

BUSINESS MODEL



CREATED BY

Scelo Kunene Agricare

**SK Agricare BUSINESS MODEL
CHABUTHI FARMS
KWAZULU-NATAL SOUTH AFRICA**

1. KWAZULU-NATAL CHABUTHI FARMS PROGRAMME

Contents

Under the CHABUTHI FARMS, entities will be entering into a Limited Exclusivity and Increased Viability agreement within CHABUTHI FARMS, under which, exclusivity is limited to the organic product lines developed specifically for the specific market/ customer and the use of the CHABUTHI FARMS Brand. ... 3

2.1	SECURED MARKET ACCESS	4
2.2	THE CONVERSION PERIOD	4
2.3	LIMITED EXCLUSIVITY AND INCREASED VIABILITY	4
2.4	FAIR TRADE	4
2.5	SOFT AND TECHNICAL SKILLS ASSISTANCE	4
2.6	DISTRICTS AND BROAD BASE BLACK ECONOMIC EMPOWERMENT (BBBEE)	5
2.7	REPORTING AND INSPECTION.....	5
3.1	BUILD CHABUTHI FARMS PGS ORGANIC BRAND & TRADEMARK.....	5
3.2	HOLISTIC STAKEHOLDER COMMUNICATION PROGRAMME	6
3.3	COMBINATION OF INDEPENDENT AND CO-OPERATIVE COMMUNICATION.....	6
4.1	CHABUTHI FARMS FUNDING	6
4.2	CHABUTHI FARMS PROGRAMME FINANCE.....	6



**SK Agricare BUSINESS MODEL
CHABUTHI FARMS
KWAZULU-NATAL SOUTH AFRICA**

1. KWAZULU-NATAL CHABUTHI FARMS (Organic Farms) PROGRAMME

Introduction

Scelo Kunene Agricare (SK Agricare), the founder of CHABUTHI FARMS (Organic Farms) is a close corporation established in accordance with the Close Corporation Act of 1984, with registration number 2007/205375/23.

The long-term goal is to legally incorporate a not-for-profit entity under the name of CHABUTHI FARMS (Organic Farms), that seeks to work in partnership with registered agricultural entities and voluntary associations, which will be affiliates of CHABUTHI FARMS (Organic Farms), that will fulfill the function of strategic collection point for all PGS (Participatory Guarantee System) certified products under the CHABUTHI FARMS Organic Programme.

The aim of this partnership is promotion of job creation and sustainable agricultural trade in KwaZulu-Natal and nationally through facilitating the development of fully integrated value chains in the Organic industry.

Under the CHABUTHI FARMS, entities will be entering into a Limited Exclusivity and Increased Viability agreement within CHABUTHI FARMS, under which, exclusivity is limited to the organic product lines developed specifically for the specific market/ customer and the use of the CHABUTHI FARMS Brand. CHABUTHI farms will be PGS certified while under SK Agricare mentorship and for as long as they are still part of our value chain. When time is suitable for farmers who wish to be released from our supply agreements, farmers can pursue third party organic certification on their own volition

The current situation is that SK Agricare Model Farm is hosting the small farmer groups while undergoing training in organic agriculture and PGS processes. SK Agricare Model Farm has already secured markets for organic herbs and the intention is to also extend the available market to the emerging farmers who are being empowered with relevant information and knowledge

The objectives for the first five years of operation are to:

1. To develop and increase the number of organic products to the main buyer by at least 20% per year in the subsequent five years
2. To develop a sustainable wholesale entity, surviving off its own cash flow
3. To be a viable and sustainable organic industry organisation in KZN
4. To create at least between 100 and 250 jobs from PGS certified land in KZN in less than ten years
5. To empower and grow emerging organic farmer beneficiary community that will grow with our organisation up to a point of self-sustainability
6. To reach a total value chain turnover of not less than R 1 million per annum

2. THE CHABUTHI FARMS MODEL

In order to achieve the abovementioned objectives, CHABUTHI FARMS shall develop a model to assist members to overcome key barriers to entering into and/or achieving sustainable growth in the Organic industry:

SK Agricare BUSINESS MODEL
CHABUTHI FARMS
KWAZULU-NATAL SOUTH AFRICA

2.1 SECURED MARKET ACCESS

All CHABUTHI FARMS initiatives shall be based on medium term off-take agreements with fresh produce buyers, food-processors and food catering entities. The agreements shall define the required products, quantities, delivery schedules, as well as market related pricing.

