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SWAZILAND

COMMERCIAL AGRICULTURAL PRODUCTION AND
MARKETING PROJECT

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END OF TOUR REPORT

SUBMITTED TO:

MINISTRY OF AGRICULTURE AND
COOPERATIVES
MBABANE, SWAZILAND

AND

THE UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT
SWAZILAND MISSION

SUBMITTED BY:

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I. INTRODUCTION

This "End of Tour" report has been prepared to stimulate thinking about issues which need to be considered in formulation of the next annual Plan of Work. It will attempt to provide the reader with the types of information which will be of value in better understanding the CAPM project as well as providing insight and ideas for implementing the final phase of the project.

The Consultant served as the CAPM Chief of Party from November 15, 1992 through November 30, 1993. This report is being directed to the appropriate officials in USAID, MOAC, and Chemonics who have been or will continue to be involved in the development and implementation of the CAPM project.

This report reviews the 1993 Winter Production and Marketing season, highlighting many of the issues and constraints which have slowed the CAPM project's progress in meeting it's original goal and purpose. At the same time the author will discuss lessons learned which will hopefully be of use the continuing project team as they develop courses of action which might in some cases alleviate particular constraints or address outstanding issues. The success or failure of the CAPM concept in Swaziland will, without doubt, have a major impact on the intensity of continued commercialization of small scale horticulture production in Swaziland.

II. BACKGROUND AND OVERVIEW

The fundamental premise of the original CAPM design was that if the policy and program environment in Swaziland is improved and agribusiness development is facilitated, commercialization of agriculture will occur. After nearly one and a half years of project implementation it was clear that the original design was not working. Although the earlier phase of the project generated a wealth of data and sound analyses, and that a major redirection was necessary.

While the original goal, increase the agricultural sector's contribution to the national economy, and purpose remained unchanged, the redirection at the end of 1991 resulted in changes in the project's End of Project Status (EOPS), implementation strategy, inputs and outputs.

This implementation strategy included:

- providing training and direct technical assistance to enhance linkages between small scale farmers and private sector Swazi marketing firms;
- concentration of efforts on fresh horticultural production and marketing;
- penetration of domestic, regional and export markets; and
- demonstration of the viability, sustainability and replicability of the concept of linking Swazi fresh produce marketing firms directly to commercial Swazi horticultural producers through programmed production.

Operationally the new strategy required recomposition of the CAPM technical assistance team and extending the technical assistance contract through November 1993. By February of 1992, a LOP Workplan had been developed and the staff hired and fielded.

In November 1992 the Chief of Party/Agribusiness Specialist position was split in two and new consultants were fielded to fill the Agribusiness Specialist position and the Chief of Party/Training and Technical Assistance Supervisor position.

This proved to be an inspired move by USAID in that early in 1993, as the mission explored the possibility of further extension of the project, the team came to the conclusion that the implementation strategy of the project needed modification. At a retreat in March of that year, the team developed a new approach to implementation which was presented to the mission. This work initiated a series of events which subsequently led to extension of the technical assistance contract through the current PACD, February 1993, and development of an amended project description which would extend the CAPM project an additional twenty-two months. This activity alone consumed the majority of the time of the Chief of Party.

This being the "last shot" of the project, an approach that ensures the sustainability of CAPM activities becomes of paramount importance. Recognizing early on the financial restrictions of the project and the specialized technical assistance needs for this position, the author recommended to USAID and Chemonics that another position be established during project extension to be filled by a consultant with different technical capabilities.

III. SUMMARY OF THE 1993 WINTER PRODUCTION SEASON

The majority of the year was taken up with the Winter Production and Marketing Program. While this program was undoubtedly a success, it is imperative to note it can only be viewed as a qualified success. To appreciate both the achievements and the problems encountered along the way, it must be realized that there were a number of factors that moved the project's implementation away from the program originally developed. This shift in implementation in many ways adversely affected the anticipated success of the program.

In this section, the author will review the original program, examine the factors that caused the shift in implementation, describe the program actually implemented, discuss the constraints, achievements and failures of the program. Lessons learned will be drawn from this discussion and presented. The author will leave it at this and let the continuing project team draw their own conclusions from this work and its use in designing and implementing further activities.

A. The Original Program

This program differed from previous programs in a number of important ways:

- The project was to concentrate on four crops with proven marketability.
- CAPM companies had committed to a specific volume of product. Instead of relying on our guesses at market demand, CAPM had helped the companies determine the volumes of product they could comfortably move to specific markets and, in turn, encouraged the firms to make a commitment to a specific minimum volume.
- CAPM felt it was prepared to supply adequate technical assistance within the companies to provide the close guidance needed to market the product.
- Two ancillary activities included in the program to help solve two major constraints that have impeded success in the past. Transportation from farm to firm was to be addressed through support to a local commercial transportation company, and the packing and grading of fresh tomatoes was to be improved through active participation in establishing a tomato packing and grading operation in the HhoHho district.
- CAPM had an established base of farmers who it felt had demonstrated a commitment to programmed commercial production, ones which were expected to participate throughout the season.

