

Investment Opportunities in the Eastern Cape



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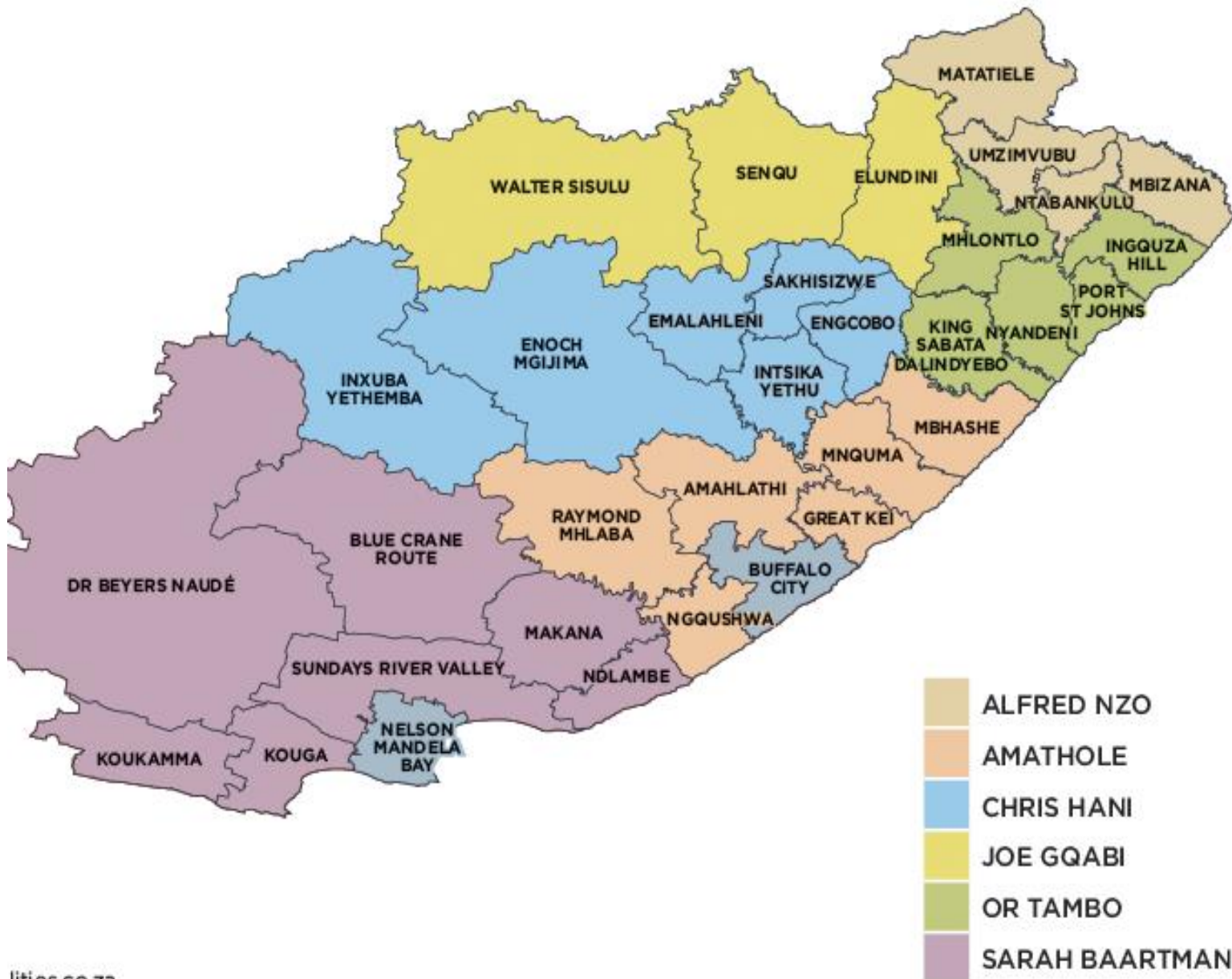
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2. ABOUT THE EASTERN CAPE



- Population of 6.562 million people; youth 32%; women 53%
- 17,1 million ha of Eastern Cape land mass of which 1,16 million Ha is arable land
- Perennial rivers with huge potential for irrigated commercial farming in rural parts of the province
- Four irrigation schemes, with 5000ha potential in biggest scheme, Ncorha
- 6 Districts and 2 metros, big cities in East London and Gqeberha (formerly PE)
- 3 Ports in East London, Ngqurha and Port Elizabeth

