



THE DYNAMICS OF THE POULTRY VALUE CHAIN: A REVIEW OF THE BROILER SECTOR IN THE GREATER TZANEEN MUNICIPALITY



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ABSTRACT

The purpose of the study was to analyse the poultry value chain in the Mopani district in order to identify factors, challenges/constraints and opportunities required for its efficiency. The Greater Tzaneen Municipality was chosen as a research area, as it was a good representative of the Mopani District. The stakeholders in the Greater Tzaneen Municipality that had an effect and/or were affected by the poultry value chain were identified. The Agricultural Research for Development tools, such as semi-structured interviews, were used to collect the information from identified stakeholders.

The study reported four categories of farmers, i.e. the contract growers, the small-scale farmers with assured market, the infrastructure subsidized farmers and the resource poor farmers. The challenges and opportunities vary according to the categories of these farmers. The major challenge, with the contract growers, was to operate under a closed system with uncertain profits, however had assured markets, paid their loans and had opportunities to increase their production for better profits. Amongst other challenges the contract-farmers faced were theft, lack of technical and marketing skills.

Small-scale and resource-poor farmers were identified to be operating under an open system; however, they have poor infrastructure, uncertain quality of outputs, and lack of market and production inconsistency.

The advantage for these groups is that they own the live poultry market, and the opportunity arises for the farmers to be placed under mentorship and be organized for better input prices and formal market accessibility.

It was concluded that the poultry value chain in the Greater Tzaneen municipality has challenges, and if addressed properly the value chain could be efficient. The study further concludes that the mentorship programme that was introduced for the farmers seem perfect for the purpose intended for (i.e. repayment of the loans), however it recommend that the contract the farmers are contracted to, should be thoroughly screened, and distributed equitably to mentors in order to ensure competitiveness and profitability for the farming business and to prevent monopoly of the sector within the district.



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The team would like to further express their appreciation to the stakeholders along the poultry value chain (i.e. poultry farmers, feed suppliers, distributors, hatcheries and abattoir) in the Greater Tzaneen Municipality that participated in this research study.

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TABLE OF CONTENTS

ABSTRACT	ii
ACKNOWLEDGEMENTS	iii
The South African 2011/12 ARD Poultry Value Chain Researchers Team	iv
TABLE OF CONTENTS	v
EXECUTIVE SUMMARY	viii
CHAPTER 1: INTRODUCTION.....	1
1.1 BACKGROUND	1
1.2 STUDY AREA	2
1.3 PROBLEM STATEMENT	3
1.4 AIM AND OBJECTIVE	4
1.4.1 Aim.....	4
1.4.2 Objective	4
1.5 RESEARCH QUESTIONS	5
CHAPTER 2: METHODOLOGY	6
2.1 AGRICULTURAL RESEARCH FOR DEVELOPMENT	6
2.1.1 What is ARD?	6
2.1.2 Why ARD?	7
2.2 TOOLS.....	7
2.2.1 Semi-structure interviews	7
2.2.2 Key informant interviews	8
2.2.3 Workshop	9
2.2.4 Typology	9
2.2.5 Stakeholder resource flow map	9

CHAPTER 3: ANALYSIS	10
3.1 INFORMATION FROM KEY INFORMANT	10
3.2 TYPOLOGY (FARMERS' MATRIX)	11
3.3 COMPONENTS OF THE PVC, ROLE PLAYERS, CHALLENGES AND OPPORTUNITIES	14
3.3.1 The Greater Tzaneen Municipality poultry value chain.....	14
3.4 STAKEHOLDER ANALYSIS	16
3.4.1 Stakeholder identification and roles	16
3.4.2 Stakeholder resource flow map	17
3.5 CHALLENGES AND STAKEHOLDERS' PERSPECTIVES.....	18
3.5.1 Contract growers.....	18
3.5.2 Small-scale and resource-poor farmers.....	19
CHAPTER 4: CONCLUSION AND RECOMMENDATIONS	21
4.1 CONCLUSION	21
4.2 RECOMMENDATIONS.....	22
4.2.1 Alignment with LEGDP	22
4.3 LIMITATIONS.....	23



REFERENCES.....	24
------------------------	-----------

ANNEXURES	25
------------------------	-----------

ANNEXURE 1: RESEARCH FIELD’S WORK PLAN	25
---	-----------

ANNEXURE 2: STAKEHOLDER RESEARCH CHECKLIST QUESTIONS	27
---	-----------

LIST OF TABLES

3.1 Farmers’ matrix	11
----------------------------------	-----------

3.2 Stakeholder identification and roles	16
---	-----------

3.3 Challenges and stakeholder perspectives.....	20
---	-----------

LIST OF FIGURES

1.1 Map of the Mopani District	2
---	----------

1.2 The study’s research questions	5
---	----------

2.1 The ARD learning cycle.....	6
--	----------

2.2 Broiler farmers and the ARD research team during interviews	7
--	----------

2.3 Key informant: Mr C Mamashela	8
--	----------

3.1 Dan Rose chickens farm external and internal view	11
--	-----------

3.2 Category 1’s farmer expenses.....	12
--	-----------

3.3 Resource-poor farmer, Mr Mabunda and ARD researcher, Ms Masikhwa.....	13
--	-----------

3.4 Greater Tzaneen Municipality Poultry Value Chain	15
---	-----------

3.5 Stakeholder resource flow map of the broiler sector in the Greater Tzaneen Municipality.....	17
---	-----------

4.1 Scope of the research areas that the team planned to cover during the Study	23
--	-----------

EXECUTIVE SUMMARY

The purpose of this exercise was to combine different stakeholder perspectives in analysing problems that persists in Agriculture (in this case, analyse the poultry value chain in Greater Tzaneen Municipality of Mopani District) with the belief that “together we can do more”. The following institutes, Limpopo Department of Agriculture, Agricultural Research Council, University of Limpopo and University of Venda are individually playing their roles in trying to address challenges in South African agricultural sector. In addition, the farmers are usually treated as subject of research where innovation, new technology and development are being pushed to them without their concern or listening to their needs. International Centre for development oriented Research in Agriculture (ICRA) has come with the Agricultural Research for Development (ARD) methodology for collective gathering of best tools and perspectives of the problem in order to holistically attempt to solve the problem at hand, hoping that collective corrective plans will produce sound results for maximum positive impact.

For application of the ARD tools, the Limpopo Department of Agriculture identified real agricultural challenges that exist in the Limpopo Province. Researchers from the mentioned institutes participated in the training to learn about the ARD tools and their application. The first training phase was termed knowledge acquisition phase, followed by the field study phase. During the knowledge acquisition phase, the team was taught the dynamics of working in a team, acquisition of participatory research methods and understanding of the ARD approach. In the field study phase, the research team conducted field study with participation of different stakeholders, shared information and knowledge about the structure of the poultry sector in the Mopani District with an emphasis on Greater Tzaneen Municipality where factors, opportunities, challenges and their possible solutions were collectively identified.

The required improvements (i.e. possible solutions) for the effective process flow along the poultry value chain, for all the types of farmers (contracted farmers, infrastructure subsidized or small scale farmers) were identified by the research team. However, the possible solutions identified need to be assessed by the concerned department for alignment with their strategies for implementation. It is believed that, hence these are collective institutional perspectives, with all stakeholders participated in the process; the solution might be sound and have a positive impact on addressing the challenges to improve service delivery which is specifically important to the farmers.

The idea that ICRA strives to put across is that, when trying to solve the problem bring innovations, improvements that address the challenges the people face, every stakeholder with an effect on the system’s perspective should be considered. In this model, a government department is encouraged to work with research and higher education institutes, as they are the usual service providers to the affected communities. However, in the process of doing so, they are encouraged to seek the affected people (i.e., farmers, communities, councillors, unions, traditional leaders, chiefs, etc.) perspectives as well. This process will ensure that improvement and technologies that are brought to the people, holistically solves their problems where everyone has participated and has a sense of ownership of the initiative and the outputs thereof.



