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Full Length Research Paper

Analysis of capacity building indicators and their influences on the viability of farming small, micro and medium enterprises (SMMEs) in South Africa

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Farming small, micro and medium enterprises (SMMEs) have been marked as a key strategic priority for food security, job creation and agrarian development in South Africa. Most of these farming enterprises are formed as results of government initiated land reform. The recent studies points out that these SMMEs lack capacity to operate as business entities. Their capacity profiles have not been documented either by government department nor research institutions. Various researchers have hinted on the need for the capacity development for these enterprises in order for them to play a vital role in the socio-economic sphere. For the revitalisation of perpetual collapsing farming SMMEs, it is important that capacity profiles be examined. The aim of this paper was to investigate the capacity profile of the farming SMMEs with an objectives to suggest a tool determining capacity requisites that may enhance their viability. In this study, both quantitative and qualitative research approaches were used. The data was collected during focus sessions and workshops. The survey instrument in the form of self – completion questionnaire comprising of 35 closed –ended items was used. These questionnaires were administered to a sample of 105 farming SMMEs across the six (n=6) provinces of South Africa. The results revealed that for small and micro enterprises to be viable, key success indicators such as sustainable markets, input supply, production, increase income/cash flow and business operations would have to be developed. In addition, it was found that medium enterprises have better capacity and for their capacity to be strengthened, an appropriate intervention may be required.

Key words: Models, development**,** socio-economic, land reform, capacity.

INTRODUCTION

The need for capacity building in an emerging agricultural sector has been raised by many researchers (World Bank, 2007; CDS, 2007; Bienabe and Vermeulen, 2006; Murray, 1997). The World Bank (2007) has made similar calls for the African states to invest in human capital in their developmental programmes. The subsequent response by African heads of states in 2002 was a pledge to contribute 10% of their national budgets to agriculture within five years. This emphasises the commitment of the political leaders to bring about agricultural growth and development. South Africa's commitment to agricultural development has been reiterated through a land reform budgetary increase announced by the former and current Finance Minister in 2008 and 2010, respectively (Manuel, 2008; Gordhan, 2010). This is despite the fact that 80% of land reform projects are in the process of collapse due to a lack of, appropriate skills, understanding of agricultural concepts, inappropriate or inadequate business planning, adequate farming implements, road infrastructures, telecommunications, transport and appropriate education in black owned co-operatives (CDS, 2007; Kirsten et al., 2005; Ortmann and King,

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2007; Machethe, 1990; Groenewald, 2004). Grouping of individual farmers, with diverse farming goals or backgrounds and orientation has also added to the aforementioned challenges (CDS, 2007). The problems experienced by many farming small, micro, medium enterprises (SMME's) in South Africa have also been cited in other African countries (DBSA, 2005). These are lack of technical knowhow, capacity, effective organisation, whilst Pender (2000) highlighted the problem of low agricultural productivity due to limited access to appropriate technology. Neshamba (2006) highlighted the positive correlation between access to markets and growth. Bryan (2006) concluded that small firms collapse due to a lack of available markets. This is despite the fact that SMME's are regarded as the generators of employment (Nesamba, 2006). SMME's with sustainable growth are the ones that generate employment (Storey and Johnson, 1987; Westhead, 1988; Turok, 1999). The question is can we regard agricultural SMME's in South Africa as employment generators? It is assumed that for these SMME's to have a meaningful contribution to the socio-economic situation in this country, there is a need for intensive and robust evaluation on the capacity building status (Mmbengwa, 2009).

The aim of this paper is to investigate the capacity profile of the farming SMMEs with an objective to suggest a capacity building model that may suite and enhance their sustainability. With the view, to use these entities as basis to generate businesses that would be used by future generations.

Problem statement

This study's critical importance is based on the status and the program of land reform and its subsidiary programmes that were designed to benefit the poor and vulnerable population in South Africa (Ministry for Agriculture and Land Affairs, 2005). In South Africa, like any other developing country, agriculture still constitutes the primary source of income, status and security for millions of people (Prosterman and Hanstad, 2003; Ravallion and Chen, 2003). The imbalances in the allocation of land, through separate development policies were recognized as constraints to South African agricultural productivity (Groenewald, 2004). Hence, the redress process through Land Reform. This process started in 1994.