2. AGRO-PROCESSING OPPORTUNITIES

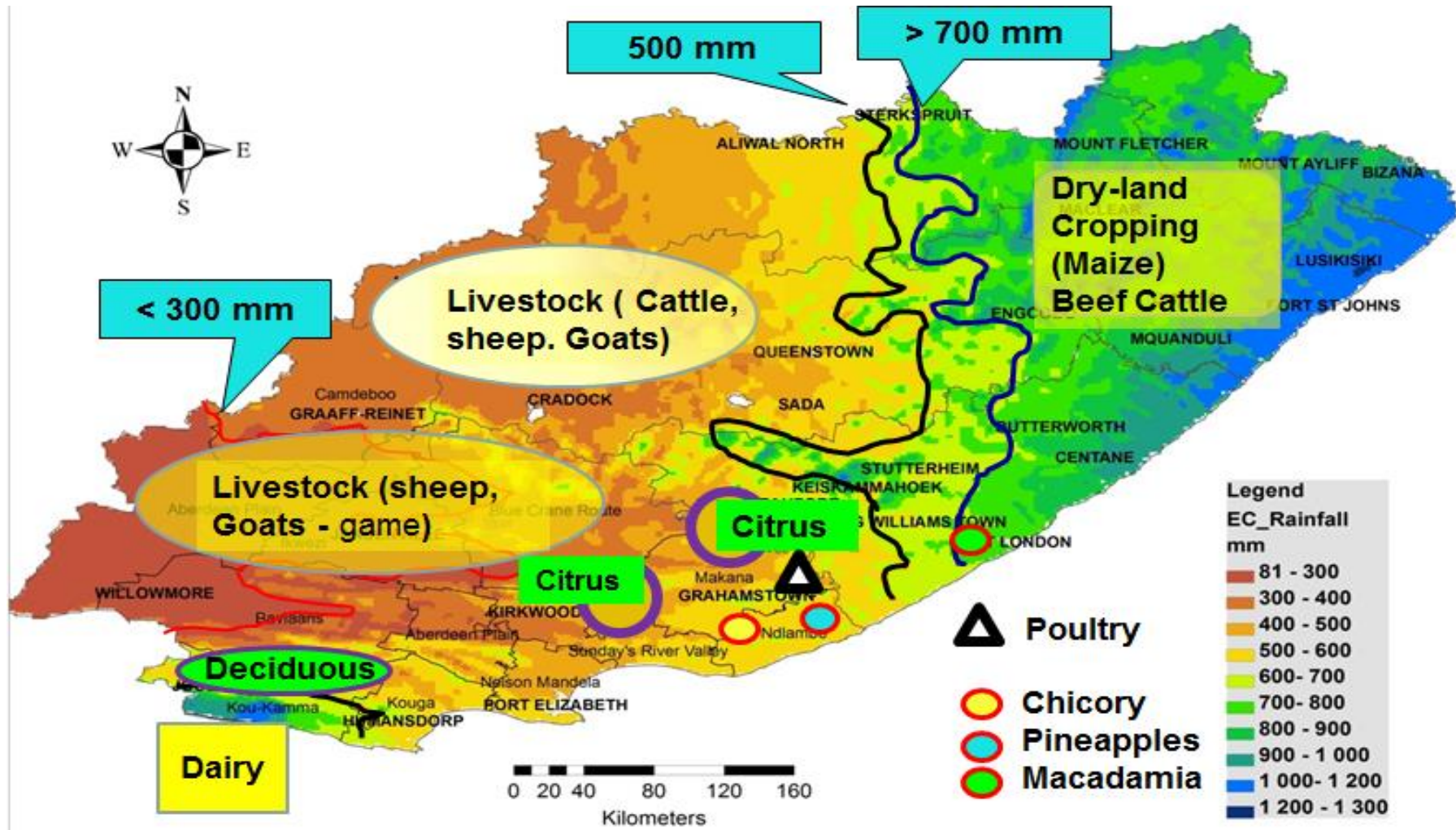
- Wide variety of environmental conditions allows for wide range of products
- Main cattle & sheep breeding region in SA
- 36% of South Africa's wool, 75% of its mohair
- 30% of South Africa's milk production Pineapples juicing and dietary fiber production, we have the **BEST TASTING PINEAPPLE JUICE** used to blend world wide
- Oranges, apples, avocados
- Vegetables & grain crops
- Green House Industry (Tomatoes , Peppers,)