Value chain participants (farmers and processors and packaging entities) are therefore ensured of market access for the period of the agreement. CHABUTHI FARMS represents the category manager for PGS Certified Organic Produce and signs off-take agreements for a period of 5 years with CHABUTHI FARMS affiliates.

2.2 THE CONVERSION PERIOD

The conversion process from conventional to certified PGS organic farming is usually a three to five year process. Although the first year's production is according to organic standards, which is characterised by higher production cost and lower yields, the farmer is sometimes able to obtain official certification at the end of the second and third year. This means that the farmer has to sell the first year's products at conventional prices which might negatively affect the bottom line. CHABUTHI FARMS affiliates are capacitated to be able to shorten the conversion period.

2.3 LIMITED EXCLUSIVITY AND INCREASED VIABILITY

In the agricultural industry local buyers have traditionally locked farmers into exclusive supply agreements with no guaranteed minimum volumes and penalties for under-supply. This has led to overproduction to avoid penalties and has subsequently resulted in lack of market for excess produce.

Under CHABUTHI FARMS agreement, exclusivity is limited to the product lines developed specifically for the buyer and the use of the CHABUTHI FARMS Brand. Farmers and processors that supplied other retailers or markets before joining CHABUTHI FARMS are allowed to continue to do so as long as it doesn't impact on the agreement terms and conditions with the new buyer.

SK Agricare is also developing export and other end-use markets and these off-take agreements are combined with that of the main buyer into the overall CHABUTHI FARMS growing / supply programme, resulting in substantially larger product volumes and increased viability at farm level.

2.4 FAIR TRADE

Organic products attract substantial price premiums, mainly due to demand outstripping supply and the increased cost and risk at farm level. SK Agricare believes that these price premiums will gradually decrease as increase is realised in supply and as a result organic production cost will decrease. In order to ensure a fair trade environment, SK Agricare has developed an "open book" pricing model that ring-fences the cost and risk of each value chain participant thereby rewarding the participant accordingly. Prices shall be negotiated annually to ensure sustainability throughout the value chain. Payment terms for all value chain participants are within 5-15 working days after invoice.

2.5 SOFT AND TECHNICAL SKILLS ASSISTANCE

It is important that all CHABUTHI FARMS affiliates have access to the latest technical information and training programmes in order to maintain relevance and sustainability in the market place. The information and training requirements range from emerging organic farmers, who require basic training and full-time day-to-day mentorship on all farming activities, to experienced farmers who only require guidance on the conversion and certification process as well as the latest inputs in the industry.

SK Agricare is negotiating arrangements with potential strategic partners/stakeholders from both public and private sector so that CHABUTHI FARMS affiliates have access to formal training programmes, consulting services and mentorship programmes, covering all aspects relating to organic farming, conversion and certification.

**SK Agricare BUSINESS MODEL
CHABUTHI FARMS
KWAZULU-NATAL SOUTH AFRICA**

SK Agricare Model Farm currently provides quarterly workshops, and information sharing through [Open Days](#) at the Model Farm as well as mentor-protégé interactions at emerging organic farmers' plots.

The CHABUTHI FARMS world-wide-web needs are currently accommodated at www.sicelokunene.co.za, which also hosts a restricted section where members can access information on the latest organic trends and developments as well as approved and recommended input suppliers, products and service providers. The website is still very basic but as soon as participants hit our contact page we are able to service them accordingly.

2.6 DISTRICTS AND BROAD BASE BLACK ECONOMIC EMPOWERMENT (BBBEE)

SK Agricare aims to develop the organic farming and processing capacity within a specific district in the south coast of KZN in order to provide equal participation opportunities for all PGS organic farmers and maximise the overall efficiency within the district. A district, therefore, consists of a number of registered entities supplying into SK Agricare initially then later into CHABUTHI FARMS collection points. This therefore translates to CHABUTHI FARMS affiliates being viewed as supply entities and the emphasis is therefore on the BBBEE status of the entities rather than individual farmers. CHABUTHI FARMS intends working closely with public sector at local government level to identify and mobilise experienced farmers to provide developmental support to the emerging organic farmers.

2.7 REPORTING AND INSPECTION

All affiliate member groups must agree to a quarterly monitoring of their progress. A detailed report will be compiled by CHABUTHI FARMS inspection committees providing data on volumes grown, adherence to organic standards, sales, processing and inventory for the period. This report will enable CHABUTHI FARMS to provide buyers with detailed information regarding production timelines for delivery.

