






MY SPAR OUR TOMORROW

THE SPAR GROUP LTD

CREATING A NEW FUTURE TOGETHER

SPAR AND THE RURAL HUB
BUSINESS MODEL

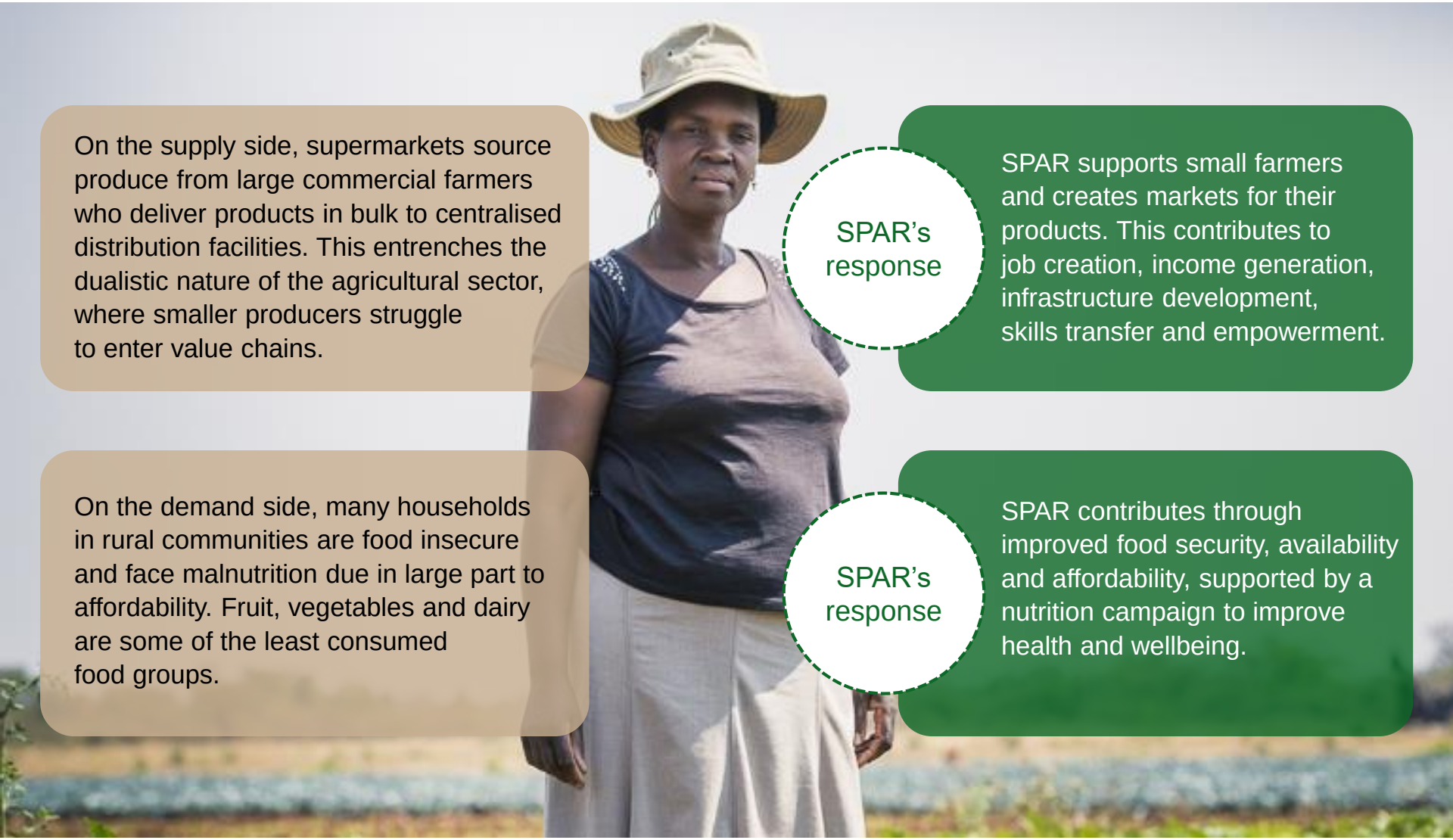




OUR PURPOSE AS SPAR

“To inspire people to do and be more”

THE SOUTH AFRICAN FOOD SYSTEM CHALLENGE



On the supply side, supermarkets source produce from large commercial farmers who deliver products in bulk to centralised distribution facilities. This entrenches the dualistic nature of the agricultural sector, where smaller producers struggle to enter value chains.

SPAR's response

SPAR supports small farmers and creates markets for their products. This contributes to job creation, income generation, infrastructure development, skills transfer and empowerment.

On the demand side, many households in rural communities are food insecure and face malnutrition due in large part to affordability. Fruit, vegetables and dairy are some of the least consumed food groups.