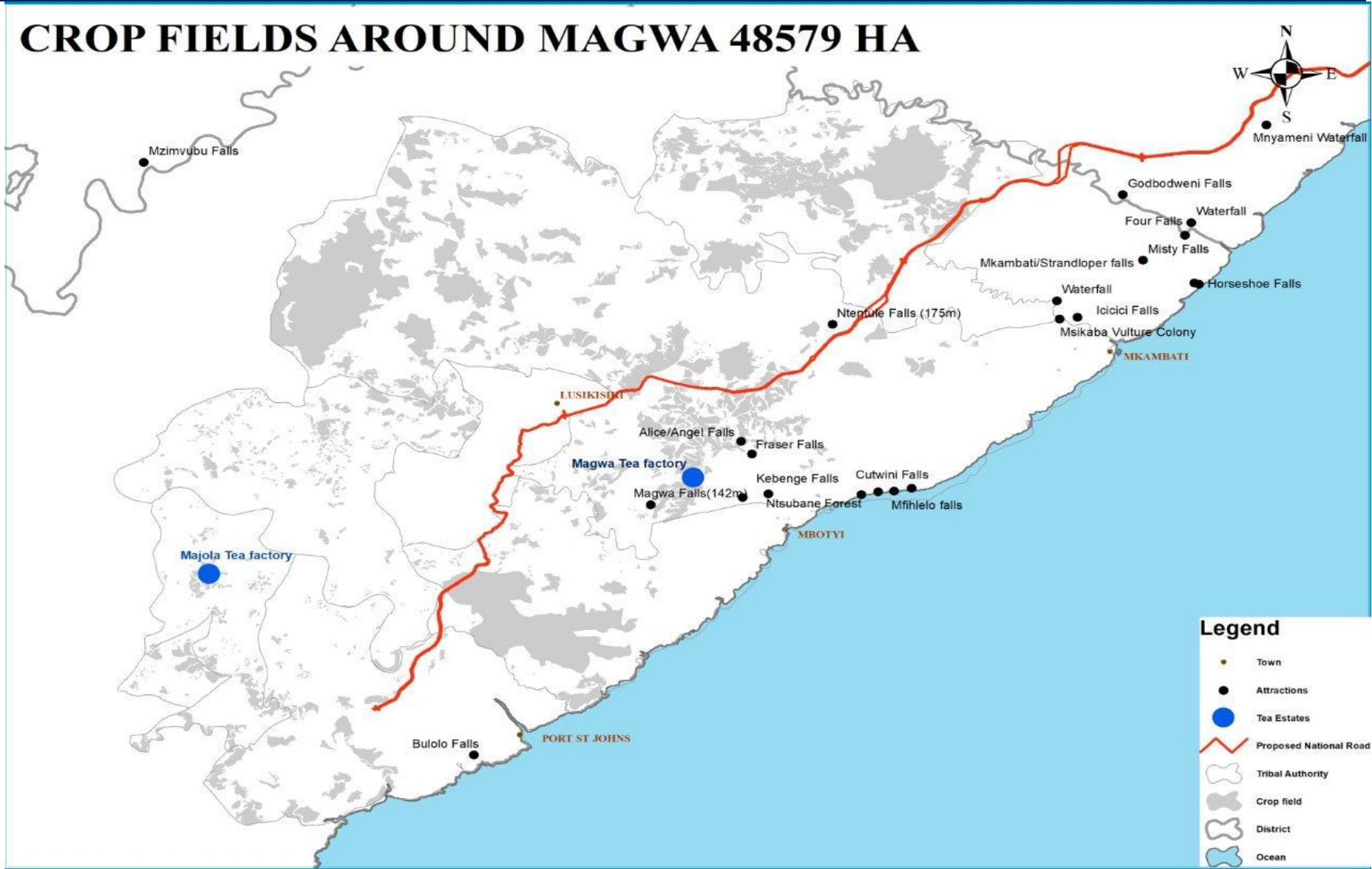
TOP EASTERN CAPE AGRO-PROCESSING COMPANIES



CLIMATIC AND COMMODITY POTENTIAL



2.iii. MAGWA AS AGRI & ECO-TOURISM HUB



Magwa Tea
1803 ha

Majola Tea
385 ha



High Value Crops – fruit, nuts, etc. plus livestock on varied landholdings
48 579 ha

Forestry
22 764 ha



Natural endowments of region – good soil, high rainfall, sub-tropical climate, proximity to coast, waterfalls attraction – present promising potential to diversify from current mono-commodity (Tea) to other profitable commodities, new sectors and enhance localised value-chains

Portfolio Investment Opportunity

Size, location and existing infrastructure of Estate creates unique investment opportunity for diversified portfolio across agriculture, tourism, sports & Leisure