CHAPTER 1: INTRODUCTION

1.1 BACKGROUND

Limpopo Province is facing challenges such as high levels of poverty (67.3%), food insecurity and high unemployment rates (46.2%) (PROVIDE 2005). The Limpopo Department of Agriculture (LDA) has responded by developing the Zero Hunger campaign. Realizing that the agriculture sector has the potential not only to create a food secure province, but also to put an end to hunger, the LDA started to develop farmers along the commodity approach. The purpose of this approach is to explore challenges in the production of commodities in order to increase their production, competitiveness and accessibility to niche markets, and open opportunities for more social inclusion.

In addressing the challenges that occur in Limpopo Province, the LDA has collaborated with Agricultural Research Council (ARC), University of Limpopo (UL), University of Venda (UniVen), University of Fort Hare (UFH) and the International Centre for development oriented Research in Agriculture (ICRA) to identify opportunities for holistically implementing change. This institutional collaboration is aimed at analysing the identified challenges in the Limpopo Province using the Agricultural Research for Development (ARD) approach. The ARD approach bring everyone that has effect and/or could be affected by the current situation in identifying challenges, opportunities and issues in the sector. The usual methods in solving problems in agricultural sector have been mainly on a single stakeholder approach with only one perspective. The ARD's view is that problems are of a systemic nature, and viewing challenges from one perspective might not entirely solve them. The ARD approach is of a participatory nature that integrates several stakeholder perspectives, with the belief that "together we can do more".

The collaborating institutes and LDA sent research representatives to be trained on the Agricultural Research for Development approach. The representatives were empowered on how to work together as a team from different institutions with different perspectives, and how that collaboration can bring change in the communities they normally work with. Skills on how to engage, facilitate, listen, and observe and stimulate participatory action with stakeholders approached were key. Tools in approaching the systemic nature of the problems were outlined and how to further present, disseminate findings for collective reaction and positive impact.

In applying the ARD approach, the LDA identified the commodities in the Limpopo Province that needed attention, which if made effective and efficient will provide opportunities for reducing food insecurity, poverty levels and unemployment. The identified area includes analysing the value chain of the poultry sector in the Limpopo Province. The current provincial broiler production statistics stands at less than 5% (Agric stats, 2010). Many farmers have invested much into this sector which the Limpopo Province could contribute more than the current situation. There is, therefore, the need to analyse the poultry value chain (PVC) in order to identify issues, challenges and opportunities that could be hindering its effectiveness and efficiency. The success in identifying the issues and challenges in the PVC would holistically assist in developing responsive programmes, and therefore reduce poverty levels, food insecurity and open opportunities for employment.

1.2 STUDY AREA

The study was conducted in the Greater Tzaneen Municipality, of the Mopani District (Figure 1.1), situated in the eastern part of Limpopo Province. The Greater Tzaneen Municipality comprises of land area of approximately 3240 km², and extends from Haenertsburg in the west, to Rubbervale in the east (85km), and just south of Modjadjiskloof in the north, to Trichardtsdal in the south (47km). The Greater Tzaneen Municipality area encompasses towns of Tzaneen, Nkowankowa, Lenyenye, Letsitele and Haenertsburg. In addition, there are 125 rural villages with almost 80% of households (Mopani District Municipality, 2008).



Figure 1.1 Map of the Mopani District



The area has an average temperature of 28°C in summer and 15°C in winter (Reviewed Integrated Development Plan: Mopani District Municipality, 2007/8). Tzaneen normally receives about 881 mm of rainfall per year, with most rainfall occurring mainly during midsummer. This region is characterized by widespread, varied intensive farming activities (commercial timber, cash crops, tropical fruit, citrus fruit and poultry production). The municipality has six dams (Ebenezer Dam, Tzaneen Dam, Tours Dam, Thabina Dam, Makgoebaskloof Dam and Thapane Dam) which supply water to the area for both domestic and agricultural purposes.

The Greater Tzaneen Municipality is a home of mainly two tribes, namely Tsonga and Balobedu (a subgroup of the Sepedi speaking population). The Statistics South Africa 2007 Community Survey reflected the population of the municipality at 349 086. According to the Statistics South Africa 2007 Community Survey, the unemployment figure within Greater Tzaneen Municipality was 20% which has been lower to both the national and provincial average at 23.2% and 27.7% respectively. Income level shows that 27 709 households in the municipality, which is 29% of the population, do not have any source of income.

The municipal area is further characterized by extensive and intensive farming activities (commercial timber, cash crops, tropical and citrus fruit production). In terms of agriculture, Greater Tzaneen Municipality generates the majority of the districts Gross Domestic Product (GDP) which accounts for 43% followed by Letaba Municipality which contributes 23%. This is evident from the high employment sector in Greater Tzaneen Municipality agriculture (40%) followed by Letaba (25%).

The information gathered from this background is that the Greater Tzaneen Municipality has high potential production for agriculture. It is therefore necessary to investigate how positively this agriculture sector could assist to the benefit of those that live in the Greater Tzaneen Municipality, including high levels of poverty and food insecurity, unemployment rate, agricultural competitiveness, inaccessibility to niche markets, and low production.

1.3 PROBLEM STATEMENT

Mopani District is one of the provincial districts that have a lot of poultry operations and potential to improve the lives of its people through this poultry sector. However, the ineffectiveness of the poultry value chain in this district is still a concern to the Limpopo Department of Agriculture. The effectiveness and efficiency of the value chain could contribute towards reducing a number of problems such as:

- High levels of poverty and food insecurity,
- High unemployment rate,
- Agricultural competitiveness,
- Inaccessibility to niche markets, and
- Low production.

1.4 AIM AND OBJECTIVE

1.4.1 Aim

The aim of this study was to analyse the poultry value chain in the Greater Tzaneen Municipality of the Mopani District

1.4.2 Objective

The objective of this study was to identify issues, challenges/constraints and required improvements in the poultry value chain in the Greater Tzaneen Municipality



1.5 RESEARCH QUESTIONS

In ensuring the proper direction and the intensity of the investigation throughout the study, the research team compiled a research work plan (see Annexure 1) informed by a set of questions forming a Research Plan (Figure 1.2, below) that would ensure that the objectives of this study are met. The questions were further used to develop field research questions that are mentioned in detail in Chapter 2 (Methodology) below. For the research questions used in the study and the subjects they were used on refer to Annexure 2.