SPAR's response

SPAR contributes through improved food security, availability and affordability, supported by a nutrition campaign to improve health and wellbeing.

OUR PRIMARY OBJECTIVES WITH THE RURAL HUB BUSINESS



Improve food security

Provide affordable food

Improve nutrition

RURAL HUB BUSINESS OUTCOMES

- Sustainable, scalable and commercial farming operations in rural areas
- Empowered communities through job creation, skills development and economic participation
- Sustainable agriculture through environmentally responsible, certified farming operations delivering quality produce at scale
- Healthy communities making informed choices about nutrition based on a more stable and diverse fresh offering available at affordable prices

A PHASED APPROACH

PHASE 1

With secure funding available, we developed a sustainable business model focusing on small rural farmers



PHASE 2

We identified the best suited areas for development and invited small farmers that met the project criteria, to join the business



PHASE 3

We established structures and partnerships:

- Financial
- Governance
- Operational
- Technical





PHASE 4

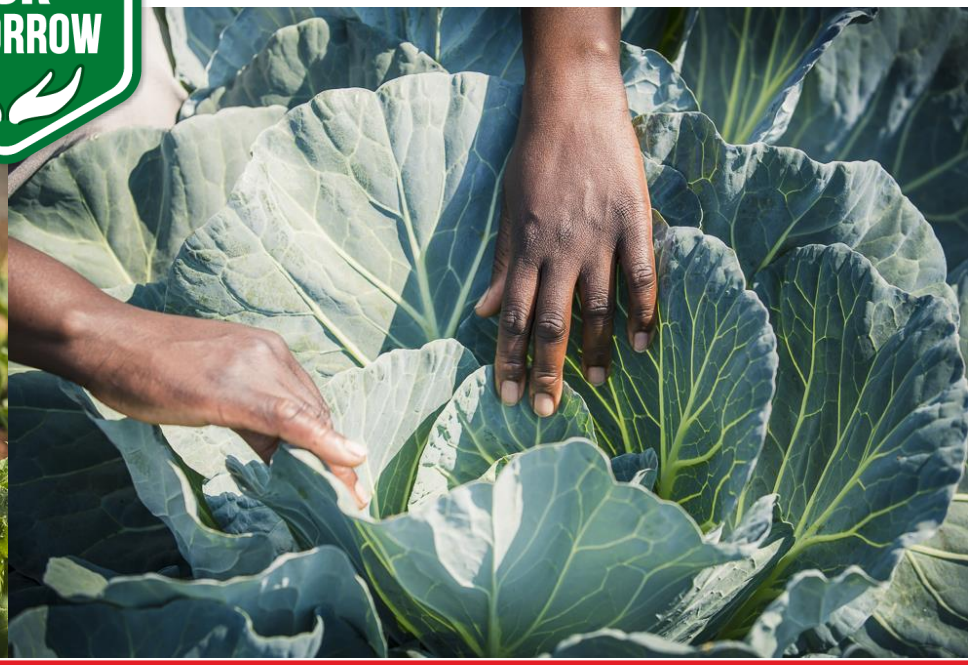
First produce delivered to SPAR stores

PHASE 5

Second packhouse established, incorporate learnings from phases 1 - 4







TIMELINE AND FOOTPRINT

CREATING A NEW FUTURE TOGETHER

2014 — The Dutch government approached SPAR with funding aimed at agricultural development

2015

2016

June 2017 — The first rural hub business was established in Mopani in the Limpopo province



August 2017 — The first permanent packhouse was opened outside Ofcolaco

October 2017 — The second rural hub business established in Ikhwezi in Mpumalanga

2018 — A third rural hub is set to be opened before the end of 2018 in the King Cetshwayo district in KwaZulu-Natal



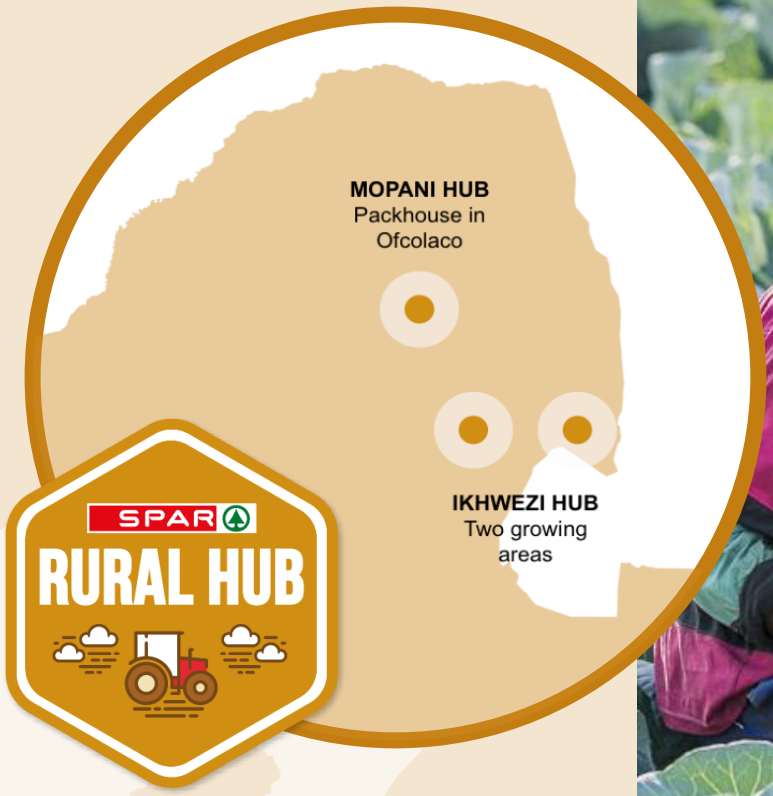
BY THE END OF 2018:

