

Strong performance for South African BEE citrus project

While the failure rate of Black Economic Empowerment (BEE) projects in the South African agricultural sector is said to remain high, a Western Cape citrus project has proved to be an



exception.

The BEE program is the South African Government's set of policies intended to bring about the involvement or participation of previously disadvantaged communities into the mainstream economy.

Olifants River Valley-based Cedar Citrus Ltd is a BEE citrus export company that was established in 1999 and started making a profit in 2010. It paid off its startup loan to the Industrial Development Council in 2012 and is now expanding its operations with the purchase of additional farm land.

During 2015 the company exported 1,500 metric tons (MT) of citrus from their production unit of 36 hectares, realizing a total turnover of R12 million (US\$900,000) for the year.

Cedar Citrus is a joint venture between 32 farm workers and their employer, ALG Estates, with each party owning 50% 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 an additional 92 hectares of farmland.

The company said this was made possible from being part of a bigger organization like ALG Estates, an established citrus exporter that produces some 18,000MT of fruit annually.

"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," ALG Estate CEO Gerrit van der Merwe said.

"Cedar Citrus is managed as one of our production units that receives continual expert external advice from professional entomologists and horticulturalists that specialize in citrus management.

"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 also employed in the company's various operations like production, processing, packaging, marketing and general administration. Three of the shareholders occupy middle management positions while two are directors with executive powers.

Van der Merwe also highlighted that Cedar Citrus had turned out to be the "most lucrative of all the production units" on ALG Estate's six farms.

"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," he said.

"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 20 hectares of "new popular varieties" for the export market.

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 Western Cape government awarded Cedar Citrus' good performance over the years with inter alia a sprayer, four crate wagons, a trailer and recently a 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," Pro-Agri Forum chairman Charl Senekal said.

"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."

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