



A LAND OF OPPORTUNITY:

INVEST IN THE RURAL
EASTERN CAPE



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ABOUT THE EASTERN CAPE RURAL DEVELOPMENT AGENCY

The Eastern Cape Rural Development Agency (ECRDA) is a Schedule 3C entity in terms of the Public Finance Management Act (PFMA). It was established as a result of a merger between two public entities, namely, the Eastern Cape Rural Finance Corporation (ECRFC) and AsgiSA-Eastern Cape (Pty) Ltd. ECRDA has a dedicated focus on formulating, promoting and ensuring the implementation of a comprehensive integrated rural development strategy for the Eastern Cape Province.

VISION: A vibrant and sustainable rural economy that improves the livelihoods of rural communities within the Eastern Cape.

MISSION: ECRDA aims to drive, coordinate and facilitate implementation of integrated high impact programmes of rural devel-

opment and agrarian reform in the Eastern Cape by forming partnerships with rural communities, the private sector and other public sector organisations and departments with the main objective of building a vibrant and sustainable rural economy.



STRATEGIC PILLARS

To achieve these objectives, ECRDA streamlines its efforts and energies in accordance with the following strategic pillars:

PILLAR 1:

Fit for purpose organisation to enable strategy implementation

PILLAR 2:

Effective coordination and implementation of agrarian driven high impact priority projects (HIPPS)

PILLAR 3:

Leverage strategic partnerships towards implementation and funding of rural development initiatives

PILLAR 4:

Solicit and promote private sector investment in key rural development initiatives.

PILLAR 5:

Create rural development clusters by promoting entrepreneurship through access to finance, market linkages and capacity building

HIGH IMPACT PRIORITY PROJECTS

The ECRDA is making significant progress in helping rural communities take the preparatory steps toward the achievement of vibrant rural economies. The ECRDA has achieved this through the continued provision of innovative and focused rural loan finance instruments as well as the facilitation and implementation of high impact priority programmes (HIPPS).

These HIPPS are made up of:

Agro-processing,



Livestock development



Forestry development



Renewable energy



Rural finance



SUBSIDIARIES

ECRDA is also the custodian of government's share interest in various subsidiaries and associated entities. Currently the agency also participates in the management of associated entities such as the Magwa and Majola tea estates where opportunities exist for private sector investment.

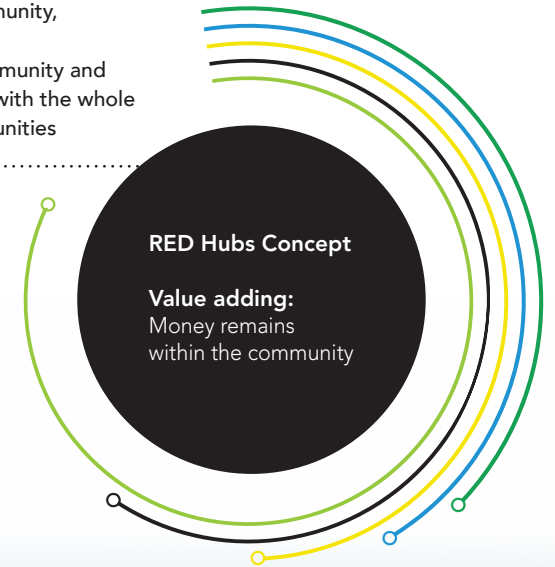
RURAL ENTERPRISE DEVELOPMENT HUBS

ECRDA is driving its processing and marketing agenda through its innovative Rural Enterprise Development Hub (RED Hub) concept. The ultimate objective of these hubs is to keep money circulating within the rural community for as long as possible. In addition to primary production, processing and marketing, the RED Hub concept places significant emphasis on the establishment of mechanisation units with machinery and implements such as tractors, harvesters and implements for production.

In practice, the RED Hub concept means, for example:

- maize should be grown by the community,
- milled in the community,
- processed and packaged in the community and
- even sold back into the community with the whole process being owned by these communities

-  **PRODUCTION:**
Community produced crops
 -  **TRADING:**
Sold via RED Hub in community mill
 -  **PROCESSING:**
Grain is processed and packaged
 -  **MARKETS:**
Product sold back to community
 -  **REINVESTMENT:**
Money goes back into next season
- Excess product exported out of the community, money returns to the community



THE EASTERN CAPE

The Eastern Cape lies on the south-eastern coast of Africa - a location that is proving to be an international asset. Two of South Africa's five industrial development zones (IDZ) are within the province, serving the shipping traffic that operates between Europe, Asia and the Far East.