- **44** black farmers are part of the rural hub businesses
- **61** number of hectares supplying fresh produce
- **30** number of SPAR stores directly supplied
- **>R5m** value of produce traded in the two rural hub businesses in 2017/2018
- **36** people employed by the two packhouses

RURAL HUB BUSINESS LOCATIONS

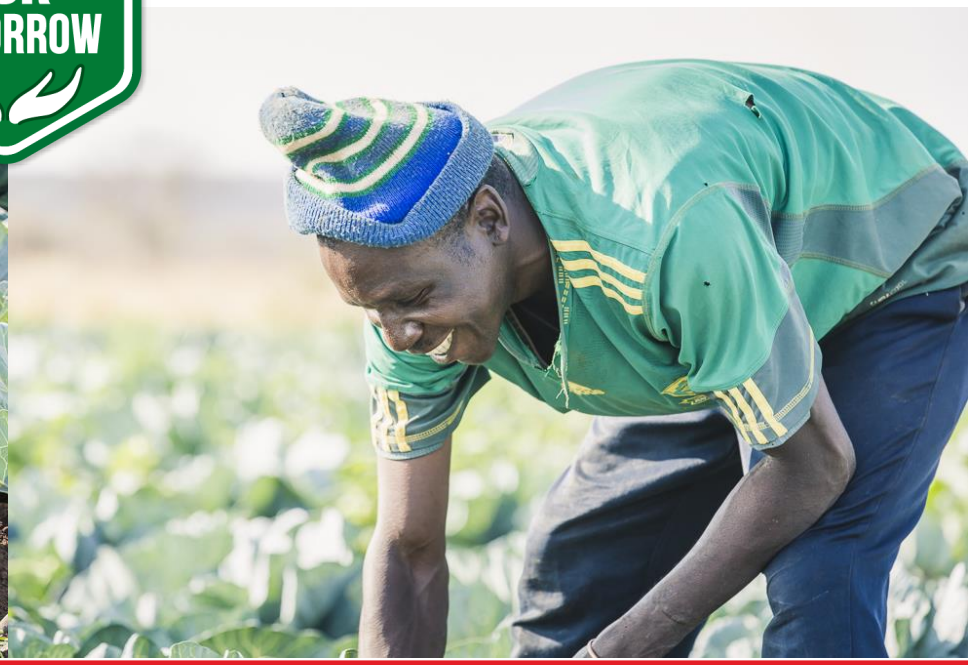
We locate rural hubs in areas with:

- High numbers of emerging smallholder farmers seeking market access and development support
- High agricultural potential
- High rural poverty
- Many SPAR stores
- Commercial farmer support