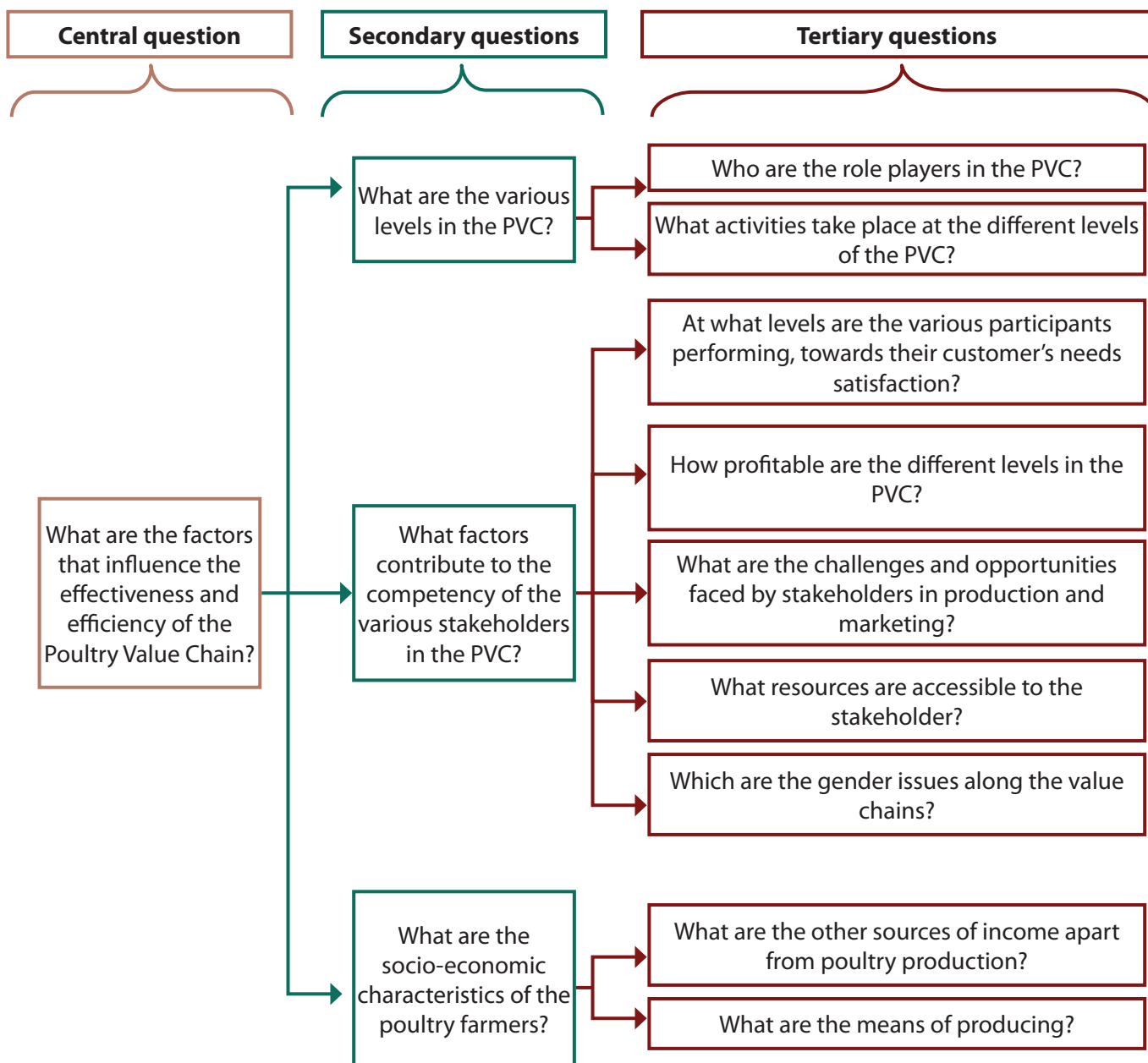


Figure 1.2 The study's research plan

CHAPTER 2: METHODOLOGY

2.1 AGRICULTURAL RESEARCH FOR DEVELOPMENT (ARD)

2.1.1. What is ARD?

Agricultural Research for Development (ARD) is an approach that seeks to bring together various stakeholders with the aim of identifying challenges and opportunities in the agricultural sector collectively. This approach allows institutions to move away from situations where different stakeholders affected by a common problem attempt to solve the problem independently, as this does not always work towards the success of solving complex agricultural issues at hand. ARD approach recognises the importance of different perspectives and background of all stakeholders that when brought together, could create a platform and processes that through their interaction would lead to sound change and innovation (CINSA, 2009). ARD also encourages knowledge and information exchange amongst stakeholders and is thus a motivation for them not only to focus on their areas of expertise but also to be broad minded.

The ARD change is continuous learning and action process; i.e. new products, new processes and forms of organization formed as an outcome. The process is well described in the Figure 2.1 (below). In ARD, stakeholders form partnership and work together to achieve a common product that they continuously screen and evaluate its impact, thereafter new partnerships are formed again to evaluate the new challenges, etc. Within the whole action cycle process, these stakeholders learn from each other (learning cycle) by planning, reflecting and acting/doing together.

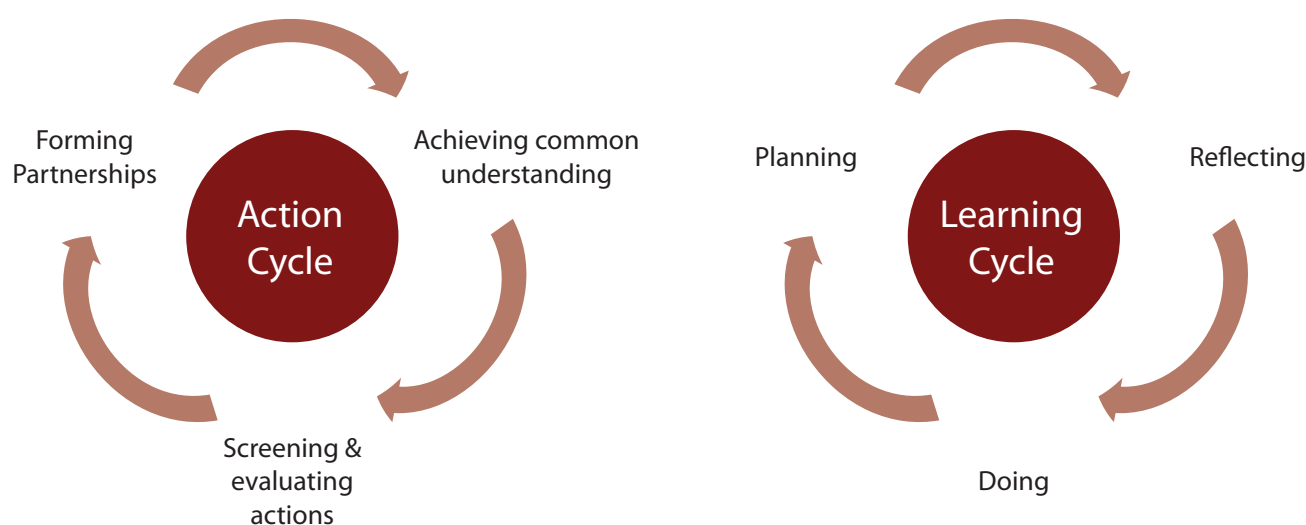


Figure 2.1 The ARD learning cycles



2.1.2. Why ARD?

The ARD approach was used in this study solely for its uniqueness from the conventional method of conducting research, which is the common approach that most of the institutes in this collaboration usually prefer. Many stakeholders in agricultural research and development are dissatisfied with doing “business as usual”. The ARD approach is an approach which has the advantage that all parties affected by the issues at hand are involved in generating, systematizing, and sharing information necessary for action, and therefore increases the probability of success (ICRA, 2007).

2.2 TOOLS

During the training sessions of the research team (organized and given by all collaborating institutions), knowledge on the use and application of participatory tools was acquired to aid the research team on how to better gather information from stakeholders. In the planning phase of the field work, different participatory tools for data gathering (and analysis) were assessed and the appropriate ones were selected. The tools selected for this research are identified below and their application during the field study is explained.

2.2.1 Semi-structured interviews

The ARD approach is of a participatory nature. Communication with stakeholders in obtaining information from stakeholders is, therefore, encouraged to be as free and fluent as possible so as to have a holistic view of the systematic nature of the problem. The typical approach of questionnaires and interviews usually has short questions and slots where the respondent just ticks the boxes, limiting the respondents’ flow of perspectives and therefore the broader view of the faced situation.



Figure 2.2 Broiler farmers and the ARD research team during interviews

In this study, semi-structured interviews were used as a tool to obtain information from stakeholders along the value chain (i.e. input suppliers, small-scale farmers, abattoirs and markets). Semi-structured interviews are informal interviews with open-ended questions that allow interviewers to pursue particular points in more depth as the interview develops (Hawkins, 2009). In this study, semi-structured interviews were accompanied by questions prepared by the research team (Annexure 2) as an aid to guide them through the discussion with stakeholders, for the team not to lose direction, but also to know which direction to stimulate, and pursue further discussion, and still provide the interviewee with the opportunity to flow.

Figure 2.2 presents the semi-structured interview session, the ARD research team had with the poultry farmers in the Great Tzaneen Municipality. The interviews were aided with the mapping of the poultry value chain by farmers and giving their perspectives on how the situation appears to them.

2.2.2 Key informant interviews



Figure 2.3 Key informant: Mr C Mamashela

Key informants are people that have the backbone information of the identified problem, those that might have been involved in the situation for longer and have broader knowledge and experience on the identified problem. In this study, key informants were identified as animal scientists and managers responsible for the poultry industry in the Greater Tzaneen Municipality's Department of Agriculture and they were also interviewed. However, the process of interviewing them was different from semi-structured interviews. In this approach, though the research team had pre-planned the semi-structured questions to note what should be "the-must-know" from the interview, the team had more time given to the key informant. Usually the key informant also gives a broader view of the situation that the research team might have not been aware of in planning the research work and might serve as a source of more "literature review". The key informant (Figure 2.3), in this study, also served as the liaison between the research team and the identified stakeholders in the Greater Tzaneen Municipality. This tool was used by early ARD research teams (e.g. Chuene *et al.*, 2007) and proved to be useful.



