CHAPTER 10: IMPLEMENTATION - CASE STUDIES

10.1 Introduction

Case studies are information rich cases from which one can learn a great deal about issues of central importance to the purpose of the research. Case studies seek to describe a unit in depth and detail, holistically and in context (Patton, 2001). The case studies presented here are dynamic and developing, with “treatments” changing as it is learnt what does and doesn’t work, and as methods of delivery are changed. Thus, it is a major challenge to describe and understand these dynamic programme processes and their holistic effects so as to provide information to other service providers in a similar position. Thus, description of all these interrelated factors is complex, and their implementation has taken much dedicated work over a long period of time to discover (as rightly suggested by Coase, 2000). Patton (2001) suggests that for results from case studies to “fit”, categories must emerge and be readily applicable to the data under study. They should be meaningfully relevant and be able to explain the behaviour or trends under study. Thus a process of moving back and forth between induction and deduction, between experience and reflection on experience is necessary.

This chapter reports on several case studies of commercialisation of indigenous goats which are presently taking place in South Africa. Their implementation has revealed several interesting features related to New Institutional Economics. These features will be described and by comparing different approaches on several different projects, it is possible to show various successes and failures, and ways of overcoming them can be recommended.
10.2 Umzimvubu Goat Production and Processing Facility

This project started as an initiative of a Member of Parliament (MP) who became interested in the possibility of goats for Eastern Cape rural development after viewing a Goat Product exhibit in Parliament in 1999 by the author. This illustrates the importance of linking innovative research outputs with potential beneficiaries of the knowledge (Eponou, 1989). An NGO (United Nations Office of Project Services: UNOPS) in the Mount Aylliff area of the Eastern Cape was tasked by this MP to contact the author and a series of goat production and product demonstrations at several villages in the area were organised. Following the positive sanction of interested goat farmers of the region, the idea of a goat production and processing facility was born.

Almost immediately linkages with the local governance structure of the region, the District Municipality, were formed. The District Municipality took ownership of the project concept, and assisted in the design of a funding proposal to National Government. In this case specifically, funding was obtained from the Integrated Sustainable Rural Development Programme (ISRDP), managed by the Independent Development Trust (IDT), and granted via the Department of Local Government and Housing. Spending occurs through the Local Economic Development Fund (LEDF) of the Alfred Nzo District Municipality of the Eastern Cape Province. “Goats” were listed as a priority by villagers during the process of priority setting that informed the Integrated Development Plans (IDP’s) of the region. Thus, the importance of grassroots sanction, local government and national government support should be highlighted here (Their role is illustrated in Figure 11.1 in Chapter 11).

Chapters 5, 6, 7, and 8 highlighted the specific market, legislative and labour requirements of the manufacture of each of the possible products of goats and suggested institutional arrangements which would allow their movement from rural goat owners to national and international consumers. Chapter 9 further described these institutional arrangements. Chapter 2 showed that the Eastern Cape possesses the largest goat resource in South Africa (over 50%), over 3 million. These animals are mainly found in the northern reaches of the province in the former Transkei and Ciskei areas. The goat resource is largely unimproved: the medium-sized multi-
coloured goat being most prevalent. These goats are used for traditional (cultural) purposes (Chapter 3), but also for cash flow when required. Goats are sold to neighbours, traditional healers and speculators on an ad hoc basis. Within the Alfred Nzo District alone the goat resource is estimated to be over 279253 goats. Table 10.1 shows the numbers of goats per district of the Eastern Cape.

**Table 10.1  Goat numbers found in the municipal districts of the Eastern Cape**

<table>
<thead>
<tr>
<th>MUNICIPALITY</th>
<th>GOATS</th>
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<tbody>
<tr>
<td>Western District DM</td>
<td>16 619</td>
</tr>
<tr>
<td>Amatole DM</td>
<td>466 649</td>
</tr>
<tr>
<td>Chris Hani DM</td>
<td>374 411</td>
</tr>
<tr>
<td>Ukwhahlamba DM</td>
<td>220 310</td>
</tr>
<tr>
<td>O.R. Tambo DM</td>
<td>721 991</td>
</tr>
<tr>
<td>Alfred Nzo DM</td>
<td>279 253</td>
</tr>
<tr>
<td>Total</td>
<td>2 079 233</td>
</tr>
</tbody>
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(Source H. Dombo – Stockowners Co-operative, 2004)

These indigenous goats are not suited to milk production, but their meat, leather and cashmere were tested (Chapter 5, 6 and 7) and found suitable for several value-added products. No collection, processing or marketing infrastructure for goats is found in the District. Dipping tanks exist, and goats are run along with sheep and cattle through these tanks when Department of Agriculture Extension Officers provide this service. Sheep scab operations have been concentrated in the O.R. Tambo, Chris Hani and Ukwhahlamba districts, but little action has taken place in this regard in Alfred Nzo district. Several farmers’ associations (affiliated to NAFU) were present in Alfred Nzo at the start of this project but these were general in nature.

Taking such stock of the district assisted in the design of the project. The Umzimvubu Goat Production and Processing Project thus decided to combine elements of infrastructure development, social facilitation, institutional development, and technology transfer and training. The organisation of the firm consists of a central “umbrella” farmer co-operative (as recommended in Chapter 9) (Umzimvubu Goats), managed by a board of 9 directors. The members of this co-operative are currently six (6) district (or regional) farmer co-operatives operating in wards within the Alfred Nzo District Municipality. Each of these regional co-operatives has its own identity, are legally registered, have their own boards of directors, and member farmers drawn from
the villages within each ward. Membership numbers vary amongst the regional co-operatives (300 to 750 farmers), and members are drawn from a varying range of villages in each case (7 to 15 villages). Membership has been voluntary and guided by a step-by-step social facilitation process described for project beneficiaries and service providers in a “Farmer facilitation and Co-operative Development Process” manual (Roets, 2004a). This process is summarised in Table 10.2. As stated in Chapter 9, co-operatives are a culturally acceptable business form since they work on similar principles to “stokvels” and burial societies already familiar to non-commercialised farmers. The logo (brand) of Umzimvubu Goats is shown in Appendix 6.