The province has two major airports in Port Elizabeth and East London, with additional facilities in Mthatha and Bisho and airstrips on many farms and private game reserves.

The province road network is defined by the west-east axis of the coastal N2, with three other national routes (N9, N10 & N6) providing north-south routes through the region.

MAJOR PORTS

The province boasts three major ports which aid the free movement of goods destined for the export market as well as ease of access for imports. The ports are the Port Elizabeth and East London ports as well as the deep sea water port of Ngqura.

- Port Elizabeth
- Ngqura
- East London

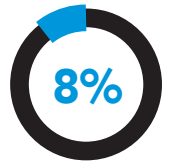
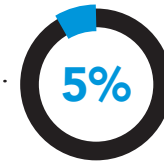


Port of Ngqura

AGRICULTURE

Agriculture is one of the sectors of importance to South Africa and the Eastern Cape in terms of food security and employment. In the Eastern Cape the sector contributes approximately 5% national agriculture GDP, 8.1% to employment and is a net exporter of agricultural products to the world with a trade surplus of R8.1 billion in 2018.

EC agriculture contributes approximately 5% national agriculture GDP

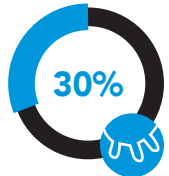
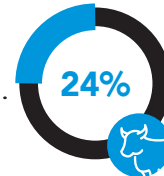


It also contributes 8.1% to nationalemployment and

The Eastern Cape has the highest number of livestock in the country 3.3 million (about 24%) of total cattle in the country, accounts for 30% of dairy milk produced in South Africa (competing with Western Cape (27%) and KwaZulu-Natal (28%), accounts for 30% of sheep and 38% of goats in SA and produces about 70% of the country's mohair.

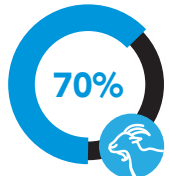
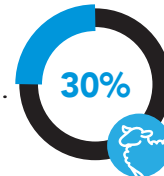
Data from the Milk Producers' Organisation shows that, the Eastern Cape is the leading producer of milk in the country, with a share of about 30.1% of SA's total milk production.

EC has the highest number of livestock in the country 3.3 million (about 24%)



EC accounts for 30% of dairy milk produced in South Africa

The Eastern Cape province accounts for 30% of sheep in the country



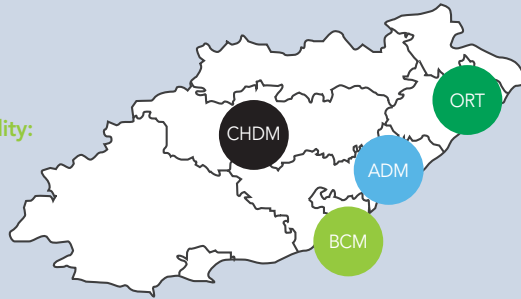
70% of the country's mohair is produced in the Eastern Cape

EASTERN CAPE INDUSTRIAL PARKS

The existence of industrial parks comes with a potential to contribute to the realisation of many goals of national innovation and sustainable development strategies. Well-planned and equipped parks have the ability to stimulate the relocation of industries to semi-urban or rural areas, help to relieve congestion and pollution in metropolitan areas, strengthen the industrial base of small and medium-size (SMMEs) towns and reduce rural-urban migration.

To-date, the Eastern Cape Province hosts numerous industrial parks namely:

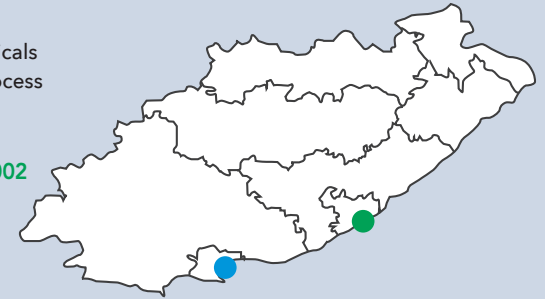
- **Amathole District Municipality:**
Butterworth
- Auto, textiles and furniture
- **Buffalo City Metropolitan Municipality:**
Fort Jackson, Wilsonia, Dimbaza
- Auto & related services
- **OR Tambo District Municipality:**
Vulindlela
- Repairs, retailers, food suppliers
- **Chris Hani District Municipality:**
Queendustria, Ezibeleni
- Manufacturing and Transport, Logistics



INDUSTRIAL DEVELOPMENT AND SPECIAL ECONOMIC ZONES

Industrial parks have the potential to contribute to economic growth, ensure the diversification of economic activity, attract investments, job creation, enhance social inclusion and reduce poverty and inequality in host communities and regions and the country at large.

