



BITOU AGROFORESTRY AND NATURAL PRODUCTS

BITOU MUNICIPALITY

PROJECT

**Harkerville and Kranshoek
Community Initiatives
Business Expansion Report**

TOMA-NOW

TOMORROW MATTERS NOW

Bitou Agroforestry, Natural Products Projects: Harkerville and Kranshoek Community Initiatives Business Expansion Report

Prepared 15 March 2018

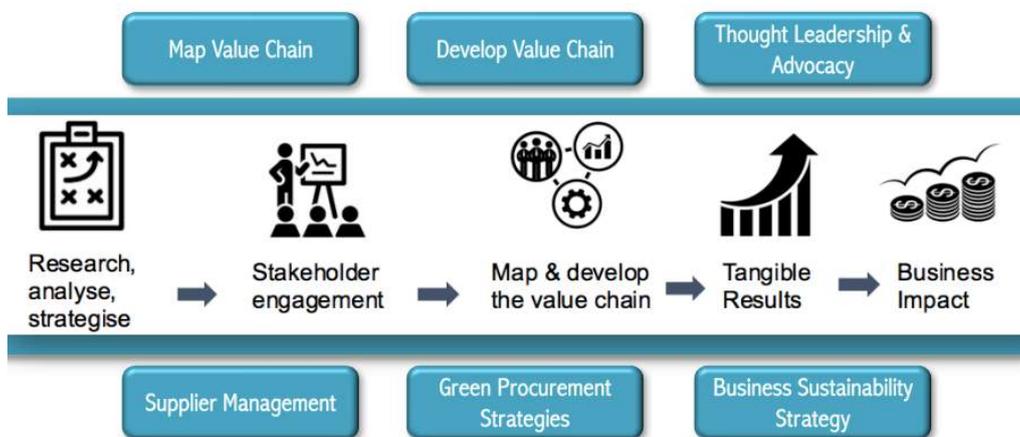
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About TOMA-Now | Tomorrow Matters Now

TOMA-Now | Tomorrow Matters Now Advises and supports leading companies, industry bodies and NGOs in developing viable and robust green economy strategies and solutions. We are value chain specialists that develop robust sustainable supply chains, focused on implementing product and market requirements. We ensure key matches to market which support successful product entry. The experienced TOMA-Now team has insights and experience developed across several key industries and geographic locations globally. TOMA-Now has extensive experience in the mapping of local and global industry value chains to identify new revenue streams and business opportunities, and in developing untapped commercial markets.

TOMA-Now is headquartered in Cape Town, South Africa and is a B-BBEE level 1 certified service provider.

Overview of our service offerings



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1. Introduction

The viability of any economic system is dependent on the functionality of the biodiversity and ecosystem's goods and services. Bitou Agroforestry and natural products community projects in Kranshoek and Harkerville, is based on the development of a value chain for their high value natural products, such as Honeybush and Sceletium. By optimizing geoprocessing practices, the livelihoods and jobs in the regions will improve quite significantly.

This project and subsequent report, highlights the required steps for expansion of trade opportunities for both the Kranshoek and Harkerville sites, including the opportunities that can be leveraged from working together. It includes a focus on the need for successful implementation of agro-processing functions, requiring the buy-in and effective and transparent knowledge dissemination to the local communities. To ensure project longevity, and the needed impacts on the enterprises', capacity building and skills transfer have been addressed in a structured process addressing technical, life and business skills development.

TOMA-Now have previously engaged with the Western Cape Government Department of Environmental Affairs and Development Planning in the Bitou Agro-forestry projects by developing business concepts around key produce. Value chains were mapped for each product with the aim of developing localised value adding steps. This project focuses on the next step implementation with a stronger focus on stakeholder engagement and business expansion. The intention is to expand business opportunities for the established Bitou agroforestry and natural products in a sustainable manner while providing the local communities with relevant entrepreneurial / business skills by leading facilitated inclusive workshops.

Bitou Agroforestry and Natural Products Project was established within the Kranshoek and Harkerville communities in April 2015, by the Western Cape Sub-Directorate: Biodiversity together with the Bitou Municipality, and local communities. Intersections were developed between ecological restoration, food security, and high-value natural product development with an emphasis on job creation and opportunities for women and youth. The project was initiated with the capacity to provide commercial assets to two impoverished communities, enabling them to engage in bio-trade and bioprospecting while developing a sustainable local economy that generates ongoing revenue and jobs.