The 1993 season was to be implemented in only three production areas. The drought which caused so much disruption in VIF region the previous year showed no sign of abating at the time of initiation. The team therefore felt that there was

limited opportunity for commercial production there this year. Additionally, it was felt that focusing project resources in the three remaining areas would ensure that CAPM could supply adequate support to the growers participating in the program.

Northern Hhohho, comprised of middle/low veld climates, was the region where CAPM was to concentrate on commercial tomato production. Farmers there had experience growing tomatoes, and there was relatively strong support from the government extension service. In the Central region of the country, CAPM would concentrate on production of Peppers and Sweet Corn. This area was chosen because of its nearness to Matsapha where the CAPM firms are located. This would allow farmers to deliver product to the firm, and allow the firm to closely monitor quality and quantity of these high value crops. CAPM was originally to undertake production of Nema-1400 tomatoes only in the Siphofaneni/Sithobela area. This area was close to the Natal market, where there demand for this product has always been significant.

The Winter 1993 production program was expected to involve approximately 137 farmers on 97 hectares of land. Most of the farmers would be on 5 or 6 irrigation schemes, however 30 to 40 of them would have private irrigation systems. Selection criteria included: past successful participation, degree of farmer motivation, expressed interest in CAPM, the experience level of the farmers, general resource level, and motivation to succeed in commercial horticultural crop production.

The winter program assumed that rainfall would be sufficient for production in the three regions. It was assumed that there would be too little water in the VIF region to warrant allocation of project resources there. Although the project assumed that the previous year's devastating frost was an anomaly, the production base was spread wide enough in the Middle Veld that some localized frost will not derail the pepper and sweet corn programs. However, it was recognized that agricultural production was always at risk from the weather.

Marketing assumptions were based on careful examination of historical sales and close contact with regional markets. In all cases, CAPM set conservative marketing goals, ones well below the historic market demand. It was assumed that nearly all of the production would go to the regional markets.

1. NEMA 1400 Tomatoes in Siphofaneni/Sithobela.

Demand in the Natal market for NEMA 1400 tomatoes was anticipated to be well in excess of 200 tons/week. Swazi Super Fresh had committed to taking a minimum of 20 tons/week over 10 weeks. Swazi Super Fruits was to handle this on a brokerage basis. These tomatoes were to be field packed in boxes provided by the customer and brought to one or two central collection points. The customer was to deliver field crates before the season started and was to pick up the product at the central collection points and transport to the market.

The original customer, Singh, had agreed to pay the firm either COD or within five days. The project was to assist the firm in establishing a credit line with Barclays Bank so it could make payments to the farmers within five days.

2. Sweet Corn from the Central Area.

Projected harvest was estimated to be 3,000 to 4,000 cobs/day over a 2-3 month period. It was felt that this was a conservative estimate of potential demand and the project felt it was prepared to increase volume rapidly in response to market demand. The farmers were field pack into collection boxes and transport the crop to Matsapha, where Swazi Fruit and Vegetable would handle marketing. At the shed, the corn was to be shucked and hydro-cooled to remove the field heat. They will be graded and packed three ears to plastic tray for shipment to regional markets. The farmer would receive a fixed price for each good ear of corn.

3. Peppers from the Central Areas.

This crop to come mostly from the Mbekelweni Irrigation scheme. Some larger farmers, on title deed land will be included, in order to insure enough through-put at the companies to maintain customer confidence in the firms. The market for green peppers was considered wide open and certainly much greater than the participating farmers can produce.

Philani Company was to handle the sales of peppers on a brokerage basis. Peppers would be bulk-packed in cartons in the field. This will require strong CAPM technical support to teach proper sorting and field grading, and maintaining quality. The CAPM supported transport company will deliver crop from the farm to central collection sites or into the Swazi Fresh Fruit and Vegetable Market.

4. Fresh Market Tomatoes in the Norther Areas.

The project was to have over 100 farmers participating in this program. Production goal was 25 tons per week, involving over 26 hectares.

The program included establishing a packing house at Mkhovu irrigation scheme. It was established through participation of the GOS and project, each contributing something tangible. The GOS provided the buildings and a generator, the project provided sorting and packing machinery, lug boxes and technical assistance.

B. Loss of Firms

Before the season got underway, three of the companies identified to handle the marketing of the product went out of business. Poor capital resources and management were the primary reasons causing their demise. The two spaces on the NAMBoard floor were open to new companies. That left the project with a choice of involving the new companies or placing the entire marketing under the one remaining firm, Philani.

