



'Making Commodity & Service Markets work for the Poor'



# MMW4P in Agriculture

## Making Business Service Markets Work for Small Wool Farmers in South Africa & Lesotho

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work for the Poor in Southern Africa



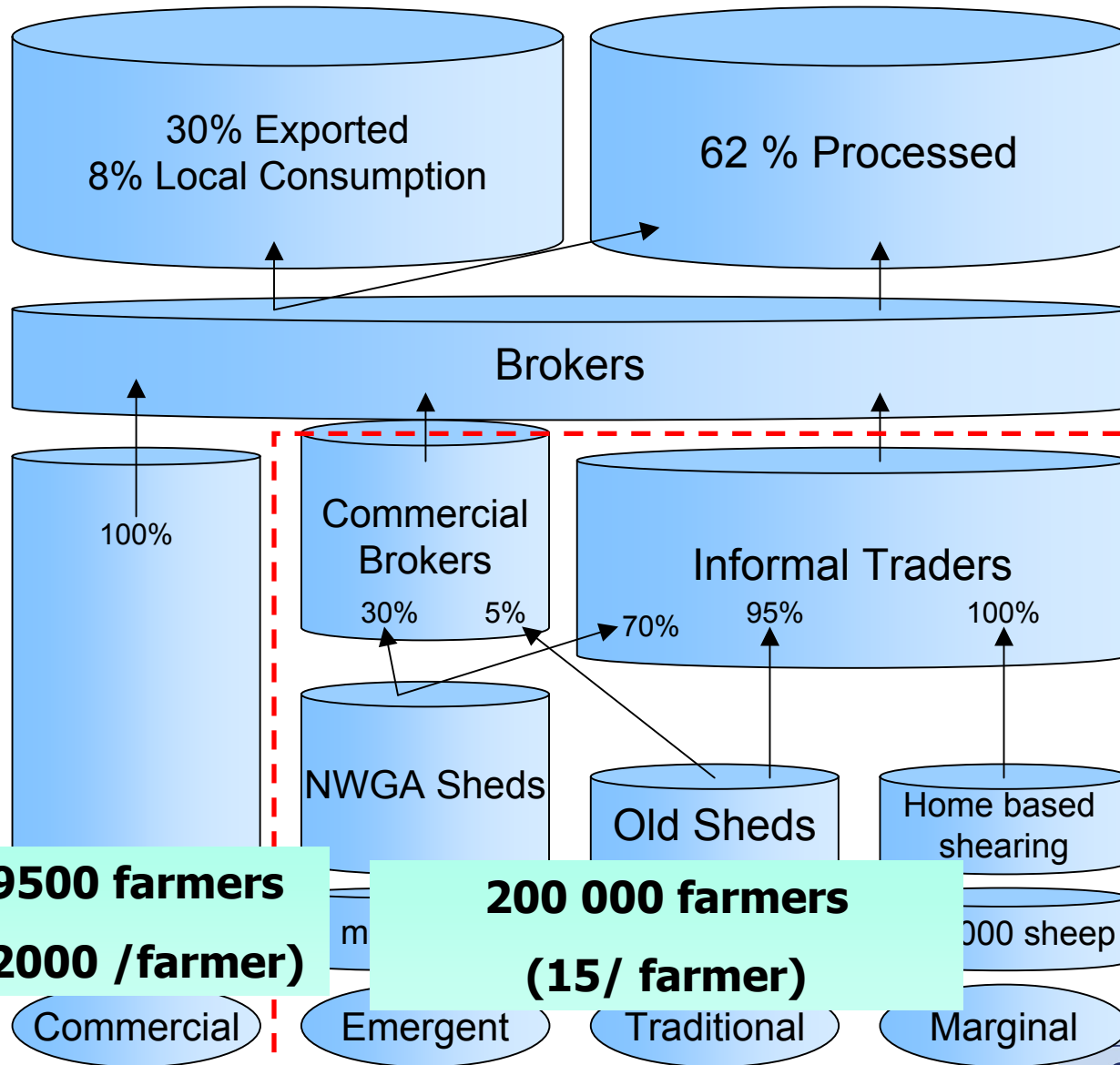
# WHAT?