Following on from previous phases focused on infrastructure development and mapping business potential, these two community initiatives are primed and ready for the next phase in their development. With the right kind of support and backing, they are in a strong position to become viable businesses. This report will show firstly how these projects have progressed and what hurdles they have had to overcome. Secondly, it will outline the current situation and plans for business expansion.

2. Sites overviews



2.1 Harkerville Agri and Forestry Projects Co-op

Current situation

Bitou Agroforestry and Natural Products Project in collaboration with the Western Cape Government Department of Environmental Affairs and Development Planning officially commenced on 13 April 2015 in Harkerville. Since then the 1-hectare community farm co-op project has successfully cultivated and sold Honeybush and garden vegetables. Currently Harkerville is in a good position to expand on a proven 1-hectare cultivation concept. A Co-Op has been established, pending registration, and the originally allocated plot of land has been well maintained. With an operational borehole and pump system, the functioning drip irrigation system is primed for expansion. Currently workers on site are funded via the EPWP program. They have very little overhead costs in the current paradigm. The current cashflow comes from greens grown in two greenhouse tunnels, which also house seedlings and cuttings. There is room to potentially expand the vegetable program by installing extra shelves.

An inclusive opportunity exists between the sites. Should Harkerville gain access to additional hectares, this land would need to be cleared of alien vegetation. The resulting biomass could be used in a number of ways – compost, firewood or biochar, something that could benefit both sites.

Harkerville has a registered Co-op of six passionate individuals driven to grow this site into something beneficial for the community. They have been working hard on establishing a strong Honeybush crop and are ready to start growing additional varieties of botanicals.



Challenges

The Co-op has shown progress and growth in the way that they have managed the site. The site is well-managed with a good crop of Honeybush harvested with a willing team. However, a limitation of them turning this into a viable business is availability of land. The current one-hectare is insufficient to sustain a co-op of 6 people, much less any additional community jobs created. Access to additional land will allow them to take the learnings from the small-scale pilot and expand to a larger area that will allow for business viability. The current site is on

municipal land, therefore the Bitou municipality has to be petitioned for additional land to be made available. This request has gone forward and will be presented at the upcoming Bitou Council meeting in April 2018. There should be clarity on this topic by **early May 2018**. This is a pivotal topic as the site is currently dependant on external funding. The first step to self-sufficiency is having the needed infrastructure and available land in place.

The Co-op has also experienced significant challenges in their registration process. The documents were filed in September 2017 and handed in to a SEDA representative. They have been waiting for feedback since then. However, the documents were misplaced. The process has been started a-new in February 2018. At the time of preparing this report, the documents are with the CIPC Commissioner in Pretoria (Tracking reference: 9107316074). The process is being managed by the LED Department, Bitou Municipality.

Organisational structure | Harkerville Agri & Forestry Projects Co-op



The team at Harkerville Agri and Forestry Projects consists of 13 people on the ground, all funded through the EPWP program. The core team (above) are responsible for maintaining the co-op and the site. The remaining staff are on site labour responsible for daily maintenance of the plants and facility.



2.2 Ericaville Community Trust Farm

Current situation

A recent devastating fire in the Plettenberg Bay area burnt through the Ericaville farm, destroying the Honeybush crop. They have suffered some significant setbacks. The Ericaville farm currently has a donated water tank that helps supply water to a functional drip feeder, allowing for the fast tracking of their recovery. Seeds have been donated by local botanical experts to prepare seedlings. Ideally, they should be prepared for the upcoming planting season. Two CWP workers funded by the Municipality are helping things get back on track and preparing the site for the planting season.

A large portion of the irrigation system has been damaged in the recent fire and the pump at the dam subject to vandalism. They have been unable to operate at their usual capacity. The irrigation system needs to urgently be repaired. This is preventing the project from moving forward. Applications have been made to the fire disaster relief fund but no feedback has been received thus far.

There is a large nursery area with raised beds and shade cloth structure for growing and planting seedlings and to experiment with propagating new crop types. They have recently extended the dam which allows for a large water storage area. There is 40-hectare of crop land for cultivating a variety of botanical species. There is a small potting shed which allows for cuttings and seedling to be processed into the various nurseries.