Collective action was deemed necessary for this project because most non-commercialised farmers in this district have small herds varying in size from 10 or 20 animals. Small herd sizes increases the transaction costs for the individual farmer since the effort asserted to sell one animal is invariably the same as the cost to sell 100. Furthermore, specialised inputs that may be required can be prohibitively expensive. For example: medicines and ear tags (small pack sizes cost more), management tools (dosing guns, ear tattoo machines, ear tag applicators are expensive), transport facilities, and holding pens. Also, herd structures are often incorrect. Only one buck is needed for every 40 does. Most farmers have their own buck and does, but the bucks are largely unproductive whilst utilising expensive resources (feed, management time, medicines etc.). These obstacles can be overcome through the collective action of the goat farmer co-operatives. Access to land has never been stated as a constraint by these farmers in the entire period of involvement of the author with these groups. It appears that the tribal leaders have “bought-into” the concept and land for communal grazing and locations for village-level infrastructure construction are made readily available.
Table 10.2  Farmer facilitation and Contract Growing Development Process

<table>
<thead>
<tr>
<th>PHASES</th>
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<tr>
<td><strong>Phase 1</strong>: General Awareness creation (through churches, youth groups, Farmer’s Associations)</td>
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<tr>
<td><strong>Phase 2</strong>: Goat interest group formation (GIG’s): (Names, addresses, contact numbers, numbers of goats owned are collected at this meeting, and fed into the Social Facilitators database)</td>
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<tr>
<td><strong>Phase 3</strong>: Cooperative education (Basic information regarding the functioning of Co-operatives)</td>
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<td><strong>Phase 4</strong>: Choosing of Co-operative leadership</td>
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<tr>
<td><strong>Phase 5</strong>: Development of Co-operative constitution (Guidelines are provided)</td>
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<tr>
<td><strong>Phase 6</strong>: Development of Co-operative business plan (Guidelines are provided)</td>
</tr>
<tr>
<td><strong>Phase 7</strong>: Co-operative registration - Putting together all paperwork and mailing to National Dept. Agriculture: Agricultural and Financial Co-operative Development Directorate</td>
</tr>
<tr>
<td><strong>Phase 8</strong>: Registering the members of the Co-op, membership numbers and membership cards</td>
</tr>
<tr>
<td><strong>Phase 9</strong>: Recruit Umzimvubu Goats Producers – Signing of Umzimvubu Goats Contract Growers Agreement (Production schedule fed into producer’s database)</td>
</tr>
<tr>
<td><strong>Phase 10</strong>: In-depth training – A 3 to 5-day Co-operative training course can be arranged for Boards of Directors only, or if required, the entire membership - Training in goat management and Contract Growing principles, guidelines and rules (PAETA training).</td>
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<tr>
<td><strong>Phase 11</strong>: Opening of bank accounts</td>
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<tr>
<td><strong>Phase 12</strong>: Registering a Co-operative brand or tattoo</td>
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<tr>
<td><strong>Phase 13</strong>: Producing goats and purchasing goats</td>
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Each farmer becomes a member of the co-operative, and receives a membership number. Through these co-operative groups costs of medicines and ear tags can be reduced when bought in bulk, and management equipment and marketing infrastructure can be shared. Group formation also ensures that those farmers who are interested in becoming commercial goat farmers are identifiable, and can receive targeted support.

An institutional change affected by this work was the change of legislation catering only to individual farmer animal brand registration to co-operative registration. Since legislation (from 2005) requires traceability back to origin, and a large number of farmers would be required to supply to the processing facility, the cost of every farmer (owning between 10 and 30 goats each) having to have their own brand presented a inhibitive transaction cost to enable these farmers to comply. Discussions were held with the Registrar of Brands who then agreed to consider co-operative brand registrations. Now, instead of 3000 farmers having to pay R 162 each for animal
brand registration, this transaction cost has been reduced to R 162 for 6 co-operatives associated with this project. (Discussions with Mr Keith Ramsay, Registrar of Livestock Brands, 2003). Although the co-operative brand then appears as an ear tattoo on each goat, the ear tag can include the co-operative membership number of the member farmer, and the animal number. It is pleasing to note that cooperatives that were established for specific purposes (i.e. in the cases illustrated by Holloway (2000) for fluid milk production) were better managed and exhibited lower levels of moral hazard (i.e. shirking and financial irregularities) than more general cooperatives. It is felt that the goat specialisation of the Umzimvubu Co-operatives will have a similar outcome. This is also corroborated by the high risk aversion of these very poor farmers (as explained by Ensminger’s game theories in Chapter 9).

In all six regional co-operatives, Phase 8 has been successfully reached. A “joining fee” is an internal initiative taken by the co-operatives to ensure that members are indeed interested in being part of the venture. Furthermore the exercise of constitutional development (Phase 5 in Table 10.2) has been an interesting one. Co-operatives have been enthusiastic about setting their own rules. For example, some co-operatives only allow members that currently own goats. Others however, have been more accommodating and allow others who want to become goat farmers as members. Furthermore, at board meetings it has been noticed that certain members become absent and new board members are introduced. In all cases the reason given is that the previous incumbent did not do his work or did not attend board meetings and was thus replaced. This demonstrates that the Co-operatives are entirely self-governing, and are developing their own systems of managing moral hazards and free-riders. Phase 8 was also considered the necessary stage of development before the central “umbrella” co-operative could be formed, since it was important that the central co-operative would have representation of farmers throughout the region (this creates a built-in relational context since the farmers are both suppliers to and “owners” of the processing facility).