The program anticipated benefits which include, ensuring broader participation of the South African population in agricultural production (in particular by historically disadvantaged individuals (HDI)), poverty alleviation, reduced social unrest and instability, reduced migration and better environmental stewardship and creation of wealth (Prosterman and Hanstad, 2003). Under the Land Reform programme in South Africa, various sub-programs were developed to safeguard and promote the aforesaid benefits. Such products were the settlement and Land Acquisition Grant (SLAG), Land Redistribution for Agricultural Development (LRAD), Community Project Fund-for Support Programs (CPF-SP), etc. These products were designed after drawing lessons from successful Land Reform programs in countries such as China and Peru (Ministry for Agricultural and Land Affairs, 2005). The LRAD grant was implemented by encouraging communities to form Communal Property Associations (CPA's), trusts and close corporations. These communities were given liberty to organize themselves to form such legal entities; hence the study refers to them as SMME's. These type of SMME's were formed after drawing lessons from countries such as Finland, Poland, Yugoslavia, Mexico, Bolivia, Japan, Taiwan and South Korea, where Land Reform was well managed and produced successful individual family farms (Prosterman and Hanstad, 2003). The slight difference in the South African Land Reform approach is that this reform program emphasized grouping community members together to form entities. This was despite the Lesson that can be learnt from countries such as Vietnam, Lithuania, Estonia, Latvia, Romaine, Albania, Bulgaria, Hungary, Kynogyzstan, Georgia, and Armenia, who deviated from such an approach and started distributing land to individual ownership or long-term use rights to farmers (Prosterman and Hanstad, 2003). This lesson is of utmost importance to South Africa because of the current challenges faced by the land reform program in the country. It is well established that the majority of Communal Property Associations (CPA's), Close Corporations (CC) and Trusts formed through Land Reform are faced with sustainability problems and most of them are non-existent, whilst others are debt-ridden, with their beneficiaries owing substantial amounts of money to the financial institutions.

These and other problems are not empirically investigated and mitigated through systematic scientific interventions. Very little attention is given to these very important issues but instead more attention is given to the quantity of Land to be delivered in 2014 (Ministry for Agricultural and Land Affairs, 2005). Prosterman and Hanstad (2003) warned that the neglect of Land Reform issues may lead to a potential economic crisis. Groenewald (2004) also echoed the same sentiments. In Southern African Development Communities (SADC), particular reference may be drawn from the current economic and social collapse in Zimbabwe.

METHODOLOGY

This was a longitudinal quantitative study spanning a period of two years (that is, 2006 to 2008). To ensure reliability and validity of the research outcome, both quantitative and qualitative research approaches were used. The data was collected during focus sessions and workshops. The survey instrument in the form of self–completion questionnaire comprising of 35 closed –ended items was used. These questionnaires were administered to a sample of 105 farming SMMEs across the six (n=6) provinces of South Africa.

Table 1. Definition of the SMME sector in South Africa (Small Business Act, 1996).

Standard Industrial classification	Size	Employees less than	Annual turnover less than (m)	Assets value less than (m)
Agriculture	Medium	100	R2.80	R2.80
	Small	50	R1.25	R1.25
	Very small	10	R0.25	R0.25
	Micro	5	R0.15	R0.10

Table 2. Summary of farming SMMEs considered in the research project.

Farming SMMEs type	Assets values	Commodity	Province	Year of Establishment	Number of farmers involved	Gender	
						Female	Male
Micro	>R120 000	Livestock farming	LP,	2006	10	4	6
Micro	>R120 000	Mixed farming	FS, NW,	2000-2003	18	11	7
Micro	>R120 000	Crop production	GP, EC, MP	1993-2005	12	6	6
Small	< R150 000	Livestock farming	NW	2000	14	10	4
Small	< R150 000	Mixed farming	GP, MP, FS,LP	1989-2006	22	14	8
Small	< R150 000	Crop production	EC	1991	10	1	9
Medium	<R1.25m	Livestock farming	NW	2000	5	3	2
Medium	<R1.25m	Mixed farming	GP, MP, FS	1998-2006	10	4	6
Meduim	<R1.25m	Crop production	LP, EC	1990	4	1	3
Total					105	54	51

Keys: GP= Gauteng Province, NW= North West Province, LP=Limpopo Province, EC=Eastern Cape Province, MP=Mpumalanga Province, FS=Free State Province.

Table 3. Evaluation scales of key performance indicators.

Scores	Weighting
0	Very poor performance
1	Poor performance
2	Better performance
3	Good performance
4	Excellent performance
5	Outstanding performance

The questionnaire was divided into seven sections and each section examining the particular keys success factor. In the study, farming SMMEs were defined in terms of their annual turnover, as per the National Small Business Act of 1996 (Table 1).

This definition was also used as a criterion during sampling. A non probability sampling strategy was used to identify and select the respondents. A combination of purposive and multiplicity sampling methods were used.

Thirty six focus sessions and workshops were organised with individual farming SMMEs in six provinces, viz: Limpopo (LP), Mpumalanga (MP), the Free State (FS), North West (NW), Gauteng (GP) and the Eastern Cape (EC) (Table 2). These focus sessions were organised in order to evaluate the capacity status of the farming SMMEs. Due to the lack of specific tool to evaluate these enterprises, an evaluation toolkit was developed for the aforesaid purpose.

Prior the study, this tool was peer reviewed by experts in the agricultural industry.