## Features of the SA Wool Sub-Sector

- **NB wool farming area:** 6<sup>th</sup> in world & largest in region
- **Historical exclusion** of black producers from markets
- **Extreme duality of wool sector:** in SA 9,500 commercial farmers: 20 m sheep Vs 200,000 emerging farmers: 3 m sheep
- **Emerging farmers:** 3% volume; 1% value: *responsive*
- **Output of commercial sector declining**
- **Stable global demand** & SA market share growing 2%+
- **Underutilised industry capacity** & strong alignment of interest in growing output from small producers
- **Conducive environment & opportunity** for growing small producers & channeling them to high value markets

Links in the Value Chain

- Consumption / Export
- Process / Mill
- Wholesale / Auction
- Transport
- Baling
- Classing
- Shearing
- Growing



**9500 farmers  
(2000 /farmer)**

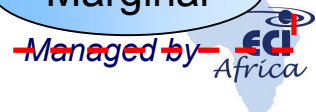
**200 000 farmers  
(15/ farmer)**

- Commercial
- Emergent
- Traditional
- Marginal



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Producer Groups within the Sector



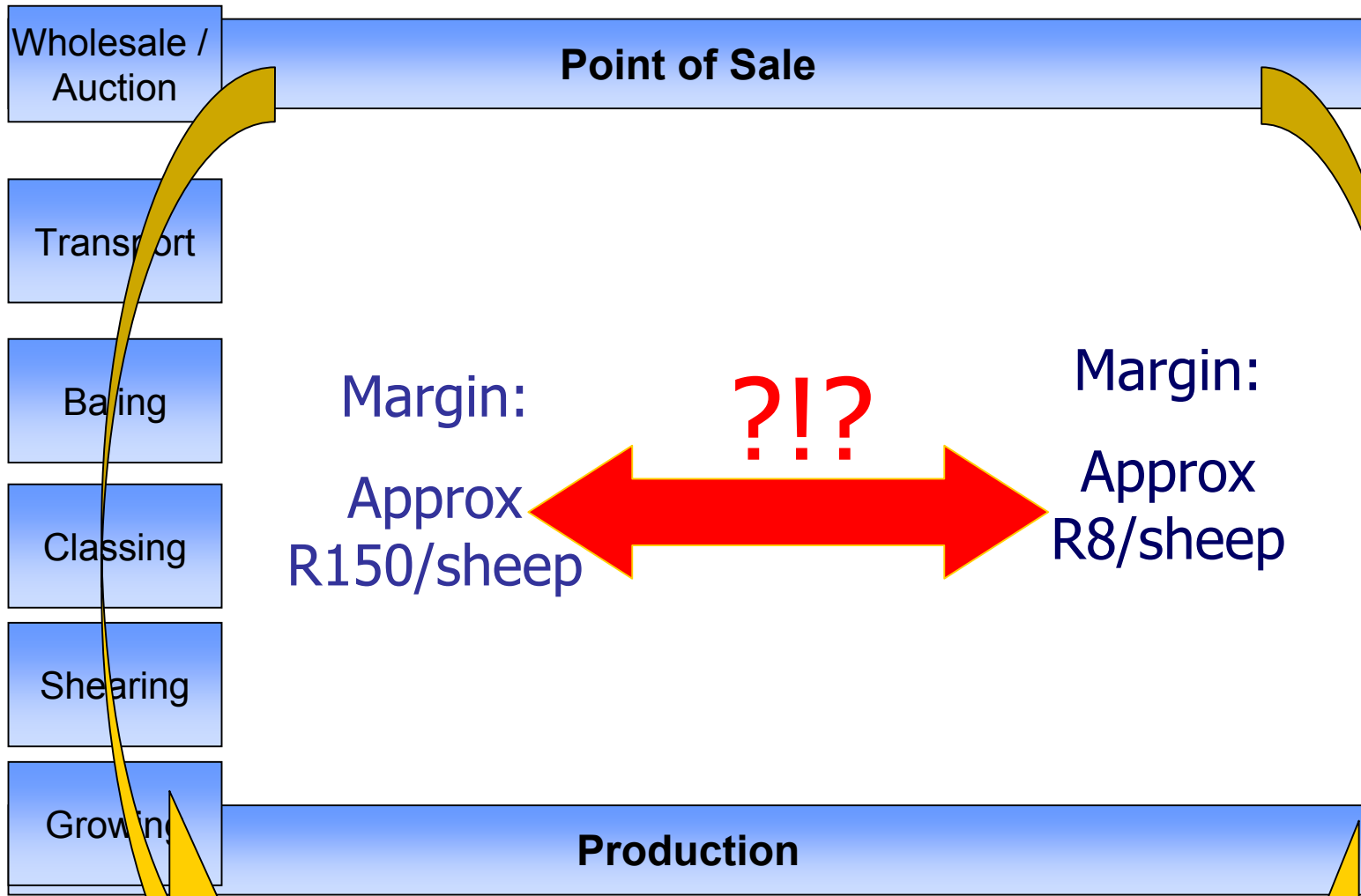
# WHY?

