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## AN ANALYSIS OF NCERA FARMS (PTY) LTD TURNAROUND STRATEGY

### 1. BACKGROUND

Ncera Farms (Pty) Ltd is a public company listed under Schedule 3B of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The Department of Agriculture, Forestry and Fisheries (DAFF - hereafter referred to as the Department) is its sole shareholder. The mandatory objectives of the entity as reported in the 2011/12 Strategic Plan and the Ncera Farms Turnaround Strategy are to:<sup>1</sup>

- Promotion of industry-focused and occupation directed farm management training.
- Creation of a one-stop-shop farmer support centre through partnership and resource mobilisation.
- Development of franchise-type agricultural business models in support of entrepreneurs in the sector.
- Pioneering sustainable agri-villages.
- Organisational growth and sustainability.

These objectives, which have been modified from the previous financial year's mandate of the entity, are based on the Department's new strategy for Ncera Farms (Pty) Ltd. The previous mandate was to assist small-scale and emerging farmers by providing a variety of services such as advice, extension services, training and information on ploughing methods. The entity's values, which are borrowed from those of the Department, are:

- Drive – driven to deliver excellent services.
- Attitude – being ambitious, passionate, reliable and dedicated workforce.
- Fairness – acting with objectivity, empathy, integrity and transparency.
- Focus – focus on people, economic and rural development.

The purpose of this brief is to give an analysis of Ncera Farms (Pty) Ltd Turnaround Strategy.

### 2. THE TURNAROUND STRATEGY FOR NCERA FARMS (PTY) LTD

The Department previously planned to present the Turnaround Strategy for Ncera Farms to the Portfolio Committee earlier in January 2011 but eventually presented its draft as the Strategic Plan of the entity in March 2011. The Portfolio Committee at the time rejected the presentation of the Strategy until the Department provides responses to issues that were raised in the 2010 Portfolio Committee Oversight Report, which included a forensic investigation report of the entity and the entity's asset register. The forensic report has since been forwarded to the Portfolio Committee but not the asset register.

<sup>1</sup> Ncera Farms (Pty) Ltd (2011).



## 2.1 Comments on the Turnaround Strategy Document: Quality and Presentation of Information

It is not clear whether the Turnaround Strategy for Ncera Farms (Pty) Ltd as was distributed but not presented to the Portfolio Committee (Green and black booklet) in September 2011, was a draft or a final official document as it is printed on glossy colour paper. The following are some but not all the glaring issues that have been observed about the document quality:

- The document does not have an *official logo, name of author or date of publication*.
- *Spelling mistakes, typographical errors and presentation of information* - e.g. Introduction (page 5) and Livestock Cost Centre (Page 19 first and second paragraphs).
- *Lack of references* – throughout the document, specific statements are made and statistical information is cited without any references.
- *Section 2 reads like it has been cut and pasted from various publications* without citing the sources and without an understanding of the content. For example on page 13, subsection 2.5 mentions a temperature data for the study area as shown in Figure 1. There is no Figure 1 that shows temperature data but Figure 1 on page 23 is a Strategic Intervention Model, which also looks like a cut and paste but is not referenced.
- *Terminology and use of scientific terms* without providing common names. For example, on page 11 under Soils, land types, which are claimed to constitute more than 95% of the area, are described as Db282, Fa950, etc., which all mean nothing to someone who is not a soil scientist. Also, on page 12, scientific names are used to describe common grasses in the area. It is a rule of thumb to include common names (that's what farmers use and know) when writing species names for a non-scientific audience.
- In addition, bush clearing is a proper and commonly used English term instead of debushing; inbred is a correct word instead of inbreded (page 19 Livestock Cost Centre); meaning of 'sweat the assets' (page 25 Table 4 under government expectations) and a fertigation system (page 39 second paragraph) need to be explained. A planted pasture is the commonly used term rather than an artificial pasture (page 39 last paragraph).
- *Consistency in reporting and alignment of information* - there needs to be consistency in the use of the terms crops and/or vegetables, these have been used interchangeably in the Strategy.
- *Use of general but unproven statements* – e.g. page 40 first paragraph "the Xhosa local people are the target group for the establishment of the (Goat) project, because it is common knowledge that rituals and customs are performed by goats, while milk and meat production form part of the purpose." This is a wrong statement; common knowledge is context-specific and cannot be cited in a Strategy document. In addition, not all Xhosa people perform rituals with goats and even those that do, for some, goat milk does not form part of the ritual.



## 2.2 The Analysis of the Turnaround Strategy

Given some of the issues that are raised above, it has been difficult and a challenge trying to make sense of and evaluate the Turnaround Strategy, which is very wordy but in some cases, repeating the same thing. Information is not presented in a clear and methodical manner. With the exception of beef production, ad-hoc information on some of the activities that are going to be carried out at Ncera Farms only make an appearance on the last subsection of the document i.e. 6.3 Capital Budget and Expenditure, after the Implementation Plan. The quality standard of the Turnaround Strategy is a concern given that this issue has been repeatedly raised by the Portfolio Committee on previous reports of the entity.

A list of stakeholders, their roles and expectations are listed on Table 4 (page 25) of the Ncera Farms Turnaround Strategy. However, it would assist to provide specific details regarding the stakeholders, their roles and what is expected of them. As an example, other departments (government) e.g. Rural Development and Land Reform can be stakeholders that can provide technical or other support without necessarily being funders. Also lacking under stakeholders are local businesses, to which the entity can sell its produce. The Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis of Ncera Farms (Pty) Ltd has shown that inadequate access to sufficient water supply (particularly for the farmers with Permissions to Occupy – PTOs) is one of the weaknesses, among others. While the Turnaround Strategy went to great lengths on how its model (focusing on beef production) will work, nothing is said about ensuring a consistent water supply, which is an immediate need for any farmer or farming entity. The only mention of water provision is in the Implementation Plan, namely, drilling of bore-holes, which is expected to be done over a period of 1 month during 2012. Mention is made of building of dams (for livestock) and investing on water harvesting technologies but these are not immediate solutions to unavailability of water and are dependent on rainfall availability.

The Turnaround Strategy noted that the farmers with PTOs (9 in total – one of them being a cooperative) are unable to access funds because they do not have lease agreements to serve as collateral to financial institutions. Such institutions will be commercial banks and MAFISA, but the Department and the Department of Rural Development and Land Reform (DRDLR) have farmer support programmes (e.g. CASP, RECAP) that do not require collateral, through which they can assist the destitute farmers. The Department also reports in the Strategy that these farmers will undergo training for a period of 3 years before they are accepted as Beef Franchisees. The 3-year period in essence covers a once-off involvement of the farmers in the commercial beef production process, which will take 24 to 30 months, as explained in the Strategy.

Some components of the beef production process do not make sense given the challenges that are associated with communal livestock farming and the conflicts between the surrounding communities and the farmers with PTOs. The programme is based on the