The key success factors were used in toolkit to evaluate the capacity of these enterprises. The development and availability of key success factors in the farming SMMEs is under-researched and poorly documented, and the literature offers very little information. As a result of these shortcomings, the current study focused on various sector role players in order to identify the eleven most important key success indicators in the farming SMME sector. The following key success factors were identified:

1. Asset build-up or portfolio (ABU/P),
2. Sustainable markets (SM),
3. Sustainable production (SP),
4. Input sources (IS),
5. Ability to service debt (ASD),
6. Sustainable employment (SE),
7. Adequate infrastructure (AI),
8. Potential to grow (PTG/E),
9. Policy on human capital development (POHCP),
10. Business operations (BO),
11. Networking capacity (NC).

To evaluate performance in terms of the key success factors, the abovementioned focus sessions were conducted with the aid of the tool for evaluating farming SMMEs (Annexure 1). Because indicators were measured by a simple yes or no, certain, do not know or uncertain, the Guttman scale measurement was found to be an appropriate measurement of scale (Neuman, 2003). In the evaluation processes, the scores assigned are shown in Table 3.

Table 4. Summary of the performance analysis conducted on small farming enterprises.

Performance key success indicators	M1 (Score)	M2 (Score)	M3 (Score)	M4 (Score)	M5 (Score)	M6 (Score)
ABU/P	3.01	4.10	0.90	2.04	2.20	4.04
SM	1.00	3.23	1.09	1.03	0	5.00
SP	2.00	2.00	0	0	1.10	3.23
IS	1.31	2.10	1.03	0	0	2.10
II	1.22	0	1.00	0	1.12	4.00
SE	2.00	2.01	2.00	1.00	2.23	3.10
ASD	4.04	4.10	4.00	1.00	4.00	4.10
A/I	5.00	3.01	0	2.20	2.12	3.31
POHCD	1.11	5.30	0	0	5.00	4.01
PTG/E	1.01	2.11	0	1.20	2.00	2.01
BO	2.10	3.11	0	0	2.00	2.02
Means±s.d.	2.16 ± 1.33	2.82 ± 1.41	0.91 ± 1.22	0.77 ± 0.84	1.98 ± 1.51	3.36 ± .99

Keys: M1= first micro enterprise, M2=Second micro enterprise, M3=third micro enterprises, M4=Fourth micro enterprises, M5=Fifth micro enterprises and M6=sixth micro enterprises.

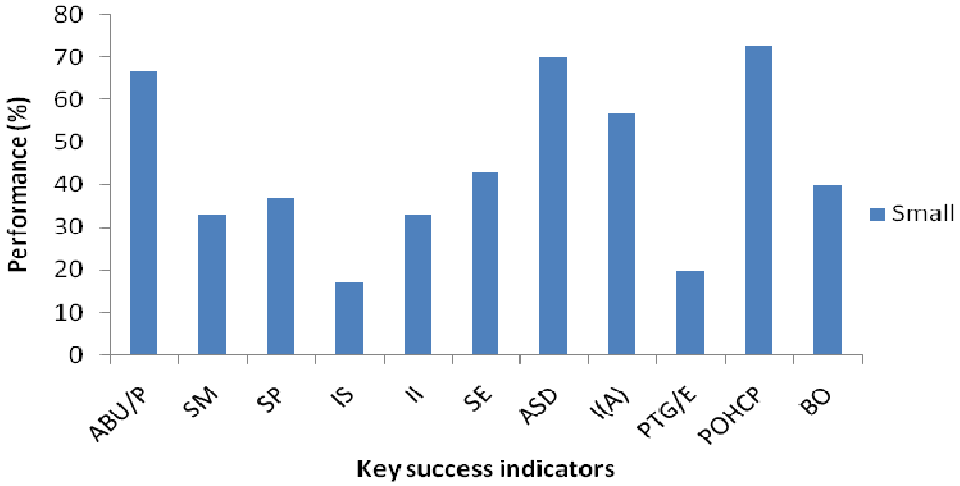

Figure 1. Key success indicators for medium farming enterprises. Keys: ABU/P= Assets build-up/portfolio, SM=Sustainable markets, SP=Sustainable production, IS=Input supply, II= Increased income, SE=Sustainable employment, ASD=Ability to service debts, I(A)=Adequate infrastructure, PTG/E=Potential to grow, POHCP=Policy on human capital development, and BO=Business operations.

RESULTS AND DISCUSSION

Capacity profile of small scale farming enterprises

The performance of key success indicators in any enterprises including small-scale farming enterprises is of critical importance in assessing their capacity to sustain their competitiveness and survival. In this regard, success indicators were used to demonstrate the performance of small-scale farming enterprises under investigation. The profile provided by the outcome of the investigation was analysed. Table 4 summarises the individual enterprise' performance and the mean performance (±s.d.) for all six enterprises under considerations in this catergory. In addition, Figure 1 illustrates grahically the performance of the key performance indicators in order to show capacity profile of the enterprises under consideration. According to Table 4, only one out of six enterprises managed to have a good performance (3.36 ± 0.99), whilst three enterprises were considered to have fairly performed (2.16 ± 1.33, 2.82 ± 1.41 and 1.98 ± 1.51) and two of these enterprises with the mean (±s.d.) of 0.91 ± 1.22 and 0.77 ± 0.84, respectively, were found to be poor performers.

