

Community private partnership – Seven Star Coop

I. Introduction

In the 1970s, a number of irrigation schemes were established in the former homeland of the Ciskei, one of which was the Keiskamma Irrigation Scheme in an area historically used for dairy farming. Plots were demarcated and people were asked to come and farm. These farmers received a plot of approximately 12ha and 12 cows. Under the guidance of the government, these farmers managed to earn a small living. They were organised in a trust, consisting of seven production units, which supplied the central dairy, owned by the Ciskei government, from which the milk was sold. The scheme relied heavily on government funding for its operation. With the end of Apartheid and new policies being implemented, subsidies for the Keiskammahoek Dairy Scheme were abolished and the irrigation scheme fell into disrepair. By 2003 the several communities were encouraged by the provincial Department of Agriculture to organise themselves into cooperatives along the lines of the old production units. These primary cooperatives together formed the Seven Stars¹ Central Agricultural Coop covering the full dairy scheme. The idea was that on a larger scale it would be easier for the farmers to become profitable. However, after a number of years they still struggled. They were then advised to find a partner to assist them in the dairy farming activities.

II. Project description

Seven Stars Trust is the implementing agent of a sharemilk agreement between the Seven Stars Central Agricultural Cooperative (Seven Stars Coop) and Amadlelo Agri Pty Ltd (Amadlelo). The trust operates a dairy farm on 731ha of irrigated land situated just outside the town of Keiskammahoek. Six primary cooperatives, consisting of 36 members, contribute a total of 591ha² of land. In addition, 140ha is leased by the trust from the Amathole municipality on a 20 year lease which expires in 2030. At the end of 2014 the herd consisted of 3,500 cattle of which 1,700 are milked, 300 are dry cows and the remaining cattle is young heifers. Each cow produces around 17.5 litres of milk daily, giving the operation a daily production around 30,000 litre.

The Seven Stars Trust is a 50/50 partnership between Seven Stars Coop and Keiskammahoek Livestock Pty Ltd, a full subsidiary of Amadlelo Agri. The two parties signed a five year milkshare agreement, to be extended with a further five years, to operate the dairy farm. Under this agreement, the Seven Stars coop brought in the land and the fixed assets whereas Keiskammahoek Livestock (further referred to as Amadlelo as the only shareholder) funds the cows, tractors and other moveable assets. The trust operates two milking parlours. Land is divided into seven production units: six units which belong to each of the primary coops and the central unit which is leased from the municipality. Five units are used for the grazing of cows in milking. The two units furthest from the dairy parlours are used for grazing of dry cows and heifers and silage production.

Seven Stars Trust sells fresh milk to the community. The remainder of the milk is collected by Coega Dairy, the local milk processor in the Eastern Cape. Currently there is no processing of the milk at Seven Stars, although this is planned for the future. Processing will enable the trust to enter into

¹ The name Seven Stars was based on the seven production units and thus primary cooperatives that made up this secondary coop. One cooperative has since left Seven Stars, leaving six primary coops as its members.

² One piece of land is owned by the Seven Stars coop itself. A member of one of the primary coops wanted to sell his land and was then bought out by the secondary coop.

formal supply contracts with the local government institutes such as schools and hospitals who require pasteurised milk.

III. Inception

The Seven Stars Trust was established in 2009 after the provincial department of agriculture had put out a call for commercial dairy production partnerships in the collapsed irrigation schemes in the Eastern Cape, which included the Keiskamma Irrigation Scheme. A previous proposed partnership between the Seven Stars coop with a group of commercial farmers had fallen through, nearly causing the coop to break up. In 2009 Amadlelo Agri presented a proposal to Seven Stars coop and all the primary members. After internal discussion and taking legal advice from attorneys, the members of the Seven Stars coop decided to accept the proposal and hence the Seven Stars Trust was established. The Trust serves as the agent for the implementation of a sharemilk agreement between Amadlelo Agri and the Seven Stars coop.

The government required partnerships, rather than a lease agreement between the commercial partner and the community. Lease agreements do not actively include the community in the operation on their land and hence will contribute little in the form of skill development and long-term possibility of the community being able to independently run the operation. The sharemilk construction which is at the core of the Amadlelo proposal was adapted by the company from a framework widely implemented in Australia and New Zealand.

The proposal was built around a trust rather than a commercial joint venture with equity shares. A trust offers the opportunity to move profits before tax down to trust members. In the case of Seven Stars, this could be all the way down to the individual coop member. These members each have a tax-free income set at R50,000 effectively giving the organisation 1.8million tax-free profit annually.

