



PROFILE OF THE SIGIDI CANNABIS PROJECT¹

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1. BACKGROUND

Sigidi Development Pty Ltd, operating from the Sigidi Village in the Eastern Cape, was registered on 15 April 2013 (Reg. no 2013/063312/7). The Business currently has two shareholders who drive the vision and are responsible for day-to-day operations.

The two shareholders – Vuyisile Dlamini and Ncumisa Dlamini both have extensive experience in subsistence farming and particularly in growing sweet potatoes as they grew up farming with their parents. The company supplies sweet potatoes to the Durban Fresh Produce Market where it leases a storeroom and a stand and employs two agents to manage sales and distribution.

The business supply Madumbe at City Deep Market in Joburg. The business buys its produce from 130 farmers across 6 villages and more recently has begun producing its own supply through cultivation of 20 hectares of its own land in order to meet market demand. The business has access to 1000 hectares of land.

The company has created a loyal and consistent customer base – mostly informal traders – and currently sells over 180 tonnes of sweet potatoes and 3 tonnes of madumbis per annum and holds a strong competitive advantage in that its sweet potatoes are preferred to those sold at the market from KZN and other regions across the country.

¹ All the information in this paper has been provided by Mr Luvo Nxelewa from the Eastern Cape



The business, in trying to meet growing demand embarked on a joint strategy of firstly encouraging more homesteads in the surrounding villages to expand their sweet potato production and secondly of beginning to grow and expand its own production capacity. Initially it was only able to supply the market from March to June with produce brought from community however it is now able to supply through to September due to its own production capacity.

2. OBJECTIVES OF THE PROJECT

First and foremost, Sigidi Business Development is intended to be a successful black and locally owned agricultural enterprise. Our belief is that the more successful we are, the more we are able to support our community through local job creation and the generation of income by the farmers we support. Our objectives in this regard are to ensure that we are able to pay fair wages and fair prices to farmers for their produce. Our area and communities have been historically disadvantaged through underdevelopment and the migrant labour system. And many people are turning away from agriculture despite rising unemployment. Creating local jobs in agriculture and showing that farming is a viable option for job creation and income generation addresses both of these issues.

2.1 Number of benefiting or employed in the project

Currently the company employ 17 people on a full time basis including the two directors.

2.2 Departments or entities supporting the project

Sigidi Business Development has and is being supported by the Siyazisiza Trust and Sustain the Wild Coast, both are non-governmental organisations, working in the area, through the Amadiba Agroecology and other support programmes. The business has also been supported by the Mbizana local municipality with two tunnels for the production of cannabis and with 150 bags of fertilizer.

3. CHALLENGES

Covid 19 has had a significant impact on the business, initially due to lockdowns, the closure of informal markets, and in difficulties experienced over these periods in accessing inputs; and subsequently due to the decline in the economy, job-losses and disposable income.

With huge job losses in the marketplace, many people have turned back to farming and trade in agricultural produce with the result that there is increased supply and a greater number of traders competing for a diminishing market. The company has also increased the buying price to farmers for fresh produce while maintaining the retail price, thus decreasing its margins.

At present, the company is limited in its expansion potential due primarily to drop in profits and subsequent decline in working and investment capital. Whilst the business makes fair profit over its operating or peak months, this is spent in wages and production costs in off-peak periods.



Furthermore, whilst it has the assets and resources to maintain current production and supply, it does not have the assurance of a back-up vehicle or invested capital in the event of a breakdown or to carry it through a poor season. In effect the business lacks the resilience to insure the business from risk and to build on the success it has achieved to date.

The company has explored diversification opportunities with regard to livestock and poultry farming and more recently the production of cannabis with the latter particularly being seen as future opportunity.

The production and sale of cannabis in the region general has, for many years, been a source of income for many households. With the recent relaxation of laws regarding the cultivation and use of cannabis this seems like a growing opportunity for farmers in the region to benefit from legal production.

4. ISSUES FOR CONSIDERATION

Farmers in the area were assisted by the Siyazisiza Trust in securing vouchers through the Solidarity Fund. While these were fairly small (R2000 each) the impact of these was massive. Along with other support, many people were encouraged to return to farming.

While increasing food security, this has also had the effect of increasing competition and making markets more difficult to find. Smallholder farmers are still at a disadvantage in competing with large-scale commercial farmers (in both informal and formal markets). Communities such as ours have limited opportunities in beneficiation and value-add opportunities.

Future prospects around cannabis production are unclear and there are concerns that people that have been growing for years may well be left out of the commercialisation of cannabis. At present, and not just in the emerging cannabis sector, it does feel like communities like mine are competing directly with government in business interests. And also feels like we have little protection or support in this.

Provincial government (through the Department of Rural Development and Agrarian Reform (DRDAR)) have expressed interest in supporting the cannabis growers in the area but there seems to be conflicting and unclear individual and private sector interests contained in such support and the community is nervous to engage when it is still unclear what this support and our involvement will ultimately cost us.

4.1 Access to funding': the market is huge but we cannot get funding because we only supply informal market we do not have off take agreement, government must recognise informal market and assist us with funding.

4.2 Transport: currently city deep market is in need of *madumbes* but we cannot deliver because the bakkie is too small to carry load to Johannesburg and the cost a 5-ton truck is too high we need help with 5-ton truck.



4.3 Tractor: Sigidi development work with 150 subsistence farmers who produce sweet potatoes and Madumbes. Sigidi acts as market for these farmers we buy their produce and supply to our market we using our own tractor to plough for these farmers it is a big challenge and we are not managing with one tractor and implements.

- Assist us with a tractor and its implements

4.4 Tunnels: to be able to produce quality cannabis one needs big tunnels and access to clean water.

- Assist with 4 tunnels and a borehole.

4.5 Cannabis Seeds: cannabis has been busting our business for the past 4 years and all our 15 employees we pay them with the proceeds from cannabis but the high cost of price per seed is a big challenge. The projects need assistance with the following;

- Seeds and 10 additional employees.
- 300 bags of fertilizer.

5. REFERENCES

Nxelewa, L (2022) Department of Rural Development and Agrarian Reform. Via email to Nwabisa Mbelekane, dated 28 March 2022.