C. Modified Approach

The project chose to do the latter of the two options above, even though it would mean increased involvement of the project in marketing the produce, in that Philani did not have the resources or ability to handle all four programs by itself.

A slip of the tongue by the Agribusiness Specialist resulted in growers in the Siphofaneni/Sithobela areas growing both peppers and Nema 1400 tomatoes for CAPM. While this might seem like a relatively small issue, it dramatically increased the complexity of the winter program, particularly in the use of field crates, and the central collection point operations.

Late rains in the low veld resulted in re-instating some farmers in the VIF region. They produced peppers for the program.

The project took a conservative marketing strategy which ultimately resulted in all product except the sweet corn going to a single customer in the Durban market. The decisions made along the way were each made to try to maximize the price and convenience to the farmer. Collectively, however, they worked against the season's objective of developing a higher profile for quality Swazi produce. Virtually no product was placed on the PWV markets except for one shipment of peppers placed on consignment. These were not quality peppers and were placed at a time the market was glutted resulting in poor grower returns.

Sweet Corn was not exported into the region. It was all sold locally, primarily to the Spar supermarkets in Mbabane and Manzini. No trial shipments were made to the region.

Peppers were not boxed and sent to the region as expected. The early market in Mozambique was high and most peppers were sold through Philani to the customers who drove to the Nokwane Market. At the end of the season, all peppers were going to the same Durban customer handling the Nema 1400 tomatoes.

D. Problems encountered

1. Level of commercial orientation by farmers.

This season, as in past seasons, significant portions of the programmed crops were sold to vendors for cash prices rather than on the market where payments were delayed. Even when delays were short and the prices were higher on the open market, many farmers continued to opt for the cash-on-the-barrelhead sales. This points out the low level of commercial orientation by most of the farmers in the CAPM project.

Additional indication of this is the low level of interest in adequate record keeping, motivation to strive for the highest quality product at all times, "spending money to make money" and a reliance on CAPM to 'insure' them against losses.

2. Lug boxes

The lug boxes purchased by the project were to be used in the Northern and Central regions only. The customer for the Nema 1400 tomatoes was to provide all the boxes for that crop. The mistake of allowing farmers growing Nema 1400 tomatoes to grow peppers created a situation where lugs from the Durban customer and CAPM being mixed up. As the season commenced and the Durban customer became the sole buyer, including the tomatoes bulk packed in the northern RDA, all of the CAPM boxes became irretrievable mixed with the customers. Failure on the part of the project to maintain adequate accounting of boxes checked out to farmers resulted in significant losses of these lugs.

3. Poor performance by Philani

Philani Fruit and Vegetable was tasked with more than it was capable of handling. It allowed the project to make all decisions and relied on the project to do its work. With little involvement in the decisions being made or responsibility for the sales, Philani often felt in the dark when it came time to make farmer payments. Due to pressure on his resources from other parts of his business, his reluctance to make farmer payments until each one was reviewed with him, these payments were unacceptably delayed.

4. Crop varieties

In a number of cases, the varieties of the crops chosen failed to perform well or the cost of seed/seedlings were so high that it had a negative impact on farmer returns. In the case of sweet corn, the variety originally planned for was not available. The variety substituted caused a number of problems. First, seed cost was relative high. Additionally, seedling vigor was low, this coupled with the early planting and a high pressure from maize streak virus, dramatically suppressed yields. Those that obtained higher yields had to use relative large amounts of Curator preplant insecticide. This was expensive and depressed farmer gross margins. The planting program was abandoned early because of these factors. The pepper variety was not the one of choice and yields were below projections. The Nema 1400 seeds ended up being extremely expensive. Therefore seedlings were a significant part of the farmers cost and decreased their margins. In many cases, CAPM effectively subsidized some of the farmers' production costs.

E. Successes

In spite of the many problems encountered, this past season was very successful. The successes of the season are presented well in the latest PIR report. To summarize:

- Farmers income this year equalled the targets established in the Output Indicators for the project.