Technology transfer activities have followed a trial-and-error process in the case of Umzimvubu Goats. Initially, involvement of the Eastern Cape Department of Agriculture Extension Officers was pledged to support the farmer training drive. Approximately 25 Extension officers were trained in the project concept, goat
management practices, value-adding opportunities, and farmer facilitation and co-operative development processes. However, the differences between the institutional cultures of the District Municipality (which are under obligation to perform to performance contracts) versus the Regional Agricultural Department (with their limitations in vehicle resources, level of competence of the extension officers, poor supervisory arrangements) soon became apparent, and little or no activity was observed from the side of this group of Extension Officers (apart from the work of two individuals who were very active and very successful in their regions despite the same constraints as their colleagues). The limitations of agricultural extension services is a matter often commented on in development literature. Because of these limitations, it was decided that farmer training should be handled internally (to the project). To affect this, a manual “Regional Co-operatives, Membership, Goat Production and Delivery Guidelines” was developed (Roets, 2004b), containing information on the following issues:

1) Breeds of goats suitable for sale to Umzimvubu Goats (Product specification information – this is an important transaction cost since non-commercialised farmers have felt that their goats are inferior to other improved breeds)

2) The obligations of Umzimvubu Goats to Regional Co-operative Goat Producers (Training programmes, extension services, negotiation of reduced costs of inputs with select suppliers etc.)

3) The first step – membership (Issues of animal identification are linked to membership. Also, the project is exclusive, only goats from members will be purchased.)

4) Goats suitable for growing (Product specifications, such as weight and age – these specifications are kept very simple to assist with compliance)

5) Required Goat Management Practices (Pharmaceutical use, judging body condition score, housing, nutrition and ethical treatment of goats is discussed here. Only those issues which have an influence on final product quality are discussed. The rest are irrelevant.)
6) Delivery of goats to Umzimvubu Goats (Central collection depots are discussed and that transport costs from these collection depots to the facility will be borne by the facility, thus reducing transaction costs.)

7) Grower obligations (Obligations such as providing only animals of the suitable specification, regularly, and reliably are discussed)

8) Delivery price (This has been left as a relational issue, where the price will be negotiated based on the value-added generated, and will change from time to time.)

This manual is available in the local language, Xhosa, and is made available to each member of each co-operative when he/she joins the co-operative and pays their "joining" fees.

A third development has occurred due to the formation of the National Qualifications Authority in South Africa (an initiative of the Department of Labour), the development of the Sector Education and Training Authorities, and specifically, in the case of primary agriculture, the formation of the Primary Agriculture Education and Training Authority (PAETA). This body is mandated to assist in the training and development of adults within an "employer-employee" relationship. However, the contract growing model has drawn interest since it encourages learning within the sector, but caters for a different form of "employer-employee" relationship. This illustrates a second institutional change affected by this work where the "contract-growing model" has been allowed as a form of "employer-employee" to disburse funding from the National Skills Fund to educate previously disadvantaged groups in the agricultural sector. Without this policy change, those farmers outside the formal agricultural sector (i.e. not employed by commercial farmers) would have been ignored for training assistance. A full N1 level qualification, the "Contract Grower Goat Management Learnership Programme" has been developed (Roets, 2003). This 10-month training programme teaches the non-commercialised goat farmer all the intricacies of goat contract growing to market specifications and entails 25% theory and 75% practical assignments. Aside from ensuring total understanding of the principles of goat farming for market requirements, it also provides adult learners with a formal tertiary qualification which could assist the individual in obtaining employment in other sectors. Funding for this
training is supported by PAETA and the MQA (Mineworkers Qualifications Authority) through their National Skills Fund Programme. As is demonstrated here, the formation of the East African cooperatives led to access to higher quality information (higher in quality than the available extension services) to producers (Holloway, 2000).

Due to the nature of the goat resource, the lack of processing infrastructure in the district, and high unemployment rates (55% of the population of the E. Cape are not economically active and 24.6% are unemployed - thus, 79% of the population of the E. Cape are not involved economically: Stats South Africa, 2001), it was decided to develop an abattoir, meat processing plant, tannery, leather crafting workshop, tourist centre and their associated civil infrastructure which together would have the most employment potential as well as serve to utilise the goat resource of the area.

Aside from the resources (labour and goats) available, the following factors also informed this decision: An abattoir and meat processing plant are expensive facilities, and the supply of raw product should be assured. What better place to assure supply than in a district with over 200 000 goats? This will not only ensure that the facility is effectively utilized, but will also ensure consistency of supply to the market, especially where bulk orders are exported overseas or required by local retailers. These requirements would demand the “locking in” of non-commercialised goat farmers with the processing facility. Thus a facility specific for this value-addition chain was appropriate and best located in those regions where a high number of goats occur. This facility is linked with goat producers within its area (thus reducing the transaction costs associated with transport), will specialize in the meat products developed in Chapter 5, and a relationship has been established between the facility and the goat producers in its immediate vicinity to ensure consistent supply of product. A long-term relationship with goat growers can also allow the facility to provide the growers with information relating to its raw product requirements (thus building a relational contracting type). The operation of a goat meat facility and, to ensure its effective utilisation, its long-term relationship building with local goat producers, perfectly fits the creation of institutional arrangements involving interlocking transactions (found in contract growing), the development and nurturing of producer groups, and can also include, public private partnerships (due to cost of the facility), contract growing (to ensure consistency of supply), and co-operative development (to allow the farmers to
work collectively to provide to the facility in an organised manner) as suggested by Kydd and Doward (2001).

This arrangement has motivated goat farmers to improve their performance using the market as a lure (Chapter 1). It will allow non-commercialised farmers to become more connected to the value-delivery network (or supply chain) and part of a vertically co-ordinated company. This vertical co-ordination will lower the costs of transportation (since the processing facility is located within the goat producing region), information (through relational contracting) and marketing (Through vertical co-ordination, non-commercialised farmers will be able to link with export markets with their high demands for safety, quality and consistency (Chapter 1)) and the opportunity exists for the farmer to gain a larger share of the value-added income stream (Chapter 1) since profit sharing is built into the design.