- **Coega, designated in 2001**
Automotive; agro-processing chemicals
general manufacturing business process
outsourcing and energy
- **East London IDZ, designated in 2002**
Automotive, renewable energy,
ICT, and agro-processing sectors



East London Industrial Development Zone

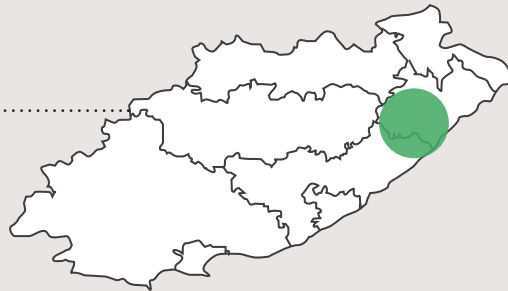
INVESTMENT OPPORTUNITIES

PROJECT:

Mqanduli Rural Enterprise Development (RED) Hub

LOCATION:

Mqanduli is situated approximately 25 km south of Mthatha, with close access to the N2 highway.



The Eastern Cape is a net importer of food, despite its agricultural potential. The site of Mqanduli’s primary production land (1000 ha) has been fallow for many years, and the broader project has restored the land to productive use, as a major driver of job creation - one of the rural Eastern Cape’s biggest problems.



Project overview

- Mqanduli Rural Enterprise Development (RED) Hub is a co-operative business based on a vertically integrated maize value chain
- Currently owns farming vehicles, storage silo and maize mill, delivery vehicle and additional property
- Total Investment Capital required for storage and milling: R17.51Mil (one site)

Commercial activities

- Primary maize production
- Mechanisation services (such as tilling and harvesting) to local small-scale farmers
- Milling and sales of maize products
- Rental income from business premises
- Trucking / logistics services

Investment opportunity

- Capital Investment:
- The Mqanduli Secondary Co-operative re-

quires capital investment in fixed assets for the maize milling business, specifically the following:

- Upgrade milling plant from 0.9 ton/hour to 3 tons/hour
 - Upgrade maize drier
 - Extension and cover for maize intake pit
 - Increase silo storage by 1500 tons
- Total cost: Circa R 17.5m (single site) - can be replicated to other three grain processing Hubs.

Working Capital Funding:

- Additionally, there exists an opportunity to provide working capital funding to the project, for which additional equity shareholding could be acquired
- Total for full year Maize raw material: R 11m
- Total Shareholding opportunity for private partner: up to 49%

Working Capital Funding

Total for full year Maize raw material: R 11m

Total Shareholding opportunity for private partner: up to 49%



Total Investment Capital required for storage and milling: R17.51Mil (one site)

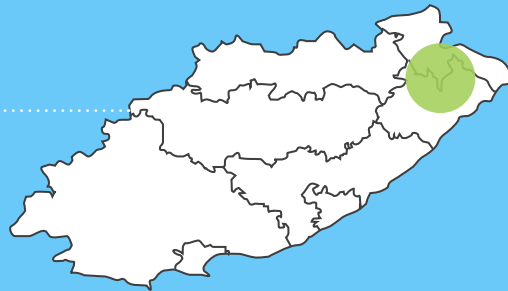
INVESTMENT OPPORTUNITIES (cont.)

PROJECT:

Mkambati Community Forestry Project

LOCATION:

The Mkambati Community Forestry is located approximately 60km from Flagstaff. The plantation is adjacent to the Mkambathi Nature Reserve



The Wild Coast Toll Road project, which is part of one of the 18 national Strategic Infrastructure Projects (SIPs), will significantly reduce the distance to the Sappi plant at Mkomas, reducing the transportation distance from 290km to 140 km once constructed (anticipated to be operational by end 2021)



Project overview

- Mkambati Community Forestry Project is a co-operative forestry business of Mkambati Land Trust
- Currently owns 887 ha of afforested land, divided into 47 compartments, of 2137 ha total land
- Originally planted with Eucalyptus E Dunnii from 2008, with a 10 year growth cycle, the most difficult period for the project is almost completed, and it is ready for a commercial investor to take the project forward

Commercial activities

- Forestry products: Currently planted with Eucalyptus E Dunnii, suitable for sale as gum pulp to Sappi (off-take partnership agreement in place)
- Alternative option of sales of Eucalyptus E Grandis timber to Harding Treated Timbers, one of the largest suppliers of gum poles in South Africa

Investment opportunity

Capital Investment:

- The existing business is approaching the first harvest of E Dunnii. While this is anticipated to achieve small profits, the key to the project's success lies in expansion to gain economies of scale, and sales of E Grandis x urophylla as gum poles (higher value sales) to Harding Treated Timbers. The capital investment requirement therefore focuses on the expansion.

