

SADC-EU ECONOMIC PARTNERSHIP AGREEMENT (EPA)

By Dr Vuyo Mahlati

AFASA President

SADC-EU ECONOMIC PARTNERSHIP AGREEMENT (EPA)

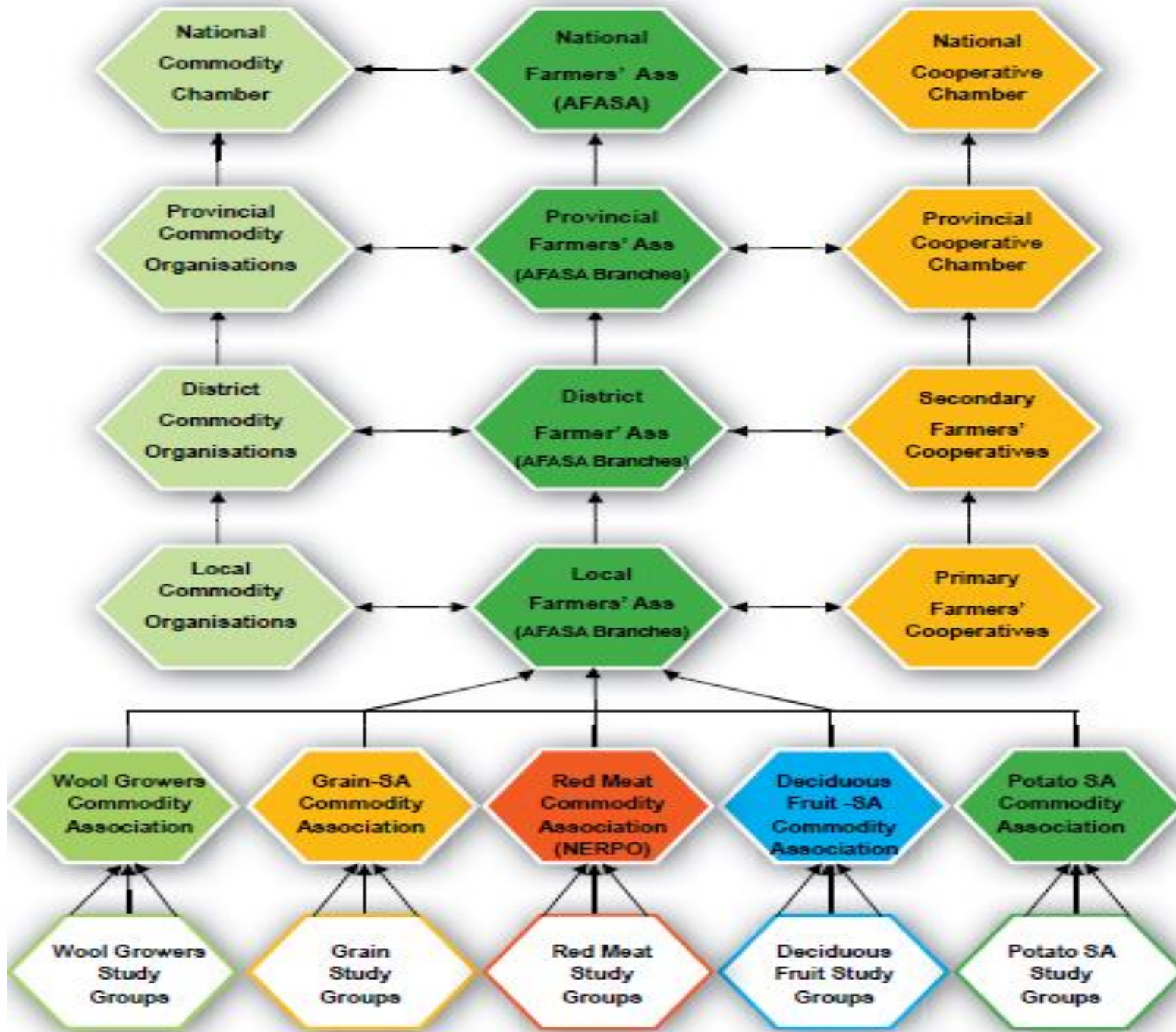


- Development-oriented: the EPA
- Agreement contains sustainable development which covers social and environmental matters
- Improved opportunities for trade in goods and better trading
- EPA includes a bilateral protocol between the EU and South Africa on the protection of geographical indications and on trade in wines and spirits