According to the results, small-scale farming enterprises are extremely low with regard to the following key

Table 5. Summary of the performance analysis conducted on small farming enterprises.

Performance key success indicators	S1 (Score)	S2 (Score)	S3 (Score)	S4 (Score)	S5 (Score)	S6 (Score)
ABU/P	3.01	4.00	3.00	4.00	2.00	4.00
SM	0.00	2.20	2.00	1.00	0	5.00
SP	0.00	2.00	2.01	3.00	1.00	3.30
IS	1.10	0	1.00	1.00	0	2.00
II	1.01	2.00	1.00	1.00	1.10	4.00
SE	2.00	4.01	2.04	1.00	1.23	3.10
ASD	4.04	3.10	5.00	1.00	4.00	4.00
A/I	5.00	2.00	3.01	4.20	0.12	3.01
POHCD	4.10	3.00	4.00	4.00	3.00	4.00
PTG/E	0.01	2.00	1.00	1.20	0.00	2.00
BO	3.10	3.00	2.01	2.00	0.00	2.00
Means±s.d.	2.12 ± 1.83	2.48 ± 1.13	2.37 ± 1.29	2.13 ± 1.39	1.13 ± 1.37	3.31 ± 1.00

Keys: S1= first small enterprise, S2=Second small enterprise, S3=third small enterprises, S4=Fourth small enterprises, S5=Fifth small enterprises and S6=sixth small enterprises.

success indicators: input sources (IS), sustainable markets (SM) and sustainable production (SP). It would appear that the growth potential of these enterprises under investigation is constrained by their low cash flow. Their contribution to sustainable employment seems to be marginal, and their business organisation (BO) requires attention. Key success indicators indicative of a moderate profile include asset build-up/portfolio (ABU/P) of 67% and adequate infrastructure (AI) of 57%, while their human capacity (POHCD) of 73 and 70% ability to service debt (ASD) appear to be sufficient (Figure 1). Debt servicing applies only if the enterprise has some debts. It was found that in many cases, small-scale farming enterprises did not qualify to borrow any funds and therefore had no obligation to service any debt.

Capacity profile of micro farming enterprises

The concerns regarding basic needs, food security, failure of growth strategies, divergence in development patterns and increased joblessness have led developing countries to initiate and develop micro enterprises in order to meet the objectives of poverty reduction, improvement of livelihood, employment generation and empowerment of women (van Aardt, 2009). In 2005, the South African government initiated an agricultural micro-finance fund called MAFISA in order to empower micro-level producers, processors, the working poor, micro-entrepreneurs and emerging farmers (MAFISA, 2005). Wikipedia (2009) defined a micro enterprise or micro business as a type of small business that is often unregistered and is run by a poor individual. In the agribusiness sector, micro enterprises are commonly referred to as subsistence farming or survival enterprises (Atkinson and Buscher, 2006). This type of business is often started with as little capital as possible or with less capital than would be usual for a business. Because micro enterprises typically have no access to the commercial banking sector, they often rely on 'microloans' or microcredit for financing (Wikipedia, 2009). These enterprises have been under scientific investigation by many researchers (CDS, 2007). Their performances have been mediocre, in consequence of which some prominent economists have described them as practices that need to be discouraged because they are themselves one of the sources of consistent poverty (Mmbengwa, 2009). The results of the profile assesment of these enterprises were presented in Table 5 and Figure 2. Table 4 summarises the individual enterprise' performance and the mean performance (±s.d.) for all six enterprises under considerations in this catergory. In addition, Figure 1 illustrates grahically the performance of the key performance indicators in order to show capacity profile of the enterprises under consideration. According to Table 5, only one out of six enterprises managed to have a good performance (3.31 ± 1.00), whilst four enterprises were considered to have fairly performed (2.48 ± 1.13, 2.37 ± 1.29, 2.13 ± 1.39 and 2.12 ± 1.83) and only one enterprise with the mean (±s.d.) of 1.13 ± 1.37) was found to be the poor performers. The most important findings can be summarised as follows: Micro-scale farming enterprises have slightly similar profile to the ones found in small-scale farming enterprises, although the magnitude differs slightly. The key success indicators that were found to be deficient and thus require serious attention are sustainable markets (SM), sustainable production (SP), input sources (IS), increased income (II), potential to grow/expand (PTG/E), business operations (BO) and sustainable employment (SE). In addition, it was found that 64% of the key success indicators are lacking and thus only 36% are found to be