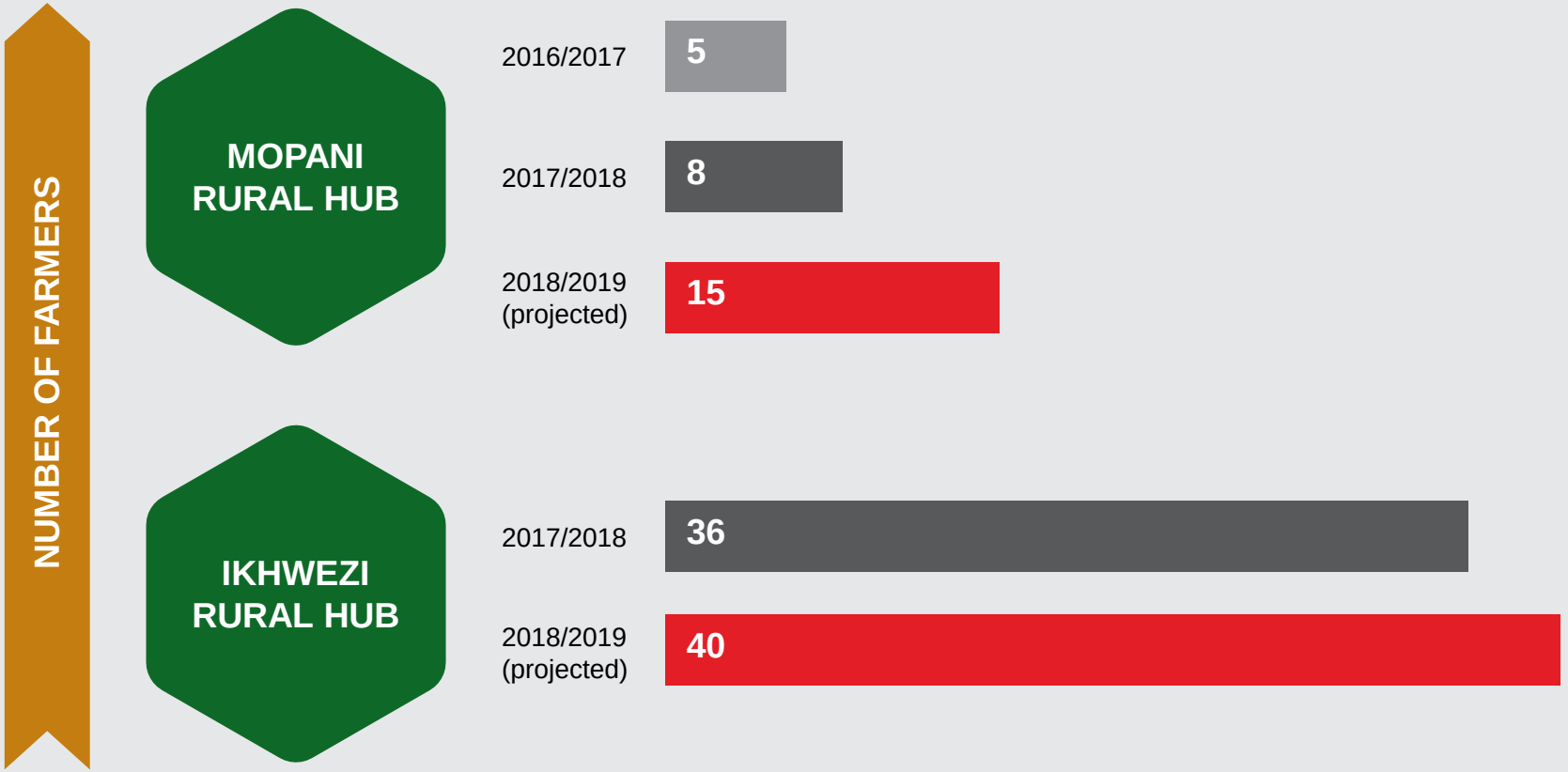




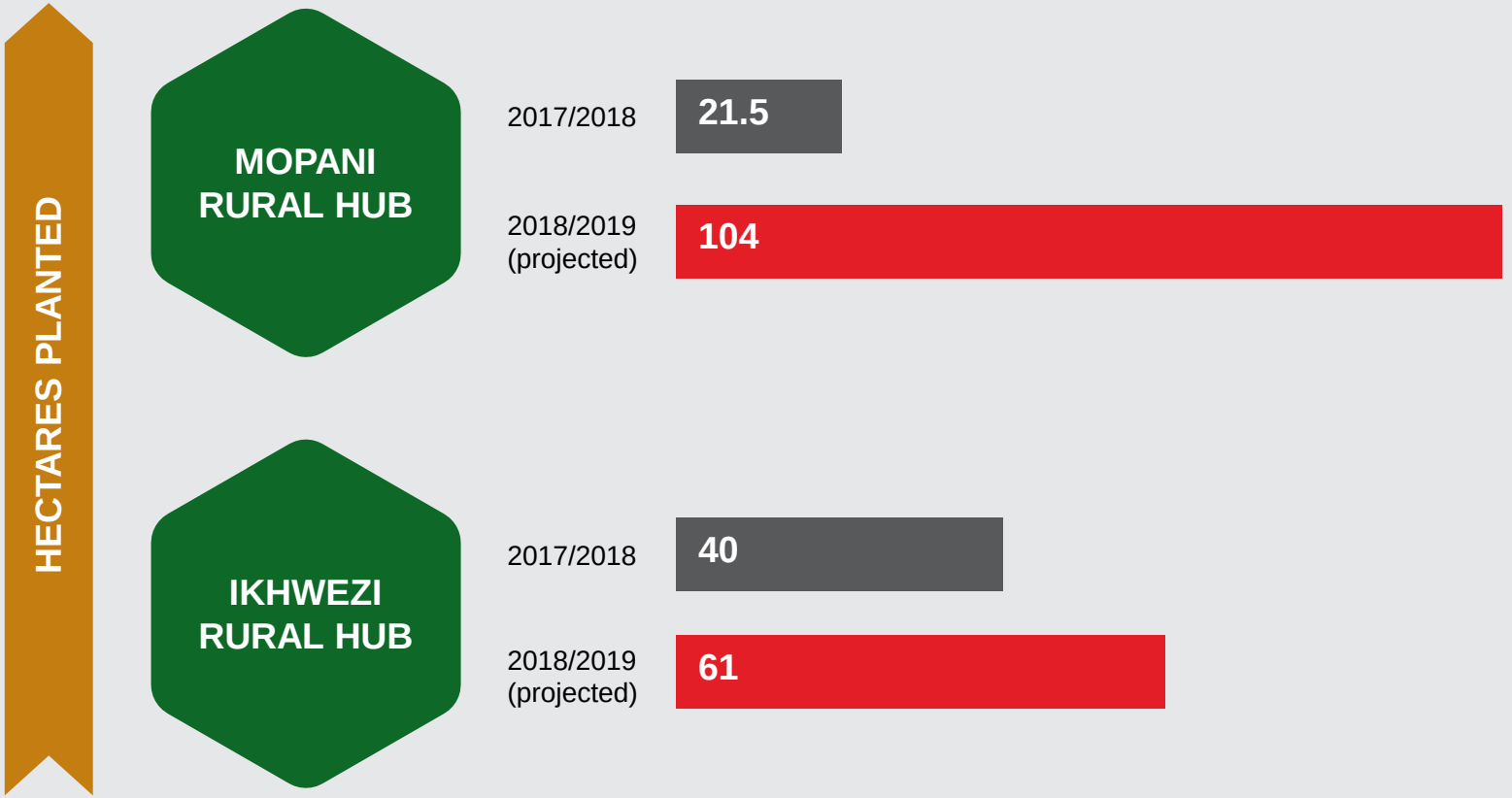


KEY INDICATORS

