



ANNUAL REPORT 2017



Building new farmers' perseverance



“Buhle have been giving me continual advice, at times even daily. Farming is hard, but I am making it.”

Lungelo Mkhonza,
Buhle graduate



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A note from our Chairperson

Bonile Jack-Pama

There are over 2,5 million black agricultural households in South Africa, compared to 150 824 white, Statistics SA reveals. Yet only an estimated 5% of the country's food production comes from black farmers.

These statistics are a testament to the huge challenges that black farmers face in evolving their subsistence farms into profitable and sustainable enterprises.

Buhle's mission is to help address this problem by providing emerging farmers with the knowledge and skills they need to overcome the challenges. Our strong emphasis on practical skills greatly reduces the time the farmer would otherwise take to build up a sustainable farm.

In our incubation programme, called Farmer Support, we mentor selected graduates for three to five years, helping them to overcome the unpredictable obstacles they face on their own farms. This is a crucial step in helping to ensure a successful land reform programme in South Africa, and we believe that as the land reform issue is addressed, Buhle's role will become an increasingly important one.

We salute our alumni of 2017 and yesteryears who have persevered over time. We salute those who plant on communal land and municipal land, as well as those whose cattle graze in open land, as they are all using the available resources to ensure their success.

We also salute our funders. You make our mission possible.

Thank you!

“Our strong emphasis on practical skills greatly reduces the time the farmer would otherwise take to build up a sustainable farm.”

Letter from our CEO

Neil de Smidt

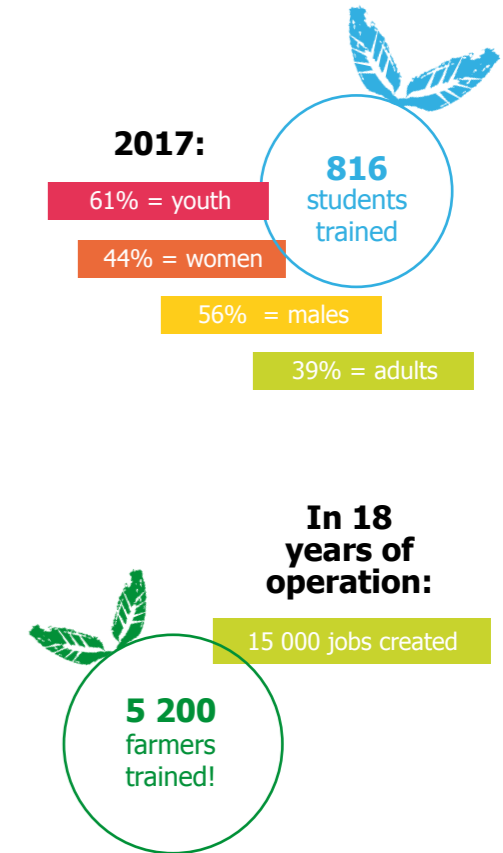
Buhle set out to train 500 farmers in 2017. We exceeded our expectations, training 816 students at our campus in Delmas and various places across the country. Of these, 61% were youth and 44% were women.

In our 18 years of operation, we have trained over 5 200 emerging farmers in total, creating an estimated 15 000 jobs, as emerging farmers employ an average of three other people on their farms.

We are delighted at the results. Nevertheless, the real test for new farmers comes after graduation, when they must build their own profitable agri-businesses. New farmers face many challenges that commercial farmers may be resilient to, and a high level of perseverance is the key factor distinguishing successful new agripreneurs. This is why we chose 'perseverance' as the theme of this annual report.

In Buhle's 18 years of operation, we have found that it takes three to seven years of active farming, on average, to establish a sustainable enterprise. During that period the business endures challenges similar to those of any other start-up. Buhle's role is to help smooth some of these for the many who have a passion for farming, a strong business acumen and a lot of sheer grit.

The benefits of farming, for these entrepreneurs, can be enormous.