A. Actors and drivers

The overall structure of the Seven Stars Trust has multiple levels. Shareholder Seven Stars Coop is a secondary cooperative that exists of six primary cooperatives each representing a unit/community of farmers, an organisation left over from the historical days of the Keiskamma Irrigation Scheme. The members of these primary coops elect the board of trustees of the secondary Seven Stars coop. In addition they elect one person to sit on the board of trustees of Seven Stars Trust. As such, each primary cooperative is represented in the Seven Stars Trust Board.

The establishment of primary and secondary cooperatives in the derelict irrigation schemes across the province was driven by the provincial Department of Agriculture. Through the formation of coops, the department hoped to achieve economies of scale, and so increasing the productivity of the dairy farmers and hence their income. Nevertheless, milk production remained low and the farmers in the coop struggled to earn an income out of dairying. The main issues were lack of capital and lack of knowledge. The department thus advised the coops to look for commercial partners to assist them in the establishment of a profitable dairy operation.

Amadlelo Agri Pty Ltd is made up of three shareholders: the Amadlelo Milk Producers Investment Company Pty Ltd (AMPIC) which is the body representing 70 commercial dairy farmers from the Eastern Cape and KZN; Vuwa Investment Company, a black-owned empowerment investor; and the Amadlelo Empowerment Trust which is an umbrella organisation for the workers trusts on each of the 70 commercial farms. The commercial farmers are interested in becoming a shareholder of the AMPIC for a number of reasons. They understand that the future of South Africa lies in successful transformation for which inclusion of black workers and farmers is a prerequisite. Through joining

AMPIC, they have the opportunity to achieve Amadlelo’s mission “To transform latent community assets into profitable, self-sustaining businesses while also providing poverty relief, job creation and food security” (Amadlelo Agri, no year). Nevertheless, Amadlelo operates as a profit driven business. As such, the shareholding farmers expect to earn a return on their investment. Through the establishment of a workers trust on their farm, the shareholder farmer can also include his labourers into this profit. Lastly, Amadlelo Agri, through its experienced CEO and its wide network of shareholders, has considerable clout with policy makers.

Since the establishment of Amadlelo Agri in 2004 it has entered into a number of community partnerships including the Fort Hare Dairy Trust, Middledrift Dairy, Shiloh Dairy Farm, Ncora Dairy Farm and Makhoba Dairy Farm. Aside from the Fort Hare project, all other partnerships are based on a milkshare agreement where the community organised in a cooperative provides land and Amadlelo brings in the cows and equipment. Seven Stars is the largest of its operations.

Seven Stars offered Amadlelo an investment opportunity to add to its portfolio. It expects this operation to be profitable over time, hence contributing to the return on investment for its shareholders. More importantly, it provided the opportunity to generate opportunities for the local community and the landholders in specific to earn an income from dairying. As such, the project suited the vision of Amadlelo Agri. The CEO, Jeff Every, had been involved in the project in the past and thus he was familiar with the circumstances, which was an extra motivation to get involved.