2.2.3 Workshop

In the content of this study, workshop refers to a formal meeting where stakeholders held a meeting upon invitation to discuss the issues based on a structured agenda. This tool was used to share the preliminary findings and to obtain the Greater Tzaneen Municipality's Department of Agriculture representatives perspective on the issues, opportunities and challenges raised during the farmer's and key informant's semi-structured interviews. This tool was also used by Chuene *et al.*, 2007 in analysing indigenous pest and disease control methods used in crop and livestock farming production in the Sekhukhune district. In this study, a workshop with government department was organized. During the workshop, the tool assisted the research team to get the Greater Tzaneen Municipality (Department of Agriculture) perspectives on the matter, and to compare the information with the individual stakeholders' perspectives. The tool also probed discussion to find further issues, opportunities and challenges that might be affecting the current situation.

2.2.4 Typology

ARD takes into account that households differ in their access to resources and have different preferences, objectives and expectations. Farmers also have differences and engage differently in their agricultural activities. Typology, therefore, is a concept and a tool that is used to describe a number of manageable groups of farmers and classify each farmer into a group that best describe their situation. The farmers in the Greater Tzaneen Municipality, following the information gathered from interviews with the key informant, were therefore identified and manageable groups were described and each farmer was classified into a group that best suited their situation. This tool was necessary to enable the identification of the challenges and opportunities that affect individual groups as issues that affect them won't be the same and therefore respond differently. Botha *et al.*, (2005) also used the tool in a case of commercializing arable farming at Rust de Winter farms of Limpopo Province, South Africa.

2.2.5 Stakeholder resource flow map

The stakeholder resource flow map is a tool that assists in identifying, and analysing the nature of services that are available to the targeted sector. In this study, there was a need to identify the resources that are available to the broiler sector in the Greater Tzaneen Municipality. This assisted in unpacking the kind of services and support, the sector had, and the distance these services were available to the broiler sector. Identifying these resources in this study assisted in evaluating how this poultry value chain is supported, the distance of support to it, and how better these resources could be better placed thus indicating opportunities and ensuring its efficiency.

CHAPTER 3: ANALYSIS

3.1. INFORMATION FROM KEY INFORMANT

Upon arrival at the Mopani District, the ARD research team's entry point was the Greater Tzaneen Municipality's Department of Agriculture. The key informant was assigned to brief the research team of the poultry sector in the Mopani District. The research team was enlightened that the Mopani District is too large considering the time frame (2 weeks) that they had planned for the field work. It was also discovered that the department had financial constraints which had an effect on the support services that the research team expected. However, the team was also informed that the Greater Tzaneen Municipality has a number of poultry production entities, and the information represent the Mopani District. The Greater Tzaneen Municipality's Integrated Development Plan (2010/2011) reported that the municipality, in terms of agriculture, generates majority of the districts' GDP (43%).

From the information provided by the key informant, supported by Greater Tzaneen Municipality's Integrated Development Plan (2010/2011), the research team was therefore able to make the decision to:

- Redesign their research plan (See Annexure 1.)
- narrow the study focus to only Greater Tzaneen Municipality,
- analyse the poultry sector, excluding layer chickens, as broiler projects dominated the poultry production in the area, and
- Identify and classify farmers described into manageable groups that may be facing the same challenges.



3.2. TYPOLOGY OF POULTRY FARMERS IN THE MUNICIPALITY

The key informant proceeded to disclose the types of farmers that departmental support services are normally given to and other stakeholders that usually provide services to the poultry industry. The farmers may be divided into four categories explained in Table 3.1 below.

Table 3.1 Categories of Farmer Producers

CATEGORY OF FARMERS	CAPACITY	INPUT SUPPLIER	MARKET
1. Contract growers	40000	Bush Valley (Strategic partner)	Bush Valley (Strategic partner)
2. Small Scale (Market assured)	5001-10000	Local distributors	Bush Valley & community
3. Small-Scale (Infrastructure subsidized)	2501 - 5000	Local distributors	Surrounding community
4. Resource-poor	1000-2500	Local distributors	Surrounding community

Category 1: Contract growers



Figure 3.1 Dan Rose chicken farm external view (left) and internal view (right)

This group is made of farmers that obtained farms through Land Bank loans. However, farmers were not producing enough capital to repay the loans and the bank threatened to repossess their lands. The government intervened and assisted the farmers to build the 40 000 capacity environmentally-controlled chicken structures. To ensure sustainability of the projects, the farmers were also contracted to the strategic partner and mentor (called Bush Valley) that would supply the inputs (day-old chicks, feeds and medication), monitor rearing, process and sell matured chickens to available markets. The little background on the strategic partner - Bush Valley Chickens is that, it's a poultry processing operation which comprise of chicken processing facility, and processes approximately

150,000 chickens per week. The operations are located in Greater Tzaneen Municipality, Limpopo, South Africa.

In order to analyse the economics of this category, a sample of production records from the farmers were gathered. On average the farmers expenses are shown in Figure 3.2 below.

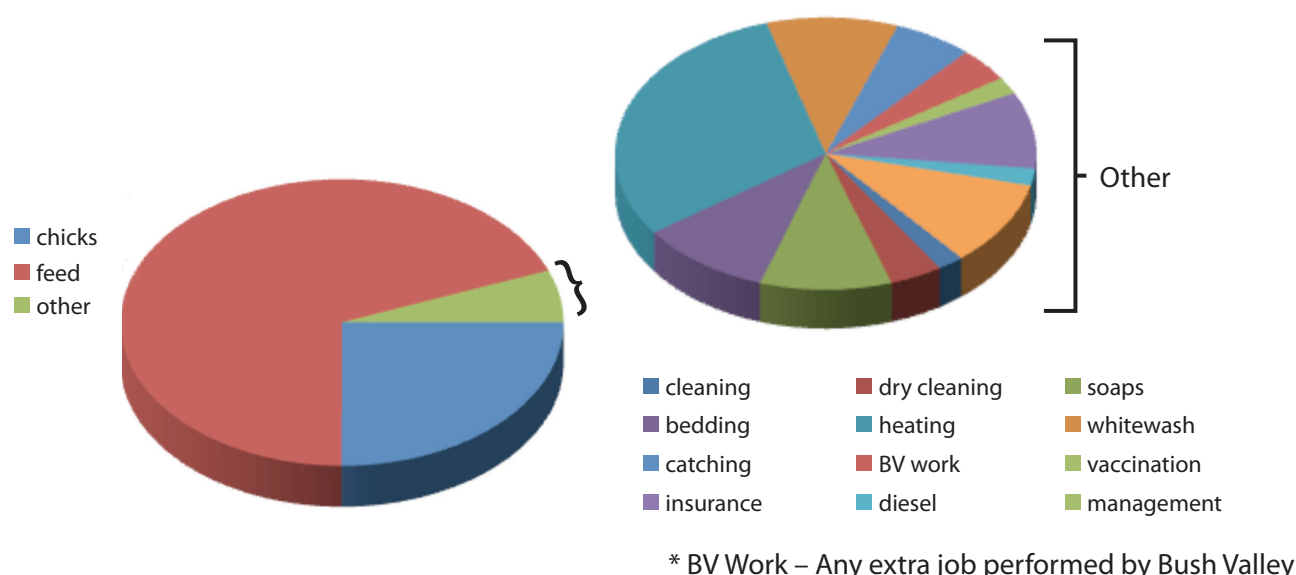


Figure 3.2. Category 1 farmers expenses

Most of the expenses, as in any other agricultural operation, go to buying feed and chickens. The income from each production cycle on the sale of the chickens would, after paying the above-mentioned expenses, then be subtracted by the strategic partner for his expenditures, then 60% would be taken to repay the bank loan and the remaining would be given to the farmer.

