



NAMMC
Promoting market access for South African agriculture

POLICY BRIEF

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IMPROVING MARKET ACCESS FOR **SMALLHOLDER FARMERS** IN SOUTH AFRICA

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1. INTRODUCTION

A dualistic structure characterizes the South African agricultural sector—on one end, a well-established commercial farming sector, and on the other, an underdeveloped small-scale sector. The small-scale sector constitutes 250,000 smallholder farmers and 1.5 million subsistence farmers¹. Most smallholder farmers are based in the Eastern Cape, KwaZulu-Natal, Limpopo, and North West Province. Smallholder farmers are crucial in South Africa's agricultural landscape, particularly in rural economies, where they contribute to local food security and community livelihoods. Despite their importance, these farmers face challenges in accessing formal markets, which limits their potential for growth and income generation. Deregulation of marketing of agricultural products was meant to create trade liberalization in South Africa in the mid-1990s. However, larger and more capitalized farmers have benefited from the most lucrative marketing channels, such as direct sales to supermarkets and exports. Smallholder farmers face high compliance standards in global agro-food chains and characterized by limitations due to limited and uncoordinated support, poor management skills, low production quantities, low quality produce, inadequate storage facilities, limited value addition, and transportation constraints, among other factors, creating barriers to entry. This problem has a direct negative impact on profit incentives, scale of production, employment opportunities, and on contribution to food security.

Agricultural markets can be categorized into formal and informal channels. Formal market channels provide structured and regulated environments where agricultural products are traded. They include national fresh produce markets, supermarket chains, government procurement programs, contract farming, agricultural cooperatives, export markets, agro-processing firms, institutional buyers, online marketplaces, and food hubs. These markets provide benefits such as higher prices, consistent demand, and the possibility of securing long-term contracts. However, entering formal markets can be challenging for smallholder farmers due to the rigorous quality standards, food safety certifications, and large delivery volumes required barriers that many struggle to overcome due to limited resources and technical knowledge². In addition, smallholder farmers often struggle with limited resource, technical capacity, and inadequate infrastructure, creating barrier to access profitable and sustainable markets.

E-commerce platforms have emerged as a new channel offering smallholder farmers increased market access³. Platforms such as KHULA allow farmers to buy inputs and sell fresh produce online, while SPAZA Eats enables direct sales to consumers. Other platforms such as HelloChoice and AgriKool focus on fresh produce, whereas SwiftVee and Trigga cater to the livestock market. Tridge specializes in export markets, and Livestock Wealth, a “crowd farming”

app, allow users to invest in profit-earning assets like livestock and fruit trees, which funded farmers manage. On the other hand, informal markets—such as farmgate, local street vendors, community markets, and direct sales to consumers—offer smallholder farmers more flexibility and quicker access to cash⁴. However, these channels typically come with lower and more volatile prices. Additionally, farmers operating in informal markets are often vulnerable to exploitation by middlemen and traders, who may impose unfavourable terms due to the farmers' weaker bargaining power. This leaves many smallholder farmers trapped in lower-value markets, unable to access the more lucrative and reliable opportunities in formal markets.

2. BARRIERS TO MARKET ACCESS

Several structural and systemic barriers inhibit the ability of smallholder farmers to access higher-value markets. One of the challenges is the lack of adequate infrastructure. Many smallholder farmers operate in rural areas with poor road networks, insufficient storage facilities, and unreliable transportation. These logistical shortcomings lead to high post-harvest losses and reduce produce quality, making it difficult for farmers to meet the standards required by formal markets. Another key barrier is limited access to finance. Smallholder farmers often struggle to secure loans or credit lines needed to invest in essential inputs like seeds, fertilizers, and technology. This limits their ability to scale up production or improve the quality of their produce.

Additionally, a lack of market information prevents smallholder farmers from identifying profitable market opportunities or negotiating fair product prices. They are frequently disconnected from value chains that could offer better returns, primarily because they lack the organizational structures—such as cooperatives or producer groups—that could enhance their collective bargaining power and provide better market access. This organizational weakness and lack of technical knowledge and training further diminishes their ability to compete effectively in formal markets.

Another critical issue is the lack of water rights. Secure access to water is vital for vegetable farming, yet many smallholders face challenges in obtaining formal water rights. This severely restricts their production capacity and their ability to scale up operations. The issue is particularly acute in drought-prone areas with limited and contested water resources. Moreover, smallholders also face barriers related to water and product testing. Ensuring that water and produce meet safety and quality standards is a prerequisite for market access. However, smallholders often lack the financial means and infrastructure to regularly test their water for contaminants or to ensure their produce meets food safety standard. This disqualifies them from selling to specific formal markets and increases the risk of their produce being rejected.