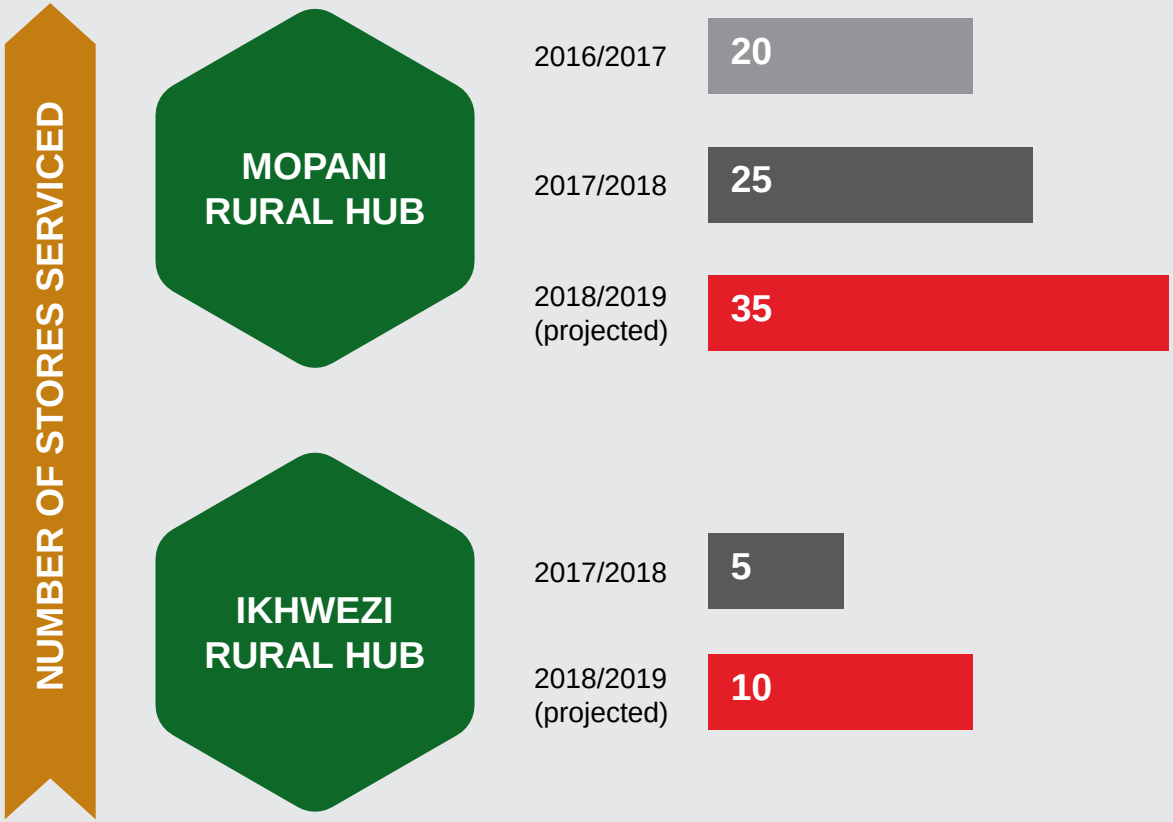
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