## Overcoming the results of Historical Exclusion

(Margins for different producer categories –SA Rand = US.17)

| <b><u>Description</u></b>                   | <b><u>Commercial</u></b> | <b><u>Emerging</u></b> | <b><u>Traditional</u></b> | <b><u>Marginal</u></b> |
|---|--------------------------|------------------------|---------------------------|------------------------|
| Yield (Kg/sheep)                            | 4.5                      | 2.2                    | 1.5                       | 1.5                    |
| Price (R/kg)                                | 33                       | 21                     | 3.8                       | 1.5                    |
| <b>Gross Income/sheep</b>                   | <b>148.5</b>             | <b>46.2</b>            | <b>5.7</b>                | <b>2.3</b>             |
| Processing Cost                             | 2.2                      | 1.9                    | 0.7                       | 0.7                    |
| Marketing Cost                              | 1.1                      | 0.5                    | 0.0                       | 0.0                    |
| <b>Net Margin (excl. health, feed etc.)</b> | <b>145.2</b>             | <b>43.8</b>            | <b>5.0</b>                | <b>1.6</b>             |

Links in the Value Chain



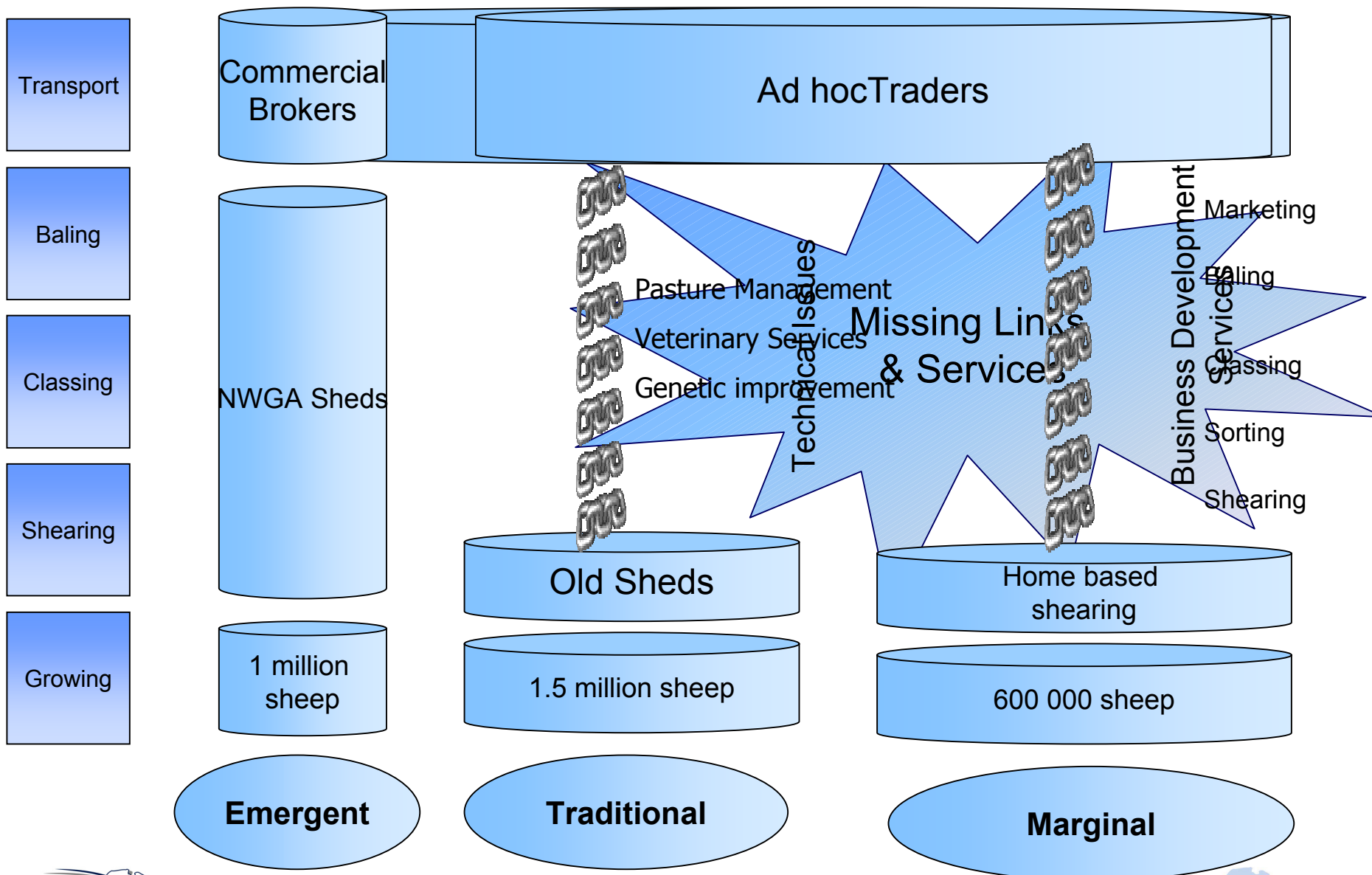
20 million sheep    1 million sheep    1.5 million sheep    600 000 sheep