There is a structure onsite currently used for storage and as a community space, that has been earmarked for agro-processing. KP Botanicals is supplying an essential oil distillation unit which will help Ericaville Farm to initiate agro-processing on site. This has tremendous potential as distillation of several new cultivars is being considered, including Lipia and Rose Geranium.



Challenges

It is agreed that with the amount of land available and building infrastructure in place for agro-processing, this site has significant potential. However, there are a number of hurdles that need to be overcome first. Due to the fire that burnt through the area, the site has suffered some major setbacks in the form of damaged infrastructure and a decline in cash flow from massive crop losses. These constraints have led to an overall downscale of operations. Most of the original team members have to look elsewhere for temporary work to bring money back into the community. Funding needs to be made available for the core team to return onsite and prepare for the next round of cultivation and preparations for agro-processing.

The fire damaged a significant amount of the infrastructure, most especially the irrigation system. They currently have a small drip irrigation system setup at the nursery. This is sufficient for preparing the seedlings but becomes critical in the planting season. They will shortly need more growers onsite to help with site management as planting season begins. In addition to this, the proposed agro-processing plant will require a boiler coupled with the distillation unit. The site has to be prepared for agro-processing, including the purchase of basic equipment including table, chairs and hotplates for candle making (with the Lipia essential oil).

The key limitations on this site would be their broken irrigation system, a lack of a boiler for the agro-processing plant and funding more staff as the site come back online.

Ericaville critical needs list:

1. Proper working irrigation system.
2. Boiler for Distillation unit.
3. Extra shade netting.
4. 4 x 1000l tanks with 1hp pump.
5. Functioning borehole.

Organisational structure | Ericaville Community Farm



2.3 Key hurdles to development

The following presents some general obstacles that need to be overcome when holistically looking at this project. It encompasses the needs of both sites. We partially address this in the scope of this project, particularly for next stage funding needs with infrastructure development. Early exploration indicates the market is there but these obstacles need to be overcome first.

Fire & vandalism: Repairs to critical infrastructure such as Irrigation and pump system at Ericaville.	Infrastructure: Irrigation (expansion at Harkerville), agro-processing (boiler), Greenhouse tunnels (scaling greens) & maintenance.	Land availability: Harkerville needs access to additional land for viable growth and expansion.
Agroprocessing: Basic infrastructure requirements need to be acquired. Access to expertise and experience needed.	Business expansion: Full scale viability and logistics infrastructure.	Mentors: Access to both technical and business mentors to support growth and business viability.

2.4 Joint opportunities and synergies

There is significant potential for cross-over to be developed between Harkerville and Kranshoek project sites. Synergies have been explored in a previous project phase already. In the current stage of each site, there are valuable opportunities to enhance one another from a trade exchange, lessons learned and marketing perspective. As both projects fall within the same broad locale, care must be taken to avoid any market cannibalisation. As an example, regarding food security vegetable sourcing, Kranshoek supplies to local spaza shops, while Harkerville focuses on supply to local restaurants, is an example of each community being able to benefit. It should also be acknowledged that the combined forces of both sites could allow for greater reliability of supply in the context of a broader industry value chain that is likely to exist in future.

Internal support structures and shared knowledge

The team at Ericaville has a high level of experience in the area of agriculture practices, propagation of seedlings, potting and harvesting of botanicals and can supply the Harkerville site with valuable insight into their management and growing processes. A sustainable partnership between the two initiatives is needed to help both

project sites grow. An internal support structure is crucial for them to stay ahead of the curve and keep their businesses sustainable.

Cultivar supply: Cross selling

As these initiatives grow there will be ever increasing opportunities for each of them to use each other as an internal market place thereby increasing efficiencies and opportunities of the entire project. Internal cross selling can come in the form of the following:

- Crop insurance: Seeds produced at both sites.
- Cultivation and preparation of cuttings for one another.
- Opportunity for specialized propagation for specific products e.g. Honeybush and Sceletium.
- Crossover of specialized products.

Agro-processing

Agro-processing at the Ericaville farm is the key turning point for this project. The agro-processing initiative will be run at the Ericaville farm and will create opportunities for both project sites. An expansion on potential opportunities is highlighted in the KP Botanicals Letter of Intent (see appendix A5). Other opportunities exist as KP Botanicals have supplied a distillation unit for the preparation of essential oils. The growth and mutual benefit of this agro-processing initiative is a key element to the success of the next project phase.

