

# IDZ attracts large dairy investment

Wednesday, 14 July 2010, saw the launch of the R130 million Sunningdale dairy in the East London Industrial Development Zone (IDZ), reportedly the biggest agro-processing plant in the Eastern Cape. It is believed that the launch will act as a catalyst to attract more agro processing investors into the zone's agro processing cluster.

The IDZ aims to attract more agro, food and beverage processors, says its agro processing sector manager, Unati Speirs. She adds that agro processing was identified as one of the high impact sectors of the economy in the Eastern Cape with great potential to create jobs on a large scale. "It is labour intensive and has potential to create jobs in the Eastern Cape."

A study conducted by East London IDZ revealed that the Eastern Cape has potential for 26 sub-sectors. "Our focus is on 10 of the 26. Besides dairy, we have great potential for tomatoes, blueberries and horticulture. Geographically and in terms of climate we are positioned ideally to do the work from the ground up. We are open for business to investors, farmers and individuals who want to process."

## Agro processing below potential

The facility's shared infrastructure and resources offer investors economies of scale resulting in cost reduction. Agriculture is one of the biggest sectors of the Eastern Cape economy with potential for meat, leather and wool production, but agro processing has remained below potential.

Speirs says this is owing to underdeveloped infrastructure and Eastern Cape's low skills base and capital which are key ingredients in developing the sector. "We are pioneering and this agro-processing hub is the first step in the right direction to tap into the potential of the sector in the Eastern Cape."

"Issues of transportation, infrastructure and high start-up costs pose a challenge for the development of agro processing in the area. This hub will create beneficiation in terms of transformation and developing new skills."

Further, most farmers are in the former homelands and remain outside the mainstream economy. She adds that there is still closed market on the food processing part of the value chain with few large brands dominating the market. Up till now, the challenges holding back the agro-processing industry related to high start up costs, brand loyalty for existing products and the food processing part of the value chain, creating a closed market.

## Partnerships

The East London IDZ has partnered with economic development stakeholders such as AsgiSA Eastern Cape, the Eastern Cape Development Corporation and Eastern Cape Socio Economic Consultative Council (ECSECC) to thrash out a ways

to develop the industry and tackle challenges it faces.

"This development creates further impetus for the agricultural sector, particularly in the eastern part of the province. A stronger agro-processing means opportunity for all farmers including our emerging farmers. It is also a means to an end for fast-tracking agrarian transformation and creating a cadre of skilled emerging farmers, who can increase the province's share of one of its top performing sectors," says AsgiSA EC agriculture and agro-processing programme manager Thukela Mashologu.

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