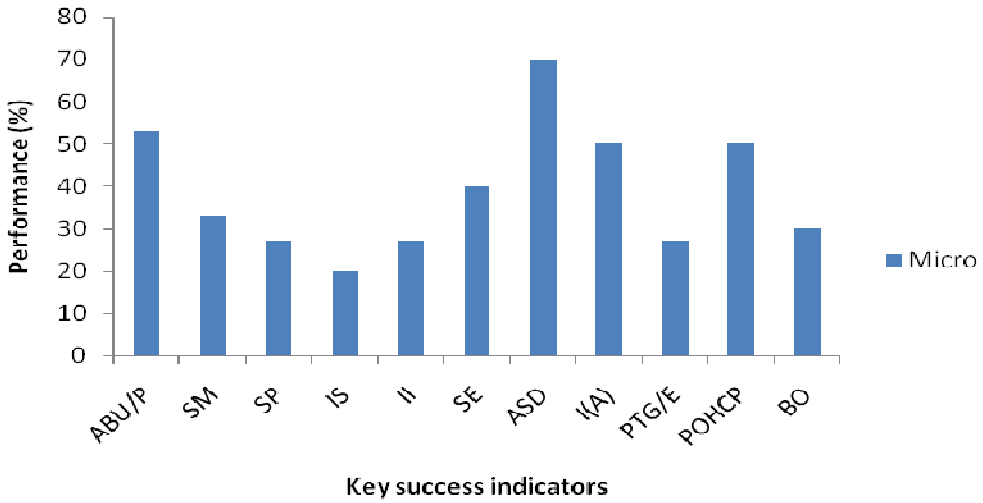

Figure 2. Key success indicators for medium farming enterprises. Keys: ABU/P=Assets build-up/portfolio, SM=Sustainable markets, SP=Sustainable production, IS=Input supply, II=Increased income, SE=Sustainable employment, ASD=Ability to service debts, I(A)=Adequate infrastructure, PTG/E=Potential to grow , POHCP=Policy on human capital development, and BO= Business operations.

Table 6. Summary of the performance analysis conducted on medium-farming enterprises.

Performance key success indicators	ME1 (Score)	ME2 (Score)	ME3 (Score)	ME4 (Score)	ME5 (Score)	ME6 (Score)
ABU/P	5.00	3.00	5.10	4.00	4.00	5.00
SM	3.00	2.00	5.00	4.00	1.00	5.10
SP	4.00	1.00	5.01	2.00	2.00	5.00
IS	3.00	3.10	3.00	1.00	3.00	4.00
II	2.01	4.00	5.00	4.00	2.10	4.00
SE	5.00	2.01	4.04	3.00	3.00	3.00
ASD	3.00	2.00	5.00	4.00	1.00	4.00
A/I	5.00	2.00	5.01	4.00	3.10	3.01
POHCD	5.00	3.00	5.00	5.00	4.00	5.00
PTG/E	4.01	2.00	3.00	3.20	0.00	3.00
BO	4.10	1.00	5.01	2.00	2.00	5.00
Means±s.d.	3.92 ± 1.04	2.28 ± 0.91	4.56 ± 0.83	3.29 ± 1.19	2.29 ± 1.28	4.19 ± 0.88

Keys: ME1= first medium enterprise, ME2=Second medium enterprise, ME3=third medium enterprises, ME4=Fourth medium enterprises, ME5=Fifth medium enterprises and ME6=sixth medium enterprises.

adequate (Figure 2). This picture clearly indicates that micro enterprises have a weak business pedigree. Accordingly, this suggests that interventions similar to the one suggested in small-scale farming enterprises, which seek to address the inadequate capacity defined within the context of the poor key success indicators, could make some positive impact.

Capacity profile of meduim farming enterprises

Medium farming enterprises are those started by farmers or business people who are inspired to create wealth. Unlike small and micro enterprises, their principal objectives are profitability and growth. As a result, they are commonly referred to as entrepreneurial ventures. According to Nieman et al. (2004) and Wickham (2004), characteristics such as innovation, potential for growth and strategic objectives (that is, market targets, market development, market share and market position) distinguish these ventures from small and micro enterprises. The results of the profile assesment of these enterprises are presented in Table 6 and Figure 3. Table 6 summarises the individual enterprise' performance and the mean performance (±s.d.) for all six enterprises under considerations in this catergory.

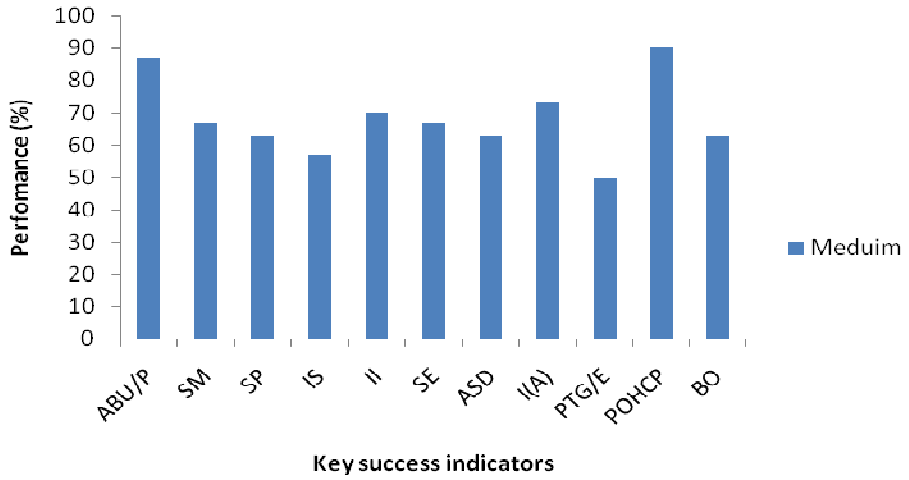

Figure 3. Key success indicators for medium farming enterprises. Keys: ABU/P=Assets build-up/portfolio, SM=Sustainable markets, SP=Sustainable production, IS= Input supply, II=Increased income, SE=Sustainable employment, ASD=Ability to service debts, I(A)=Adequate infrastructure, PTG/E=Potential to grow, POHCP=Policy on human capital development, and BO=Business operations.