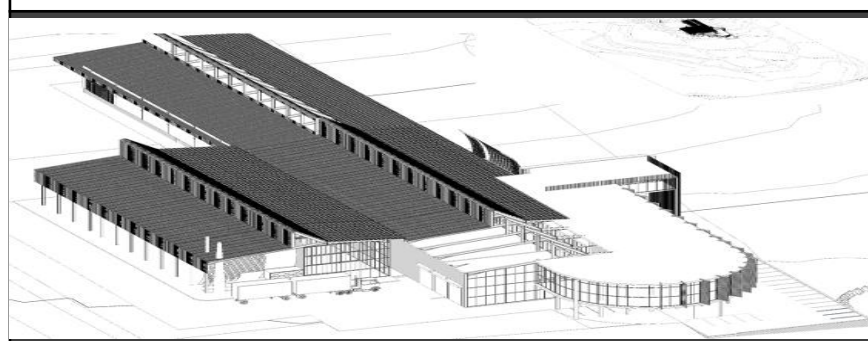
Magwa Tea Estate	
Core Focus Operational Tea Estate	
Total ha	1803
Potential Tons of Made Tea	3 990T
Market diversification by 2024:	
Bulk Local Tea	710T
Bulk Export Black Tea	2 200T
Bulk Export Green Tea	600T
Organic Tea	400T
Packed Tea for Local and Export Market	80T
Existing Black Tea processing plant	200T/day green leaf
Investment into cannabis processing plant	50T annual
Critical export accreditation	Rainforest Alliance Attained Fair Trade

Future Opportunities	
Investment into Avocados and/or Macadamias etc	
Re-establishment of golf course	
Development of Eco-Tourism & Hospitality – Magwa Falls Park	

ANCHORS OF MAGWA-MAJOLA MASTERPLAN

① Magwa & Majola Tea Estates

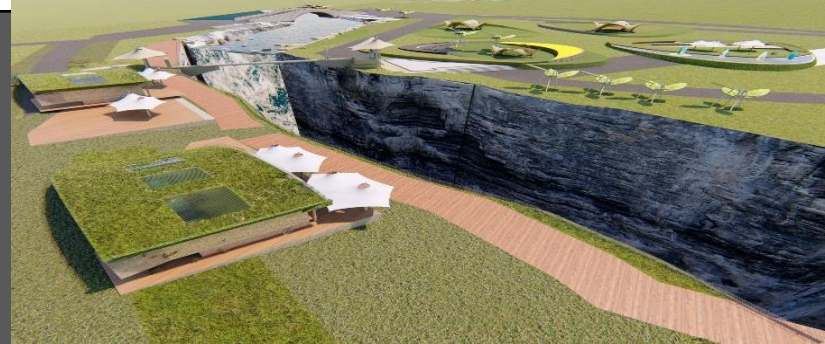
(Magwa as centrepiece; Majola linked node)



- Tea enterprise is a going concern, undergoing business consolidation and market expansion
- Tea enterprise will be kept as a socially-conscious business, with majority community ownership + worker-shares; business operations run by qualified professionals (incentivised through share-scheme)
- Tea Estate precinct to be re-designed and developed to be self-sustaining economic enclave – with settled worker-families and professional class

② Eco-Tourism

(will integrate Magwa Falls and Tea Estate)



FEATURES & ATTRACTIONS – Public Investment

- Runway, Bridge, Walkways, Viewing Deck, Gorge Lift & Spiral
- ‘Traditional Village’ – ‘Clan-owned’ Chalets (co-investment)
 - Worker-staff accommodation
 - Renewable Energy

PRIVATE ENTREPRENEURS

- Tourist Activities – *International signature events; year-round adventure/thrills – abseiling, trails, etc.*
- Hotel, restaurants and related leisure

③ New High-Value Commodities & Products



- Avos, sub-tropical fruit, nuts, deciduous fruit, hemp & cannabis, etc, targeting niche markets; New crops IP and/or investor partners to be carefully sourced
- Crops for localised value-enhancements – tea-blending, etc.
- Plus crops for food security, local beneficiation & trade.

+ Lambasi Dairy Resuscitated

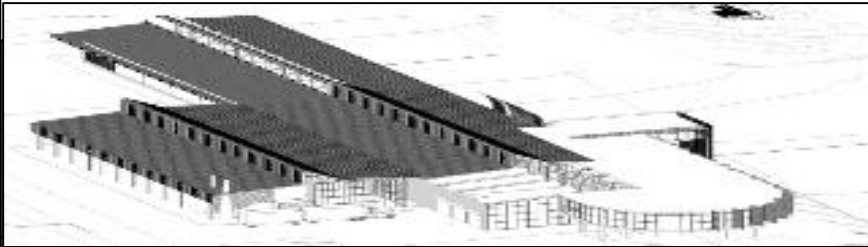
+ Other enterprise, and

+ Social Amenities

MAGWA-MAJOLA ANCHORS' VALUE-CHAINS

1 Magwa & Majola Tea Estates

(Magwa as centrepiece; Majola linked node)



Primary Tea Production in plantations – *corporation and independent producers*

+ Tea Tourism in Plantations & Tea-Tasting



Processing and Value-Added Products in Tea Factory
[Capital-build for new factories against revitalised business]



Packaging, Warehousing, Marketing & Distribution
[Opportunities in logistics network]

Markets & Distributors – Govt and Retail Markets, Informal sector & International markets; Large and small distributors network