Setting up an agri-business

Cattle being delivered on Lerato's farm.

By the time they graduate, all our students have legally registered businesses. However, this is only the start of setting up a sustainable farming operation.

The scant statistics available reveal an obvious need to grow and integrate smallholder farmers to commercial levels: South Africa's emerging farmers produced an estimated 80 000 tons of maize in the 2016/17 harvesting season, – 4.5% of the total 17.6 million tons.

Agricultural development is a challenging field . New farmers need to diversify their operations to spread their risk, unlike large-scale commercial farmers, who benefit from economies of scale. This is why our most successful graduates typically farm maize, goats, cattle, sheep, and chickens/vegetables.

New farmers need to ensure their sustainable access to land, which may be family land, land rented from another farmer or a municipality, or acquired through the government's Land Reform programme. Successful emerging farmers do 4.

not wait to own land before starting to prove themselves. Other common challenges for new farmers include the need for infrastructure and production inputs, and in recent years extreme weather phenomena have left smallholders, who are less likely to have insurance options in place, vulnerable.

Our research shows that it takes three to seven years of consistent farming to establish a stable business. During this time, intrepid entrepreneurs may reinvent themselves many times, farming in different commodities in response to the market and as a way of diversifying income.

Buhle's supporting role is to help establishing farmers stay on the course while understanding how to develop their farms and run it along business principles. This constitutes real empowerment of new farmers on their road to success.

“My resilience has paid off”

Lerato Senakhomo, who received the Star of Buhle award in 2017 – an award given to an extraordinary graduate – is a model of resilience. One might be fooled by the youth of Lerato, aged 26, but she has already received several awards, including one for the best female farmer in Gauteng, from the provincial department of agriculture.

“My dad was retrenched in 2010, and we had to sell the plot we owned,” Lerato remembers. “Then we rented, which was very difficult. Landlords are not always easy, and we were financially dependent on extended family. At the time, I was farming about 85 sheep, but not making a profit. For seven years, my parents tried to obtain more land from government. We went through torture.

“In 2012, I completed courses at Buhle in poultry, livestock management, project management and hydroponics, and spent the next year trying to get

more land myself. My resilience has paid off. In 2014, I received 535 hectares from the government's land reform programme in Nigel and a loan from a mentor to electrify my house, plant maize, and pay the continued costs of my sheep farming. I ploughed the profits into livestock.

“Over the past four years I have been growing my farm. This year I planted 80 hectares of sugar beans and have 600

goats, 80 sheep and 72 Nguni cattle, which I received on loan in February this year from the government's land-reform programme. My parents have also helped me, by giving me a donation for equipment and stock. My company, Senakhomo Farming, now supports six family members and employs six workers. I am now planning a large chicken-house and a piggery for 250 pigs. I keep telling my mom that when I am 30, I want to be employing 60 people – double my age.”



80 ha sugar beans

600 goats

80 sheep

72 cattle



Persist in accessing financial assistance

Acquiring finance is the single biggest obstacle for new farmers.

For all lenders – individuals, companies, banks and governments – the determinant for granting a loan is the extent of the risk in getting payments back from the borrower. Start-up farms are highly risky.

For black farmers there is an added issue of financiers doubting their skills, their ability to service the market, and the capacity of the farm for upscaled operations. These challenges are aside from those that all farmers face.

To reduce the risk, Buhle assists farmers with financial management, farm business management, record keeping, HR management, marketing and other relevant skills. This training prepares farmers to approach various financial institutions for loans or grants. Farmer feedback suggests that traditional institutions such as banks present conditions unsuitable for small business, while the opportunities for joint

ventures, and government grants and loans, remain the most accessible. Acquiring finance is part of the time and effort that all graduates must spend. Our role is to help the student to understand how financing works, the importance of an outstanding business plan, and how to present this.