Inaddition, Figure 3 illustrates grahically the performance of the key performance indicators in order to show capacity profile of the enterprises under consideration. According to Table 6, only one out of six enterprises managed to have an outstanding performance (4.56 ± 0.83), whilst two enterprises were considered to have excellent performance (3.92 ± 1.04 and 4.19 ± 0.88) and in addtion, two enterprises with the mean (±s.d.) of 2.29 ± 1.28 and 2.28 ± 0.91) was found to be the good performers. Considering the results of the mean (±s.d) alone, it can be inferred that medium farming enterprises have a superior profile compared to both small and micro enterprises. The results illustrated in Figure 3, also confirm the adequacy of key success factors. It also be inferred that these enterprises are more viable than the counterparts due to the adequacy of the key success factors.

According to the results, the enterprises fared moderately adequately with regard to 18% of the key success factors, and sufficiently adequately with regard to 82% of the key success factors. The degree of adequacy of performance in terms of the key success indicators reflects the level of performance of the enterprises. This means that adequacy in terms of key success indicators is positively correlated to the success of farming SMMEs.

STRENGTH, SUCCESS, WEAKNESS, FAILURE, OPPORTUNITIES AND THREAT (SSWFOT) ANALYSIS

A SSWFOT analysis is crucial for the strategic analysis of business profiles. The identification of strengths, successes, weaknesses, failures, opportunities and threats not only presents a platform for business owners to analyse and strategically position the business for generating profit but also provides the business with information that can support existing competitive advantages (Nell and Napier, 2005). The SSWFOT analysis of the farming SMMEs was presented in Tables 7 and 8. Table 1 show that the profile of both small and micro enterprises reveals inferior competitive advantages.

This implies that for these enterprises to have the necessary expertise, strength, core competencies and strong competitive advantage, a comprehensive plan, resources, models, linkages with development institutions and internal agricultural organisations will be required. From Table 8, it is also evident that medium farming enterprises have a better business profile than both small and micro farming enterprises.

It appears that for medium enterprises to be sustainable, input sources and sustainable markets need serious attention, as these constitute potential weakness. Core competencies such as the capability of management, technical abilities, creativity, linkages with relevant stakeholders and financial management do not require the same degree of attention as they do in the context of small and micro farming enterprises.

Conclusion

In this article, it was found that capacity needs for farming SMMEs can be reliably predicted by using the key success factors. In predicting the performance of these enterprises, the use of both key success factors and SSWFOT analysis seems to provide reliable and

Table 7. SSWFOT analysis of small and micro enterprises.

Strength	Success	Weakness	Failure	Opportunities	Threats
High level of perseverance and passion	Initiated the enterprise	Lack of office facilities and equipment	To use ABET education opportunities	**Macro environment**	
Strong cultural belief	Registered the legal entity	No transport system	To use land reform grant programmes effectively	**Economy** To build local, national, regional and international market linkages	High input prices and global economic meltdown
		No insurance for the enterprise	To form commodity association	**Political/legal** Political stability in South Africa	Regular reshuffle of MEC of agriculture in provinces; deployment of managers without proper skills and expertise
		Low or no linkages to market, value and supply chains	To join existing commodity association	**Climate** Availability of other water sources for farming purpose	Unreliable rainfall
		Fluctuating cash flow	To secure business contracts	**Social/cultural/consumer** Increase number of high- density market areas in rural areas, towns and cities	Low number of high-density marketing areas in rural areas
		Lack of business contracts	To build a strong business network	**Technology** Increased access to technology in South Africa	Rural farmers lack access to technology and support
		Poor conference, workshop, training and seminar attendance	To recruit educated youth in their business	**Business environment**	
		Low level of education, manage-ment skills and literacy	To link with experts	**Competitors** Availability of grower schemes for other commodities in South Africa	Lack of facilities, resulting in restricted access to grower schemes
		Lack of formal business manage-ment structure		**Suppliers** Fewer input suppliers for SMMEs owned by HDI	No contractual linkages with input suppliers
		Lack of linkages with industry experts, academic and research institutions		**Consumers and buyers** Increased urban and peri-urban population, resulting in high demand for farm products	Selling of similar products leading to decline in selling prices
		Lack of information technology (IT) facilities		**Regulation** Absences of strict quality control and assurance for farming SMMEs	No regulatory body for quality assurance
		Reliance on government extension services		**Creditors** Availability of number of credit institutions	Lack of audited financial statements, resulting in no access to credit
		Jealousy and intense internal conflict		**Human resources market** Adequate supply of skilled casual labour	Lack of reliable cash flow affecting the availability of skilled labour

Table 8. SSWFOT analysis of medium farming enterprises.