To establish a consistent supply of raw product, goat farmer co-operatives can plan and define their production and delivery capabilities together, and provide this information to the next link in the chain (the transporters or the processors). Consistency of supply is thus achieved by a group where different owners can present their animals for sale at different times, but the supply generated by their group activity is consistent. This will create the critical mass required to supply the market chain consistently.

If a substantial number of goats are to be slaughtered at the central location, then a similarly large number of goatskins would be available at this central location. This creates the need for a medium sized tannery close to the abattoir (to reduce transport and handling transaction costs). Again, tanneries are expensive facilities (with asset specificity – both in the infrastructure and the expertise required for operation) and need to operate at effective capacities, thus a consistent supply of raw product would assist in the viability of such an operation. Effluent disposal and pollution were also concerns in this decision. These constraints were overcome in the following manner: the latest market trends are for hair-on leather products (for interior décor); also, a hair-on tanning facility would negate the need for the sulphur processes which are associated with hair-off tanneries (these sulphurs give the “rotten-egg” odours associated with tanneries). Furthermore, on a smaller scale, tannery effluent can be
re-used (both chrome and veg tanning chemicals), and once finally spent, can be stored for collection and disposal by larger operations (Dr Clive Jackson-Moss, ISTT, personal communication, 2000).

By linking goat growers to an abattoir, and the tannery having a contractual supply relationship for skins with the abattoir, a constant supply of skins can be maintained, increasing the viability of the tannery. The possibility also exists that if the goat growers are in any event contracted to supply goats to the abattoir, then a relationship could also be built with them to supply raw skins obtained from traditional use (which are often discarded). Such a relationship could also allow the tannery to educate the goat growers on improved nutrition practices to strengthen their goat skins (as indicated by the research in this chapter), and management practices which would limit scratches and scarring (such as the use of barbed wire fences). Because a decision was made for only hair-on tanning to occur (due to environmental concerns), a relationship with a hair-off tannery was established with the following conditions: Firstly, skins that do not have interesting hair patterns will be swapped to obtain hair-off leather from the ISTT in Grahamstown, and, as often as required, ISTT will collect and dispose of the used chemicals of the tanning process.

The development of a tannery (due to the establishment of an abattoir) leads naturally to further job-creation through leather crafting. Leather crafters producing items from the skins will also benefit by the consistent supply of hair-off and hair-on skins, and the bulk in which the leather will be available will allow many crafters to manufacture items which could do well in bulk retail markets (thus allowing co-operative crafting groups to be formed). Here too the leather item manufacturers and crafters can be linked to the leather tannery (and thus to the goat producers), allowing consistent supply of raw product (and the potential to relay information regarding the characteristics of the raw product to the goat producers and the tanners – i.e. regarding quality, dyeing possibilities etc.). The value-adding potential of goat skins is the greatest of all the products from goats, and if the supply and manufacturing chain for goat leather were vertically co-ordinated this opens up the potential to relay the financial benefits back to the producer (if the correct quality is delivered).

Thus, it was decided that the central infrastructure of the facility would include:
- 560-goat holding pens (to allow a 2-week buffer goat supply) and infirmary
- Feed, equipment and medicine stores
- Goat abattoir (maximum 40 goats per day) and meat processing plant
- 40-skins a day hair-on tannery and leather craft workshop
- Labelling and packaging facility and cold storage area
- Effluent treatment plant
- Administrative buildings and shop, Ablution facilities
- Security housing, Fencing around perimeter
- Water (reservoir, pipeline and pump), electricity (stand-by generator), sewerage (pipeline) and road infrastructure

Figure 10.1 shows this facility under construction and Figures 10.2 and 10.3 illustrates an artist’s impression of the site.

Figure 10.1 Umzimvubu facilities under construction showing the tourist facility nearing completion
Figure 10.2  Artist's impression of the Umzimvubu Goat facilities: Tourist facility

Figure 10.3  Artist's impression of the Umzimvubu Goat facility: Animal Husbandry centre and processing plant

The organizational structure of the venture then becomes as depicted in Figure 10.4 below:
Figure 10.4 Organisational structure of Umzimvubu Goats

As mentioned in Chapter 9, farmer co-operatives have been chosen as the legal entity because they lend themselves to the requirements of the vertically co-ordinated goat production and processing venture envisaged here since they allow for large numbers and variation in numbers of participants, are governed by a Board of Directors (self-governing), they encourage collective action (which operates in a similar manner to the cultural norms that most non-commercialised farmers are accustomed), and have the interests of the members of the co-operative at heart. Each district co-operative is a member of the central processing co-operative, Umzimvubu Goats. Thus, aside from being members of Umzimvubu Goats each district co-operative’s membership of the central co-operative is governed by a contractual obligation towards the central cooperative. This organisation of the role-layers creates a “Co-operative Contract Growing” enterprise.

The business of the venture will be that all the raw products (live goats, skins and cashmere) will be drawn from goats that are owned by non-commercialised member farmers in the Alfred Nzo Region of the Eastern Cape. The business will entail the manufacture of goat leather products for local and international markets, and fresh and
processed goat meat products such as cabanossi, droë wors and salami. These products were chosen because they take the limitations of the current goat resource of the area into account (too small for meat cuts or whole carcasses), and also present new products to the international market (thus no direct competition). The facility will produce to Halaal specifications (which opens up the possibility to export to the Middle East but also to penetrate the Muslim market in South Africa – mainly based in KwaZulu-Natal which is within 30 km from the facility). Cashmere will merely be stored for further sale to a cashmere carpet manufacturing group that has been established in Soweto (The Mighty Wool Spinners see 10.6 below).

