can’t access financing through the normal structures.
Offering loans to farmers who do not hold the title deeds remains a major risk. In terms of the Banks Act, and the National Credit Act, lenders have to look at affordability and the ability to repay the loan.
As the financial sector we need to ensure that everybody gets financing at a reasonable rate that allows them to be profitable. We need to re-engineer our financial models. This includes developing more complex credit structures to have blended finance to help with access to markets, skills and funding.
Blending finance is broadly seen as the combination of official development assistance with private or public resources, generally with the aim of leveraging development finance from other players.
As small holder farmers get upskilled their yields will improve. We must be able to move the produce — either by having a growing domestic market or by looking for markets elsewhere.
The UK offers new opportunities — if it ever leaves the EU — and SA is setting its sights on the East and especially China. However, the deciding factor for entry is safe food. Therefore, issues such as bio-security, traceability and compartmentalising are becoming critical.

Dawie Maree, *Business Day*, 9 June 2019

Financing solutions for emerging farmers to become more innovative

The prolonged drought has exacted a toll with a negative impact on the yields of major summer crops this year. According to Statistics SA, the production of maize, soybeans and sunflower seeds is expected to be down 13%, 16% and 29% respectively from last year.
Drought impact aside, emerging farmers who do not own land find it near impossible to get a loan from a commercial bank. In his state of the nation address (Sona) last week, President Cyril Ramaphosa said that

over the medium-term budget period, R3.9 billion had been allocated to the Land Bank to support black commercial farmers. But is this enough to address the financing challenges in the agricultural industry?
Requier Wait, head of economics and trade at Agri SA, says farmers face two general challenges.
"The first is that farmers absorb price impact and cannot pass on cost increases to consumers. In the global context, there is increased competition, which places downward pressure on output prices. However, South African agriculture receives relatively limited government support, as compared to many other global competitors. This can be seen from the OECD's Producer Support Estimate (PSE) figures. Higher input costs, for example, electricity and diesel fuel, cannot be passed on to consumers," he says.
Wait explains that absorbing these increases affects farmers' margins, leaving them with no option but to improve their efficiency by achieving economies of scale, leveraging technology and adopting precision farming methods.
The second big challenge relates to dry weather conditions and areas affected by longer-term drought, which impacts output levels. Lower output, depending on market prices, can result in lower revenues. However, Wait notes that the impact of drought can extend beyond the drought period itself, for example lower yields for horticultural products in the following season.
Wait notes that in terms of loans in the commercial agriculture sector, the ratio of total farm debt to total farming assets is still favourable. "We are still seeing investment taking place, with emphasis on investment in machinery and implements as farmers attempt to improve productivity in order to sustain current operations," he says.
Dawie Maree, head of agriculture information and marketing at FNB, points out that the average production loan for a grain farmer that plants roughly 1 000 hectares of maize per year is R10 million a year. He admits that offering loans to farmers who do not hold the title deeds to the land they farm remains a major risk for banks.
Nico Groenewald, head of agribusiness at Standard Bank, agrees. "There is significant room for growth and banks across the board need to find more innovative ways to increase funding to emerging farmers, specifically black emerging farmers. Agriculture and land policy certainty coupled with an effective disbursement of government grants to deserving farmers would further support banks safely leveraging [the] balance sheets of emerging farmers," Groenewald says.
Maree says FNB typically runs an overdraft type of facility that is renewable every year but in the case of farmers who don't own the land they farm, with little or no security, there is escalated risk for the banks. "Personal loans are an option but this is not ideal," he says. In terms of both the Banks Act and the National Credit Act lenders have to look at affordability and the ability of the applicant to repay the loan.
Maree goes on to say that in many countries, governments subsidise insurance premiums to assist farmers who want to mitigate the risk of climate volatility. "For example, in the US half of the insurance premium is subsidised, resulting in 85% of the crops being insured," he says.
FNB is in the process of establishing a fund using its own corporate social investment funds as well as development funds from the international community to assist farmers without security. Maree says no definite timeline has been set but that the fund could be launched within the next year.
"As the financial sector, we need to ensure that everybody gets financing at a reasonable rate that allows them to be profitable," he says. "We need to refigure our financial models." This includes developing more complex credit structures with blended finance to help with access to markets, skills and funding, he adds.
Blended finance is broadly seen as the combination of official development assistance with private or public resources, with the aim of leveraging development finance from other players.
Groenewald says that until recently Standard Bank had a credit line in place to assist emerging farmers on an individual basis in applying for production credit and loans. However, the bank has changed its focus and moved to collaboration with organised industry bodies who can also support emerging farmers with production finance and technical support. "This type of collaboration appears to be more effective to service a broader base of similar farmers – and provides a framework for technical support too, limiting production risk. We hope to announce the next collaboration framework before the summer planting season," he says.
Standard Bank recently joined forces with the University of the Free State and the Free State Department of Agriculture to put together a comprehensive programme that will train and equip emerging farmers. "The department has already identified more than 22 farmers for participation in the programme with the aim to move this up to 50 farmers," says Groenewald. "Our role is to provide financial guidance and ultimately