- Established two central collection points for sweet peppers and Nema-1400 tomatoes at Siphofaneni and Sithobela. The marketing firm rented space at the RDA in each area. This aided in overcoming some of the transport problems faced by the farmers in previous seasons.
- Established a tomato sorting and packing shed at the Mkhovo Irrigation Scheme. This was coupled with establishing the prototype farmer organization that has become the basis format of project extension activities.
- Provided technical assistance in identification and control of vegetable diseases. Dr. Alan MacNab of Pennsylvania State University was in-country for 3 weeks identifying the major vegetable diseases affecting Swaziland's horticultural crops, formulating disease control recommendations, and training farmers and field assistants.
- Provided technical assistance in the operation and management of tomato and pepper packing facilities. Mr. Jim Faulkner carried out an 8 week consultancy which assisted in the installation of the tomato sorting and packing operation in the NRDA and in initiating pepper packing at the Oceanic building in Matsapha.
- Coordinated the efforts of an International Executive Service Corps volunteer who worked with one of the NAMBoard marketing firms. Mr. John Accaragui assisted Philani Fruit and Vegetable company in upgrading its NAMBoard floor operation, establishing financial and inventory control systems, and expanding its scope of operations.
- Developed long range business plans for two potential marketing firms through the Swazi Business Growth Trust. One company applied for an opening on the Swaziland Fresh Produce Market floor. It was not chosen. The other company was being considered to be the focus of the project extension. While the figures showed that the potential success of this business was extremely doubtful at this time, it indicates that in one or two years, there is potential for this type of firm. The SBTG additionally has been introduced to the special needs of agribusiness, particularly produce marketing. SBTG as a project will play a role in the future of CAPM activities in that the project is likely to fund an agribusiness position in the Trust.

F. Major constraints to implementation and Lessons Learned

1. The project has been tasked with strengthening on-farm production and marketing firms at the same time.

The fact that weak marketing firms were expected to develop a significant interest in marketing product from a weak farmer base was a continuing problem encountered by the project. The reluctance to recognize the fact that firms would only have a passing interest in this local production slowed down project progress. The loss of three firms and the resultant impacts on this last season's progress is a case in point.

However, the changes in the NAMBoard Nokwane Market has been a positive result of the loss of firms. The market has accepted two new traders from South Africa that have the resources and networks to significantly reduce the marketing problems for horticultural products grown in Swaziland.

2. Protection of the farmers and firms from the commercial environment.

Perhaps the greatest failing of the project to date has been to develop a farmer base with commercial orientation. While it is recognized that the small Swazi farmer needs encouragement and protection as they develop, the project has been a shield from most of the reality of the market place. Farmers still expect the project to provide them not only assistance but to guarantee them profit, timely payment, etc. Commercial farming is highly risky. Farmers will lose money some seasons. They will only break even other seasons. They will profit only once every few years. What is hoped for in commercial production is that the one profit year will make up for the years of loss. The project has not been able to instill this in its farmers.

Decisions made over the last couple of seasons have too often been based on limiting the farmers' risk. In retrospect it must be noted that this has significantly inhibited the development of significant markets for Swazi product in the regional markets. It is critical that the project emphasize the market development while letting the farmers assume a more realistic share of the risk.

It is likely that only a minority of the current farmer base will ever develop into commercial growers. This is not necessarily a negative thing for the project. If only a few of the farmers become real commercial growers, and if the infrastructure is developed around these farmers in the manner envisioned in the current project extension, then many of the smaller farmers will be able to use the facilities as one of their outlets for income generation. The project must, therefore, focus on developing that true core of commercial production.

3. Transportation

Transportation remains one of the major constraints to commercial production by small Swazi farmers. The majority of the CAPM farmers relied upon the project field assistants or upon NAMBoard transportation to move their product. In the north, however, the Mkhovu Packhouse Association hired its own transport for field collection. This only proved cost effective during the height of the season. At the beginning and end of the season, the farmers relied on CAPM field assistants to pick up their product. As long as the field assistant is involved in hauling product, it is a sign of that the project has failed to bring the farmers along to a sustainable commercial level. This area must receive the utmost priority in the future. As Kimball Kennedy mentioned in his End of Tour Report, transportation can also be viewed as an opportunity for the private sector to develop. Perhaps this is an area for cooperation between the project and SBTG.

IV. CLOSING COMMENTS

The Consultant is very grateful for having had the opportunity to manage such an exciting and yet challenging agribusiness development project in Swaziland.

The support of the USAID mission during this year of change has been outstanding. In spite of many uncertainties within the Agency, the communication between the mission and the project has been outstanding. Much of the credit for this goes to the Project Officer, Dr. Steve Goertz. I thank him for his guidance and friendship during the past year. His dedication to the project, attention to detail, superior communication skills have been instrumental in the project achieving what it has in the last year.

The Consultant would like to thank the many officials of the MOAC, NAMBoard and Nokwane Market for sharing views and insights about the project.

Finally, I'd like to thank all of our home office support team and my field team who gave me the type of support and encouragement to go on, even when the going got rough. It is hoped that all of those who have been associated with the CAPM project over the past three and a half years will have good memories of their involvement. I wish the present CAPM team, with its new leadership, the best of luck as you undertake the work facing you during the next project phase and in accomplishing the original goal and purpose of the project.