3. Business Expansion opportunities

By developing and expanding the existing mapped value chain conducted by TOMA-Now during a previous phase of the project, new revenue streams and business opportunities can be developed in a complementary way for the respective sites. Business expansion is critical to the success of these two initiatives. Part of this process is to ensure they partner with the right organisations that can optimise growth and create pathways to further opportunities.

While the respective project sites are generating some revenue from growing and selling raw material through simple harvesting and distribution, the value potential further exists to increase revenue through progressively developing and implementing agro-processing, based on the value chain from raw material growth to final product manufacture. This would have significant impact on the local community through job creation, and as an attraction for development of the natural product agro-processing industry.

According to information supplied by the Department of Environmental Affairs and Development Planning, numerous indicators points towards a global shift in medication that places increased focus on herbal remedies, tonics and natural medicine, and local and international markets are progressively looking towards natural and organic products, as opposed to synthetic or chemical products.

Below are some of the major role players in the business expansion phase of this endeavour.

3.1 KP Botanicals

KP Botanicals deals in herbal / medicinal plants from Southern Africa. Their CEO Kersten Paulsen has been in the Medicinal plant trade for over 14 years and has been sourcing and supplying to clients from all over the world. With their many networks of collectors throughout South Africa, they are able to source and supply most of our needs from around the country. They are compliant with the new Biodiversity Act. KP Botanicals is committing to a joint venture in the production and sales of certain Phyto medicinal botanicals and teas with the Ericaville Farming Trust and the Harkerville Community Farm.

KP botanicals has provided a letter of intent to supply both sites with initial seeds to start a more diverse botanical crop. See Appendix A5.1 for details.

Project 1: Ericaville Farming Trust

KP Botanicals will supply an essential oil distillation unit to the project so that distilled essential oils can be produced from some of the plants cultivated and the site can be able to do some of their own agroprocessing. Lippia will be grown for the production of oil and this oil will be infused into candles, to be marketed by the Ericaville Community Trust as a mosquito deterrent. Existing building infrastructure in the form of the big shed on the Ericaville farm will be used as production location. High-value plants K Paulsen Botanicals are interested in cultivating at Ericaville Farm are listed in the letter of intent. K Paulsen Botanicals will supply seeds needed.

Project 2: Harkerville Community Farm

Should the Harkerville Community Farm Co-operative be given access to additional land, they would like to participate in the cultivation of Lemon geranium for tea and Honeybush tea. They suggest this split, with a focus on Honeybush as this might give the Harkerville Community Farm Co-op a sustainable income.

Project 3: Tissue cultures

Pelargonium sidoides: They would like to set up a place in one of the sheds at Ericaville Farm to produce tissue culture plants from *Pelargonium sidoides*. Training to be done by University of Stellenbosch. These plants will then form part of the cultivations on either Harkerville or Ericaville Farms.

3.2 The Botanical Bar

The Botanical Bar is situated in Cape Town city centre. They have agreed that these initiatives are worth investing in as they will gain access to a constant supply of botanicals to use in their cocktail mixes, boutique food menus and limited-edition products. They are interested in purchasing relevant botanicals and advising on potential new products that the market in Cape Town may require. Currently they are interested in Lippia Javanica, Honeybush and Sceletium They have expressed this in a letter of intent (see Appendix A5.2).

3.3 Inverroche

Inverroche Gin distillery is a world-renowned spirits distillery located in the Western Cape. They use a multiple array of ingredients to infuse their spirits. Botanical herbs found in South Africa make up a large portion of their infusions. Inverroche have expressed an interest in the sites, especially given that they may soon have the potential to distil their own essential oils. This acts as a major drawcard. At the time of this project there was a request to keep them updated on developments based on their future needs.

3.4 Other industry prospects

Pharmaceuticals | AfriPlex

Afriplex was established in 2001 with the original objective of unlocking the potential of traditionally used African botanical remedies. AfriPlex focuses mainly on CAMS. They have equipped themselves with the ability to develop a range of innovative ingredients and final products for the pharmaceutical, nutraceutical, cosmetic, veterinary and food & beverage industries. Initial contact has been made with Afriplex to gauge their interest.

