

NWK LIMITED

FINAL REPORT TO THE MAIZE TRUST ON THE RESULTS OF THE BATSWA KO PELE PROJECT IN THE NORTH WEST PROVINCE FOR THE 2007/08-SEASON

Background

By March 2003 the necessity to provision developing farmers was such that NWK decided to assign a dedicated agriculturist to service this assemblage of farmers. By March 2006 a second agriculturist was appointed. Individual farmers, as well as groups, are currently being serviced. Of the projects, the Batswa ko pele-project is probably the best known. The number of approved farmers for 2007/08 was 23 and the outlook for this season was much better than the previous season with the good rains that was received.

NWK provided loans to cover the total production costs of this project and tried to minimise the production risk by making inputs in the management aspects of the project. This model of rendering services to the developing agriculture is possibly the closest to an ideal model for this type of agriculture. Often it is found that financing is being limited by the lack of collateral. As many as 350 developing farmers are possibly operating in this area. Of these, less than 150 farmers are receiving sufficient support to develop further.

Overview of the Batswa ko pele project for 2007/08

Project leadership

The department Agricultural Management Services of NWK Ltd manages the project. The manager of the department, Arno van Vuuren (Hons. B.Sc Agric, Pr. Sci. Nat.), is directly involved and the persons responsible for the full time running of the project is Phillip Diutlwileng (B. Agric.) and Aron Kole (B. Agric.). Between them they have more than 30 years of experience in agricultural extension.

Actions taken

The farmers in the project were assisted by the responsible staff with the drafting of business plans, application for financing, soil analysis, GPS-mapping and the procurement of production inputs and

input cost insurance. Technical assistance with regards to the calibration of equipment and problem solving was given and regular visits were made to the farms to inspect the crops. Technology transfer was done during ongoing inspections, farm visits and farmers' days were held.

Progress made with the project

A lot was learned during the three years that the project was running. It is especially in terms of the screening process that we believe that valuable experience was gained. The farmers were exposed to the newest technology available and training was given on many of the critical aspects of maize production. The benefits of genetically modified crops, coupled with the adequate application of all agronomic practices, have worked wonders in demonstrating to the farmers that yields can be increased by more than 150% from the previous norm of approximately less than 1 t/ha. With the knowledge that they now have, it is possible to expand their horizons towards becoming commercial farmers. The 2007/08-season will leave many of these farmers with a financial surplus and this will make it possible to start upgrading their tractors and implements.

Results of the project

The results of the yield estimates showed preliminary harvests of up to 3,6 t/ha and the average estimated yield was 2,6 t/ha. In total an amount of R6,1m was made available by NWK Ltd for production financing. As at 28th August 2008 a total of 2 984,82 tons of maize was delivered by farmers into NWK silos by way of delivery contracts, which were issued for every farmer for white and yellow maize respectively (addendum A). Due to late planting as a result of the scarcity of fertilizer in November last year and the high moisture content of maize emanating from the exceptionally wet season, some farmers are still harvesting and more grain is expected for delivery. Sale of the maize is in progress as the farmers deliver and almost all of them have been able to pay up their production loans and make a modest income.

Problems encountered in the project

1. Financing was possibly the most important problem, because so many farmers do not have the required collateral for a loan. The new Credit Law complicates this matter further.
2. Land tenure is another major issue, as many farmers farm on communal land where access is not guaranteed, even over the medium term. This makes the development and improvement of a piece of land difficult. Landowners demand their 10% share cropping dividend as soon as harvesting begins and this puts strain on the farmers and NWK to sell grain at unfavourable prices under duress.
3. Most of the farmers do not have a sufficient mechanisation capability and this leads to preparations and cultivations being done improperly and/or late.

4. Many of these farmers are in dire need of further training regarding precision farming methods and entrepreneurial skills.
5. A real passion to farm does not exist in all individuals who claim that they want to farm. It is quite a challenge to identify this passion beforehand and to earmark the true farmer.

Milestones not achieved and reasons for that

The results of yield estimates done in April made it clear that some of the farmers will achieve ultra viable yields – given all the help that is available and the wet season. Deliveries have been less than estimated because farmers only tend to deliver only as much grain to repay their loans and the surplus grain is not delivered into their grain contracts but sold elsewhere. Grain marketing will be handled in a more mutually beneficial manner the following season to avoid selling the maize during peak delivery times when prices are at their lowest due to market forces.

Financial advantage achieved as a result of Maize Trust funding

The direct advantage was a reduction in production cost of R405 528. The indirect advantages are in terms of the reduction of risk and payments of insurance claims. Claims as a result of hail damage, flooding and frost were filed for a number of the farmers. The final amount to be paid out is not yet available. The most important factor however, is the fact that no funding would have been available without proper input insurance. A total of 1 665 ha qualified for input insurance and funds from the Maize Trust were used fruitfully to that effect.

Summary

NWK is ideally structured to convey a very broad spectrum of services and to contribute a constant support mechanism to the developing farmer in the same approach as it is done with established commercial farmers. However, NWK is not in a position to supply financing products to developing farmers on a large scale. For this motive reliable partners who focus on some of the important aspects of financing of the developing farming community is needed. The inputs by the Maize Trust in this regard are of immense importance.

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