

South Africa: Black Economic Empowerment ag project succeeds

The failure rate of Black Economic Empowerment (BEE) projects in the South African agricultural sector is alarmingly high but a citrus project in the Upper Olifants River Valley near Citrusdal in the Western Cape has proved to be an exception.



Cedar Citrus, 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 farm land. During 2015 the company exported 1500 tons of citrus from their production unit of 36 hectares realizing a total turnover of R12 million for the year.

Cedar Citrus is a joint venture between 32 farm workers and ALG Estates, their employer, 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 additional farmland to plant more citrus for the export market. An additional 92 hectares of adjacent farmland has therefore been purchased on which new citrus orchards will be established.



ALG Estates, their employer who is an established citrus exporter, helped with this transition.

"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," says Gerrit van der Merwe, CEO of ALG Estates a family operation of 6 farms producing some 18,000 tons 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 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 furthermore employed in our various operations such as production, processing, packaging, marketing and general administration. 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 36 hectares coincidentally turned out to be the most lucrative of all the production units on our 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. 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," says Van der Merwe.

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. This 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 Western Cape government rewarded Cedar Citrus' good performance over the years with, inter alia, a sprayer, 4 crate wagons, a trailer and recently 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. 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," says 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.

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