Local restaurants, deli's, bars, hotels

There are a number of local restaurants in the surrounding areas interested in procuring fresh local greens. To set-up these two sites as a supplier to one or two restaurants would go a long way to cover vital operational costs. The sites need to be in a position to cultivate high value greens at scale and with consistent quality. The stakeholder list provided covers a wide range of restaurants, coffee shops and deli's in the surrounding that could act as potential clients.

All potential customer prospects and other key stakeholders are listed in a stakeholder database – see Appendix A7 for reference.

3.5 Investment and marketing

From a marketing perspective, several platforms have been created that will support the project in developing a more visible presence in the market place.

Business Profiles

A one-page business profile can be a powerful tool. It creates a snapshot for prospective clients, partners and investors and is an effective vehicle for showing where a business is and where they plan to go. A brief overview was prepared. These documents have already proven useful and have acted as flyers for the recent Biodiversity Economy Indaba in East London, March 2018.

(Full business profiles for both sites can be found in appendix A1).

Logos

Harkerville is currently in the process of becoming registered Co-op. They have requested a logo be developed to give them more of a presence in the agro-business arena.

(An image of the new logo can be found in appendix A2).

Facebook

Creating Facebook pages for the two initiatives and taking their separate brands into the social media space, is a quick and cost-effective way to increase exposure. The page will be managed by the nominated site representatives. The topic around marketing was also covered in business skills development training to further empower the teams. Link to the Facebook pages here:

Harkerville: <https://www.facebook.com/Harkerville-Agri-and-Forestry-Projects-419058005198870/>

Kranshoek: <https://www.facebook.com/ericavillefarm/>

(Screenshots can be found in appendix A3).

Investment events

Investment is clearly needed in the next expansion phase. As such, the project was signed up to several investment events to get exposure to potential investors. In the future they will be organising their place at these events themselves and using the marketing foundation supplied to keep improving and becoming more attractive to investors.

Garden Route Investments seminar | Creating opportunity in global uncertainty

Significant investment attraction for the Garden Route is currently underway through strategic partnerships between the Eden District Municipality, Provincial Government, Local Municipalities (Bitou, Knysna, George, Mossel Bay, Hessequa, Kannaland, Oudtshoorn) and private sector businesses. Engagements with national and international investors took place on 7 and 8 March 2018 at Oubaai, in George. The conference provided an opportunity for municipalities and private sector to engage on a one-on-one basis with investors.

(see Appendix A6 for proposal submitted to seminar).

3rd Biodiversity Economy Indaba | Thriving and inclusive biodiversity economy

The third BEI intends to match the various stockholders emanating from far flung areas where plants and animal species are geographically located, with aspirant investors and related markets within and outside the borders of South Africa. BEI would become a one-stop platform for those seeking biodiversity economy business ventures, business advisors/consultants-investors, Traditional Knowledge (TK) holders, genetic resources stockholders, the public sector regulating bodies in a unique business match - making trade and investment platform.

4. Capacity building

None of this will be possible without the community understanding the potential local value and being ready to take advantage of this. The capacity building workshops act as a mechanism to keep the community informed about opportunities in agroforestry and planned developments in the area. This platform is geared at both personal development and soliciting buy-in for next stage developments. The workshops were carried out in a robust format with a strong focus on learning through engagement and example. The main objective of the capacity building is to prepare participants to transition from a community initiative to a full-scale business. This is a crucial step when moving away from dependency to self-sustainability.

Life Skills and Business training

Life skills and business training are essential skills to learn for the community members in order to understand the potential of their local value and be able to take advantage of this. The workshops target both personal development and soliciting buy-in for next stage developments. Further, each of the planned training is developed with learning follow up in mind to ensure training and learning sustainability.

Life skills	Business training
<ul style="list-style-type: none"> • Personal Skills • Interpersonal Skills • Leadership Skills • Writing Skills • Presentation Skills 	<ul style="list-style-type: none"> • Skills for Entrepreneurial Success • Vision and Mission • Marketing Strategy • Sales • Operational processes and related costs • Product costing & basic income statements

Technical training

Expertise has been developed locally at the Ericaville Farm project site. Consequently, all technical training was carried out by **Mr. Sidney Le Fleur**, General manager of the Ericaville Farm site. The training was carried out over several days and constituted both practical hands-on work and classroom-based learning. Below highlights specific topics covered and the rationale behind each topic. The training was mainly targeted at the Harkerville Agri and Forestry Project, based on their pilot being ready for further development and expansion at this time. The aim was to share practical knowledge about botanical farming, with key subjects listed below. The outcome was excellent and after a few lessons they could harvest on their own. A total of 932.65kg was harvested over two days.