From one invoice sample, the farmer was given 40 000 chicks, reared 39 000 to 5-6 weeks, each with an average weight of 1.95kg. The income that came from the sale was about R750 000 (R9.85/kg), and expenses were about R632 000.00, the strategic partner was not owed anything and the farmer had finished paying his bank loan, and he managed to receive an earning of R118 000.00. This confirms the findings by Inkuku Stop (2008) most of the Poultry Production expenses goes to feed and that Limpopo poultry producers are buying feed at higher prices than other counterparts in other provinces, therefore making Limpopo producers unable to compete.

Category 2: Independent small-scale farmer

In this category, a farmer rears at most 10 000 chickens per cycle and mainly sells to Bush Valley's abattoir for processing and markets. The uniqueness of this category is that the farmer does not depend on the strategic partner for production inputs and is not obliged / contracted to sell mature chickens to the strategic partner. In fact, the preferred market is live chickens to the community as they bring better profit margins. However, Bush Valley becomes the better option in case there's a need to sell all chickens at once.



Category 3: Small-scale infrastructure subsidized farmers

This category of farmers has been subsidized with broiler production infrastructure under LADEP (Limpopo Agricultural Development Programme). The programme requires that the farmers be grouped under one agricultural project with multitude ownership. The chicken houses have a carrying capacity of about 5000 chickens per cycle. The production inputs are obtained from local distributors and their target market is live chickens to the local community (i.e. individual buyers, pensioner's pay point and bulk buyers).

Category 4: Resource poor farmers

The farmers in this category have built infrastructure, started rearing chickens by themselves and are producing about 2 500 chickens per cycle. The production inputs are obtained from local distributors and their target market is live chickens to the local community (i.e. individual buyers, pensioner's pay point and bulk buyers).



Figure 3.3 Resource-poor farmer, Mr. Mabunda and ARD researcher, Ms Masikhwa

3.3. COMPONENTS OF THE PVC, ROLE PLAYERS, CHALLENGES AND OPPORTUNITIES

The categories of farmers were visited in order to establish the components of the value chain, role players, challenges and opportunities. This section describes the poultry value chain, stakeholders, roles, opportunities and challenges as observed by the researchers.

3.3.1 The Greater Tzaneen Municipality Poultry Value Chain

The path of resources, i.e. from input suppliers (feeds, day-old chicks and medication) to the consumers, is described in the poultry value chain (Figure 3.4) below. In category 1, the inputs that are supplied to contract growers are organized and supplied by the strategic partner (Bush Valley). The same applies to the market of the fully reared chickens that are sold at 5-6 weeks of age. In other words, the strategic partner supplies inputs, mentors the rearing of the chickens by farmers and then picks them for processing and marketing. It should be noted that the contract farmer's market route is not limited to Mopani District. In fact, the products from the Bush Valley farmers go beyond the district and possibly, outside the province.

As for the other categories of farmers, their inputs are obtained from local distributors (Table 3.2). These are usually categories for new entrants' and usually called small-scale farmers in the agricultural sector. The local distributors/input-suppliers collect orders from farmers then order day-old chicks, feed, and medication from big companies according to the farmers' needs. However, according to the distributors, the demand of the chicks during December month exceeds supply as farmers usually place orders late. These categories' target market is live chickens to the communities who either buy as individuals, pensioners or as bulk buyers. However, the Category 2 farmer still has the option to sell to Bush Valley when in need to clear all the stock.

The retailers around the Greater Tzaneen Municipality were visited to investigate their poultry products needs and sales. Most of the big retailers' poultry products were found to be ordered by their central logistic and distribution unit which orders for all their branches in South Africa, therefore making the local retail store to have less say on the poultry stock received. Many retailers had imported poultry products as far as from Brazil. The opportunities for the poultry farmers in category 2 to 4 in the Greater Tzaneen Municipality to enter the formal markets are less, unless if they join Category 1 and the strategic partner negotiate on their behalf. The poultry industry at this level needs much financial power that the farmers in this category do not seem to have.

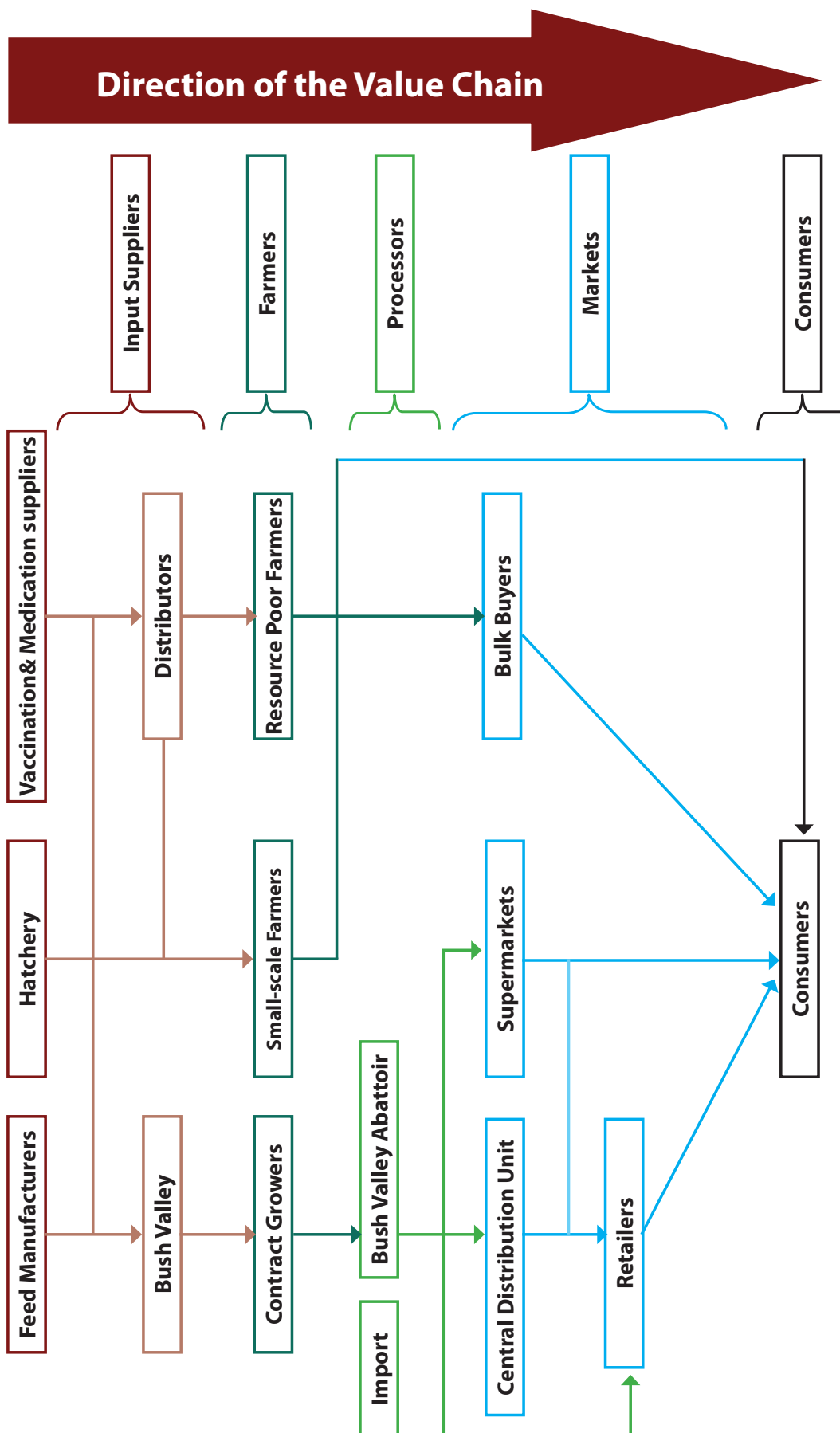


Figure 3.4 Greater Tzaneen Municipality Poultry Value Chain

3.4. STAKEHOLDER ANALYSIS

3.4.1 Stakeholder Identification and Roles

Table 3.2., shows the different stakeholders that constitute the poultry value chain of the Greater Tzaneen Municipality in Limpopo Province as well as the various roles that each stakeholder is expected to perform in the sector.