EPA and Transformation



- Trade relations as Part of Political and Economic Relations
- EPA uptake in SA entrenching Inequalities (racial, class, gender, special)
- Opportunity for Redirecting New Entrants to Ethical and Sustainable Production
- Explore Collaborative Possibilities for Market Access, Mutual Growth and Development



WHO IS AFASA?

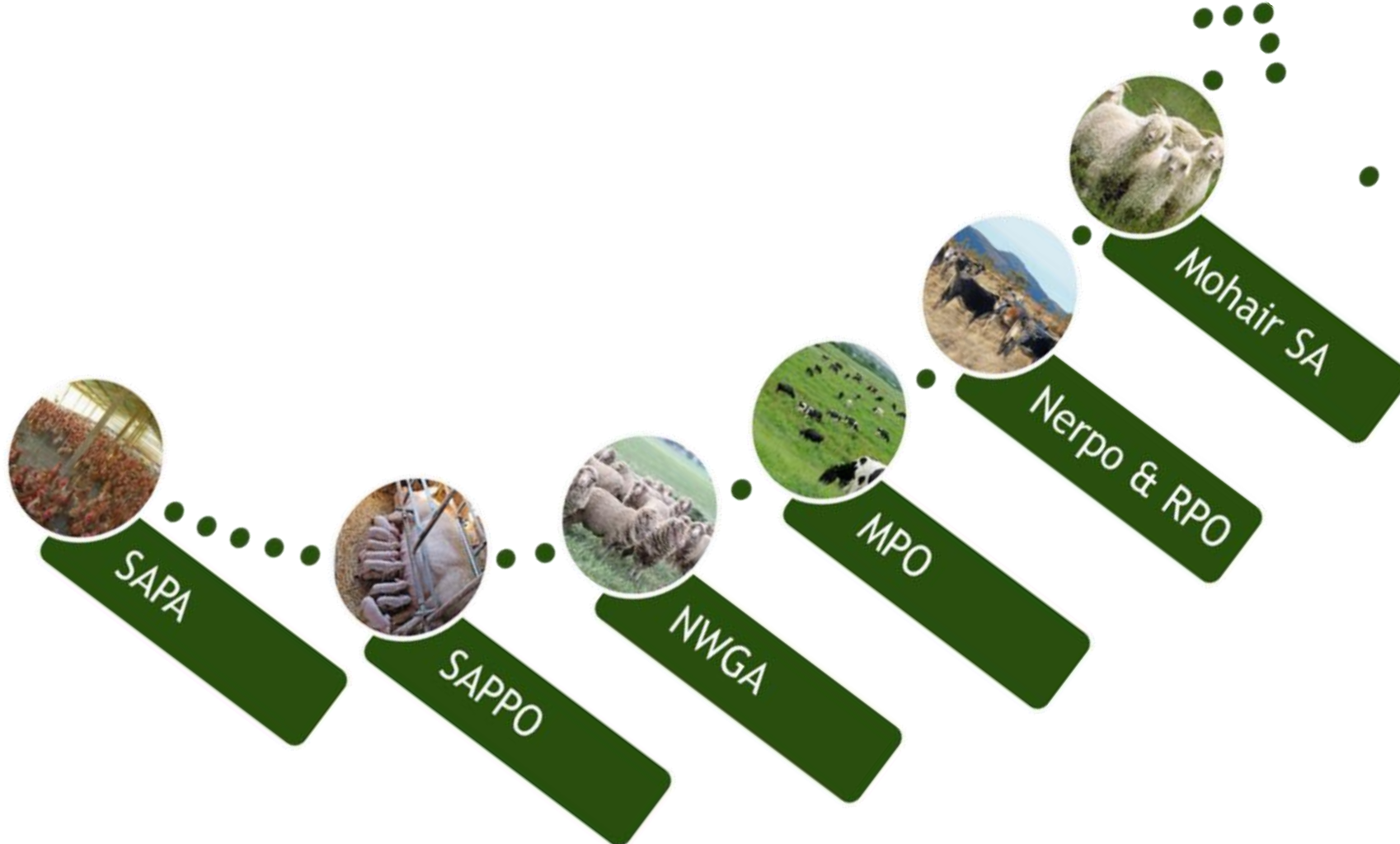
FARMER →

Service delivery of AFASA

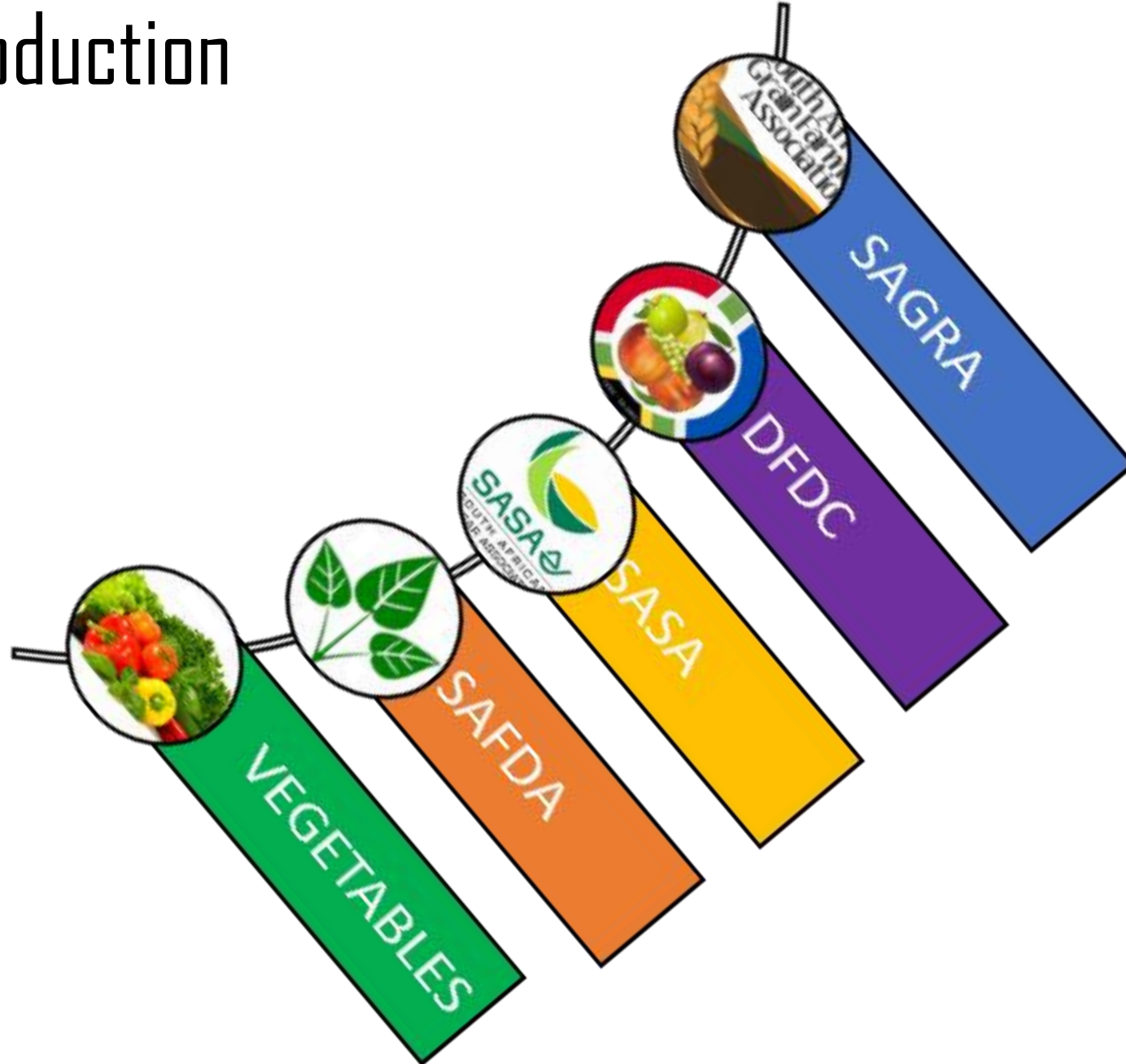