Strength	Success	Weakness	Failure	Opportunity	Threat
Highly literate, experienced and educated	Linkages with market agencies, associations and industrial experts	Lack of succession planning	To create a viable brand, franchise and parallel markets	**Macro environment**	
Strong network and information	Secured business contracts	Little or no involvement of youth	To build a strong strategic partnership with commercial sector	**Economy** To build local, national, regional and international market linkages	High input prices and global economic meltdown
Good access to information and technology	Good attendance of conferences, seminars and training workshops	Low innovation and invention	To form commodity association	**Political/legal** Political stability in South Africa	Regular reshuffle of MEC of agriculture in provinces; deployment of managers without proper skills and expertise
Good management skills	High-level qualifications	Weak linkages with government extension service workers	To mentor the small and micro enterprises	**Climate** Availability of other water sources for farming purposes	Unreliable rainfall
	Able to amass good production equipment	Low or no value addition to the products	To build reliable input source suppliers for SMMEs	**Social/cultural/consumer** Increased tourist destinations in rural areas; increased number of high-density market areas in rural areas, towns and cities; increased promotion of indigenous food	Few high- density marketing areas in rural areas
	Access to transport system		To build strong links with extension service works, local government and research institutions	**Technology** Availability of precision farming technologies; increased access to technology in South Africa	Rural farmers lack access to technology and support
				Business environment	
				Competitors Availability of grower schemes for other commodities in South Africa	Lack of value and supply chain linkages; poor access to grower schemes due to low profitability
				Suppliers Fewer input suppliers for SMMEs owned by HDI	No contractual linkages with input suppliers
				Consumers and buyers Increased urban and peri-urban population, resulting in high demand for farm products	Selling of similar products, leading to decline in selling prices
				Regulation Absence of strict quality control and assurance for farming SMMEs	No regulatory body for quality assurance; the present Wage Determination Act makes farming barely profitable
				Creditors Availability of a number of credit institutions	Highly indebted entrepreneurs
				Human resources market Adequate supply of skilled casual labour	Availability of skilled labour may decline due to HIV/AIDS

accurate estimates of the capacity requisites for farming SMMEs. The findings also indicate that both small and micro enterprises lack key success indicators and for them to be economically viable, they require serious capacity building attention compared to that of medium enterprises. This may suggest that both small and micro enterprises may require intensive and rigorous capacity building programs, focussed on improving the key success that are lacking. The results revealed that for small and micro enterprises to be sustainable, key success indicators such as sustainable markets, input supply, production, increase income/cash flow and business operations would have to be developed and monitored. The trends identified in these findings, appear to suggest a different interventions for different types of farming SMMEs categories in order to meet their required development needs. This may also necessitate the development of model that may be used by both private and public institutions in order to ensure that the capacity needs for these enterprises be developed before the venture are created. The newly created ventures should be linked to the value and supply chains in order to improve their future development, be it in production and marketing capacities. These business entities may require a clear strategic focus and firm linkages with researchers and industry experts. It is suggested that once there is clear organisation of these SMMEs, it may be easier for an appropriated capacity building strategies to be implemented.

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Annexure 1. Farming SMME's evaluation tool.

Tools	Province / Gender	Male	Score	Female
1. Assets build-up or portfolio (ABU/P)	**Response**			
a) Do you have insurance for the enterprise?	Yes	No		Do not know or uncertain
b) Do you have machineries?	Yes	No		Do not know or uncertain
c) Do you have immovable properties?	Yes	No		Do not know or uncertain
d) Do you have savings?	Yes	No		Do not know or uncertain
e) Do you have bonds or shares	Yes	No		Do not know or uncertain
Total Scores (TS)				
2. Sustainable markets (SM)				
a) Do you have a supply contract/s?	Yes	No		Do not know or uncertain
b) Are you linked to markets agencies?	Yes	No		Do not know or uncertain
c) Do you anticipate potential for market growth?	Yes	No		Do not know or uncertain
d) Are you having product competition	Yes	No		Do not know or uncertain
e) Have you established a niche market/s?	Yes	No		Do not know or uncertain
Total Scores (TS)				
3. Sustainable production (SP)				
a) Do you have computer technologies?	Yes	No		Do not know or uncertain
b) Have you acquired the modern software?	Yes	No		Do not know or uncertain
c) Do you produce quality goods?	Yes	No		Do not know or uncertain
d) Do you have trained personnel in your business?	Yes	No		Do not know or uncertain
e) Do you have a link with experts /scientists?	Yes	No		Do not know or uncertain
Total Scores (TS)				
4. Input sources (IC)				
a) Do you have contract with suppliers?	Yes	No		Do not know or uncertain
b) Do have a benefit of buying inputs on an affordable price?	Yes	No		Do not know or uncertain
c) Do you have storage facilities?	Yes	No		Do not know or uncertain
d) Do you have a transport system?	Yes	No		Do not know or uncertain
e) Do you have sustainable raw material supply?	Yes	No		Do not know or uncertain
Total scores (TS)				
5. Increase income (II)				
a) Do you have equitable income?	Yes	No		Do not know or uncertain
b) Do you have sustainable yearly income?	Yes	No		Do not know or uncertain
c) Does your business get expected monthly gross income?	Yes	No		Do not know or uncertain
d) Do you receive a good net-income/profit?	Yes	No		Do not know or uncertain
e) Do you provide your workers an attractive salaries/wages?	Yes	No		Do not know or uncertain
Total score (TS)				
6. Sustainable employment (SE)				
a) Does your business have an ability to employ workers?	Yes	No		Do not know or uncertain
b) Does your business have ability to retain workers?	Yes	No		Do not know or uncertain
c) Does your business have ability to pay wages on monthly basis?	Yes	No		Do not know or uncertain
d) Does your business have an ability to train employees?	Yes	No		Do not know or uncertain
e) Does your business have an ability to provide pension?	Yes	No		Do not know or uncertain
Total Score (TS)				
7. Ability to service the debts (ASD)				

