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RSA citrus empowerment project announced

Ikamva Lethu project could transform how future empowerment deals in the agricultural sector are handled

The launch of a R300m black economic empowerment project in the citrus-rich Sundays River Valley in the Eastern Cape could have significant ramifications for the rollout of similar empowerment deals around the country which until now have experienced very limited success.

The difference between the newly launched Ikamva Lethu empowerment project and other failed agricultural empowerment deals is the collective, long-term buy-in by both land owners and previously disadvantaged members of the community working on farms in the region, say project leaders.

Initiated by the Sundays River Citrus Company (SRCC) which represents about 10 per cent of South Africa's citrus industry and around 45 per cent of the citrus coming from the Sundays River Valley, the Ikamva Lethu project – Xhosa for "our future" – is earmarked for about 700ha of farmland in the area. This is part of a 1,200ha tract of farmland which has been purchased and registered by the SRCC.

The first significant milestone has been the recent allocation of a water licence by the provincial Department of Water and Sanitation, allowing the farm to draw 675ha equivalent of water from the Sundays River Irrigation Scheme for the irrigation of citrus plantations.

An environmental impact assessment (EIA) application for the development of the farmland – which at present is just bush – has now been submitted to the Department of Environmental Affairs, with authorisation for the project expected towards the end of 2017. The EIA will determine the exact amount of land which will be cultivated.

Major empowerment deal

Ken Nieuwenhuizen, SRCC director of transformation and development, explained the magnitude of the Ikamva Lethu project.

"To put it into perspective, the valley is one of the major players in the SA citrus industry and there are about 150 citrus farms here covering around 12,000 hectares in total," said Nieuwenhuizen. "So already we are looking at possibly the largest empowerment deal in the citrus industry in the country – and one of the biggest farming enterprises in the valley, when it is fully realised."

The knock-on effects of the project for the growth of downstream industries – from transport and logistics to storage and packaging – were significant, he said. Explaining the origins of the deal, Nieuwenhuizen said SRCC was guided by the National Development Plan (NDP).

"Ikamva Lethu is very broad-based; it's about inclusivity and participation. It will result in about 400 community members becoming shareholders and beneficiaries, and benefitting from the success of the project," he said.

A suggested guideline in the NDP pertaining to land reform, empowerment and transformation within the agricultural industry is that 20 per cent of farming enterprises be transferred to farm workers, with the farmer or landowner retaining ownership of half of the shares (10 per cent).

"We wanted to use that as a guiding principle for our project. We want to share the success of the industry with the people who have been living and working on those farms for many years," said Nieuwenhuizen. "For us as SRCC, it is a way of being proactive within the empowerment and transformation field."

Shareholding

The premise of the Ikamva Lethu project is that SRCC farmers wanting to empower their farmworkers can purchase shares in the project equivalent to up to 20% of their own farming enterprise. Half of the shares would be held by the farmer, and the other half would be held by his permanent farm workers within a trust established for this purpose, said Nieuwenhuizen.

"The workers will continue to work for the farmers on their [separate] farming operations, but will own 50 per cent of the investment made in Ikamva Lethu," he said.

Also included in the deal are permanent SRCC packhouse workers.

The project was already provisionally fully subscribed, with over 35 farmers indicating intent to buy shares equivalent to 20 per cent of their farming operations, said Nieuwenhuizen, adding that due to the oversubscription, farmers might not each receive a full 20 per cent allocation.

This buy-in would in turn provide capital for the project rollout, as the land needed to be developed with farming infrastructure – from laying irrigation pipes and establishing orchards to erecting buildings and purchasing farming equipment.

Also included in the plan was to mentor and train empowerment shareholders to become board members or directors within the project as it rolled out, he said.

"Provisionally, the plan is that SRCC will have a 5.5 per cent shareholding and will support the Ikamva Lethu farming business, with 60 per cent of the shares belonging to permanently employed previously disadvantaged farm workers living and working on farms in the valley, as well as the future Ikamva Lethu farm workers and SRCC packhouse workers. The remaining 34.5 per cent of shares will be held by participating citrus growers [farmers]," said Nieuwenhuizen, adding that precise details were still being ironed out between stakeholders.

Jobs boost

The project will be a major jobs boost for the Eastern Cape agricultural sector, with up to 80 permanent employees and as many as 700 seasonal workers when fully operational. This was excluding the downstream job creation opportunities, said Nieuwenhuizen. Furthermore, there were on average five dependants for every employed person in the valley who would benefit from the project.

Frikkie Olivier, SRCC operations manager who oversees the various empowerment projects, said many other empowerment projects failed to impart proper technical and financial support to beneficiaries.

In the case of Ikamva Lethu, beneficiaries would be permanent farm workers in the community who worked off-site on other farms, while a further benefit of the project would be that new jobs would be created through employment opportunities on Ikamva Lethu.

"Support – from financial to technical – has been a major stumbling block in empowerment deals in the agricultural sector which have not succeeded," said Olivier.

Nieuwenhuizen said: "We have a hand in the project. We guide and help along the way," adding that the project was a long-term one.

"We are starting from absolutely nothing. We have bushland and water at this stage. Once we have the authorisation [from the EIA application], then we can start building infrastructure before we plant the trees," said Nieuwenhuizen.

The first phase – the first of four – would include laying infrastructure and building dams, which would take about 18 months. This included cultivating the first 150ha of orchards – planting about 75,000 trees.

"To put the enormity of the scale in perspective, the average size of a farm in the valley is 60ha, so effectively we'll be planting the equivalent of two farms a year," said Olivier, adding that the earmarked starting date for planting of trees was spring 2019, with completion scheduled for 2023.

The first fruits of the project are expected to be borne in 2022. As the project unfolds, citrus varieties to be planted would be determined by market demand, and could also include juice processing opportunities, he added.

Track record

SRCC is no stranger to empowerment projects. Having launched its transformation strategy in 2006, SRCC now has three farming enterprises, excluding Ikamva Lethu, which are owned by workers' trusts – Luthando Farm, Mbuyiselo Farm and Sundays River Farming Trust.

Luthando Farm, which is 75 per cent owned by the workers' trust and 25 per cent owned by SRCC, boasts total export production exceeding 200,000 citrus cartons per year.

Mbuyiselo Farm, which is wholly owned by a workers' trust, boasts total export production exceeding 75,000 citrus cartons per year.

Sundays River Farming Trust, which consists of five consolidated farms – the land of which is still mostly owned by government – has a current total export production of about 450,000 citrus cartons per year, with further growth expected from the development of a farm recently acquired by the trust.