The objectives of the project are to:

- Provide a consistent, reliable, market for live animals from the local non-commercialised farmers
- Provide a market for currently under-utilised goat skins and cashmere
- Provide transport of their animals and products to the central infrastructure
- Provide local permanent employment to 55 beneficiaries
- Provide temporary employment to approximately 300 local building contractors
- Will draw tourism to the Mount Ayliff area

In defining the relationship between the central “umbrella” co-operative and the regional co-operatives a contract was designed. The full contract is shown in Appendix 6, but is discussed here. The contract makes provision for the processing enterprise (Umzimvubu Goats Co-operative), the individual farmer and the regional co-operatives’ obligations and responsibilities. On the one-hand Umzimvubu Goats is created to promote goat farming in the area, will ensure traceability (through bar-coding and record-keeping), quality (Halaal and Veterinary Public Health inspectors) and consistency of supply (through constant throughput) to various markets, and will provide several services to regional co-operatives (on payment of a membership fee) such as on-going advice on the management, breeding and caring for goats, will assist producers in producing goats to the required standards (as set out in the Contract
Producer's Manual), will ensure a sustained, consistent, reliable and efficient market for goats from member producers, will hold shares of the member co-operatives in trust and assist in the collection and distribution of any dividends from the operation, implement a system of training, advise on preferred feed and pharmaceutical products to use, purchase all goats that meet the required standards, shall pay out a 2% annual bonus if the regional co-operatives meet their production targets, will assist in the establishment of regional cooperatives, and will pay for all purchased animals within 7 days of acquiring the stock from the regional co-operatives (directly into bank accounts). Umzimvubu Goats will negotiate shelf space with various retailers utilizing its own brand name (and logo), but may also co-brand or package and brand under other brand names (e.g. Kalahari Kid), as explained later. The services of Umzimvubu Goats to its members are similar to those suggested by the sugar beet processing plant as described by Gow et al. (2000) to increase contract compliance. These services will also foster collaboration and mutual benefit sharing through active communication between the parties. Thus, although classical in appearance, this contract has elements of relational contracting as suggested by Arzt and Brush (2000) and Furubotn and Richter (2003).

The individual producer is required to submit an annual production estimate, indicating the number of goats and the times at which these would be available to be delivered to the central cooperative, must deliver the numbers of goats pledged, must apply the recommended record keeping and numbering system to the goats, must produce goats of the quality specified in the Contract Producer's Manual, and must have a bank account. The specifications of the goats have been kept to a minimum so that contract compliance is not difficult for the individual producer to achieve. In information sharing sessions farmers are continuously informed that all goats can be sold, as long as they are less than 18 months old, and between 25 and 35kg in weight. To assist with this compliance, farmers are being taught how to tell the age of goats (by their teeth), and are provided with and shown how to operate a weighing scale. The requirements of ear-tagging and branding (or rather tattooing in the case of small stock) have also been relayed. This information exercise has been so successful that one district co-operative has taken the initiative to mark goats destined for sale to Umzimvubu Goats with a different coloured ear-tag to those
goats destined for traditional or household use. This is a clear indication that the traceability requirements of the abattoir are understood. The regional co-operatives are established to plan delivery dates with their members, provide a collection point to which all animals to be sold should be brought, arrange with the central cooperative for the transport of the animals to the abattoir, must assist in ensuring the traceability, quality and consistency of supply to the central cooperative and must have a bank account.

The contractual obligations of importance are those which attempt to reduce hold-ups, build trust between the central and regional cooperatives, and improve the producers' access to inputs. These include the necessity to plan delivery schedules, the fact that goats will only be purchased from members, and the services provided to the farmers by the central co-operative. These obligations are necessary if the central infrastructure is to provide processed products to further markets on a consistent basis, but also to utilize the infrastructure most efficiently, since a large capital investment was made to build these specific assets. To ensure the supply of goats to the facility Umzimvubu Cooperative has pledged to provide training and advisory services (an Agricultural Officer will be appointed at the central facility), has negotiated special services and products with a pharmaceutical company (Virbac), and is in the process of negotiating a finance warehousing scheme with the Land Bank, in an effort to bring much needed finance to non-commercialised farmers in the project. Furthermore, Standard Bank is assisting the members of cooperatives and the cooperatives themselves with the opening of banking accounts. These innovations are similar to those adopted by Juhocukor a.s. in Slovakia, when repositioning themselves towards their sugar beet producers (Gow et al., 2000). Thus, in the Umzimvubu Goat Project this support includes the provision of marketing infrastructure, transport assistance, training and technology transfer and financial services. This relationship has been established by ensuring participation of the farmers (through their proxies, the regional co-operatives) and decision-making powers on the board of the central co-operative.
10.3 The Laphum'ilanga Goat Project

The Laphum'ilanga Goat Project (their logo is shown in Appendix 7) is similar in size and scope to the Umzimvubu Goat Project and is owned and managed by the Ntinga O.R. Tambo Development Agency which has been created to assist the O.R. Tambo District Municipality in its Local Economic Development drive. Funding for this project is also sourced from the ISRDP. The same technology transfer lessons were learned by first training extension officers and then moving to an "internal" form of technology transfer (Roets, 2004b).

The organisational structure is similar with the formation of 7 regional co-operatives which will produce live goats to be delivered to a central cooperative. The projects differ essentially at the level of infrastructure and purpose. In Laphum'ilanga Goats the central infrastructure consists of:

- A Goat holding facility with feed provision (1000 animals)
- An auction facility
- Infirmary
- Feed, equipment and medicine store
- Leather craft workshop
- Composting facility
- Administrative buildings and shop
- Water (boreholes, reservoirs, pipelines and pumps), electricity (stand-by generators) and road infrastructure

In addition to the infrastructure at the central cooperative, regional cooperatives are also being assisted with the construction of collection points. These centres will serve as a holding facility for animals to be sold, will serve as a meeting place and training centre for the regional cooperatives, and will house animals of superior genetic merit
so that members of that cooperative can improve the genetics of their own herds. One of these facilities nearing completion is shown below in Figure 10.5.