Commercial    Emergent    Traditional    Margin



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Producer Groups within the Sector



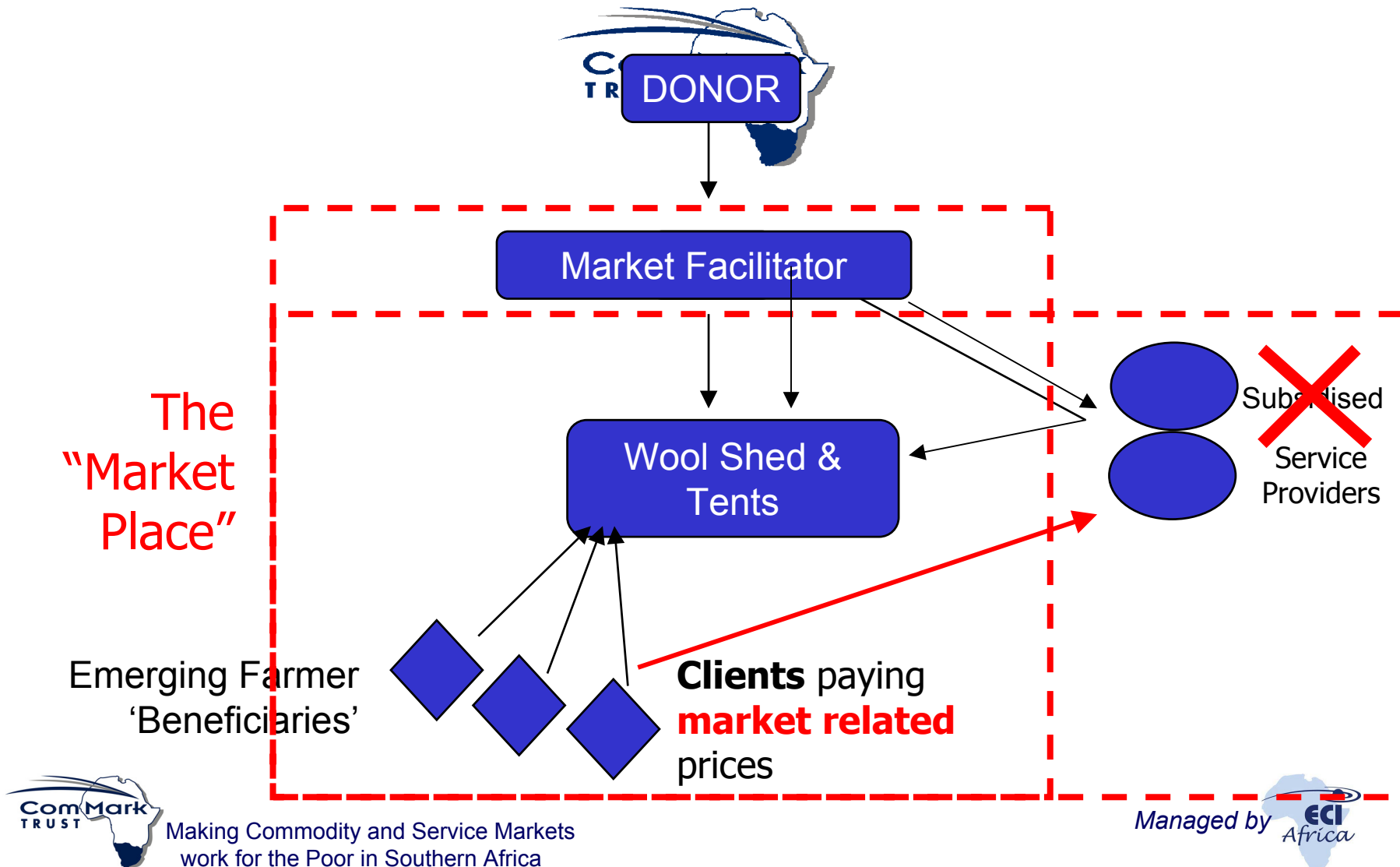
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Producer Groups within the Sector



# HOW?

## Making Business Service Markets Work



# ComMark's role, results & challenges

## Purpose:

- **MMW** – overcoming legacy of subsidy dependence & failure
- **Leverage** private sector involvement & investment (Vs displacing)
- **Revise NGOs' role** - facilitators *not* direct service providers
- Pro-poor **market development** (*systemic* change vs 'poverty relief')

## Preliminary Results:

- Brokers & suppliers entering areas they previously ignored
- Evidence of embedded services (packaging, credit, transport, info)
- Improved yields, returns & willingness to pay for services

## Challenges:

- Convince government agencies of pro-poor relevance of MMW4P



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