Table 3.2 Stakeholder identification and roles

STAKEHOLDER	ROLES
Hatcheries – Lufafa	<ul style="list-style-type: none"> • Manages the breeding stock • Supplies day old chickens • Provides technical support
Distributors – Snyman Voere – Brennco – LC chicks – Epol	<ul style="list-style-type: none"> • Supply feeds, day old chicks, medication, vaccines and production equipment. • Provides technical support.
Farmers	<ul style="list-style-type: none"> • Rearing and management of the chickens from day one until point of slaughter. • Market identification. • Supply mature chickens to their targeted markets and abattoirs
Abattoirs (Processors) – Bush Valley Chickens	<ul style="list-style-type: none"> • Slaughter the chickens • Processing • Package • Supply to the markets and consumers • HACCP (Quality control)
Markets – Retailers – Supermarkets	<ul style="list-style-type: none"> • Buying and selling • Packaging and Value adding • HACCP (Quality control)
LDA	<ul style="list-style-type: none"> • Provide support (Infrastructure, financial, market identification options, training, and advisory)
SAPA	<ul style="list-style-type: none"> • Organize farmers • Representative/Mouth piece for poultry farmers • Disseminate information, e.g. through farmer magazines



STAKEHOLDER	ROLES
Consumers:	• Buyers of the products
– Individuals	• Consumes the production
– Pensioners	• Reflect on the product (feedback)
– Bulk buyers	• Influence production and price

3.4.2. Stakeholder resource flow map

Additional to the stakeholder identification and roles, Figure 3.5 presents the resources and nature of support services that are available and accessible to different stakeholders in the broiler sector of the Mopani District. These resources were further categorized according to those that are available at local, provincial and national level. Contract growers were identified to have easy access to the resources and have maximum support service from the strategic partner and the government department. However, small-scale and resource poor farmers find it difficult to access the resources and markets, although the LDA and feed distributors provide support and technical services to them.

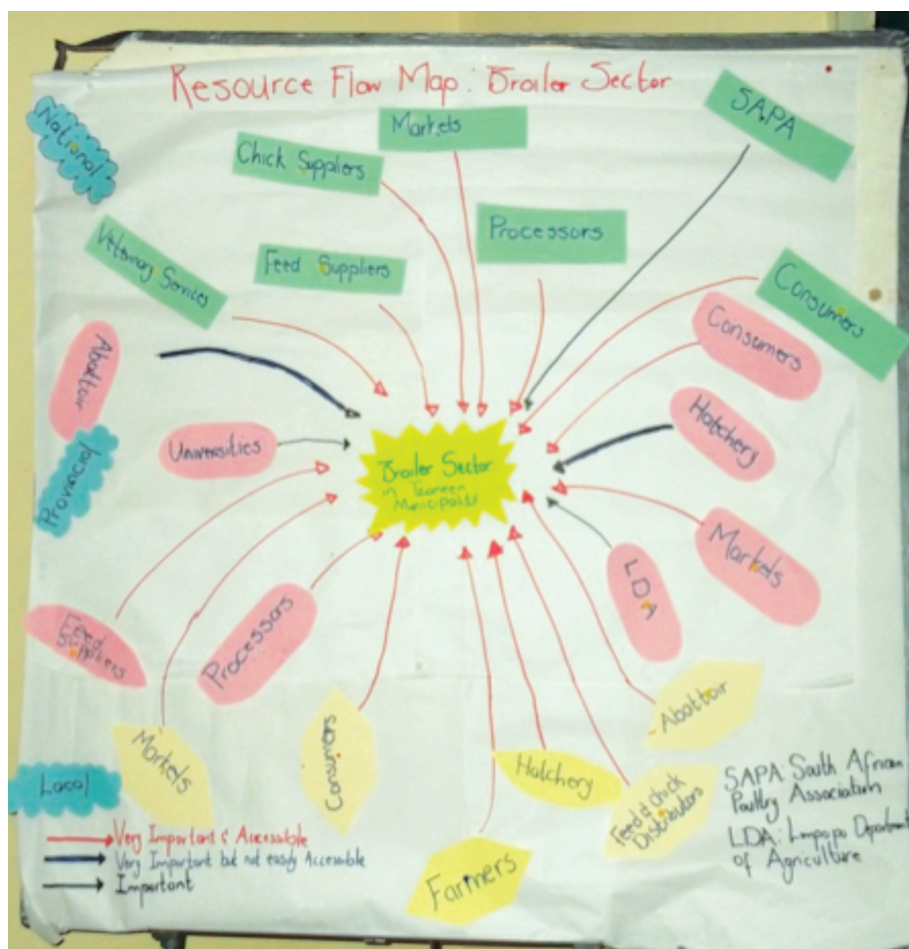


Figure 3.5 Stakeholder resource flow map of the broiler sector in the Greater Tzaneen Municipality

The support that category 2 to 4 have is of a “middle-man” kind of nature, and therefore come at a cost. Their lack of organization disadvantage them in a sense that they cannot bargain for cheaper prices for their inputs (feed and day-old chicks) as they don’t buy in bulk as in Category 1. Their day-old chicks are sometimes left-overs of bulk buyers with poor genetic quality, and therefore affect growth of their stocks. As for their sales, they will also not be able to negotiate for a formal market as their production quality is not monitored and is inconsistent.

3.5 CHALLENGES AND STAKEHOLDER’S PERSPECTIVES

This chapter reflects on stakeholders’ perspectives on challenges affecting the effectiveness and efficiency of the broiler sector in the Greater Tzaneen Municipality. Each category of farmers and the Department of Agriculture shared their challenges and the opportunities in Table 3.3.

3.5.1 Contract growers

Theft was identified as one of the main challenges that are faced by the farmers contracted to contract growers and the strategic partner (Bush Valley). There were a number of chickens that cannot be accounted for in the production cycle. After the chickens were reared, the farmer count and record those loaded into the pick-up trucks from the farm. Upon arrival at the abattoir, the initial count by the farmer doesn’t reconcile with those of the strategic partners. The probabilities are that the farmers and drivers don’t count well before leaving the farm, or chickens are being stolen along the road to the abattoir, or the chickens disappear in the hands of the strategic partner. Farmers felt that the responsibility of theft is solely on their shoulders hence they have to pay for every mortality or disappearance of chickens in the production cycle. They indicated that there is no clear understanding of the contract and most of the roles are not implemented by the strategic partner. The strategic partners’ views are that there is indeed a challenge of theft however; the strategic partner explained that farmers are part of the problem as they steal their own chickens. The strategic partner disclosed that there were cases where his own labourers were also caught and fired for stealing chickens during transportation and in the abattoir. It is of the government’s view that roles and responsibilities stipulated in the contract are not clearly implemented, as the contract clearly states the farmer will be held accountable for the disappearance of the chicken on the farm, both parties are to share the risk of the chickens that disappear on the road to the abattoir, and strategic partner should be held accountable for those that disappear at the abattoir. Therefore, if farmers feel they are being robbed and charged for chickens that disappear at the abattoir, they need to be assured that it is not the case.

One other challenge was the ability of the contracted growers to build financial reserves. The key informant seemed concerned about the usage of the income that these farmers receive. He feels that most farmers can contribute more to the bank loan and graduate from the strategic partnership model. However, farmers seem to utilize all the profit for personal needs and have no reserves for emergencies and during lower income months. The strategic partner concurred with the information provided by the key informant, and said some portion of the income are utilised in investments that are non-broiler sector related. He feels the farmers can save more, and build more production houses for additional income. There is therefore a need for these farmers to be partnered with financial advisors for proper advice and support services.



The samples of financial statements provided during interviews indicated that farmers contribute significant amounts of their income to Bush Valley for certain tasks that they could carry out themselves (such as cleaning and technical services). There is, therefore, an opportunity for the farmers to increase their income (e.g. by organizing their own cleaning team and clean on their own). Some farmers experience high chicken mortalities rate while waiting for technical assistance from the strategic partner. These are signs of over dependency which can be minimised in order to increase their profit margins. The farmers can be offered training on technical operations of the poultry production houses in order to cut on costs regarding losses as a result of technical issues such as diseases and other adverse effects.