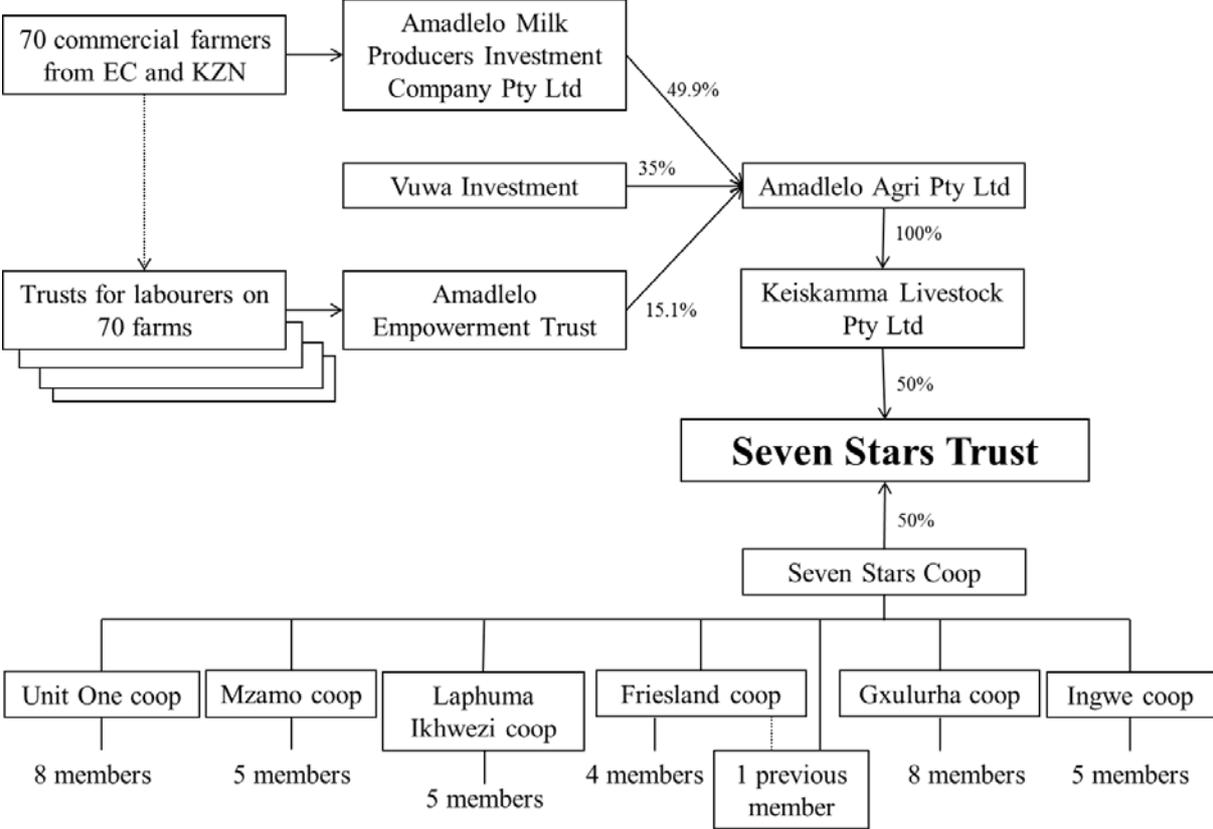


Figure 1: Institutional set up Seven Stars Trust

The above figure illustrates the institutional set up of the Seven Stars Trust including all the secondary and even tertiary stakeholders.

B. Financial support and structure

Funding for the revitalisation of the farm and lands came through grants made available by a number of government bodies, whereas the capital required for the cattle and operating equipment and operational costs was provided by Amadlelo.

1. Eastern Cape Department of Agriculture

Upon inception of the partnership between Seven Stars coop and Amadlelo Agri, the provincial Department of Agriculture put in R17 million which was used to revitalise two of the farming units. Around R11 million of this fund was required to rebuild the irrigation infrastructure on the 150ha owned by the members of these units. The remaining R6 million went to the construction of the milking parlour on the central unit leased which is leased from the municipality. Together these investments guaranteed the dairy could start operating.

2. Department of Rural Development and Land Reform

With the initial farm up and running, Amadlelo (through the Seven Stars Trust) put in a request for funding to the National Department of Rural Development and Land Reform under the RECAP programme. This department granted R35 million in 2012 followed by a second tranche of R14 million the following year. These funds enabled the establishment of irrigation infrastructure on the remaining four units, land clearing on areas not previously used for farming, fencing, the construction of a second milking parlour for the two units furthest from the central milking parlour and the relocation of three members who had to move from their plot to make way for central pivot irrigation. New houses were built on the central farm block or provision was made to move to Keiskammahoek village.

3. Amadlelo Agri

Amadlelo Agri provided R25 million worth of cows and equipment such as tractors, a roller, a ripper and a number of other implements. The list of equipment and implements is specified in the sharemilk agreement between the company, the Seven Stars Trust and the Seven Stars cooperative. The cows are mostly leased by Amadlelo from AMPIC shareholders. The remaining capital comes from the company's own funds which it accumulates from the levy it raises from its shareholding farmers. The AMPIC shareholders agreement dictates that per share the member contributes R12.00 per month per share for a period of a minimum of seven years, equalling a monthly capital injection of nearly R60,000. In reality, the farmers contributed close to R300,000 per month over the seven years. This contribution has now stopped, but the levy is to be repaid to the farmers by the company.

The company further paid the sum of R2.2 million to Seven Stars coop. Through this payment, it essentially obtained the cattle owned by Seven Stars coop and which were to be included in the herd managed by Amadlelo. The possibility for the coop to keep its herd, although no longer in their ownership, was important to the members who did not want to just sell their cattle. The coop used the R2.2 million to pay off a loan with the Land Bank (valued at R1.6 million but settled for R1 million) and the purchase of the farm of one of the members who wanted to sell his farm. As such, the Seven Stars coop has direct ownership of one of the plots of land.

