

THE ROLE OF ORGANIZED SMALL HOLDERS

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Background

- The forestry sector has been identified as a growth sector in terms of both ASGISA and NIPF;
- Forestry has potential to contribute to job creation and rural development;
- However, the forestry industry has been identified as highly concentrated in ownership and management. This creates limited scope for small enterprises including small growers
- At the same time, the forestry sector is such that the demand for timber exceed supply

Background

- This presentation looks at the importance of organized small holders as a strategy to link the previously disadvantaged forest entrepreneurs into the mainstream forestry economy;
- small grower sub-sector grew during 1980s in former homeland governments as a strategy by the forestry corporate sector to increase the supply of fiber;
- As a result, you have a number of small growers in a number of former homeland areas mainly in KZN and some in Eastern Cape;
- These range from 2 – 50 ha of mainly gum which is then sold for mainly pulp and paper markets;
- The cycle is between 8 and 10 years

Challenges

- Forestry is a long term economic activity 8 years – 28 years for pine;
- Issues of cash flow are always important;
- Technical know how and business support;
- Scale – 20- 50 ha is not commercially viable. As a result, you end up subsidising the corporate;
- Lack of economic infrastructure such as access roads;
- Lack of fire fighting equipments;
- Lack of organization

Challenges

- Logistics – transport of the products to the market;
- Small volumes means that these entrepreneurs do not have the power to negotiate better rates;
- Small entrepreneurs cannot address these challenges on their own without structured external support;
- Amahlathi Emerging Entrepreneurs Forum (Amahlathi) is an association of the previously disadvantaged forest entrepreneurs which aims to promote the business interest of its members. It also provide business support as a developmental intervention

Amahlathi

- We offer means to channel support to a no of enterprises through an organization that understands their needs and access them efficiently and in an effective way;
- We provide a voice which increases their visibility in terms of contribution and needs;
- Because the needs of small enterprises are different to big business, their interest and needs are also different.

Amahlathi

- Organizing small businesses is not an easy task:
 - Many of smallholders are doing timber as a diversification strategy, which is part of a broader survival strategy. There are usually challenges with regards to cash flows;
 - Some of the small enterprises go in and out business, change locations and markets;

Amahlathi

- We focus on existing businesses throughout the value chain;
- We facilitate managerial training;
- We provide networking opportunities;
- Facilitate compliance requirements – bookkeeping, tax registration;
- Facilitate business formalisation processes.

Amahlathi

- We use a cluster approach we mainly favours coops as a tool of development to increase scale and volumes:
- Small growers in Mzimkhulu with about 2200 ha;
- About 17 contractors linked to Mondi Siyaquhubeka JV;
- Charcoal producers in Mpumalanga;
- We are now beginning to look at eucalyptus oil extraction for pharmaceutical industries;

Training

- Focus on managerial training;
- Be continuous;
- Link theory with practice through mentorship;
- Provide toolbox to move entrepreneurs from survival to opportunity based activities

Opportunities

- Demand is beginning to exceed supply;
- The land reform, including restitution provides the biggest opportunity for transformation;
- The inclusion of forestry into ASGISA and NIPF

Challenges

- Dealing with misconceptions;
 - easy to start, run and grow business;
 - Only reason to start business is to make profit immediately and get rich
- The reality is that starting, running and growing a business is hard work, which requires dedication, some skills, experience, dedication, risk taking and long term planning;
- While it is true that not everyone wants to become an entrepreneur, it is also true that not everyone who wants to be an entrepreneur will become one

Challenges

- Associations are also faced with challenges:
 - Inability of some entrepreneurs to separate association with their own entities;
 - Dealing with issues surrounding inability to contribute financially to the development of the association while wanting money from association;
 - Dearth of data regarding role of small enterprises in job creation and economic development means that their strategic role is often questioned. There is a need to develop strategic linkages with research organization to strengthen lobbying and also business support itself

Conclusion

- There are opportunities for smallholders to be linked with the mainstream forestry sector;
- The need to strengthen organization to support further growth and development of the smallholder forestry entrepreneurs;
- We can therefore contribute to the objectives of the 2nd economy strategy.
- However, we believe that there is a need for all of us here to do more – we know the challenges and hopefully the implications of keeping the status quo intact;
- We are meeting here to do something about it – the question is what are we going to do;
- We are proposing that we take a strategic approach and prioritise certain activities and work on it – restructuring is one serious option;
- We have an opportunity to influence things for the better – let us take it.