Farmers raised concern on the determination of some costs of inputs (e.g. feed, prices of chickens per kg) and alleged that the strategic partner is unable to reveal such information. That kind of information could still not be accessed by the research team during the interviews and visits. Therefore, some level of transparency and trust is required. Lack of transparency gives the farmers an impression that they are being cheated and it will forever be a concern for the farmers.

While this model is effective, the question would still be on how it can be made more efficient. Being a closed system as it appears, there is a need to investigate, if this partnership is symbiotic, or if it only benefit the strategic partner. In addition, several interviews with the farmers revealed that there's a chance of a new and bigger potential strategic partner coming on board. It should be ensured that the contracts the farmers enter into are well explained to avoid similar challenges experienced.

Although, it looks like an opportunity to move farmers from small-scale to commercial farming, the mentorship programme benefit few mentors/strategic partners, and that it does not ensure economic equity for all parties in South Africa. If this situation continues to be ignored, the crisis of monopoly in the agriculture sector will continue and it will hinder the chance for entrepreneurship development along the poultry value chain.

3.5.2 Small-scale and resource-poor farmers

These categories of farmers are faced with challenges such as unscrupulous dealers. These dealers sell poor quality chicks along street corners that consume high amounts of feed but have no growth or have retarded growth. They bring fruitless expenditure to the farmers without better returns. The distributors feel that the farmers need to be aware of such dealers, and continue to buy from reliable suppliers. The distributors are of the view that these farmers fail to make good business decisions. However, government is aware of such dealers and confirmed that farmers prefer cheap inputs without considering good quality.

High cost of feed is also a challenge to the resource-poor and small-scale farmers. It is alleged that shortage of maize supply in the country contributes to high feed costs. The farmers in category 1 have advantage over others that the strategic partner is capable of negotiating for better prices with suppliers and also buys in bulk to make provision for years with shortages.

Table 3.3 Challenges and stakeholder perspectives

CHALLENGES	PERSPECTIVES		
	CONTRACTED FARMERS	STRATEGIC PARTNER	LDA (GREATER TZANEEN)
Theft of chickens	<ul style="list-style-type: none"> The processor should be responsible for mortality to and/at abattoirs 	<ul style="list-style-type: none"> Farmers drivers and strategic partner's labourers steal chickens 	<ul style="list-style-type: none"> Drivers, farmers and their labourers steal chickens for better sales
Contract understanding and implementation	<ul style="list-style-type: none"> Lack of understanding Their views in the contract are not represented 	<ul style="list-style-type: none"> The contract is well understood by both parties 	<ul style="list-style-type: none"> They acted as mediators during contract negotiations The farmers and processors views are well represented by the legal teams There is a lack of implementation of the contract to the farmers and processors
Oversupply of feeds	<ul style="list-style-type: none"> The feed supplier (Bush Valley) charges farmers for feeds that are not used 	<ul style="list-style-type: none"> Farmers are responsible for returning extra feeds to the supplier 	<ul style="list-style-type: none"> Roles and responsibilities are in the contract
CHALLENGES	SMALL-SCALE FARMERS	SUPPLIERS/AGENCIES/DISTRIBUTORS	LDA (GREATER TZANEEN)
Unscrupulous dealers (Fly-by-night)	<ul style="list-style-type: none"> The chicks have poor growth rates and have high input cost They behave like indigenous chickens 	<ul style="list-style-type: none"> Farmers are aware that products in the street are poor, they just prefer cheap things 	<ul style="list-style-type: none"> Disappointed that farmers are failing to make good business decisions These dealers are a threat to the farmers' business
Feed prices	<ul style="list-style-type: none"> Feeds prices are high 	<ul style="list-style-type: none"> Fluctuation in maize prices contributes to the high prices of feeds 	<ul style="list-style-type: none"> It is because of the unstable maize prices and high demand



CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 CONCLUSION

The poultry value chain in the Greater Tzaneen Municipality was reviewed and analysed. All the feed products are produced outside the district and distributed in the region. There is only one hatchery in existence in the district and some more day-old chicks are imported by distributors. These distributors don't only supply input but also support services, including training and farmers' workshop.

There were four categories of broiler farmers found in the poultry sector of the Greater Tzaneen Municipality namely the contract growers, the market assured small-scale farmers, and the infrastructure subsidized farmers and the resource poor farmers.

The contracted farmers were shown to be operating under a closed system, which makes it hard to investigate and find opportunities. Although the strategic partner model looks complicated, it seems to be achieving the purpose it was intended for. With the possibility of the introduction of the new strategic partner and current abattoir expanding, the opportunity arises for the contracted farmers to produce more and new farmers to be contracted into the strategic partner model. This will be positive for the contracted farmers and for small scale farmers to increase their profit margins and move to higher production levels, respectively. Training programmes on technical and marketing skills should be made available to these farmers. This would assist in reducing the production cost, graduate from the strategic partnership model and increase savings that are a necessity in covering for emergencies.

On issues around the contract, roles and responsibilities should be well stipulated, revised and implemented by different role players. The contract needs to be transparent to all involved and should be encouraged. However there's a need for the government to look at the partnership models in order to open opportunities for more mentors, not to only benefit a few and put a stop in monopolization of the sector. Inclusion of more strategic partners would ensure social and financial equity in South Africa and to all that live in it.

Although the small-scale and resource poor farmers operate under an open system it was determined that the costs of inputs (feeds, chicks, medication and transport) are very high for them. Poor quality infrastructure and inaccessibility to formal market pose as a threat of losing profits and therefore sustainability to these farmers, and may be the reason for their inconsistent production. Although, there is no stable market for these farmers, there is still a need to educate farmers on costs of production for them to be able to determine the price of the final product. The possibility of the abattoir expanding might be an opportunity for these farmers to grow, given that they get a mentor that would ensure quality and consistency of their supply. An opportunity arises again for these farmers to be moved to the level of contracted farmers as the LDA emphasizes that it is intending to develop farmers on a commodity approach, and therefore, investments on these farmers can be made.

It was concluded that the Poultry Value Chain in the Greater Tzaneen municipality has challenges, and if addressed properly the value chain could be efficient. The mentorship programmes introduced for the development of the farmers productivity seems perfect for the purposes they were intended for (i.e. repayment of the loans), however it is recommended that the contacts the farmers sign, should be thoroughly screened and distributed equitably to mentors in order to ensure competitiveness and profitability for this farmers and to prevent monopolization of the sector in the province.

4.2 RECOMMENDATIONS

The study proposes that the following actions/studies be undertaken in order to ensure the efficiency of the entire poultry value chain.

- The initial study was intended at focusing on the Mopani district, but due to time constraints and other factors the ARD team only analysed the Greater Tzaneen Municipality. It is not assured that this study fully represents the whole district and, therefore, recommended that further research focuses on the whole district.
- Both contracted growers and small-scale farmers should receive organized training programmes on technical and marketing in order to increase their knowledge on supportive skills that would increase their production efficiency.
- Mentorship programmes/strategic partner models seem great, as also reported by Inkuku Stop (2008) that what is also evident is the need for an organized large company or co-operative structure not only to bring stakeholders together but to provide a competent experience management structure to the various groups. However there's a need for the government to relook into these models in order to open opportunities for more mentors and not benefit a few in order to minimise monopolization of the sector to ensure equity to all South Africans.
- An opportunity arises again for these farmers to be moved to the level of contracted farmers as the LDA emphasizes that it is intending to develop farmers on a commodity approach, and the bigger and new strategic partner in the picture. It is therefore, recommended investments be channelled to these small-scale to ensure their financial freedom.