Amadlelo Agri receives a 10% management fee, based on the trust's profit. This fee covers the time and effort by the company put into internal cooperative matters. The company is heavily involved in equipping both the secondary and primary coops to become well organised, to be officially

registered, etc. These activities are not related directly to the farming activities, although they do contribute indirectly. If the coops are operating efficiently and effectively, this will have a positive impact on the performance of the trust. Despite the Seven Stars coop majority on the Seven Stars trust, the cooperative cannot change this management fee structure, although this is not defined in the trust agreement.

Figure 2 depicts the financial flows between the Seven Stars trust, the partners and funders.

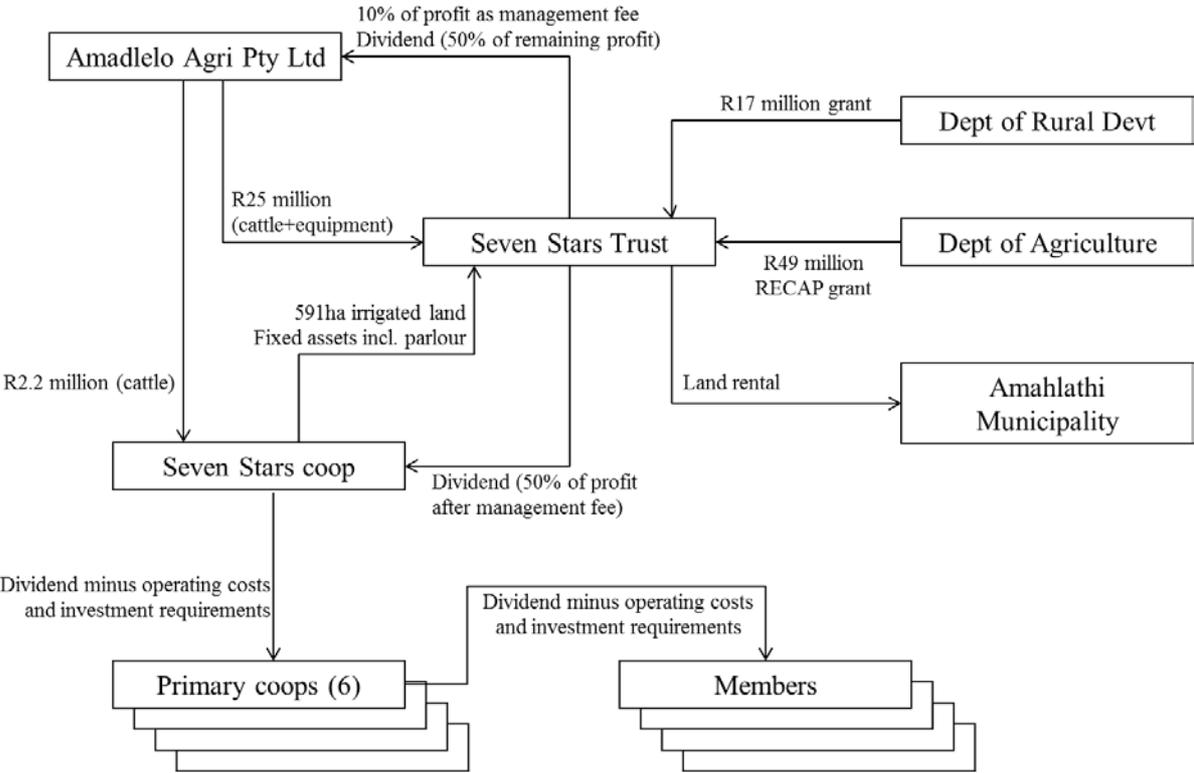


Figure 2: Financial flows Seven Stars Trust

IV. Implementation

The multi-tier structure of the operation requires the organisation of a number of meetings to ensure knowledge is exchanged and distributed to all stakeholders.

A. Functioning: committees and meetings

The Seven Stars trust operates as the implementing agent of the sharemilk agreement between Amadlelo and Seven Stars coop. The trust is governed by a Board of Trustees consisting of nine members: one representative of each primary coop (elected directly by the members of the respective coop) and three representatives of Amadlelo Agri. The trust is responsible for the implementation of the sharemilk agreement, the budget and financial planning of the farm. As such, it determines the amount paid to the members as advancement on expected profit, and capital retention required for the business.