![Image of Isilindini Regional Co-operative infrastructure](image)

Figure 10.5 Isilindini Regional Co-operative infrastructure (meeting and training venue, collection facility, loading ramp, handling facilities, storage room, office and ablution)

Farmer facilitation and cooperative development also follows the 13-Phase process described for Umzimvubu Goats (Roets, 2004a), and similarly a Contract Growers Manual (Roets, 2004b) has been developed to train farmers in the process of contract growing and to keep to standardised norms of goat management, pharmaceutical use and health care. The purpose of this facility would be to collect live goats from the O.R. Tambo Region of the Eastern Cape, bringing them to a central location and offering sales/auctions to live goat buyers on a regular basis. This facility plans to
overcome the high transaction costs of goat buyers from KwaZulu-Natal who can generally buy only small quantities at a time, and who are averse to traversing the poor roads of the Eastern Cape. This facility thus offers prospective goat buyers a centralised convenient location for accessing the goats of the deep rural areas of the O.R. Tambo region. Creating a facility which reduces the inconvenience and transaction costs for buyers (i.e. the market) would also thus increase the access of non-commercialised farmers of the region to these markets.

10.4 The Kgalagadi Dipudi Project

The Kgalagadi Dipudi Enterprise originated from an initiative of a group of unemployed women in the Bendal village (84km Northeast of Kuruman in the Northern Cape Province) who each donated 5 indigenous female goats from their family farms, and upgraded these with an improved Boer goat ram. The project was allocated a piece of ground on the farm Greyfield, and a new area, more suitable to goat farming was later identified and permission was obtained to utilise this new area for the operation. Infrastructure for this site, including water, electricity, handling facilities, fencing and accommodation for a manager, were built. Land access is often mentioned as a constraint in this project, and thus the LRAD programme of the Department of Land Affairs has been accessed in this regard. Limitations in land available for purchase and the funds to purchase potential land have however proved limiting.

Further non-commercialised goat farmer facilitation and involvement was effected throughout the Kgalagadi Region by the operation of a group of extension officers from the Departments of Agriculture of the North West Province and the Northern Cape. These officers received training in goat management, the project concept, business structures, goat meat, leather, cashmere and milk processing, market surveys, and also the facilitation of Goat Interest Groups. Their activities on the project form part of their Department’s Performance Management System, and Key Performance Indicators related to the project have to be reported on in their performance appraisals. The excellent work of this group of extension officers led to the successful registration of the Kgalagadi Dipudi Goat Cooperative consisting of 360 members in February, 2003.
The Kgalagadi Dipudi Project is located in the municipal district of Kgalagadi near the town of Kuruman in the Northern Cape, and is also funded via the District Municipality’s Local Economic Development Programme, receiving funds from the ISRDP. High level political involvement in this project (National Ministerial and Provincial MEC level) has created complexities. Despite the excellent progress made at the start of the project, the author is unaware of the project’s progress to date.

10.5 The Picardy Milk Goat Project

This project will consist of a milk goat operation including a milking parlour, milk processing factory, a leather crafting workshop, restaurant, ablution facilities, and administration offices located on the Picardy farm in the Balfour region of the Eastern Cape. This infrastructure is almost complete. The project is funded via the Community Based Public Works Programme of the Amatole District Municipality. Ultimately, approximately 150 goats will be grazed on the 200 hectares of land owned by the community (following an LRAD grant process) of approximately 32 families. A farmer’s cooperative with its own management structure has been registered by the group. Training in aspects such as goat management, milk processing, catering and business management will be provided to the community to own and operate the business.

The community of the Picardy farm will operate the goat milk herd and processing facility as a tourism and product processing venture. As such the community will manage a herd of milk goats, milk the goats, produce various value-added goat milk products such as drinking yoghurt and amasi, produce goat leather craft items, operate a tourist restaurant where local cuisine and the goat milk products will be served, and operate a goat leather craft workshop where tourists can view leather-crafters at work.

In the scenarios sketched in the business plan (Roets, 2004c), the facility will produce the following products and quantities of products: 270 litres of milk will be processed into 108 litres of maaas and 162 litres of drinking yoghurt per day, 49 male kids will be available for sale in January/February of each year, and 17 handbags, 36 pouches, 90 key pouches or key chains, and 15 pairs of leather slippers will be manufactured every
week. The facility will create employment for: 7 management / co-ordinator personnel earning R 1 700 per month each, 5 milk processors earning R 1 200 per month each, 7 animal husbandry staff earning R 1 200 per month each, 15 leather crafters earning R 1 200 per month each, and 2 Restaurant staff and 1 curio shop manager earning R 1 200 per month each.

The main market will be sales to tourists on-site. This entails that the facility will need to link with other tourism ventures in the region to become visible. Excellent tourism opportunities such as the Katberg Hotel, the Mqofu Game Reserve and Grahamstown are nearby. The infrastructure is currently under construction and no contractual linkages have yet been introduced to the project, although a "chain-store" concept with reciprocal exchange of products with other goat enterprises is envisaged. The possibility also exists that the Picardy Project will enter into a contractual relationship with the marketing group Kalahari Kid. The specificity of this infrastructure and the perishable nature of the products have necessitated a different organisational framework than the projects located elsewhere. Here the operation is centralised with no contract growing arrangements taking place. This facility is essentially similar to those of other milk goat operations in South Africa, with one difference: here the farm will be owned and operated by a group, whereas the other facilities on South Africa are owned by individual operators. This has been made possible by the ownership of the land by the participants through the LRAD process.

10.6 The Mighty Wool Spinners group

A Women's Group in Soweto searching for employment was made aware of the business opportunity of adding value to cashmere fibre through information and awareness creation exercises. Business training assisted the Women to develop their own business plan and activities. Training in fibre washing, carding, spinning, hanking and setting provided the skills necessary to provide the required quality of product to a carpet manufacturer based in Mid-Rand, Gauteng. Relationships and trust were developed between the Women and the carpet manufacturer through the testing and manufacturing of a sample product range. The manufacturing of the product range was used as a quality development and control, and communication and value-chain building exercise. This group is now linked to several goat growing groups in the
Transkei for their supply of cashmere. However, the establishment of several of the processing centers mentioned above (with dedicated storage facilities for cashmere) will greatly increase the consistency of supply of cashmere to this group. As mentioned in Chapter 6, the yield of cashmere from indigenous goats is low, thus negating the possibility of the development of several of these value-adding groups. As suggested by the market survey described in Chapter 6 stronger linkages with interior decorating and export firms still need to be established.