1. Creating a conducive environment that is favourable for the development of African Farmers of South Africa through influencing policy and legislation in favour of smallholder farmers
2. Facilitating Farmer Support and Development Programme
3. Facilitating participation of Women and Youth in Agri-Business, Forestry and Fisheries
4. Facilitating Agri-BEE Projects

Aspect of AFASA Knowledge Centre: Animal Production



Aspect of AFASA Knowledge Centre: Plant/Crop Production



APP MODEL: Rationale



Challenge:

- Market lacks linkages between agricultural suppliers and purchasers.
- From a buyer perspective, engaging numerous individual and dispersed smallholder farmers introduces too many transaction costs to make sourcing viable.
- Farmers, on the other hand, lack ancillary (support) services like processing or storage and lack access to these large-scale purchasers, limiting demand for their supply.

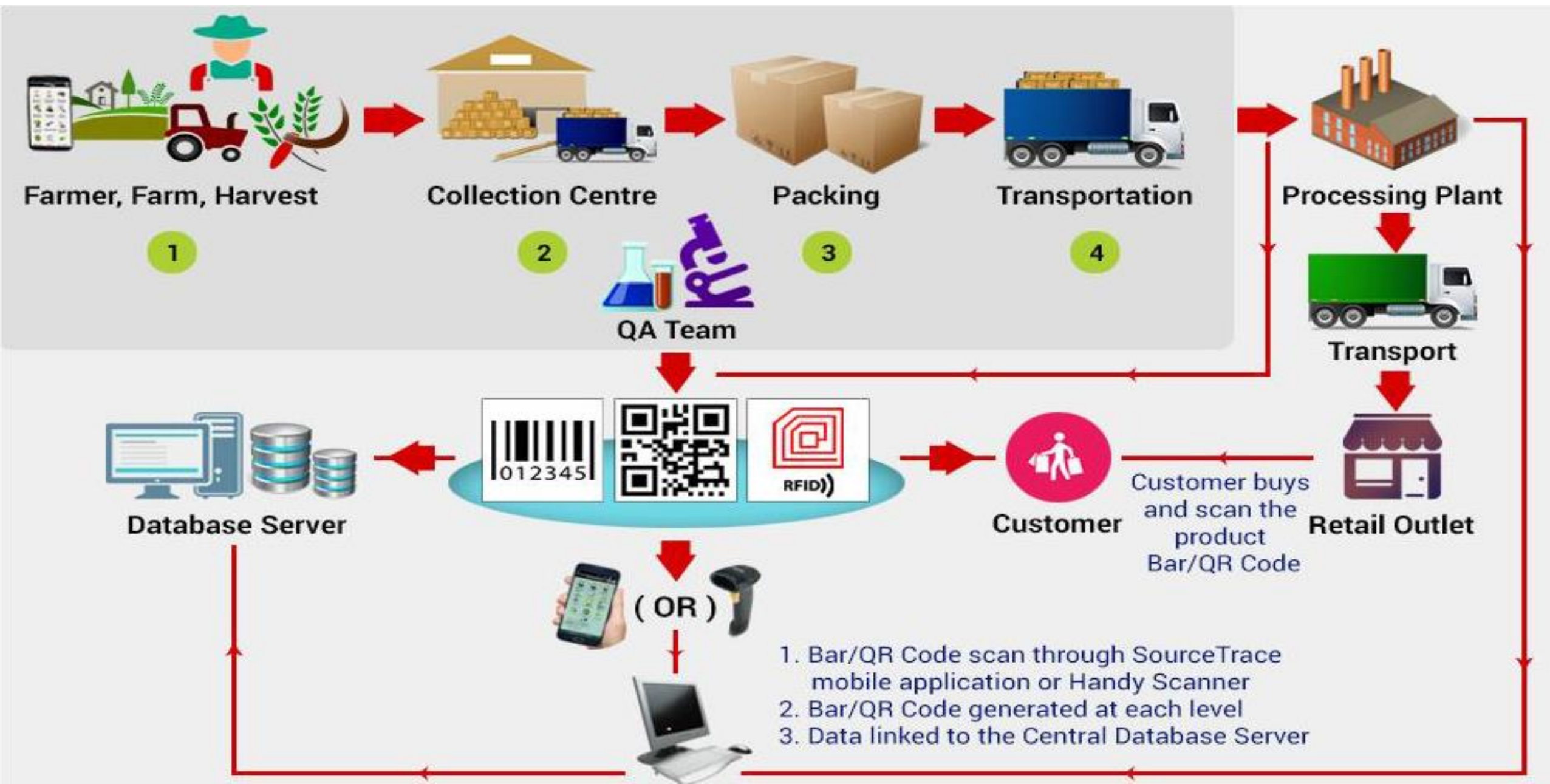
Aggregated Procurement Platform (APP) as a solution:

- Aggregator models introduce an intermediary actor (AFASA) in the value chain between the supplier and purchaser that aggregates supply
 - thereby reducing the transaction costs of individual smallholder engagement
 - and often provides other ancillary services.
- These aggregators collect cash crops and staples from large numbers of small-scale farmers and sell these in one transaction to large buyers at the top of the supply chain.

Advantages of APP Model

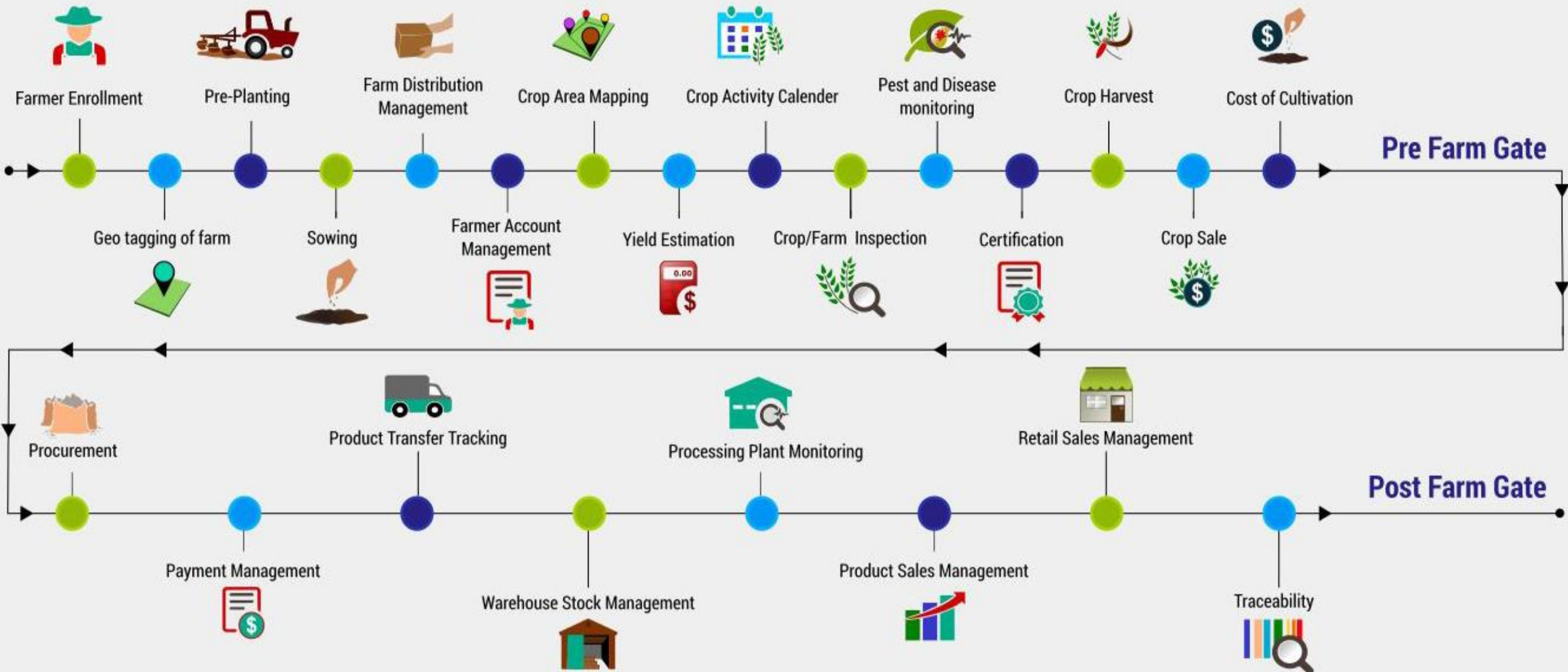
- Linking producers with off-takers
- Help achieve economies of scale along the value chain
- Help smallholders meet standards and requirements of modern markets
- Increased access to services and markets
- Enhances competitiveness by reducing transaction costs

Traceability & Aggregate marketing



Real time database- *For Market Linkages*

— ICT Modules for Digitizing Agri Value Chain



A model that successfully transforms an industry value or supply chain

Three critical ingredients for success in transforming a supply chain:

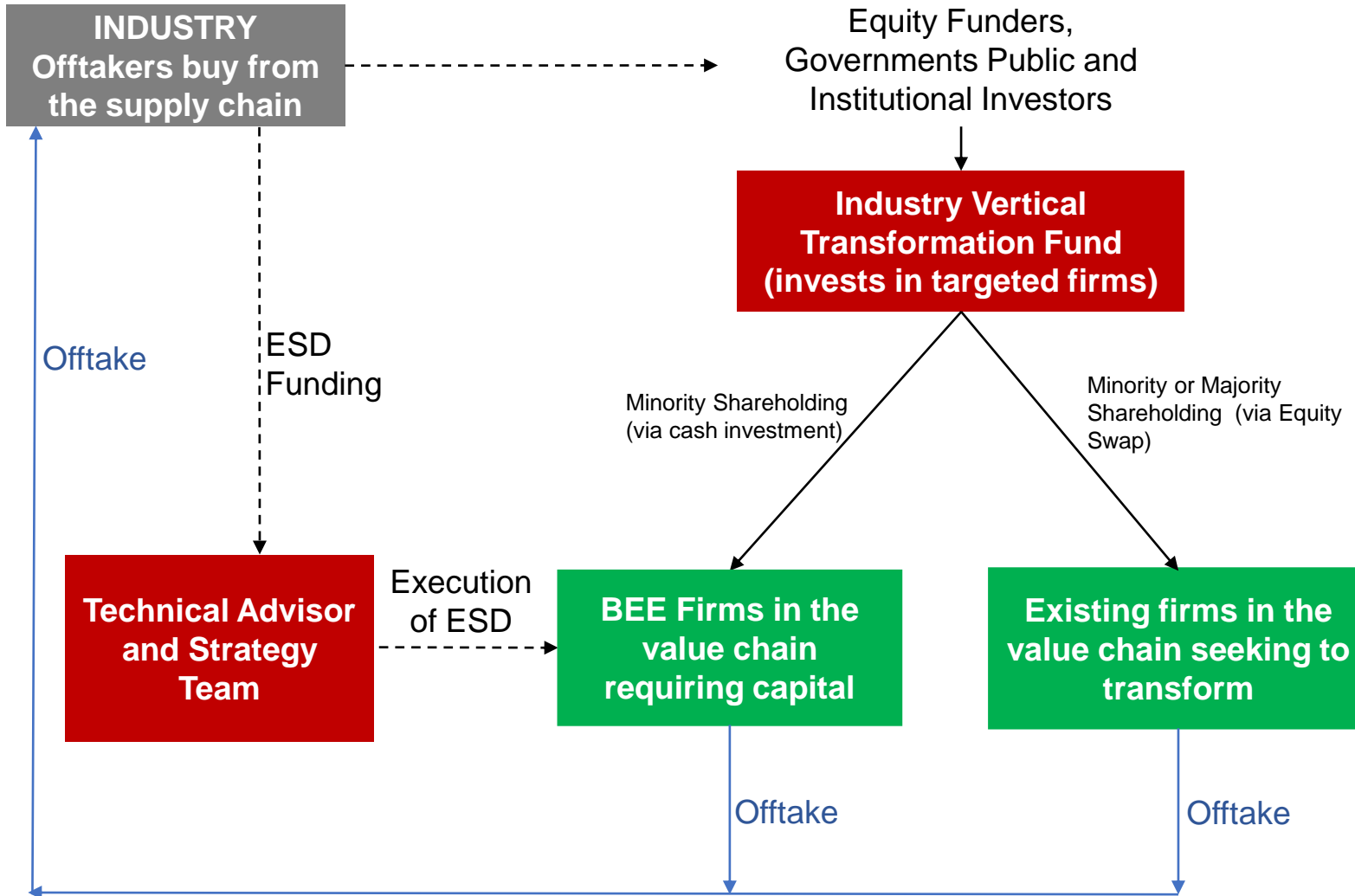
1. Commitment from the Offtakers to buy from BEE suppliers
2. Capital to invest into BEE suppliers in the value chain
3. Where required, technical expertise so that the suppliers can meet the offtakers' requirements

In order to use industry expertise and effectively combine industry Enterprise and Supplier Development (“ESD”) spend and equity investments via an ***Industry Vertical Transformation Fund*** to fund and transform the underlying firms within an industry supply chain

The Offtakers

- The Offtakers buy product from the suppliers in an industry value chain
- Offtakers need to drive transformation in the value chain by supporting black owned and managed suppliers
- BUT transforming their supply chain is not their core capability or focus, and nor do they have requisite time, resources or capabilities to drive such
- The ***Industry Vertical*** model solves this problem for the oftakers to further enable existing, or bring new suppliers on stream that can meet all the oftaker's requirements, and also properly integrate into the value chain
- The quid pro quo requirements from the oftakers are:
 - Allocate Enterprise and Supplier Development ("ESD") spend into the value chain (to help fund the suppliers)
 - Commit to buy from these firms in the value chain
 - Commit to assisting and building the Industry Vertical

Industry Verticals: Value chain in an industry



- Industry Vertical Fund (supported by govt and the private sector) provides capital and invests into firms in the value chain
 - Is a commercially attractive investment fund for investors
- Industry provide ESD and offtake agreements into the supply chain
 - Making the firms in the chain more viable (revenue volumes) and attractive to invest in
- Technical advisory team
 - Assist firms to ensure they are 'supply chain' ready and meet offtaker requirements
 - Ensures effective allocation of ESD funding
 - Brings experience and industry knowledge
 - Supportive, not hierarchical
 - Seeks to add value to the whole supply chain
 - Will be a commercially viable and standalone entity

Thank you

email: info@afasa.org.za

Tel no: 012 943 7290