The members of the primary coops elect a board of directors of the secondary coop. They can elect members from other units and thus not every primary coop is necessarily represented in the Seven Stars coop board. The Board at the time of fieldwork had only been in office for three months and

consists of five members, both older community members who were among the original farmers in the irrigation scheme and young, educated members of the next generation. In addition, the six chairmen of the primary coops are members *ex officio*. The new board members have been meeting at least once a month since coming into office. In addition, the coop and the trust meet quarterly. The main responsibilities of the Seven Stars coop are to serve the primary coops and capacitate them and, as a partner, to ensure the business brings income and opportunities to the community. The primary cooperatives are mainly dormant entities with a small number of members.

The operation of the farm is in the hands of a farm manager employed by the Seven Stars trust. This farm manager is responsible for the day-to-day activities on the farm, including herd and pasture management. The farm manager is assisted by two medium managers: one in charge of the milking parlours (run by a junior manager) and the cattle, the other in charge of general farm activities. The farm manager meets with the trustees every second week to share operational matters and keep trustees informed on the activities on the farm.

Amadlelo Agri is governed by a Board of Directors which meets four times per annum. AMPIC supplies five directors: two farmers from the Eastern Cape, one farmer from KZN, one consultant from the Eastern Cape and one consultant from KZN. Vuwa Investment has two members on the board of Amadlelo Agri and the Employee Trust also takes two board positions.

B. Employee development

Training and skill development is one of the core activities of Amadlelo. Together with the University of Fort Hare (UFH) the company offers opportunities for aspiring dairy farmers to acquire practical training. As such, university students (not only from UFH) are offered training positions on the farms in which Amadlelo is a partner. Those graduates wanting to continue in dairy farming are integrated in the Amadlelo team and seconded to the several farms (usually of AMPIC members) for a number of years to be fully exposed to all facets of a successful commercial dairy farm. This will prepare them for the position of farm manager on one of the farms with which Amadlelo has a sharemilk agreement. Through this set up, Amadlelo facilitates the management of these farms by black management, at the same time enabling the company to retreat from the investment. Two of its farms, Fort Hare Dairy Trust and Middeldrift Dairy Farm, are currently managed by farmers who have come through this programme.

Employee development on the Seven Stars trust farm has been limited. The first five years have been characterised by the overall development of the farm to become a fully operational dairy operation. The second five-year period will focus more on employee development. Amadlelo is currently drafting a contract for one of the community members who has indicated he wants to become a dairy farm manager. This contract will cover a five year period in which the prospective manager is likely to be employed by Amadlelo and Seven Stars trust, but on other farms.

V. Inclusivity

This section will explore the inclusiveness of the Seven Stars trust to determine the extent to which the beneficiaries (the landowning coop members) are integrated in the model. This is done by analysing four aspects of “internal inclusivity” as proposed by Vermeulen and Cotula (2010): ownership, voice, risk and rewards. Aside from the internal inclusivity an assessment is made of the external linkages and thus the impact the operation has on its direct environment.

A. Internal inclusivity

The individual members of the primary coops (and indirectly the secondary coop) have ownership of the land. Three units, totalling 21 members, have a title deed for their land. These deeds were obtained by the farmers after farming a number of years in the Keiskamma Irrigation Scheme under which they paid a fee (subtracted from their milk deliveries) to the central processing unit owned by a government body called LIMOCOR. At the time of the collapse of the scheme, the ownership transaction had not been completed for all the farmers in the scheme. As a result, two units of ten members total have a Deed of Sale but no title deed. The last unit still needs to be surveyed by the provincial Department of Rural Development and Land Affairs. Despite these administrative issues, the land ownership is not contested with clear distinction of each member's land. The trust has also cleared land previously unused, for example along the banks of the river. The secondary coop is in discussion with the department of land affairs on ownership of these lands. Aside from the land, the individual members do not own any other assets on the farm.

The secondary cooperative, Seven Stars, is the owner of all the fixed assets such as the milking parlours, buildings and irrigation infrastructure. Each of the members has an equal share in the secondary coop, despite the individual landholdings varying in size between 12 and 20ha. This is done for ease of administration.