10.7 The Kalahari Kid Corporation

The Kalahari Kid Corporation (their brand is shown in Appendix 7) is a public company registered on the 3 October 2002. This company was created to develop the goat industry in South Africa, and has as its core functions the branding, brand management, quality control and marketing of goats and goat products from the entire South Africa. The company is a joint initiative between private sector commercial partners (5%) and the Northern Cape Provincial Government (95%) where funding is channelled to the project via an Economic Development Unit established to assist in the economic development of the Province. Its main goal is to establish goat meat in the local retail and international export markets (Its penetration into the Middle East market was illustrated in a cartoon published in the Farmer's Weekly in 2003: Appendix 7). To do this it is building the brand name “Kalahari Kid”, negotiating shelf-space with various retailers (Checkers Hypermarket, Pick ‘n Pay, Spar), paying listing fees where necessary, presenting the product to the public through various publicity campaigns (such as up-market lunches with radio, TV and “foodie” personalities, food exhibitions and magazines, pamphlets, posters, and international exhibitions (utilizing funding from the Department of Trade and Industry SMME Export Support initiatives)), developing a reliable distribution network, soliciting the support of several key, high grade processing centres (abattoirs), and building a client base (both in South Africa and abroad). These activities were required for the establishment of the brand.

On the supply side the Kalahari Kid Corporation is working at grass-roots level building a supply base from non-commercialised goat producers (currently in the Northern Cape, but with plans to expand to other parts of the country). Kalahari Kid’s ultimate
objective is to market the meat, offal, leather, milk and fibre products of 1 million goats per year.

To build trust and secure contract growers the Kalahari Kid Corporation is also providing certain services to non-commercialised farmers as a means of ensuring compliance to contractual obligations. These are similar to those described for Umzimvubu Goats and include negotiation with a pharmaceutical company regarding co-branded goat remedies, the support of various government departments such as the Department of Land Affairs and the Department of Agriculture, who assist with land issues where they are identified, the provision of cooperative development assistance and training provided through funding of PAETA. Furthermore on qualifying as a Kalahari Kid Contract Grower farmers are given assistance to: Be trained (by a qualified official from the Kalahari Kid Corporation); and Be registered as a legal entity (e.g. co-operative name and registration number). Compliance requires: Agreeing to the contractual arrangements (Quality of goats offered, Quantity of goats offered, Keep to delivery date schedules, Not sell to other traders -this is enhanced through relational contracting, Be part of the programme); Have adequate management facilities (e.g. housing, feeding); and, Have access to land (Permission to occupy, Own, Lease).

Land access is often mentioned as a constraint by non-commercialised farmers in the Northern Cape. To overcome this problem discussions have been held with local and district municipalities regarding the sale of municipal land (commonage). The LRAD programme of the Department of Land Affairs has also be accessed. However, the Northern Cape has limited land available for sale and it can be debated whether the current equations used to determine the funding for land per potential land owner is applicable in this province where the production capacity is much lower than in other provinces and where large tracts of land are necessary for viable production systems. This issue needs to be addressed at a policy level (institutions).

Thus, as with the other projects, the Kalahari Kid Corporation must in some way work with the supply side of the vertical chain to influence quality and timing of deliveries (Sporleder, 1992). The key difference between the Kalahari Kid Corporation and the previous projects described is its emphasis on the market linkages whereas the other projects are concentrating more on the supply side of operations. This thus lends itself
perfectly for these two types of operations to combine forces in creating a completely integrated marketing chain from producers to consumers (both local and foreign) or to enter into a strategic alliance (Sporlender, 1992), where each firm would offer specific inputs that would be complementary within the production, processing and marketing chain. However, the contracts describing these relationships still need to be defined.

As mentioned previously, the opportunity exists to share a brand, but opportunities should also be created where the separate companies can market a share of their produce under their own brand names. Contracts will have to be designed to encapsulate such situations and are often permissible in strategic alliances (Sporlender, 1992). Furthermore, the strong technological innovation of the products (Raynaud, 1992) requires that monitoring of the product quality and consistency must ensure a consistent product from different centres. This may be particularly difficult to achieve with processed meat and milk products, although leather and cashmere products are expected to show some variation in consistency and appearance.

Thus, whereas the Kalahari Kid Corporation, like Umzimvubu and Laphum’ilanga, has a standard “Contract Grower’s Agreement” where benefits and obligations of goat producers and the purchasing company are described, it is clear that at the current stage of development of the industry, the Kalahari Kid Corporation possesses the most “marketing power” (Sporlender, 1992) and if it continues its strong marketing activities will soon also possess “referent power” (Neves, 1999), i.e. the brand will be so strong that others will want to be associated with it. Thus, if the other goat production and processing operations want to share in some of this “power” a further contractual relationship will need to be designed between the Kalahari Kid Corporation and processing enterprises such as Umzimvubu (leather and meat products), Picardy (milk and leather products) and Laphum’ilanga (leather products and live goats). That is if these enterprises are interested in making use of the marketing expertise of this company and wish to provide products under the brand name “Kalahari Kid”. This “shared branding” could culminate in a semi-franchise operation (Raynaud, 1999) or other forms of strategic alliances (Sporlender, 1992) (such as contracts). For this to be achieved, standard operating and production and processing systems need to be in place, and strictly monitored (Raynaud, 1999).
However, the production and processing centres also possess power due to the resource dependency of the Kalahari Kid Corporation (Sporleder, 1992). The Kalahari Kid Corporation requires their produce, and where infrastructure investment has been made by other parties (District Municipalities), the Kalahari Kid Corporation may be sore pressed to make similar investments themselves. Thus, a situation of mutual dependency and mutual obligation (Sporleder, 1992) is created. However, it is doubtful whether the marketing function will also be entrusted to the processing centres (which are common practice in such franchise operations (Raynaud, 1999)) in the short term, and this will in all likelihood be the greatest cause of conflict and opportunistic behaviour in the future. This is because the industry is only just developing and the creation of competition at this stage will do little to build a strong client base from which to grow. It is of course, likely, that as skills in this sector develop, that splinter companies capable of doing their own marketing will appear.