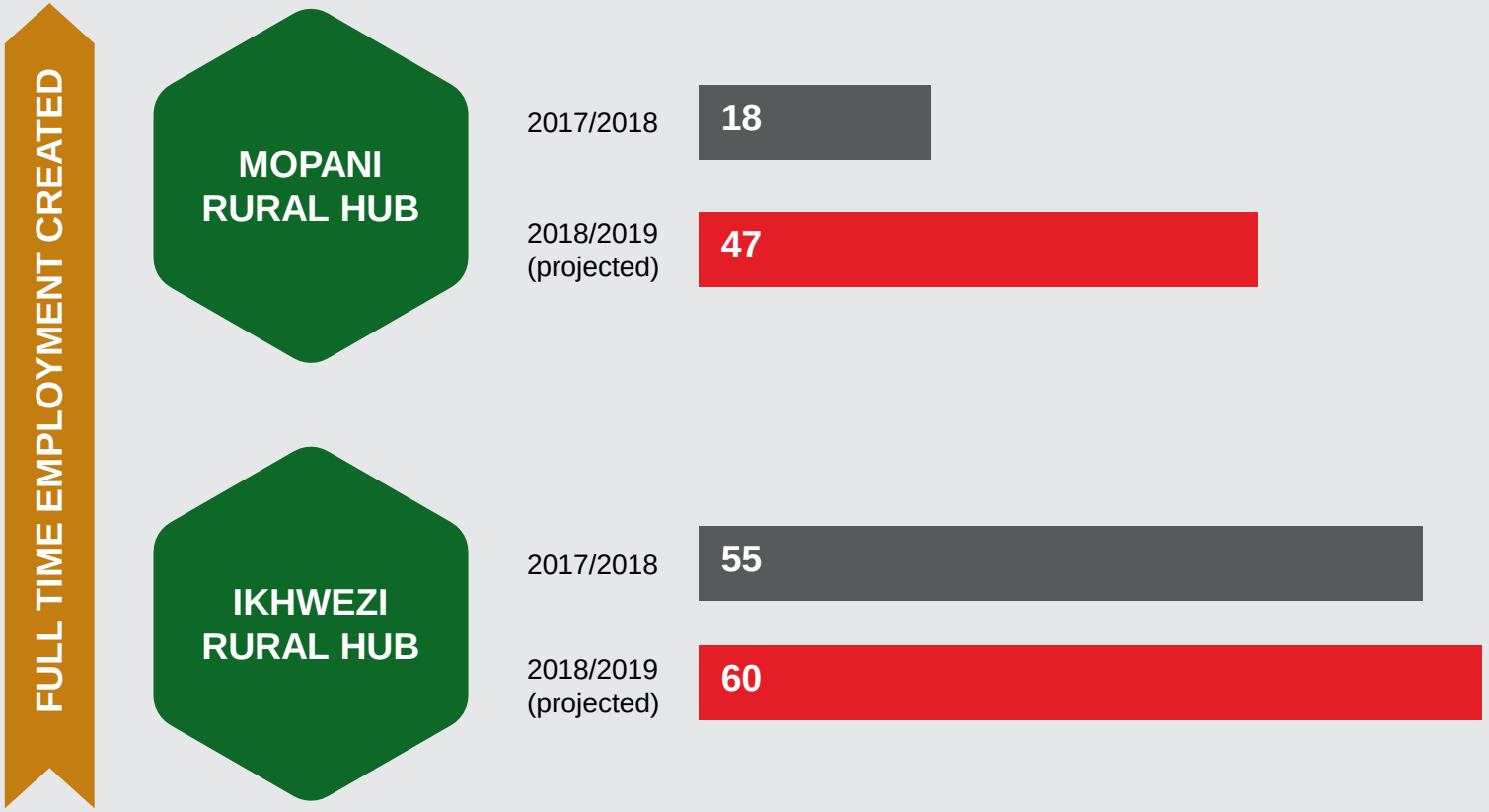
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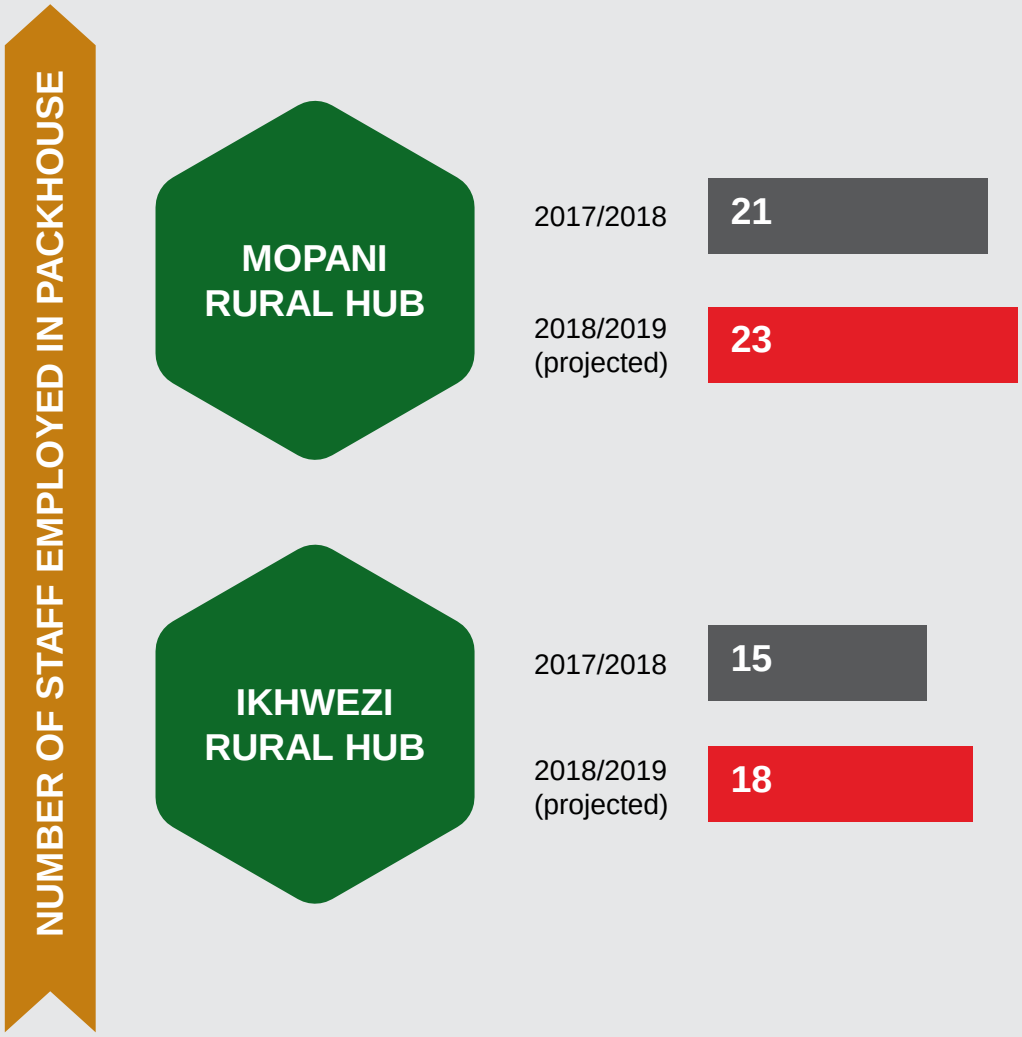
