

# Innovative partnership drives inclusive agricultural growth at Middelburg Vineyards

Through an innovative model of blended financing, equity ownership, mentorship and skills transfer, Van Loveren and Mzala Wines' Wines on Middelburg Vineyards, with assistance from FNB, is taking shape as a powerful engine of value creation and generational opportunity.

The field of agriculture demands substantial capital, operates on a long-term timeline, and relies on essential resources like land and water. Moreover, it necessitates expertise in both labour and management, as well as access to financial capital. Due to these factors, it often takes years or even decades for new farming endeavours to yield results and profitability.

Consequently, the agricultural sector presents distinctive challenges for the inclusion of small-scale black farmers, resulting in sluggish overall transformation. In 2021, research conducted by Wandile Sihlobo and Mzukisi Qobo at Wits University revealed that black farmers accounted for a mere 5-10% of the total commercial agricultural production in South Africa.



To address this challenge, FNB and Van Loveren Vineyards partnered to explore an innovative inclusive financing and development model that is already creating significant value. The result – Middelburg Vineyards – a project more than a decade in the making.

In 2011 Van Loveren identified an 832-hectare tract of empty Karoo bushveld on the outskirts of Robertson with the potential to become a productive farm. The process of applying and being granted water rights for the land took seven years, during which time an empowerment partnership was formed to commercialise the land and contribute to transformation.

The result was Middelburg Vineyards, a company co-owned by Van Loveren and Mzala Wines, an empowerment structure made up of Van Loveren employees. Mzala holds 30% of the equity in Middelburg Vineyards, and two seats on the board. Van Loveren invested capital into the project, and FNB, which joined the project in 2018, provided a combination of commercial debt and grant funding.

Phillip Retief, CEO of Van Loveren Vineyards, says: "Business analysts think in quarters, CEOs think in financial years, but farmers think in generations. FNB has been a partner of Van Loveren's for many years, and their generous contribution to the Middleburg project makes us even more proud to be associated with them."

"We received commercial finance from FNB, but the quicker conduit to the realisation of this dream of ours was their grant funding, which was significant. FNB's foresight and commitment allowed a greenfield project, which was highly capital intensive, to come to fruition much more quickly than it would have if it was fully financed."

## **Driving inclusive agricultural growth**

The project has already created substantial, tangible value. When the land was first identified it had a value of R6m. In 2019 the first vineyards were planted, alongside cherries, almonds and citrus, and take-off agreements for the produce have been finalised. Today, after the planting of fruit and vineyards and the construction of dams, irrigation, trellises and other infrastructure, the land is worth approximately R117m, with its long-term value yet to be realised.

Gert Breet, head of business development at FNB Agribusiness, says: "There were three key components necessary to the success of the Middelburg project. Firstly, we needed to partner with like-minded stakeholders. They needed to share the same vision of success and transformation and adhere to the same principles. Secondly, we needed a partnership model that would support the outcomes we were pursuing, and which would do so over a generational timeframe."

"Finally, we needed innovative thinking around the application of this model and the way we structured ownership and finance. I'm proud to say that in this instance all three components have come together, and the result is, I believe, a model that ought to be examined and replicated more widely."

## **Innovative socio-economic development**

Prior to Middelburg, Van Loveren launched the De Goree initiative, which saw 138 hectares of vineyards planted in partnership with a 52% ownership structure comprising 42 female and 46 male workers and a four-member board of directors. De Goree's grapes are used to produce Van Loveren's Five's Reserve wine range, the profits of which are shared with employees. In 2015, Van Loveren launched Olyfberg, another B-BBEE project with the Karaan Family Trust as 51% shareholder, which increased the black-owned grapes harvested by Van Loveren to 15% of its total.

Mzala was designed to include a smaller group of shareholders than the De Goeree initiative, allowing them to more easily be trained and upskilled as board members and agricultural investors. Mzala comprises eighteen shareholders, all of whom, with the exception of Livingstone Stanley, are Van Loveren employees. Stanley, an industry expert, was engaged for his business acumen and to act as a mentor to the other shareholders.

"I am privileged to be involved in a project of this nature," says Stanley. "Without FNB's terms on the commercial loan, and grant funding contribution, an ambitious dream would have been almost unattainable. FNB's funding reduced the risks involved in an enterprise of this nature, giving the stakeholders the room to contribute, learn and lay the groundwork for growth and development."

"The challenge now is to farm this as a business, to create wealth, and hopefully to declare dividends in time. Agriculture is not a quick fix, but it does have the potential to create lasting, generational change."

Retief says: "Once Middelburg Vineyards begins to show a commercial return, the shareholders of Mzala will be able to diversify and pursue other opportunities. There's exciting potential for this model to contribute to broad empowerment and generational wealth, and more importantly, to inform other projects of this nature, especially those with government as a key stakeholder."

The next leg of the project will involve alignment with sustainability themes including climate risk, as well as enhanced data management, mapping and project development.

Breet says: "The model is a testament to what can be achieved if you partner, collaborate and think outside the box a bit. This project also tracks the evolution of the involvement of banks in the South African economy. It's no longer a straightforward commercial view. We are focused on the long-term impact we can create, on the security of generational opportunities for wealth, and on the outcomes for beneficiaries."

Stanley concludes: "What makes this project unique is that we're creating real value. It's not a checkbox or short-sighted exercise. It's something special, and its achievement should not be underestimated. Our children will see more benefit from this project than we will. That's the dream: a thriving farm that will outlive us all."

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