New farmers should do all they can to reduce their risks. This includes understanding the criteria for giving loans and why they are important; developing a vibrant business plan that addresses these criteria and shows the potential lender that the farmer has their homework and have answers as to how to reduce the risks; shopping around all the financing institutions to find one whose conditions can be met, and getting help from people or institutions who know how best to approach financiers.

Most importantly, strive on.

“The challenges have made us more focussed”

“The challenges my wife Dineo and I have faced have only made us more focussed,” says Buhle graduate Lusasa Mtsetfwa, 33.

“I studied crop production at Buhle, where Dineo and I met, in 2006. We knew, from the start, that we had to stick to our budget and make sure that the little we had could sustain us. The two of us also communicate well. These things have enabled us always to manage financially.

“After studying at Buhle, we became members of a co-operative and did a one-year’s internship with a leading agricultural company. However, problems arose, and by 2011, I knew I had to build my own legacy.

“That same year, we registered the company Iyaphendula Farming, which Dineo owns and where I work as business manager. In 2012, we started to rent 20 hectares on my father-in-law’s farm, near Delmas. We were paying the loan

and all expenses, using all our profits to increase our farming business. We also hired more land, near Balfour. Two years later, we had such a good harvest – 5.5 tons of maize – that we could pay off 137 hectares of the farm in Delmas and buy tractors. We started looking for a farm to buy. My father-in-law was happy for us to use the portion we had been using on his farm as security, and in October 2017, we purchased a 497-hectare farm in Nigel, through the Land Bank. It has a beautiful house, and sheds for 200 to 300 sheep. We have planted half of

the land with soya, and hope to get a good harvest, then acquire finance for machinery and to diversify into sheep and cattle.

“Within two years of leaving Buhle we were making a very small amount of money, but within a few years we were each making enough to live on, and this has increased steadily. Our new farm gives us the opportunity to become fully fledged commercial farmers. My brother Malungisa, who is also a Buhle graduate, also works in our business.”





Nkwe Metswamere's cattle.

Boosting financial management

Prior to enrolling, most of Buhle's students have no experience in financial management, which is why it features prominently in our training programme.

“It was at Buhle that I myself changed my mind, because I saw the opportunity in farming.”

Nkwe Metswamere,
Buhle graduate

Buhle's training is geared specifically towards the practicalities of running a financially stable farming business.

Students are allocated plots or chicks as business units when they arrive, exposing them from inception to the practicalities of farming. These include stock management, procurement processes, drawing up budgets and how to monitor their monthly income and expenditure.

Our financial management training also covers the difference between revenue and profits, saving to fund the next production cycle, longer-term investments, and overall risk reduction, which incorporates the necessities such as inoculating livestock and spraying programmes.

Sound and ethical financial management is the most important aspect of managing a farming business and will determine whether a farmer succeeds or fails.

“Financial management ensures real profit”

Nkwe Metswamere, another 2017 Star of Buhle, says that the members of his farming co-operative, the Retladirela Agri Primary Co-operative, used to pay themselves salaries whenever profits allowed, but had no idea whether these profits were real.

“We were leasing land and planting 400ha of sunflowers and maize in alternate years,” Nkwe remembers. “We weren't running the farm according to a business plan.”

Nkwe attended livestock production and project management courses at Buhle in 2005. “When we learnt what to do at Buhle, we did it quickly because we are all young and healthy,” he says. “In 2006, we obtained a lease of 565 hectares in Sannieshof, the North-West Province, from the Department of Rural Development and Land Reform, with the option to buy. We planted maize but the land was not properly prepared, so we did not harvest as expected. However, we had been wanting to farm

with livestock, and now we had the opportunity.

“The next year, we applied to government for a loan of Nguni cattle, and received five heifers and a bull. After five years, we returned 12 heifers, as agreed. We now have more than 150 head of cattle, two hectares of sugar beans and are growing vegetables for the local market. I didn't want to be a farmer when I was younger but threw myself into the co-op because when you are unemployed you will do anything,” says Nkwe.