Classroom based content	Practical Based Content
<ul style="list-style-type: none"> • Good agricultural practices • Care and sustaining of plantations • Characteristics of Honeybush. • Favorable conditions for Honeybush production • Sustainable Honeybush farming. • Identification of good seedling and cutting from supplier bushes 	<ul style="list-style-type: none"> • Seedling care. • Composition of seedling soil mix. • Soil preparation • Making cuttings for propagation purposes • Performing a viable cutting • How to plant seeds / cuttings / planting out

The training revealed further developments needed in key areas including obtaining internet access for the communities. Further details are listed in the training report.

(Refer to appendix A4 for full training report on the capacity building phase).

4. Business Model Canvas

The business model canvas below represents their current and planned market activities. This plan is open to optimisation with the newly developed skills from the capacity building training. A similar exercise was carried out during the business skills capacity building training (see Appendix A4 for reference). The Harkerville Co-op and Ericavile Farm Trust members will need guidance in the form of a mentor to help them take this forward and optimise.

Key Partners <ul style="list-style-type: none"> • Spaza shops • Distributors • Liquor distilleries • Chefs, restaurants, Bars • Pharmaceutical companies 	Key Activities <ul style="list-style-type: none"> • Cultivation seedlings • Cultivation botanicals • Agro-processing • Cross-trade 	Key Proposition <ul style="list-style-type: none"> • High quality produce • Local • Value added Agro-processing • Community driven • Organic Certification (TBD) 	Customer relationships <ul style="list-style-type: none"> • Direct selling • Agent / distributor (e.g. KP Botanicals) 	Customer Segments <ul style="list-style-type: none"> • Surrounding community • Bars & Restaurants • Distilleries • Botanical pharmaceutical companies
	Key Resources <ul style="list-style-type: none"> • Cropland • Plant nurseries • Skilled labour force 		Channels <ul style="list-style-type: none"> • Distributors • Farmstalls • Investment seminars / networks • Social media 	
Cost Structure <ul style="list-style-type: none"> • Crop maintenance and seeds • Infrastructure and maintenance • Equipment • Transport • Certification Fees 			Revenue Streams <ul style="list-style-type: none"> • Organic greens – Food security and high turnover crops • High quality raw botanicals • Value added agro-processed botanicals • Eco-tourism 	

5. Costing the Expansion

The following is a breakdown of projected costing for both sites to progress to the next stages. It encompasses the urgent repairs and first stage infrastructure needed for expansion. Included also are critical items for the agro-processing to begin at Ericaville Farm – something that has previously been described as necessary for the viability of these sites.

TOTAL PROJECTED INVESTMENT ACROSS PROJECT:	
Borehole plus solar pump	R256 000,00
Steel fertigation tank (60 000L) plus pump	R184 000,00
Repair/expander Irrigation system	R128 000,00
Soil preparation 3ha	R37 000,00
Fertilizer and Compost	R48 000,00
Precast Concrete planting boxes plus delivery	R738 000,00
Growing medium for 120 planting boxes	R52 000,00
Repair Fencing	R180 000,00
5 Tunnels (30m x 12m)	R650 000,00
Agroprocessing infrastructure: Boiler and manufacturing set-up. Preparation of barn conversion for agro-processing.	R350 000,00
2 Supervisors & 20 Workers for 12 months	R1 314 984,00
Technical training capacity building and business skill development	R50 000,00
Incidental costs	R12 016,00
Total	R4 000 000,00

6. *Appendixes*

A1	Business profiles A1.1 Kranshoek A1.2 Harkerville
A2	Harkerville logo
A3	Facebook page A3.1 Screenshot Facebook page Kranshoek A3.2 Screenshot Facebook page Harkerville
A4	Training report final A4.1 Training attendance registers A4.2 Training feedback forms
A5	Letters of intent A5.1 KP Botanicals A5.2 The Botanical Bar
A6	Investment events Eden district investment seminar proposal
A7	Stakeholder list