

**Private Sector Development Programme Botswana
Value Chain Analysis (VCA) for Beef, Horticulture and Tourism Sectors and Project Proposal
for Market Intelligence Information System**

**Report of International Trade Centre Mission to Botswana from 18 to 27 August 2014 on the
Horticultural Value Chain**

Participants

Pablo Lo Moro, ITC staff member (18-21 August), was accompanied by Subhrendu Chatterji (international consultant). They were joined in the horticultural sector related meetings by Kagiso Koyabe, a CDE SME Development Expert, who had also organized the meetings.

Horticulture

Objectives and principal activities

Following-up on preparatory missions held in September and December 2013, the objective of the visit was to build on the team's desk review of information on Botswana's horticulture value chain. Key stakeholders were met with to clarify and update issues identified during the desk review (in particular the horticulture value chain study produced by the Local Enterprise Authority (LEA)), and to make preliminary identification of areas requiring intervention to strengthen and alleviate bottlenecks in the value chain. In addition, prospective consultants were identified and the likely scope of their work was discussed. Finally, meetings were held with the CDE Leadership team of Messrs. Sid Boubekur (Head of CDE Regional Office for Southern Africa) and Roger N'Guessan (PSDP Programme Coordinator) as well as other CDE officers to clarify the focus of the project's TORs, discuss initial conclusions, and agree the next steps.

Meetings

In addition to those with CDE staff, meetings were held with the following organizations:

1. Ministry of Agriculture (MOA) – Horticulture and Beekeeping Division.
2. MOA – Department of Agricultural Research.
3. MOA – Department of Agribusiness Promotion.
4. Ministry of Trade and Industry.
5. Botswana Horticultural Market (BHM) management.
6. Agents at BHM.
7. Selected fresh fruit and vegetable (FF&V) wholesalers.
8. Statistics Botswana (Agriculture office at MOA).
9. Candidates for local consultants.

The international consultant also visited the Botswana National Agricultural Show that was being held during his trip, and discussed relevant issues with a number of participants.

Key findings and outcomes

The preliminary findings are as follows:

- The industry is relatively small, contributing probably around 0.5% of Botswana's GDP, although a more accurate estimate needs to be made.
- FF&V related production and other sector-wide data is relatively scarce, and Statistics Botswana does not collect information about production levels, etc.
- Unlike the beef sector, FF&V is a relatively new industry, with most farmers entering it with a commercial motivation.
- Many smaller farmers use relatively modern farming methods, although their lack of scale limits profitability. Larger farmers, on the other hand, often employ very basic farming methods and focus on staple FF&Vs, and suffer from relatively low yields.
- The fragmented nature of the industry means that the smaller farmers do not have direct access to retailers (who find it uncommercial to engage with them).
- There is a lack of coordination in production, and as a result the market suffers from periodic oversupply of certain produce, and lack of others, as a large proportion of farmers produce the same FF&V at the same time.
- This problem is exacerbated by seasonality of production. There is limited use of tunnels, greenhouses, etc. to smooth out production throughout the year. LEA and the MOA Agribusiness Unit are seeking to address this problem.
- The industry's value chain is undergoing substantial reorganization, with retailers building direct linkages with producers, bypassing wholesale markets such as BHM.
- BHM has been undergoing a major restructuring, moving from an agent/commission based model to a wholesale one. There is some uncertainty about whether this move will address the key underlying issues such as lack of volume (which is reducing with more direct relationships between retailers and producers) and seasonality. BHM also wishes to increase the number of product lines it handles from around 50 to over 200. We understand it is seeking government support to make it mandatory for all producers to sell through it, and also all FF&V imports to pass through the market.
- There is a lack of secondary processing capacity in the market. SPEDU and NFTRC are partnering to build a processing facility in Selebi Phikwe. We have not yet reviewed or discussed the assumptions underlying the plant's operations and are at this stage uncertain about its viability.
- There is a considerable lack of market intelligence in the sector.
- At this stage we have gathered mixed messages about the quality of packaging etc. Nevertheless, there is in general very little post production sorting, etc., diminishing the perception of quality of Botswana FF&V, compared to say South Africa.
- BOS and MOA have developed standards for FF&V. At this stage these are seen to be voluntary.

- The border closure system in periods of domestic oversupply is generally seen positively by all market participants, although some have indicated that it might favour some producers disproportionately.
- Finance is not seen to be a major constraint for the sector, with significant support available through government programs such as ISPAAD and also credit being supplied by CEDA.
- Post production infrastructure, such as cold storage and refrigerated transport, is limited.
- Producers associations are generally weak and Botswana Horticultural Council, their apex body, appears to lack funds.

Implications for project implementation approach

Unlike the beef sector, there is a dearth of information about the FF&V value chain. Most interviewees indicated that a VCA is much needed. The LEA study did not quantify the various segments and channels of the value chain, and in any event there has been considerable restructuring of the industry since it was published in 2011, and much of its data had been drawn from an earlier 2007 sector study. It therefore means that some effort will be needed, within the scope of the project budget, to gather primary information.

The absence of exports in FF&V mean that the focus will be on domestic sales, with the objective of increasing import substitution in the first instance.

Government policy, both relating to domestic support for the sector as well as FF&V trade, is likely to be an important aspect of the VCA.

Likely areas of PSDP TA support

It is too early to precisely identify potential areas of interventions, especially any PSDP projects would need to be coordinated with the initiatives being undertaken by LEA and the MOA Agribusiness team (as well as possibly the MOA Agricultural Hub).

Our preliminary view is that potential interventions could be from areas such as:

- Supporting SMMEs to take advantage of opportunities arising from the reorganization of the value chain. For example, we have already discussed with CDE the possibility of supporting two BHM agents to become wholesalers.
- Supporting entrepreneurs establish small processing plants, using models from other countries.
- Establishing local cold stores and other infrastructure for transport of FF&V.
- Developing local packaging facilities.
- Developing pilots for cooperation between farmers for a range of activities, including input purchasing, implementing crop plans, and marketing.
- Strengthening producers associations.

Broader recommendations are likely to come in areas such as better targeting of government subsidies/support, implementation of standards and trade policy.

Next steps

At the end of the mission the international consultant agreed with CDE staff a list of institutions that would be met with during the next visit (as well as follow-up meetings with selected institutions). In addition, a list of institutions from which information is awaited was agreed and CDE support for following up with the institutions was requested.

The following next steps are envisaged.

- Completion of formalities between CDE and ITC, including receipt of first payment.
- Circulate outline of contents of VCAD report to CDE.
- Finalization of TORs and appointment of local consultant(s).
- Preparation of second field trip to Botswana.
- Undertaking of second field trip to Botswana.

Dates would be dependent on the completion of CDE/ITC formalities.