

BEE citrus project breaks the mould

An agricultural Black Economic Empowerment project in the Western Cape has proved to be a great success

A Black Economic Empowerment (BEE) citrus project in the Upper Olifants River Valley, near Citrusdal in the Western Cape, has gone against the grain by succeeding where so many agricultural BEE projects in South Africa have failed before.

Cedar Citrus (Pty) Ltd, a BEE citrus export company established in 1999, started making a profit in 2010, paid off its startup loan to the Industrial Development Council in 2012 and is now expanding its operations with the purchase of additional farmland.

During 2015 the company exported 1,500 tonnes of citrus from its production unit of 36ha, realising a total turnover of R12m for the year.

Cedar Citrus is a joint venture between 32 farm workers and their employer ALG Estates, with each party owning 50 per cent of the company. In their next move towards more financial independence, the workers jointly decided to plough back their profits and extended their operations by purchasing additional farmland to plant more citrus for the export market.

As a result, an additional 92ha of adjacent farmland has been purchased on which new citrus orchards will be established.

This was only made possible by being part of a bigger organisation such as ALG Estates, which is already an established citrus exporter.

"Constant mentorship combined with in-house training and being part of an established value-adding export chain are the necessary ingredients for success in an operation such as this," said Gerrit van der Merwe, CEO of ALG Estates – a family operation of 6 farms producing some 18,000 tonnes of citrus a year, mostly for the export market.

"Cedar Citrus is managed as one of our production units that receives continual expert external advice from professional entomologists and horticulturalists that specialise in citrus management," he continued. "This is essential for pest and disease control as well as general orchard health. We also handle all their admin such as HR, financial administration and record keeping. External chartered accountants audit the company annually.

"All 32 shareholders are furthermore employed in our various operations such as production, processing, packaging, marketing and general administration," van der Merwe noted. "Three of the shareholders occupy middle management positions while two are directors with executive powers. This ensures that they grow with our own operation and establish their own independence.

"Over the last few years the Cedar Citrus patch of 36ha coincidentally turned out to be the most lucrative of all the production units on our six farms," he explained. "They produce mostly popular soft citrus varieties such as Morr and Orr as well as navels, which are exported to North America, Europe and sold locally to the Woolworths supermarket chain. We are especially pleased that the 32 shareholders of Cedar Citrus jointly decided to waive their profit payouts from the company and rather re-invest it in the expansion of their own operation."

The first phase of the company's extension on the newly acquired land will be to plant 20ha of new popular varieties for the export market, which necessitates infrastructure such as a farm shed, farm manager housing on site, electricity, drainage, water supply and a pump house to irrigate the new orchards.

It takes five years for a newly established citrus orchard to get into full production and ten years to make a profit on the initial capital outlay, the group confirmed.

The Western Cape government has recognised Cedar Citrus' good performance over the years by presenting it with a with a sprayer, four crate wagons, a trailer and a brand new John Deer tractor.

"Cedar Citrus is one of the best performing projects of its kind in South Africa and the envy of many farmers country-wide," said Charl Senekal, the country's largest private sugar producer and chairman of Pro-Agri Forum, the exclusive club of former South African winners of the Farmer of the Year Award. "Not only is the project a financial success, richly compensating the beneficiaries, but a very good example of how BEE schemes should be implemented and managed in South Africa. Congratulations to Gerrit and his team at ALG Estates on this beautiful project."