Annexure 1. Contd.

a) Does your business have an ability to receive money/returns monthly ?	Yes	No	Do not know or uncertain
b) Does your business have an ability to pay debts?	Yes	No	Do not know or uncertain
c) Does your business have an ability to secure credit?	Yes	No	Do not know or uncertain
d) Does your business have an ability to secure loans?	Yes	No	Do not know or uncertain
e) Is your business listed in the credit bureau?	Yes	No	Do not know or uncertain
Total score (TS)			
8. Adequate infrastructure (AI)			
a) Does your business have production infrastructures	Yes	No	Do not know or uncertain
b) Does yours business have linked to good road network?	Yes	No	Do not know or uncertain
c) Does your business have adequate equipments?	Yes	No	Do not know or uncertain
d) Do you have a cell phone?	Yes	No	Do not know or uncertain
e) Do you have communication infrastructure?	Yes	No	Do not know or uncertain
Total score (TS)			
9. Policy on human capital development (POHCD)			
a) Does your business have succession plan?	Yes	No	Do not know or uncertain
b) Does your business have youth involvement strategy?	Yes	No	Do not know or uncertain
c) Does your business attend local, regional and international conferences?	Yes	No	Do not know or uncertain
d) Do your members of your business attend short-courses, workshops?	Yes	No	Do not know or uncertain
e) Do you have membership of association?	Yes	No	Do not Know or uncertain
Total score(TS)			
10. Potential to grow/expand (PTG/E)			
a) Does your business have an access to market?	Yes	No	Do not know or uncertain
b) Do you think your business have a growing market?	Yes	No	Do not know or uncertain
c) Does your business have access to market information?	Yes	No	Do not know or uncertain
d) Does your business have human development policy?	Yes	No	Do not know or uncertain
e) Does your business have strategic plan, vision and mission?	Yes	No	Do not know or uncertain
Total scores (TS)			
11. Business operation (BO)			
a) Do you have an office?	Yes	No	Do not know or uncertain
b) Do you have record keeping system?	Yes	No	Do not know or uncertain
c) Do you have management structure?	Yes	No	Do not know or uncertain
d) Do you have management information system?	Yes	No	Do not know or uncertain
e) Do you have an operational manager?	Yes	No	Do not know or uncertain
Total scores (TS)			
12. Entrepreneurial capacity (EC)			
a) Did you indentify this opportunity yourself?	Yes	No	Do not know or uncertain
b) Were you forced to do business?	Yes	No	Do not know or uncertain
c) Do you consider yourself as risk taker?	Yes	No	Do not know or uncertain
d) Do you have passion for this business	Yes	No	Do not kow or uncertain
e) Do you think you will be self reliant?	Yes	No	Do not know or uncertain
Total scores (TS)			
13. Network capacity (NC)			
a) Do Universities visit your business?	Yes	No	Do not know or uncertain
b) Do specialists/ experts visit your business?	Yes	No	Do not know or uncertain
c) Do agricultural college officials visit your business?	Yes	No	Do not know or uncertain
d) Do officials of Department of Agriculture and Land Affairs visit your business?	Yes	No	Do not know or uncertain

Annexure 1. Contd.

e) Do private sectors supply you with any support?	Yes	No	Do not know or uncertain
Total scores			
14. pre-and post settlement support (PPSS)			
a) Did you receive support prior the planning of the business?	Yes	No	Do not know or uncertain
b) Did you get training before and after implementation of business idea?	Yes	No	Do not know or uncertain
c) Did you have financial assistance before and after implementation?	Yes	No	Do not know or uncertain
d) Do you have mentor?	Yes	No	Do not know or uncertain
e) Do you have an accountant?	Yes	No	Do not know oruncertain
Total score (TS)			