consider financial assistance. The aim is to build this out to a broader audience once the project proves successful."
Standard Bank is also working with an insurer on a combined project where the applicant or farmer will apply for production funding, with the insurer providing an insurance solution as part of the risk mitigation. Groenewald was not able to name the insurance company that is partnering with the bank at this point, but said the programme should commence in summer.

Neesa Moodley, *Moneyweb*, 27 June 2019

Standard Bank steps in to help black farmers

South African lender Standard Bank has partnered with the University of the Free State and the province's Department of Agriculture and Rural Development to assist transformation efforts in the local agriculture industry.
The lender says the five-year project brings together government, academia and the private sector's financial expertise with the aim to enhance the delivery of crucial skills to black farmers involved in the production of crops and livestock.
The programme is funded by Standard Bank and supported by the faculties of Agriculture and Entrepreneur Development at the University of the Free State.
It will zoom in on farmers identified and supported by the Free State's Department of Agriculture and Rural Development.
Nico Groenewald, head of Agribusiness at Standard Bank, says the objective of the programme is to ensure that farmers receiving financial assistance become sustainable to the point where they can source funding for growing their operations from the traditional banking sector.
"The programme is unique in that it provides 'end-to-end' support. The farmer, instead of being given some training and then being left to his own devices, can farm secure in the knowledge that advice is always at hand. He can access the experience required to boost his skills to the points where he becomes a confident, independent operator," says Groenewald.
The project has already seen 25 farmers undergo a selection process supervised by the university.
Standard Bank says if the project is proven to be a success in the Free State it will be rolled out at other provinces, with the Northern Cape and Eastern Cape earmarked as next destinations.

Kabelo Khumalo, *Business Report*, 13 June 2019

Fundrr avails R1bn to disrupt SME financing in SA

There are 2.4 million small and medium-sized enterprises (SMEs) in South Africa that employ about 60 percent to 70 percent of the working population, but this market experiences a dearth of funding, causing a R86 billion credit gap for small businesses.
Each year, the number of SMEs in the country decreases due to their inability to access finance.
The founders of Fundrr plan to disrupt this market by funding R1bn worth of South African business growth in the next five years to become the preferred alternative lenders for SMEs.
The founders, Idan Jaan and Jarred Noche are determined to make a difference in this market. Jaan previously worked in a group which had 80 SMEs in the portfolio – hardly any of which were able to access bank funding.
"Those that applied for funding would wait 12 weeks for a decision, they had mountains of bureaucracy to get through, and even alternative lenders couldn't help," he said. "It also took too long for a decision and funding was too expensive to be viable."
Noche, a chartered accountant, also noted how underserved SMEs are and that so many close within three years due to lack of funding. "Banks have no idea how to underwrite a small business because they use traditional sources of information which don't give a true picture of the state of the business. For instance,