“My determination is inspired by my brother, who left teaching for farming and is now one of the most successful farmers in our province. Our co-operative's many challenges have included being unable to obtain loans because we received the lease agreement, which is necessary to obtain financial loans, six years after being granted the land. However, we have tightened up our business, learning how to manage our finances and maximise

our profits. “I would like to thank the government for giving us 25 Nguni heifers and one bull in 2012. If it hadn't been for them, we would not have made it. It has taken time and patience and the challenges are still huge, but our farm is now sustainable and we can all get paid monthly.”

Buhle taught us to:

**Maximise
our
profits**

**Manage
our
finances**



Audited financial statements

Buhle Farmers' Academy (2004/016680/08)
Association Incorporated in terms of Section 21

Statement of Financial Position

	2017/12/31	2016/12/31
Assets		
Non- Current Assets		
Property, plant and equipment	1 921 821	2 280 836
Loans receivable	1 930 049	0.00
	<u>3 851 870</u>	<u>2 280 836</u>
Current Assets		
Inventories	30 042	127 406
Other current assets	274 167	26 981
Trade and other receivables	168 576	350 115
Cash and cash equivalents	1 896 070	2 530 595
	<u>2 368 855</u>	<u>3 035 097</u>
Total Assets	<u>6 220 725</u>	<u>5 315 933</u>
Reserves and Liabilities		
Reserves		
Retained earnings	6 220 725	5 315 933
Total Reserves and Liabilities	<u>6 220 725</u>	<u>5 315 933</u>

Buhle Farmers' Academy (2004/016680/08)
Association Incorporated in terms of Section 21

Statement of Comprehensive Income

	2017/12/31	2016/12/31
Revenue	13 880 933	18 436 829
Cost of sales	-1 705 738	-1 807 252
Gross surplus	<u>12 175 195</u>	<u>16 629 577</u>
Operating costs	-11 339 577	-12 563 819
Operating surplus	<u>835 618</u>	<u>4 065 758</u>
Finance income	69 174	302
Surplus for the year	<u>904 792</u>	<u>4 066 060</u>
Retained income at 1 January 2017	5 315 933	1 249 873
Surplus for the year	904 792	4 066 060
Retained income at 31 December 2017	<u>6 220 725</u>	<u>5 315 933</u>

Statement of Cash Flows

	2017/12/31	2016/12/31
Cash flows from operating activities		
Surplus for the year	904 792	4 066 060
Adjustments for:		
Depreciation of tangible assets	450 596	382 302
Investment income	- 69 174	- 302
Loss on disposal of property, plant and equipment	45 370	0.00
Operating cash flow before working capital changes	1 331 584	4 448 060
Working capital changes		
Decrease/(increase) in inventories	97 364	- 78 291
Decrease/increase in trade and other receivables	181 539	- 338 076
Decrease in trade and other payables		- 23 368
Net cash flow from operations	1 610 487	4 008 325
Investment income	69 174	302
Net cash flows from operating activities	1 679 661	4 008 627
Cash flows used in investing activities		
Property, plant and equipment acquired	- 127 000	- 1 533 998
Proceeds on disposals of property, plant and equipment	- 9 951	0.00
Movement in other current asset	- 247 186	0.00
Net cash flow used in investing activities	- 384 137	- 1 533 998
Cash flow used in financing activities		
Loans repaid	- 1 930 049	0.00
Other	- 1	0.00
Net cash flow used in financing activities	- 1 930 050	0.00
Net (decrease) / increase in cash and equivalents	- 634 526	2 474 629
Cash and cash equivalents at beginning of the year	2 530 595	55 966
Cash and cash equivalents at end of the year	1 896 070	2 530 595

Thanks to our donors – we exist because of you!



Humulani Trust



Supported by the
 Jesse Graham Memorial Foundation



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