Through the six trustees on the Board of Trustees of the Seven Star trust, the landowners have a large say in the development and financial management of the farm. In theory, through their two-third majority, they could enforce certain decisions without having to obtain the approval from the Amadlelo Agri trustees. Both shareholders have the same aim, i.e. the profitable operation of the dairy activity, hence in practice the Board has taken decisions in agreement between both groups of beneficiaries. The fact that the coop members rejected the first proposal for partnership indicates that the members do have a say in what happens on their land. Their negotiating power will be demonstrated in the upcoming renegotiation of the sharemilking agreement which expires in March 2015. The coop seeks advice from legal sources as well as from government during a negotiation period.

Although the ownership and the voice of the trust are shared equally, or in favour of the landowners, Amadlelo is exposed to most of the risks related to the farming operation. As owner of the cattle, the company takes the risk of exposure to diseases. This risk is higher at Seven Stars than at other (commercial) farming operations due to the fact that the farm is in the middle of a community. Cattle owned by the community, dotted all around and between the farms' lands, roams just on the other side of a fence, and can easily transfer diseases. Coop members also have their own livestock, which is kept on the land of the coop (the farmers keep a small plot for their own use). If a cow dies through illness, this is a loss that is taken by Amadlelo, not the trust. However, because both groups of beneficiaries (the landowners and Amadlelo) gain from a healthy herd, there is an incentive for all the members to limit the risk of disease.

The benefits from the trust operation are divided equally between Seven Stars coop and Amadlelo according to the 50/50 partnership. But, there are two points of contention: the 10% management fee for Amadlelo to be paid before any other payment to either of the beneficiaries and the 50/50 share. According to the coop, the value of the land contributed by the coop members is of higher value than the livestock and moveable assets contributed by the company. As such, the coop should receive a larger share of the profits. The counter argument from Amadlelo is that the landowners benefit from land appreciation as well as through dividend whereas the company faces a depreciation of its assets. Plus the company is exposed to more risks. Hence, the 50/50 partnership is fair according to Amadlelo.

A further benefit, accruing to the trust and hence to both the landowners and the sharemilker, is equity share (and thus potential dividends) in Coega Dairy Pty Ltd, the offtaker of the bulk of the milk produced by Amadlelo. Coega Dairy is 38% owned by the Coega Empowerment Trust (CET) the equity of which is warehoused by the Industrial Development Corporation (IDC), at a value of R100 million. 40% of the CET is in the hands of the so-called Project Trust, which is an umbrella for black-owned suppliers. These suppliers include four dairy operations in which Amadlelo is a partner i.e. Fort Hare, Middledrift, Seven Stars and Shiloh. However, it also includes a black supplier not related to Amadlelo. Distribution of the 40% CET equity is based on milk volume. As such, Seven Stars trust is part owner of Coega Dairy Pty Ltd. The contract with IDC states that CET first needs to service its loan with IDC before being allowed to make dividend payment to any of its shareholders. As such, dividend income through Coega Dairy equity is not expected in the near future.