10.8 Conclusion

This chapter has described several goat commercialisation ventures currently occurring in South Africa. These ventures were initiated once value-added products had been designed (Chapters 5, 6, 7 and 8) and markets for these products had been identified (also Chapter 4). The reasoning behind their establishment (high unemployment and availability of the goat resource: Chapters 1 and 2), the form of their organisational structures, the infrastructures associated with each, and several institutional arrangements that have been put in place, have been described. The rationale for the vertically co-ordinated contract growing system used in most cases was described in Chapter 9.

Developments are occurring at Balfour (Picardy), Mount Ayliff (Umzimvubu Goats) and Ntabankulu (Laphum’iilanga Goats) in the Eastern Cape, Soweto (Mighty Wool Spinners), Kuruman (Kgalagadi Dipudi) and 63 other communities (Kalahari Kid Corporation) in the Northern Cape, with further projects planned in Limpopo, Mpumalanga, and North West Province. All the raw products will be drawn from goats that are owned by non-commercialised goat farmers in the regions surrounding each project (Mostly areas with high goat populations (Chapter 2) and high unemployment (Chapter 1)). Some projects include value-adding operations including the
manufacture of goat leather products such as handbags, slippers and key chains (described in Chapter 7), goat meat products such as spiced and vacuum packed meat cuts, salami and cabanossi (described in Chapter 5), cashmere carpets (described in Chapter 6) and drinking yoghurt and amasi (described in Chapter 8). The primary markets for these products are tourism facilities on-site, and marketing activities to national retailers. However, an opportunity to effect strategic alliances with the marketing company, the Kalahari Kid Corporation, can extend the marketing power of these projects to include wider national distribution and export sales.

Individual legal entities have been established for each project (as suggested in Chapter 9). At the producer and processing level mainly cooperatives have been formed (due to the cultural familiarity with this type of structure), whereas the marketing company has chosen a public company registration (due to its primary source of investment). The collection and value-adding infrastructures are all owned by the District Municipalities and will be rented to the cooperatives as the businesses reach independence. These infrastructures consist of collection, handling, meeting and training facilities at ward level in some cases, and feedlots, abattoirs, auction facilities, tanneries, restaurants, curio-, meat- and dairy-stores, and meat, leather and milk processing facilities in other cases, depending on the project (As suggested in Chapter 9). Funding to establish these projects has been sourced from Local Economic Development Funds of the Integrated Sustainable Rural Development Programme, the Community Based Public Works Programme, and Economic Development Units specifically established to create economic development opportunities in rural areas. These funds are used for farmer facilitation, institutional development, design and construction of infrastructure, and training and technology transfer up to the implementation of the business and beyond as back-stopping and advisory services (some of these activities were listed in Chapter 1 and are illustrated graphically in Figure 11.1 in Chapter 11).

Approximately 5000 non-commercialised farmers are already involved in these projects. Representatives from Provincial Departments of Agriculture, Departments of Economic Affairs, District Municipalities, Local Municipalities, Departments of Health, Local Development Agencies (or Local Business Service Centres), Offices of Environmental Protection, Departments of Water Affairs and Forestry and Veterinary
Public Health Departments as well as the farmers themselves are convened in Project Steering Committees, which guide the development of each Project.

It is envisaged that although marketing of products will be done on-site by each of the projects through tourist facilities, it would also be beneficial to create strategic alliances (or contracts) with the goat marketing firm that has been established (the Kalahari Kid Corporation). This organisation has expertise in the marketing, branding, and quality control aspects demanded of the market place.

These case studies illustrate slightly different approaches that have been undertaken in the development of projects concerning the commercialisation of indigenous goats involving non-commercialised goat farmers. It is interesting to note that the provision of incentives to Department of Agriculture Extension officers has proved beneficial in obtaining quick progress on the Kgalagadi Dipudi Project. This project has intense political support, and thus pressure has been placed on all collaborating members to deliver required actions quickly.

In the case of the Umzimvubu Goats Project farmers are much more involved with the implementation and governing of the project than with Kgalagadi Dipudi. The understanding and co-operation of the non-commercialised farmers has given new direction and impetus to the Umzimvubu Goats project. The formation of goat cooperatives is seen as integral to the project, and farmers have asked for assistance in co-operative development before they start with goat management training. Another process that has contributed to successful farmer involvement at Umzimvubu Goats has been the inclusion of social facilitators (largely because they speak the local language). This group continuously meets with farmer groups, monitors problems being experienced and assists with understanding and monitoring. All problems and misunderstandings are relayed to the project managers, who deal with these issues quickly. This group has helped greatly in the improved flow of information between the project management and the farmers.

The use of social facilitators within the project has also been beneficial in the Laphum’lilanga Project. This has also increased the sense of ownership of the project within the region. However, “internal to the project” in this case means that the social facilitators are employees of the funding agency, the Municipal Support Services
Organisation of the District Municipality. This may create a sense of dependency as the project reaches maturity. The importance of information flow is reflected in all projects. Pamphlets have been developed which are widely distributed to all farmers, the processes of farmer facilitation are well defined, and specifications for goat production and linkages with collection, processing and marketing enterprises are well communicated through several training approaches.

Contracts defining the obligations and relationships of the producers and collection, processing and marketing enterprises provide several self-enforcing clauses to ensure reduction in contract breach, and to build trust between the various role-players in the vertically co-ordinated chain (Chapter 9), even though opportunistic behaviour is expected to be low. Product specifications are simple to assist with compliance.