

EQUITY PARTNERSHIP STRATEGY

BEE Partnerships

Viable and sustainable potato production in South Africa is a dynamic and diverse business undertaking that requires a lots of resources to make it a success. Factors affecting potato production in terms of resources are good irrigable and sufficient land; machinery; implements, infrastructure, production costs and sound management. The management requires a range of skills and knowledge for the enterprise to face and overcome huge challenges to become successful. Challenges include amongst other things diseases and pests, high input costs, huge capital investment on infrastructure, etc. The decline in the number of commercial farming enterprises over the last few years also indicates that it is becoming more and more difficult for small producers to survive in the sector. The bigger producers are expanding their production and are economically active. This is due to the economies of scale and experience that ensures that correct management decisions are taken to avoid mistakes.

Background

Goal

Undertaking

<p>Capital-Potatoes need about R35 000- R50 000 per hectare for dry land production and R60 000- R75 000 for production under irrigation. Farmers who do not have adequate security and experience cannot access this capital from the financial institutions. An economically viable potato farming venture need to produce 30- 50 hectares of potatoes per year to justify the expense of tractors, planters, lifters, washers, etc and would need about R2 500 000 for operational costs.</p> <p>Competition-New entrants face competition on the markets from experienced farmers. They need experience and capacity with regard to quality of the product, the time and length of marketing, production yields, etc. These reasons will determine whether the farmer will remain in large scale production or not.</p> <p>Economies of scale-Generally the larger the operation the cheaper the unit costs of equipment and other inputs the stronger the operation. This means capital costs for emerging farmers is high and this makes them not economically viable unless they are in a cluster or cooperative.</p> <p>Price-Most potatoes in the country are marketed through the National Fresh Produce Markets. The National Fresh Produce Markets provides the bases from</p>	<p>To establish partnerships/ joint ventures between new farming entities and the best commercial producers to ensure successful potato production by new entrants</p>	<ol style="list-style-type: none"> 1. Identify partnership/ joint venture opportunities in every region in order to produce a workable and practical approach for that region. 2. Communicate and engage with those producers who have responded to the Baseline Study and together identify a feasible partnership project for a region. 3. Be the liaison and co-ordination body for partnership formation. 4. Support training initiatives that will assist new owners / managers with their new roles and responsibilities. 5. Negotiate and facilitate funding opportunities and vehicles for the partnership 6. Engage public and private sector funding agencies to inform them about opportunities in the industry and develop innovative funding mechanisms for BEE companies seeking to invest in the industry. 7. Will consider a variety of partnership models, including: <ul style="list-style-type: none"> • Joint Ventures • Community partnership projects • Direct equity • Extended farming operation • Employee Share Ownership Participation Schemes • Investment share scheme
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where prices are determined. The industry operates under the free market principles and prices are mostly determined by *demand and supply*. In times where there is a lot of supply of potatoes on the market, the price will automatically drop.

- Other