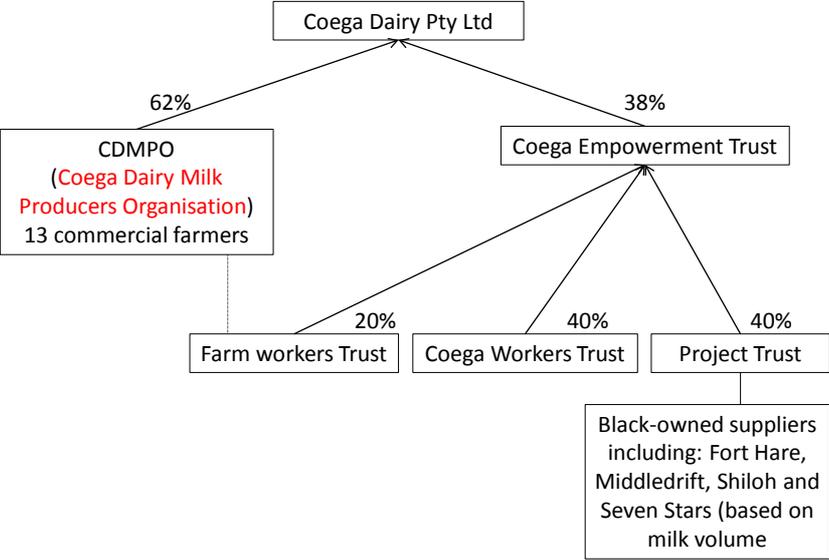


Figure 3: Coega Dairy shareholding structure

B. Linkages

Seven Stars has strong linkages with the community, mainly through the supply of milk. Around 60,000 liters of milk are sold to the community on a weekly basis. This includes private households as well as small businesses who sell the milk on to communities further away. The buyers supply their own vessels for transporting the milk, Seven Stars does not perform any packaging activities. The local market prefers raw milk, as supplied by Seven Stars, due to the fact that this produces good amasi, a fermented milk drank by the local population in absence of refrigeration. The local farmers have always supplied the local market, but before the partnership with Amadlelo a limited quantity was available, and of a lesser quality. The community thus greatly benefits from the availability of good quality milk at a low price of R5.50 per litre. The remainder of the milk (varying between 45,000 to 136,000 litres/week depending on the season) are collected by Coega Dairy for processing in their Port Elizabeth facility. Coega Dairy mainly supplies customers in the Eastern Cape.

Furthermore, nearly all the employees on the farm come from the local area. This excludes the more senior positions for which the local people lack the skills. Despite the fact that dairy farming is

relatively labour extensive, Seven Stars does provide a source of income for a reasonable number of people in the community. The majority of the labourers are not from the landholding households though. This used to be more, but poor performance of these employees led to their dismissal. Incidents included theft, justified by the workers stating he (as coop beneficiary) was owner of the farm anyway. The trust has experienced that it is easier to employ non-members, although this does not withhold them from hiring members on the farm.

Whereas market and labour linkages are strong, input linkages with the local area are weak. None of the major suppliers are located in the Keiskammahoek region. Machinery, including servicing technicians are based in Port Elizabeth or further away. This hampers an effective performance in case of machine maintenance. Due to the long distances, technicians do not easily visit the farm when needed but rather schedule their visit to coincide with other work in the area, delaying required work at Seven Stars.

VI. Outcomes

The single most important outcome of the project is the fact that there is an operational dairy farm in an area where beforehand there was close to nothing. Since the inception of the partnership in early 2010 the farm has been fully developed. The irrigation system is operational on all units (one unit still faces issues), pivots have been put up where possible, pastures have been sown and fenced, two milk parlours have been constructed and connected to the electric grid (electricity provider Eskom took nearly 2 years to connect the second parlour), along with a number of other buildings. During these five years of development, funded by government funds, Amadlelo has taken the lead in deciding what was required, such as specifications for grass seed, insemination programmes, parlour specifications, etc. Over the five years, the herd has grown from 800 cows plus 400 heifers to 2,000 cows and 1,500 heifers through the purchase of cattle by Amadlelo. The pace of growth has been dictated by the availability of grazing land, and thus the rate of land clearing and irrigation revitalisation. The farm has reached its maximum capacity and can now focus on herd stabilisation and advanced herd management as well as skills transfer.

During the development years, the trust has not been able to generate a profit. Nevertheless, payments have been made to the landholders as an advancement of expected profits. As such, they can still be considered as a dividend. The amount started with R600 per month for every member in the year 2010/2011, doubled to R1,200 in 2011/2012, increased to a further R1,800/month/member and in 2013/2014 was set at 2,400 per member per month. An additional sum of R2,000 was paid in January 2012 and 2013 with the January 2014 payment amounting to 10,000 per member. The payment for January 2015 is expected to be considerably higher than the previous year. This income is a sharp increase from the meagre income they were able to generate as coop without commercial partner.

The principle of a sharemilk agreement is that the number of cows put in by the sharemilker remains the property of the sharemilker. But, the sharemilker and landowner share in the growth of the herd raised on the farm. The sharemilk agreement also states that the ownership of all livestock shall remain with the sharemilker. Therefore, the sharemilker has to purchase the share in natural increase from the landholder. This is done against fixed value per cow, bull or heifer. Over the first five years, no natural increase has taken place in the herd size and thus the coop has not yet received any income from so-called stock trade.

The skills development programme has been less successful. In the first year, four youths from the landowner households had been selected to undergo a training trajectory including two years of practical training followed by two years education at Fort Cox agricultural college. Two of the

youngsters finished the practical training programme but one of them failed to qualify for the educational part, leaving only one of the landowner members in the programme. Students on the farm now come from other areas.

VII. Issues

The dairy operation itself is running smoothly, mostly having to deal with common agricultural and business issues such as staff performance and cattle death. A larger issue exists in the marketing of the milk. The operation does not have pasteurising facilities and thus only supplies fresh milk. Although the local community prefers this due to the maas making possibility, Seven Stars cannot supply local government institutions such as schools, the hospital or the army barracks. These institutions require pasteurised milk due to higher health risks of disease infected unprocessed milk. The trust is therefore in the process of establishing a pasteurising and maas processing facility so it can service this part of the community.

