

Wal-Mart to bring direct farming to SA

By [Annaleigh Vallie](#)

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As the single biggest employer in the world, Wal-Mart is always under scrutiny and lately the company's less than sparkling reputation has taken a further beating.

The bribery scandal in Mexico earlier this year gave critics even more reason to oppose the company's expansion plans. Wal-Mart's reputation was on trial even here in SA, when unions and the government tried to block the its merger with local retailer Massmart.

These developments have made the company cautious and if its entry into SA is anything to go by, it has arguably become even more conscious of being a good corporate citizen. In May, Wal-Mart conceded its reputation could be tarnished by the bribery scandal, referring to "perception among certain audiences of its role as a corporate citizen".

Last week the group and Massmart showed how good a corporate citizen it could be when it celebrated the first harvest from its direct farm initiative. This time it had the full support of the Department of Agriculture, Forestry and Fisheries, with the minister, Tina Joemat-Pettersson, singing its praises.

For farmers such as Samuel Phasha and Jamela Mogodi, who were primarily selling to the local markets, things will change this week. Mogodi's green beans and butternut will soon make it onto the shelves of Game's Foodco and Cambridge Food stores.

Although the state could provide her with funding for an irrigation system and money to buy tractors, it could not provide access to a market. Without critical mass she may have forever remained a small-scale farmer with lots of land and capacity but no means to properly utilise the land at her disposal.

The project will start with about 30-50 small-scale farmers in Limpopo, and seeks to identify, develop and support smallholding farmers to supply Massmart with fresh produce through takeoff agreements that will ensure commercial and sustainable business for the farmers, Massmart executive responsible for the plan Mncane Mthunzi says.

The direct farm initiative forms part of the R100m supplier development fund which Wal-Mart established as a condition to the R16bn merger.

Both the government and trade unions claimed the fund was not enough to offset the negative effects of the merger. The Competition Appeal Court approved the merger last year but asked for a study to be conducted and reports from all three parties to be drawn up regarding the fund. These documents are before the court, but it not clear when Judge Dennis Davis

will decide whether the fund should be increased.

TechnoServe SA, part of a global nongovernmental organisation that partnered with Wal-Mart in South America and India for the direct farming programme, will help to establish the initiative here. It is hoped about 1,500 farmers will be integrated into Massmart's supply chain by 2016.

Skills is another big challenge, TechnoServe SA country director Earl Sampson says. TechnoServe provides technical assistance and mentoring to help build agribusinesses that can create economic growth and food security in rural areas. "However, whereas in other countries we just provide access to the markets, in SA it is important to teach farmers the very basic skills," he says.

Direct farming was created by Wal-Mart to bring more locally grown food into its supply chain. Wal-Mart's Ramesh Subbiah has implemented the system in China and India. "We started with one farm in India and now have about 2,000 farmers involved in direct farming."

Wal-Mart found that farmers in India lacked adequate knowledge about cultivation methods, post-harvest handling and which seeds they should be buying. The company now works with seed suppliers, chemical companies, universities and irrigation experts to improve farm yields, Subbiah says.

"We are able to reduce input costs by 15% and grow farmer income by 12%-18% and cut down the time fresh foods sit in the supply chain from 32 hours to just two, from harvest to shelf."

It is a win for farmers, retailers and consumers, as the company cuts supply chain costs and gets products to consumers quicker and more affordably.

The programme will aim at ultimately making some of these small businesses export-ready.

Source: *Business Day*

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