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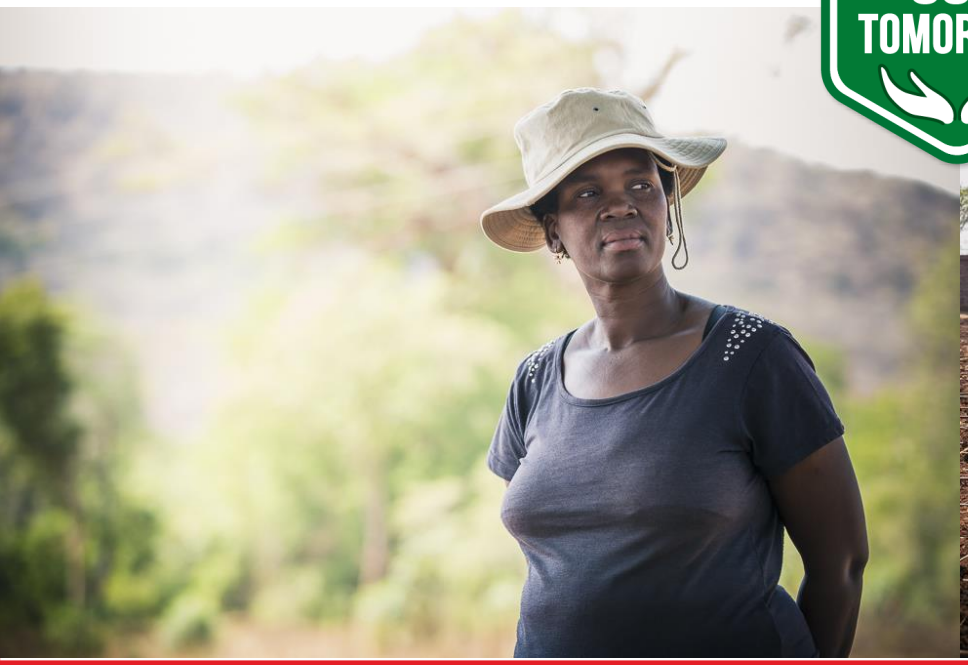