¹ Community Survey 2016 Agricultural households

² Determinants of small farmers access to agricultural markets in South Africa

³ E-commerce in agriculture: a key enabler for Africa

⁴ Linking Smallholder Farmers to Markets and the Implications for Extension and Advisory Services

⁵ Comprehensive Agricultural Support Programme (CASP)

3. THE CURRENT EFFORT TO LINK THE SMALLHOLDER FARMERS TO THE MARKET

South Africa government and stakeholders are continuously deliberating efforts to enhance market access for smallholder farmers. This effort has several pillars: market linkage, market information, market infrastructure, capacity building, cooperations and South Africa Good Agricultural Practices accreditation programs (SA-GAP). Government support for most of this pillar is through the Comprehensive Agricultural Support Programme (CASP)⁶ and provincial budget allocations. The main challenge is the small budget allocation and administration of funds, which requires additional paperwork and delays the procurement process and service delivery. While private stakeholders have several programs that seek to enhance market access, they are duplications of what the government is already deliberating to a certain extent.

Market facilitation entails linking farmers to various markets, resulting in contracts, auctions, intent to purchase, and market access programs focusing on supplying government institutions. The National Agricultural Marketing Council (NAMC) is facilitating market access through its organizational structure. The main challenge here is tracking farmers' progress linked to the market, where transaction data availability regarding the quantity of produce traded and prices is primarily unavailable. The Smallholder Market Access Tracker (SMAT) initiative from NAMC seeks to address this problem by developing a baseline that measures the progress in achieving the market access goal for smallholder farmers in South Africa.

There is an emerging e-commerce market opportunity for smallholder farmers, which benefits buyers and sellers from improved efficiency and reliability in the market. Sellers enjoy enhanced cash flow with faster payments, more accessible access to buyers, and the power of digital marketing and branding, all backed by the security of a recognized fintech platform. Meanwhile, marketing information is mainly conducted through digital platforms such as WhatsApp and physical meetings such as farmers' days. Expanding beyond WhatsApp and physical meetings is essential to improve market information dissemination. Offering content in multiple languages, real-time data updates, interactive webinars, and online forums can ensure accessibility and engagement.

Capacity building is offered in a workshop approach. Offering workshops is a common approach to enhance capacity building, but integrating additional methods could further benefit smallholder farmers. Providing ongoing, hands-on training, mentorship programs, and access to online learning platforms can supplement traditional workshops and offer more continuous support. Additionally, aligning marketing infrastructure support with SA GAP certification requirements can ensure that farmers meet necessary quality standards, but expanding this support to include infrastructure development, such as improved storage facilities and transport systems, will further strengthen their market position.

4. POLICY SOLUTIONS

Several targeted policy interventions can be implemented to address these barriers and improve market access for smallholder farmers:

- Prioritising rural infrastructure development is essential. This involves creating detailed investment plans tailored to regional needs for roads, storage facilities, and irrigation systems. Public-private partnerships should be encouraged to finance and manage these infrastructure projects, with a focus on engaging local contractors and suppliers to stimulate the local economy.
- Offering free or low-cost digital literacy training programs in rural areas can help farmers adapt to modern technologies. Additionally, incentives should be provided to encourage smallholder farmers to adopt e-commerce platforms, and investments should be made to expand broadband internet connectivity to these rural areas.
- A Public-Private Partnership (PPP) should be established to develop a comprehensive database for marketing agricultural products, which would serve as a critical tool for the Smallholder Market Access Tracker (SMAT). This initiative will provide accurate and up-to-date information on various commodities, enabling the creation of a reliable baseline for assessing market access progress for smallholder farmers across different sectors. This effort would ensure that SMAT has the robust data infrastructure needed to support informed decision-making and targeted interventions by leveraging the strengths of both the public and private sectors.
- Encourage contract farming arrangements to provide smallholders with guaranteed markets, access to inputs, and technical assistance. Support the formation of cooperatives to strengthen collective bargaining power and improve market presence.
- Implement targeted training programs focusing on food safety standards, certification requirements, and sustainable farming practices. Align capacity building with SA GAP and Global GAP certification requirements to help farmers integrate into formal value chains.
- Expanding government-led institutional procurement can enhance market access for smallholder farmers. This involves reviewing and updating procurement regulations to ensure equal access, providing training on participating in procurement processes, and implementing policies prioritizing sourcing agricultural products from local smallholder farmers.
- Reforming water rights policies is crucial for effective water management. Simplifying the application process for water rights, supporting the formation of community-based water management committees, and promoting water conservation practices among smallholder farmers are critical strategies.
- Leverage South Africa's banking system to provide digital payment platforms, cross-border payments, and working capital for producers. Financial institutions should be vital in financing businesses throughout the value chain and supporting smallholder farmers.

⁶ Community Survey 2016 Agricultural households