2 Eco-Tourism

(integrating Magwa Falls, Tea Estate & adjacent Beach)



Independent Tour Operators

Entrepreneurs for Adventure & Other Activities

Magwa Falls SOC

Management of visitor flows at core attraction – landing strip, gorge bridge and lift, spiral

Hospitality establishments

Community-owned Chalets | Hotel | Restaurants | Crafts shop

Transport Operators

Marketing, Travel and booking agents

3 New High-Value Crops

(balanced mix of mid/large commercials and smallholder farmers)



Primary Production of High-Value Commodities – Avos, Nuts, Fruit, Hemp & Cannabis, across producers of varying land size and scale of production – large commercial investors and small scale producers

Aggregation, Processing and Value-Added Products in Re-purposed Magwa Factory Complex + Lambasi Agri-Hub

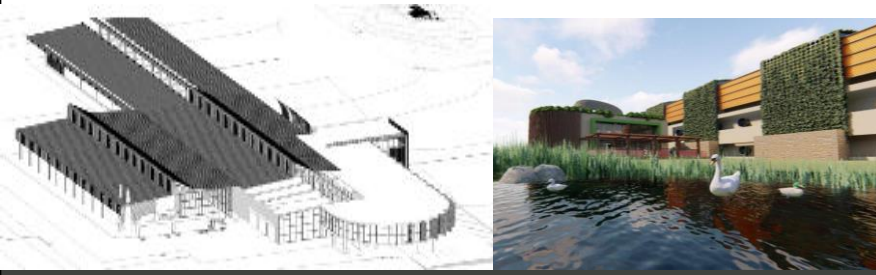
Packaging, Warehousing, Marketing & Distribution
[Opportunities in logistics network]

Markets & Distributors

Participation Possibilities & Options

1 Magwa & Majola Tea Estates

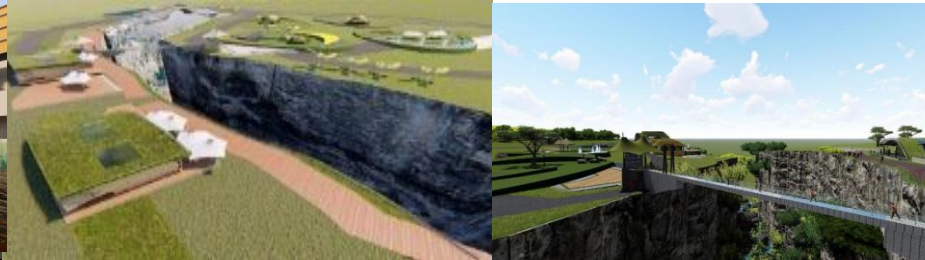
(Magwa as centrepiece; Majola linked node)



- **Tea Company** reconfigured to reflect key equity partners, i.e.:
 - 40% – 55% Land-owners Stake held through CPA/Trust (arms-length from operations)
 - 15% – 25% Worker Shares (workers drawn from land-owning communities; local multiplier)
 - 5% – 10% Shares for professionals
 - 5% ECRDA (for agency's operational sustainability)
- Capitalisation of fixed top-structures by government (National Treasury, ??)
- Capitalisation of production/operating infrastructure through external equity by, and to be bought back from DFI (PIC?) investment

2 Eco-Tourism

(integrating Magwa Falls and Tea Estate)



1. **Magwa Falls Tourism SOC** – Quasi-Public Company (60:40 Public-Private) = Independent Subsidiary to manage Runway, Gorge Bridge, Walkways, Viewing Deck, Gorge Lift & Spiral, Golf-course + Renewable Energy | Leases with independent entrepreneurs | IDC/PIC capitalisation?
2. **'EmaMpondweni Traditional Village' (Pty) Ltd** – (70:30 private-community/families partnership)
3. Hotel – 80% private : 20% Community (community stake through DFI, then buy-out)
4. Independent businesses/operators for other ventures around Falls

3 New High-Value Commodities & Products



- New Investors to be attracted to area to take up opportunities in horticulture and livestock farming (with intended revival of Lambasi Dairy) through open Call for Expressions of Interest (Feb-March 2020)
- Small-scale producers mobilised in feeder/ outgrower schemes
- Creative aggregators – state and private-sector facilitated – to stimulate independent producers, plus enhance food security, local beneficiation & trading
- Value-sharing arrangements to be encouraged between big/coordinator-agents, local producers, and other entrepreneurs in value-chain

