



Background

Phata Sugarcane Outgrowers Cooperative is a smallholder farmer owned organisation that was formed in 2011. The Cooperative was established in partnership with Agricane as the technical and administrative partners. Agricane is an Agricultural Development and Management company that provides technical support to both smallholder and commercial sector. The Cooperative started with 380 household members and has grown to 1100 members. Before the project started, farmers were growing cotton and sorghum on the land now being used for sugarcane production. Their shareholding in the cooperative is determined by their original landholding in the allocated area for development. The cooperative developed its own constitution and is governed by a Board made up of farmer representatives and 3 independent directors.

Agricane and Phata managed to secure two separate grants from the European Union:

- Phase 1: €2.4 mln - 2012-14 to develop 300 ha of cane
- Phase 2: €2.1 mln – 2015-17to develop and additional 300ha of sugarcane

Development included installation of irrigation infrastructure and establishing the cane fields. Additional areas were developed under irrigated food crops to provide food security for the members. Additional funding (€380,000 Phase 1 and €600,000 Phase 2) was secured from Agdevco through a capital loan to cater for the own contribution component of the grant.

Apart from the infrastructure and field development a lot of emphasis was put into building the capacity of the cooperative members. Modular training courses were developed to create a better understanding of organisational development, business understanding, how the sugar value chain works, corporate governance, agricultural and environmental trainings, HIV-AIDS and other awareness campaigns.

The cooperative is managed centrally by a small team of staff supported by a management agreement with Agricane. Cooperative members take part in a number of activities and are kept abreast of all operational aspects.

Production and Finances

The cooperative has maintained reasonable yields on Phase 1 despite severe drought and power shortages in the last two years. This can also be said about the first year of harvest for Phase 2.

The Cooperative Board has set a dividend policy which pays out 60% of the profits to the shareholders and retains 40% to cover operational expenses for the next season as well as expedite repayment of the capital loan. As a result after just two seasons of production, Phata has become cash positive and, apart from the capital development loan has no debt. This is largely due to good leadership by the Board and the Cooperatives elected Executive Committee in ensuring sound fiscal discipline and governance. Income per individual shareholder has also increased and is considerably higher than the income realised from previous crops being grown in this area.

	2013/14 season	2014/15 season	2015/16 season	2016/17 Season	2017/18 Season P1	2017/18 Season P2
Yield (TCH)	106	110	114	101	90.1	93.2
Tot. Cane (t)	31,966.00	33,351	34,175	30,353	27,028	29,092
ERS (t)	3,517	4,093	4,376	3,829	3,434	3,436
Total Sales	K508.0mln	K642.4mln	K721.4mln	K892.3mln	K809.5mln	K809.8mln
Total Costs	K355.5mln	K411.5mln	K460.2mln	K587.7mln	K563.4	K625.6
Net profit	K152.9.	K236.5mln	K271.2 mln	K339.3mln	K326.9mln	K123.0mln
Avg per member	K242,147	K374,500	K380,000	K466,927	K527,336	K162,754



**Phata Sugarcane
Outgrowers Cooperative**

agricane

Agricultural Development And
Management Consultants

Diversification Initiatives

Through their partnership, Phata and Agricane have managed to secure additional funding from a **Scottish Aid programme** to diversify income from sugarcane. These include:-

- Food crops such as maize and kidney beans under irrigation (24ha)
- Fish in 10 ponds (1,2ha)
- Mangoes, Bananas and Oranges under irrigation (2ha)
- Bee Keeping
- Seed multiplication – legumes, grains and pulses
- Wood for fuel and construction (6ha)

The Cooperative has also set up a revolving fund for members to access for short term credit to assist with establishing other income generating activities.

Phata obtained its **Fairtrade certification** in January 2015 and has commenced with several projects for the community using premium funds (maize mill; water and electricity supply).

Expansion Plans

A number of neighbouring communities have expressed their willingness to participate in the development and contribute their land to potential expansion prospects. Initial surveys have shown that the proposed **+/-400ha** of land have equal potential and could quite easily be amalgamated with the existing infrastructure provided adequate funding could be sourced.

Future Perspective

Provided the cooperative maintains its corporate governance, fiscal discipline and maintains the technical and production standards to maintain high yields the future for its member's remains very bright with potential to generate a sustainable income. Agricane will build the capacity of the Cooperative

members and staff so that it can be managed independently in the next 4 – 5 years.