KEY INDICATORS



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HOW THE RURAL HUB SYSTEM WORKS

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Hawkers and informal traders

Informal and government led feeding schemes (in development)

Packhouses deliver to SPAR stores within a 200km radius

SPAR distribution centre

The SPAR distribution centre provides the hubs with management support, for example through their finance function while head office drives the overall emerging farmer project

Rural hub packhouses

Small-scale rural farmers supply hubs in Limpopo, Mpumalanga and KwaZulu-Natal

SPAR store

SPAR distribution centres also provide stores with a full product range on a voluntary trading basis – stores are therefore free to take on produce from local hubs

Technical assistance

Farmer mentors

Funders

Subsistence farmers in rural and semi-urban areas join the SPAR project and are supported to achieve scale and build sustainable businesses. They receive training and are on their way to achieve GLOBALG.A.P. certification.

RURAL HUB BUSINESS ROLE PLAYERS



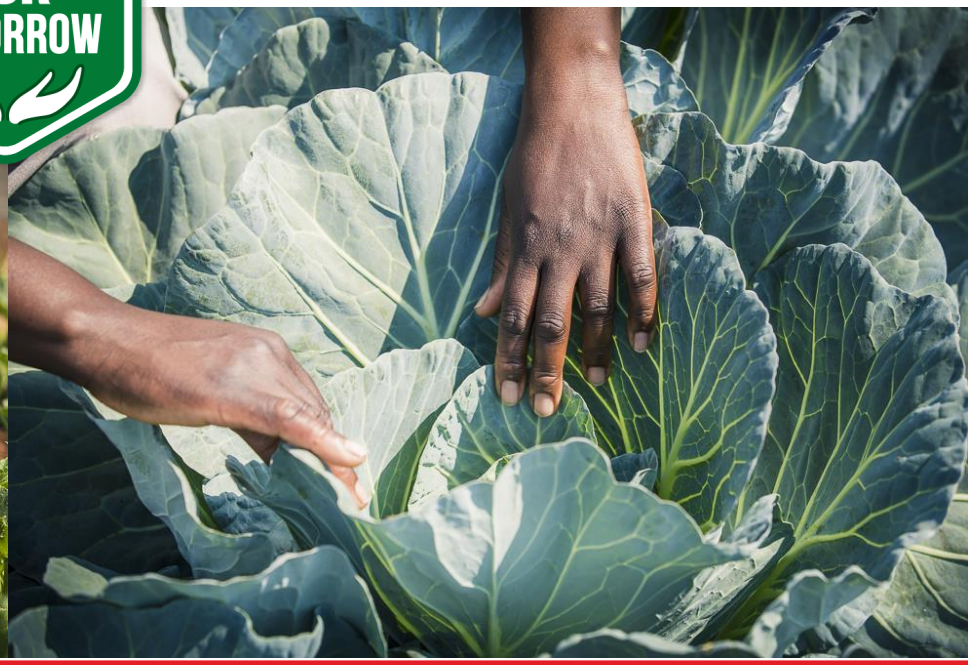
- SPAR group
- SPAR retailers (store owners)
- Small scale farmers
- Small scale farmer employees
- SPAR technical advisor
- SPAR operations manager
- Commercial farmer as mentor
- Packhouse employees
- Community as consumers
- School feeding schemes (in future)
- Dutch government
- South African government



"By taking a holistic approach to food system development and working with a network of partners the SPAR rural hub concept is gaining traction and creating a multiplier effect to the benefit of all stakeholders. We are creating a new future together."

Kevin O'Brien
SPAR Risk and Sustainability Executive





TRAINING AND SKILLS DEVELOPMENT

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Localg.a.p

The rural hub businesses adopted localg.a.p. as the entry-level food safety standard. This is a stepping stone to full compliance with GlobalGAP.

Global Food Safety Initiative

Rural hub farmers are also expected to comply with the Global Foods Safety Initiative (GFSI). The GFSI has a tiered approach to certification, which allows the rural hubs to develop a systematic action plan that can be implemented over time.



TRAINING AND SKILLS DEVELOPMENT



All the participating small-scale farmers have been trained in the following modules:

- Economics
- Land preparation
- Planting
- Legal
- Pest and disease
- Fertilisation
- Irrigation
- Harvesting

KEY LEARNINGS AND INSIGHTS

- The involvement of commercial farmers is critical
- Accessing finance through the formal banking system was almost impossible
- Value chain partners must be aligned in their vision for the project
- Where there are skills weaknesses – for example in financial management – there is risk



THE SPAR SUSTAINABILITY PLEDGE

We have made a sustainability pledge to create authentic shared value, though the following outcomes:

- Contribution to societal change
- Contribution to responsible living
- Opportunity creation
- Resource stewardship