Most of the issues relate to internal coop activities, or the lack thereof. Primary cooperatives are mostly dormant and lack capacity. None of the coops has a business plan or a vision that will enable them to generate alternative income streams or government funding for entrepreneurial activities. The secondary coop equally lacks a business plan in which it identifies means of generating income. It needs to answer questions such as if and when it will buy out Amadlelo and if it will invest funds or pay out all dividends from the sharemilk agreement to the members.

A further issue related to the cooperative structure is the representation. In the current set-up, the primary members elect both the directors of the secondary coop and the trustees on the board of the Seven Stars trust, where every unit is represented in the trust but not necessarily in the coop. The organisation senses friction between the two bodies both considering themselves as a centre of power. A proposal is in the making in which the primary coop members elect the board of the secondary coop, with each of the primary coops represented. The secondary coop board in turn elects representatives from its midst to sit on the trust. This would reduce potential friction between the trust and the coop and also gives the coop better insight in the operation of the business through its trust representatives.

Potentially the largest challenge the operation faces is the transfer of the landownership to the next generation. Most of the landholders, and thus coop members, are the original farmers who started farming in the area at the inception of the Keiskammahoek Irrigation Scheme. Their children will inherit the land, risking either break-up of the land in small parcels which some of the nabestaanden might want to sell. The secondary coop has already advised the members on the best way forward: the family should appoint one representative to become the coop member and deal with all land related matters on behalf of the whole family. In the event that a member, or his nabestaanden, indicate they want to sell the land, Seven Stars has the first right of refusal, although this has not been documented officially. A lease agreement between the member and the primary coop is in place in which the member leases the land (at zero income) to the coop for a period of 25 years, lapsing in 2038. This agreement is the same for every primary coop. Through this agreement, land contribution has a long-term security for the cooperative. A similar agreement between the primary and secondary coop is absent, and could put the operation of the trust in jeopardy in the event one of the primary coops wishes to exit the secondary coop.

VIII. Success factors

The success of the operation so far is made possible by strong leadership. The chairperson of the trust, Mrs Lumka Maso, is a business woman with acumen and experience. She is the right person to lead the trust during the developmental stages. The community respects her and the advice she gives. She is a driven individual who has worked hard as a farmer in the early days of the irrigation scheme and wants to see the full community finally unlock the opportunity of the area. The commercial partner, Amadlelo Agri, is a company looking beyond the economic value of an investment and has community upliftment as an important pillar in its business approach. The many years of experience in the sector and the good contacts in the political arena have served the project well.

During the implementation, and going into the future, the project operates in an environment in which there is no dispute over land ownership, no interference from chiefs and local headmen or politicians. Although not all the land titles are finalised administratively, the whole community knows what land belongs to whom. There are no challenges by neighbours, nor are there any land claims based on historical occupation. As such, the operating environment is stable, allowing for investment and future planning.

IX. Sustainability and scalability

Sustainability of the operation is greatly dependent on the skill transfer to the community in order to equip the members to operate and manage a dairy farm the size of Seven Stars. One of the community members is about to enter into a training trajectory for five years to prepare him to become a farm manager. For the short term, the cooperative is still dependent on the support of Amadlelo. Amadlelo in its turn relies heavily on its CEO Jeff Every, although there is a large network of commercial dairy farmers within the company with similar experience.

The farm has reached its maximum land and irrigation capacity and once the herd has reached maturity, the operation is at full capacity. As such, the project is not scalable. The partners can elect to invest income from the Keiskammahoek project into other sharemilk agreement or lease their cows to other dairy farmers. A more likely option is that the coop will buy out the shares from Amadlelo and will look for expansion on its own. It is up to the two partners to chart out their future.

The concept of a sharemilk agreement with a land-owning community is a model easy to replicate. It can be applied both in the dairy sector but also for other crops with a long lifespan such as (fruit) trees. Communities bring in land and water whereas the commercial partner provides the productive assets for on the land plus the skills to turn the farming operation into a profit. The value of both contributors needs to be comparable. Through the partnership, the community can obtain the knowledge to run the operation independently whereas the commercial partner can exit the project after a certain time. As such, it offers a flexible timeframe without hampering the long-term sustainability of the project. Amadlelo has already implemented numerous sharemilk agreements with different communities throughout the Eastern Cape province.

X. References

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