PRELIMINARY FINANCIAL OUTLAY

1 Magwa & Majola Tea Estates



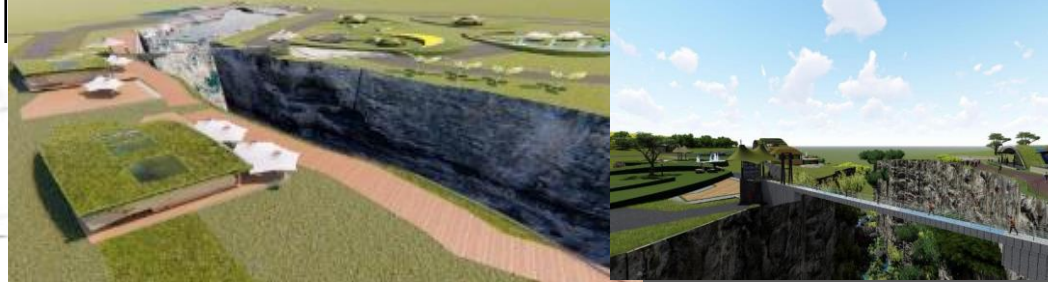
- R400 million (Magwa) and 50 million (Majola) for ideal infrastructure of Tea Estates; repurposing of factories etc.
- R50 million and R100 million for basic refitting for Majola and Magwa respectively
- R500 million for bulk infrastructure

2000 permanent jobs
in fields and factories

R1.1 billion infrastructure investment by state

2 Eco-Tourism

(Integrating Magwa Falls and Tea Estate)



Public-Private Investment

- R3 billion for Falls Infrastructure:** Runway, Bridge, Walkways, Gorge Lift and Spiral, Viewing Deck
- R90mil – R100mil for 'Traditional Village' – 'Clan-owned' *Luxury Chalets* (@R1.5mil x 60)
- R208mil Professionals Golf Estate (64 units)
- R253mil Worker-staff accommodation; (48 units x 4 Blocks) (Dept. Human Settlements)
- R2 billion for Renewable Energy (surplus can feed Lusikisiki grid)

PRIVATE ENTREPRENEURS

R1.5 billion for Hotel, restaurants and leisure enterprise.

500 permanent jobs across all entities and establishments

R3.8 billion infrastructure investment by govt and DFIs
R3.5 billion infrastructure investment by private sector
(assuming energy generation by independent provider)

3 New High-Value Commodities & Products



- Private commercial agri-enterprise investment to be established post submission of Expressions of Interest
- R900 mil (R150,000 x 6000ha) Government support for small-scale producers' capitalisation (DALRRD)
- R600 mil for Aggregators and base infrastructure

1,500 permanent jobs in commercial farms; **12,000 permanent jobs** in small-holder farms and homesteads