4.2.1 Alignment with the LEGDP

The recommendations from this study align with 2 of 14 pillars of the key action programmes of the Limpopo Employment Growth and Development plan (LEGDP) (2009-14):

- a. Industrial Development: Building efficient poultry industry, and
- b. Agriculture and Rural Development



4.3 LIMITATIONS

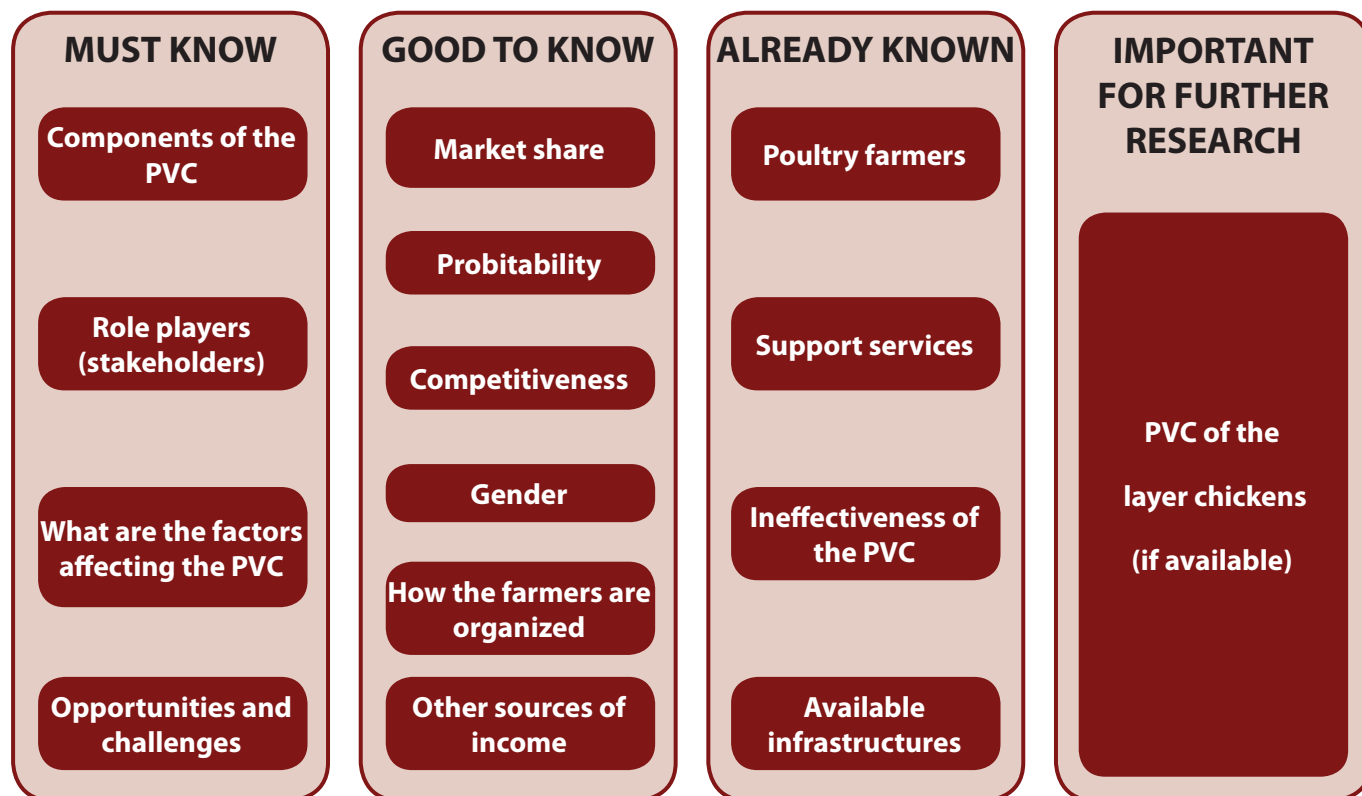


Figure 4.1 Scope of the research areas that the team planned to cover in the study

The team had a plan to cover several research areas during the study in Mopani District (Figure 4.1). All areas that the team felt the report must cover have all been investigated upon (i.e. components, role players, opportunities and challenges along the value chain). However due to time and governmental budget constraints there were areas that the team could not cover and that they felt it would have been beneficial to find in the report. The areas included:

- Study on the market share, the understanding of who's having the bigger slice of the broiler sector in the Mopani district.
- Profitability and competitiveness at various levels of the value chain, especially for the farmers.
- The understanding of the gender issues and balance along the value chain.
- To cover the whole poultry value chain of the Mopani District that just Greater Tzaneen Municipality
- To cover the whole poultry sector than just the broiler industry.

The research team however acknowledges that with the time given, the study could only be of a diagnostic nature and detailed research is therefore necessary to unpack the areas that were not covered.

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ANNEXURE 1: RESEARCH FIELD'S WORK PLAN



DATE	TIME	PROCESS	WITH WHO	WHERE	FOR WHAT
Thursday 12/0	08:30 – 16H00	Courtesy Call Distribution of the research plan Interview with the key informant	Dept. of Agric. TZN	Municipal offices	Introductions and inform of the plan of action
Friday 13/01/2012	08:30 – 16H30	Interview with the key informant	Mr C Mamashela	Municipal offices	Understanding of the PVC in Greater TZN Municipality
Saturday 14/01/2012	08:30 – 16H30	Interviews with Markets	Local retailers	Tzaneen Town	Understanding of poultry markets in TZN
Sunday 15/01/2012	17H00 - 19H00	Capturing of gathered information	Research Team Members	Accommodated Venue	Keep track and plan for next day
Monday 16/01/2012	08H00 - 12H00	Interviews with farmers	Bush Valley Contracted Farmers	Klipstone, Tankganas hoek & Jaffrey	Analysing of poultry production in TZN
	14H00 – 16H00	Interviews with farmers	Infrastructure Subsidized Farmers	Lenyenye Civic Centre	Analysing of poultry production in TZN
	17H00 – 17H30	Interviews with farmers	Independent small- scale farmer	Mokgolobotho	Analysing of poultry production in TZN
Tuesday 17/01/2012	08H00 – 11H30	Interviews with Input Suppliers	Epol, Lufafa Hatcheries, Snyman voere, LA Chicks & Brennco	Letelele	Analysing of poultry production inputs in TZN
Wednesday 18/01/2012	08H00 – 13H00	Interview with Strategic partner and mentor	Bush Valley		Understand the Poultry sector in TZN and the relationship with Contract growers
	14H00 – 17H30	Interviews with farmers	Resource Poor Farmers	Lemoenfontein	Analysing of poultry production in TZN

DATE	TIME	PROCESS	WITH WHO	WHERE	FOR WHAT
Thursday 19/01/2012	08H30 – 16H30	Consolidation of data	Research Team Members	Municipal offices	Preparation for the workshop
Friday 20/01/2012	08H30 – 14H00	Workshop	Dept. of Agric. Mopani District	Municipal offices	Presentation of preliminary findings

ANNEXURE 2: STAKEHOLDER INTERVIEW CHECKLIST



STAKEHOLDER	QUESTIONS PREPARED	STAKEHOLDER	QUESTIONS PREPARED
Liaison officer and extension officer	<ul style="list-style-type: none"> • Who are the actors along the poultry value chain (PVC)? • How profitable are the different levels in the PVC? • What are the challenges and opportunities experienced by the stakeholders? • How is the organizational structure of the farmers (how are the farmers producing)? • Number of poultry farmers, feed producers, abattoirs, processors, etc.? • What are the gaps that exist in the poultry value chain in the district? • What is the gender composition of the actors in the PVC? • Copy of the mentorship contracts along the PVC (e.g. Bush valley and the farmers) 	Farmers	<ul style="list-style-type: none"> • Background or history of production • Role players in the PVC according to farmers • Factors affecting the PVC (opportunities and challenges) • Organization of the farmers (how the farmers are producing) • Accessibility and costs of inputs (note transport issues) • Other sources of income • Profitability of produce • Market share • Competitiveness • Gender composition of producers
Suppliers	<ul style="list-style-type: none"> • Role players • Components of the PVC • Factors affecting PVC • Opportunities and challenges • Competition, market share, profitability 	Abattoirs	<ul style="list-style-type: none"> • Quality of seeds and chicks supplied to farmers • Factors affecting the PVC (opportunities and challenges)