Investment Breakdown

(all values in 2019 terms)

- Funding of tending of existing plantation to first harvest: +-R4.17m
- Funding of working capital at first harvest: +- R0.36m (2019)
- Investment into expansion: +-R44 m
- Total Investment: +- R 48.5m

Working Capital Funding

Funding of tending of existing plantation to first harvest: +-R4.17m



Investment into expansion: +-R44 m

Total Investment:



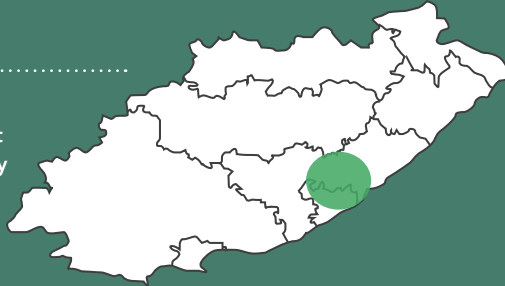
INVESTMENT OPPORTUNITIES (cont.)

PROJECT:

Marine Tilapia Industry Incubator

LOCATION:

The Qolora anchor project is situated at Amathole District, Mnquma Municipality within the Wild Coast in the Eastern Cape approximately 60 km northeast of East London.



Project overview

- The Marine Tilapia Industry Incubator (MTII) will be a publicly-owned, public private facility that will demonstrate an efficient commercial marine aquaculture template for the industry.
- It will spearhead the development of genetic improvement of wild strains of Oreochromis mossambicus for seawater culture, for the supply of improved seed stock to enable a major transformation of commercial marine tilapia farming.
- The MTII will also initiate the establishment of other elements of the marine tilapia value-chain, inclusive of non-fish commodities, community farming of fish-feed crops, processing and product development.
- The MTII will furthermore develop entrepreneurs, skilled workers and other practitioners across all levels of the aquaculture value-chain through applied, practice-based skills development, capacity-building, information, technical support, extension and advisory services.

Identified project area

- Kei, Ngcizela and Qholorha The site has an area of 26.4 ha of land which will be divided into two sub-zones, namely an abalone and marine finfish farming sub-zones

Planned commercial activities

- MTII Infrastructure, technology, systems and processes (eco-sustainable)
- Oreochromis mossambicus genetic stock selected, developed and marketed-manifest
- Capabilities for a sustainable marine tilapia industry
- Enhanced marine aquaculture policy, to specifically address the Oreochromis mossambicus genetic resource for South Africa and Southern Africa’s food sovereignty

Investment opportunity

- Capital Investment:
- Requires investment R59.3 million

Requires investment of:

R59.3 million

INVESTMENT OPPORTUNITIES (cont.)

PROJECT:

Magwa and Majola Tea Estate

LOCATION:

Magwa Tea Estate is situated along the wild coast midway between East London (380km) and Durban (340km)



The Magwa tea estate provides an exciting investment opportunity within the agricultural sector, with attractive returns on equity and high community upliftment impact through government involvement.



Project overview

- Magwa and Majola is a 2188 ha (1690 under crops) Tea Estate in the Lusikisiki District
- Largest tea estate in Southern Hemisphere
- Production potential 3 980 tons of made tea (1105 expected in 2019/20 season)
- SA produces only 1% of local demand
- Magwa currently supplies both bulk and packaged black tea to local market
- Low local selling price
- Bulk Tea Sales is currently centred around Tea Brokers
- Magwa penetrating retail markets and government institutions.

Timelines

- Consolidation investment underway: 2018/19 season 624 Tons of made tea with ramp up to full capacity by 2020/21 season
- Market development for export, green and organic tea critical - requires certification (rainforest / fair trade)
- Investment into green tea processing 2021/22

Project development

- Requires strong management interventions to drive productivity on fields and in processing operations
- Needs proactive and innovative structures for farmer beneficiation
- Focus on market diversification for made tea and alternative crops

Capital Investment

R 136 M Total Equity Investment

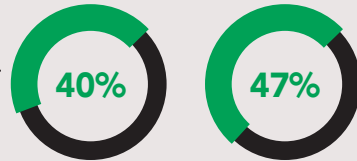
52,5% Shareholding for equity investor



Capital Investment

40.2% IRR for equity investor

47,5% Government Shareholding (land owners and workers trust)



Return on government investment provides cashflow to community





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