3. MARKETING

A strategically planned and well implemented and managed marketing and communications programme is critical to the success of the CHABUTHI FARMS. CHABUTHI FARMS intends providing marketing services to all affiliate member groups including:

- Liaison with all relevant stakeholders
- Mobilisation of funds and feedback
- Short term and long term reporting of activities
- Dissemination of market capacity development
- Marketing risk management
- Export market development

3.1 BUILD CHABUTHI FARMS PGS ORGANIC BRAND & TRADEMARK

SK Agricare is a service entity providing soft and technical skills to CHABUTHI Farms affiliates. The organic farmers provide a product to the collection point where produce from all affiliate member groups assume a common brand produce that shall be labeled as SK Agricare initially then CHABUTHI Farms once legally constituted. The brand equity will be built over time on a foundation of clear definition and through continuous investment and support. This is based on the idea that a well-known brand name can generate more money from products with that brand name than from individual farmer products with a less well-known name.

The brand shall operate as a trademark, to be carried on all certified CHABUTHI FARMS PGS organic product packaging. The trademark will act as an indicator of quality production and also reward for the

**SK Agricare BUSINESS MODEL
CHABUTHI FARMS
KWAZULU-NATAL SOUTH AFRICA**

community who interact with the product at different levels thus maintaining viability and sustainability for all stakeholders.

All aspects of the brand shall be consistently executed and monitored to ensure maintenance of brand quality standards. The CHABUTHI FARMS marketing team will be responsible for management of the logo, and approval of all packaging and promotional applications.

3.2 HOLISTIC STAKEHOLDER COMMUNICATION PROGRAMME

SK Agricare through CHABUTHI FARMS shall consistently communicate with all relevant stakeholders, including investment partners, government, private sector, the community and the consumer. The communication mainly relates to organic production, operations, marketing, and capacity building status. The communication will be made available at quarterly reporting intervals, and shall also relate to overall project progress, training and promotional marketing. This is to ensure viability and sustainability of the programme.

3.3 COMBINATION OF INDEPENDENT AND CO-OPERATIVE COMMUNICATION

Whilst CHABUTHI FARMS must be established, sustained and protected as an independent entity, there will be instances and opportunities where joint communication with other partners and stakeholders is required for all to be given an opportunity to make informed decisions regarding their involvement within the partnership.

A comprehensive communication plan will be developed utilising:

- Internet
- Social Media
- Newsletter
- National newspapers
- Promotional campaigns via local primary schools
- Local and National Radio Stations

4. FUNDING

SK Agricare and CHABUTHI FARMS and its affiliates require various types of funding in two main areas of application, namely, CHABUTHI FARMS funding and project finance.

4.1 CHABUTHI FARMS FUNDING

The CHABUTHI Farms founding member, Sicelo Kunene provided start-up capital in the initial awareness and education on the development of Organic Production programme in the first ten years of programme planning and implementation (2009-2019).

The funding has thus far been used to engage in various activities within the organic body formulation process as well as in the identification and mobilisation of emergent organic farmers in traditionally-led communities and in interaction with local government structures and the private sector. It is expected that from here going forward CHABUTHI FARMS affiliate member groups should be able to sustain their operations through self-generated income.

4.2 CHABUTHI FARMS PROGRAMME FINANCE

It is important to note that it is at this stage not SK Agricare's intention to take any form of ownership in these projects, but to identify suitable business partners and to facilitate the development of the value chain. CHABUTHI FARMS will engage with most financial institutions and grant-makers in South Africa, and the opportunity still exists for any financial service provider to become a founding member of CHABUTHI FARMS

**SK Agricare BUSINESS MODEL
CHABUTHI FARMS
KWAZULU-NATAL SOUTH AFRICA**

partner and therefore also becoming the preferred financial services provider to the organisation and its affiliate members.

5. CONCLUSION

SK Agricare brings together an incredible team of community, public and private sector and committed management (both volunteer and otherwise). This CPPP (Community, Public, and Private Partnership) arrangement makes it possible to disseminate relevant information effectively and thus all stakeholders are aware of the global opportunity that the organic industry offers, and through engagement the challenge of job creation and agricultural business sustainability in South Africa can be overcome. SK Agricare has identified arable land in KZN, willing communities, small and medium scale farmers and most importantly, on-going negotiations with potential buyers willing to provide long-term commitments.

6. Contact details:

Sicelo Kunene (Ms)	Tel. :+2731 903 4479;+2782 789 4281
Portion 4; Farm Alexandra; No. 16457 ET; Zembeni Tribal Authority.	Fax: +2786 691 2244; E: scelo@smns.co.za info@organicspacesafrica.co.za
Dududu. Scottburgh. KZN. South Africa	http://www.sicelokunene.co.za