R600 mil infrastructure by state;
private sector t.b.d



MAGWA TEA ESTATE

NEW TEA FACTORY





MAGWA TEA ESTATE

MAGWA FALLS ECO-TOURISM ENVISIONED



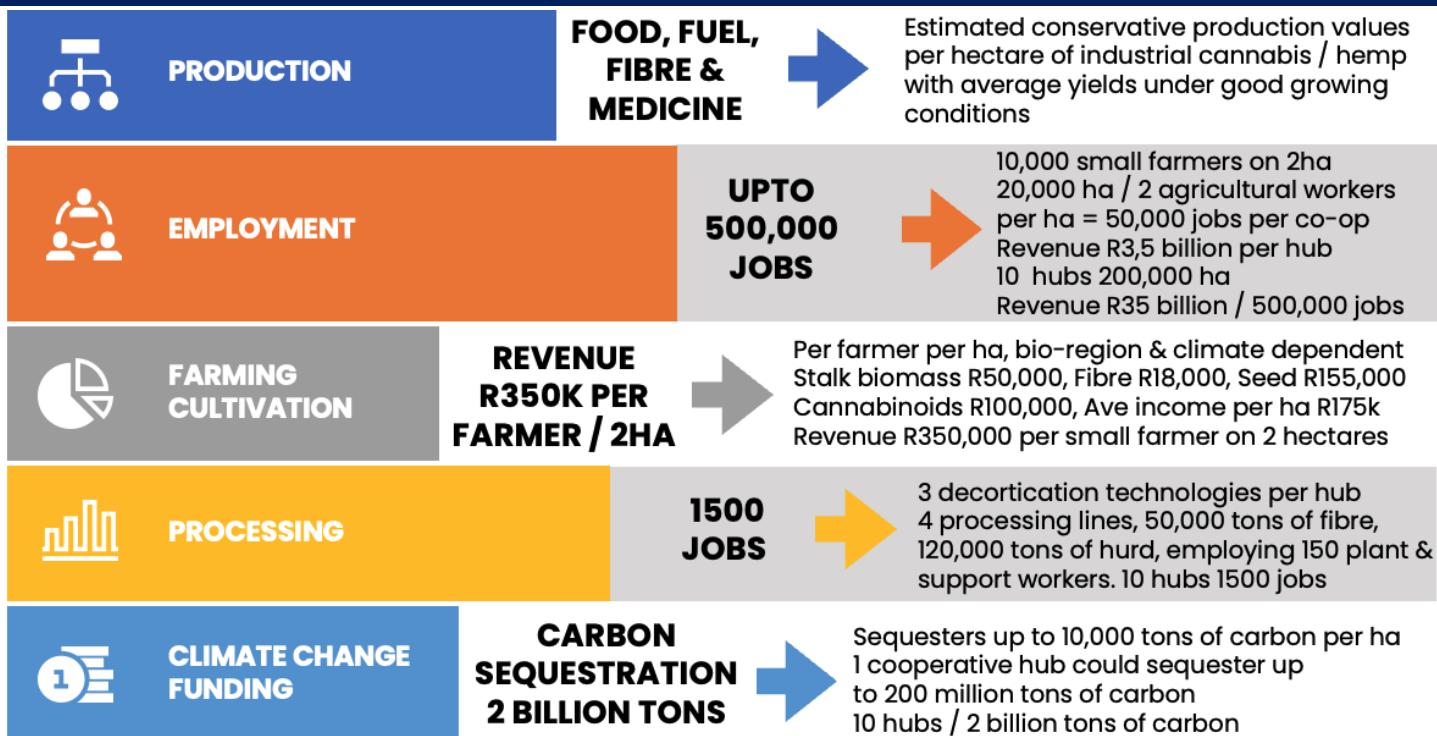


- This project represent a new Flora industry in Eastern Cape and will be driving economic development through export market. The intention is to cultivate various flora species such as Protea, Leucospermum and Leucodendron and develop new cultivars.
- There is currently around 90 commercial protea producers in South Africa, growing some 1,000 ha proteas countrywide.
- The target is to establish 100 ha at Tshabo as nucleus for self-sustaining flora industry to be grown over time to 300 ha in medium to long term in expansionary phases at Tshabo as well as other communities that will be trained and developed as out-growers.
- Flowers will be harvested by hand and transferred to a central pack house and from here distribution to the local market, greater South African market and the export market
- This project will create opportunities for rural communities to participate in flora value-chain in the province and beyond. These communities will receive skills for sustaining and growing the new flora industry
- The competitive advantage is the mild climate and a marketing window of opportunity different from the Western Cape and KwaZulu Natal due to differences in flowering times makes Eastern Cape very attractive.
- The first picking will commence in the 3rd year for both Leucospermum and Leucodendron, whilst for protea will be in the 6th year. The annual gross income will be R39,9 million against Opex of R25,6 million for 100 ha.
- The project will employ 163 people permanently at the site and further 60 pickers and collectors of ferns.

Game changing new sunrise industry that opens new pathways for rural development creating an inclusive Cannabis economy in the Eastern Cape based on:

- Aggressive infrastructure investment into agro processing;
- Employment orientated strategic localization, reindustrialization and export promotion;
- Gender equality and economic inclusion of women and youth;
- Green economy interventions;
- Mass public employment interventions;
- Strengthening food security through ecological agriculture
- Support for tourism recovery and growth;

10 Year Strategy focused on creating 10 agricultural corridors of 20,000 hectares each that feed into 10 agro processing and manufacturing hubs creating up to 500,000 jobs and annual revenue of R35 billion by 2033



The strategy aims to build on the province's strategic advantage of:

- Acclimatised genetic strains naturalised over hundreds of years - legitimise these strains and their application for commercial purposes and products
- Thousands of existing farmers familiar with the crop, and the importance of valorising the effort of these farmers by bringing them into the formal economy of the industry as it develops
- An ideal climate and soil
- The Cannabis plant that provides food, fuel, fibre, housing and medicine to unlock economic potential in an inclusive and sustainable industry to position the Eastern Cape as a global leader in cannabis production.

Opportunity to invest in agro processing infrastructure and global markets development for cannabis commodities and beneficiated products in the global supply chain.



3.ii. THE MARINE TILAPIA INDUSTRY – A national Strategic Infrastructure Project (SIP)



• We can produce 800 tonnes of fish per annum
 • Fresh fish available every day throughout the year



SIP Number	23	SIP Name	Agriculture and Agro-Processing
SIP Gazette Date	2020/07/24	Gazette Number	No.43547
Summarized Project Description			

The ECRDA is project-managing the implementation of the Marine Tilapia Industry program, an innovative, strategic initiative to establish a new industry within the Oceans Economy Aquaculture sector, also prioritised in the Provincial Oceans Economy Masterplan of the Eastern Cape.

The targeted annual output by 2030 at Phase 5 of the program, is 100,000 tonnes of sea-grown tilapia, produced along five coastal clusters that will each account for 20,000 tons. Together with this will be other by-products from the aquaculture facility, mainly sea-cucumber ('sandfish') and sea-weed, as well as other commodities to come from small-scale farmers organized along a planned Mbashe Agri-corridor that will both feed into the Marine Tilapia industry value-chain, plus other commodity markets.