they expect small businesses to have audited financial statements, yet many SMEs have no need for audited financials and can't afford them."
Jaan and Noche realised they needed to evaluate small business differently. So, they developed an automated credit model that analyses close to 100 data points (including factors like social media presence) to provide a more complete picture of a small business and its growth possibilities. This produces a Fundrr score, and on this basis, they are able to provide loans from R20 000 to R500 000. Fundrr has offered loans to 70 percent of those who have applied.
The business, which began last year in June, will fund South African businesses that have at least a 12-month track record, with a minimum of R1 million turnover or asset value. Fundrr is open to any industry and has funded businesses in food, retail, tourism, manufacturing, supermarkets, automotive, medical, health, beauty, accounting, entertainment, childcare and construction. They are open to B2B and B2C operations. Funding is typically used to buy stock, open new stores, purchase equipment, undertake renovations or expand the business.
Fundrr itself managed to attract substantial funding from an angel investor and has opened offices in Joburg and Cape Town. Its board has 40 years of tech and credit experience.
The application and onboarding are completed online in under 8 minutes and responses are provided within 24 hours. The information needed for an assessment is readily available for most businesses.
Fundrr has developed various underwriting models for different industries as cashflow and operational patterns differ. The repayment of loans is also individually tailored. "We analyse the cashflow patterns of the business. On this basis, we recommend a suitable payment structure collecting repayments either daily, weekly, bi-monthly or monthly over a 3 to 12-month repayment period," said Jaan.
Rates of interest vary depending on the strength of the businesses. Lower risk businesses can expect to pay lower rates - unlike competitors who charge a flat interest rate irrespective of the risk.
In addition, Fundrr does not penalise entrepreneurs for early repayment, in fact the transparent and flexible model offers an early repayment incentive and specifies the amount of the loan, the duration and the total amount to be repaid.
Interestingly, 40 percent of the businesses that have received funding from Fundrr have returned for additional loans.
Dominique Collett, head of AlphaCode that identifies, partners and grows early stage financial service ventures for Rand Merchant Investments (RMI), said: "One of the biggest impediments to the growth of SA's SMEs is a dearth of funding. We are seeing that Fundrr is able to fill that gap in an extremely innovative way using technology and by rethinking the limitations of the incumbents in a largely staid credit environment."
Fundrr is a gold member of AlphaCode.

Business Report, 5 June 2019

Absa separation from Barclays on track for completion in 2020

Absa said in a statement on Friday that its programme to separate from Barclays is 69% complete.
According to Absa, 184 of the 266 projects have been successfully delivered, two years into the three-year programme.
The separation comprises the gradual replacement of services, primarily involving operational and information technology, provided to Absa by Barclays, which reduced its shareholding in the African financial services group to a minority stake in 2017.
The separation also includes transitioning from the Barclays brand to "Absa" in 12 countries, a process that is underway, with South Africa having been completed during 2018.
"Very few programmes of this level of complexity are being undertaken in the financial services industry today. We have passed several milestones, but there are hard yards still to come," said Paul O'Flaherty, chief executive: engineering services, at Absa Group.
"The successful migration of core banking platforms in African regional operations in April and digital channels in African regional operations in May are significant recent milestones."

The 266 projects in the separation programme have an average 18-month duration and several run concurrently. More than 1 000 Absa employees and about 800 contractors are working to deliver the separation.

According to Absa, the separation presents a strategic and operational opportunity to effect improvements with half of the systems being replaced being transformational in nature and the other half being a hybrid of refreshed systems with transformational elements.

Barclays made a R12.6bn contribution towards the separation programme in 2017. Of this figure, R8.5bn has been spent to date.

"While capital expenditure will peak in the current calendar year, the separation programme is running on time and within budget," said Absa.

Fin24, 8 June 2019

CAPITAL HARVEST

18 Papegaai Street, Stellenbosch, 7600
PO Box 12309, Die Boord, Stellenbosch, 7613
021 886 7030