Fresh Fish for the Nation



The Marine Tilapia Industry initiative will be a game-changer for the Eastern Cape and SA in terms of –

- (i) **Substituting for, and mitigating diminishing ocean fish-stocks depleted through wild-catch:**
 - By maturity stage (2033), targeted production will be up to **100,000 tons of sea-cultivated fish**, as cost-effective substitute and complement to marine-harvested white fish
- (ii) **Beneficiation of an indigenous species, *O. mossambicus***, with Eastern Cape and KwaZulu-Natal coastline having unmatched competitive advantage – rich range of genetic material of the species to be isolated and developed for commercialisation:
- (iii) **Connecting an industrial-scale value-chain development across the rural coastline of two provincial economies**, with the possibility of stretching into Mozambique. Contributions to the provincial (rural) economies of Eastern Cape and KwaZulu-Natal include –
 - 4736 jobs at fish-farm and processing clusters; *approx. 1000 at the Mbashe Incubator and Cluster*
 - Over 150,000 jobs for small-scale farmers in value chain; *approx. 30,000 across Mbashe region*
 - Annual gross income of R3.4bn, against Opex of R1.23bn
 - Emerging class of entrepreneurs in the value-chain

4. TOURISM IN THE EASTERN CAPE

ABOUT PORT ST JOHNS

PSJ's inhabitants are predominantly of Xhosa origin and much of the land in PSJ is administered by local tribal authorities. An iconic event which gives rise to tourist and recreational activity is the Sardine Run which usually occurs between June to August annually. PSJ is also famous for its angling – especially during the Sardine Run season, with favourite spots such as Poenskop (named after the protected Mussel Cracker) and the Umzimvubu Estuary. PSJ offers a beautiful scenery, untouched land and wildlife, which in modern times are rare.

The PSJ region's economy is characterised by Tourism through its popular tourist beaches, natural scenery, and recreation through coastal angling activity. Although the majority of tourism revenue for the town is during the **Sardine Run**, PSJ also hosts the following annual events:

- Isinqisethu Cultural Festival
- Mountain Run Marathon
- Beach Sport Festival

PSJ boasts a variety of tourist adventure activities which include:

- Hiking
- Fishing
- Canoeing
- Horse trails
- Angling

CABLE PROPELLED TECHNOLOGY

Background & Uses

- Cable cars have long been used as an alternative means of transportation to ferry both **passengers and goods**.
- Cable car technology is predominantly employed in areas with **hilly terrain** where it is difficult to construct road/rail infrastructure.
- Cable way technology has been used extensively in the **tourism industry** predominantly in ski resorts which require steep elevation changes.
- The technology has also widely used for industrial purposes such as the mining , automotive industry and materials handling.
- In recent years, it is has become a very popular form of **alternative public transportation** in developing countries, where urban densities do not allow for bus/train usage. [Note: India & Brazil]
- High volumes of passengers on a daily basis is noted as being a key requirement for **investment justification**

Different models of Cable Cars

Table 4.1: Types of Cable Cars

Aerial Tramway	Gondola Lift	Funifor	Hybrid
 A red and white aerial tramway car with a large cabin and a roof, suspended from a cable. The car is moving upwards on a steep, forested slope.	 A red gondola lift car suspended from a cable, moving over a town and a valley. The car is a simple, enclosed cabin.	 A small, green and white funifor car suspended from a cable, moving over a snowy mountain slope. The car is a simple, enclosed cabin.	 A hybrid car, which is a large, enclosed cabin with a curved roof, suspended from a cable. It is shown in a station or terminal.
Funitel	Chairlift	Hand-powered	Material ropeways
 A funitel car, which is a large, enclosed cabin with a curved roof, suspended from a cable. It is shown in a station or terminal.	 A chairlift, which is a simple seat or chair suspended from a cable, moving over a forested slope.	 A hand-powered car, which is a simple, enclosed cabin suspended from a cable, moving over a river. The car is being operated by a person on the ground.	 A material ropeway, which is a simple, enclosed cabin suspended from a cable, moving over a green field. The car is being used to transport material.

MARKET ASSESSMENT

Regional Tourism Profile

	Eastern Cape	ORTDM
Number of visitors	1 911 408	460 600
International Tourist	411 408	26 600
Domestic Tourists	1.5 million	434 000
Purpose of visit	<ul style="list-style-type: none"> • VFR (62.0%) • Religious (17.0%) • Business (11%) • Holiday & Leisure (8%) 	<ul style="list-style-type: none"> • VFR (79.0%) • Holiday & Leisure (7.0%) • Business (4.0%) • Religious and Medical (10.0%)
Activities undertaken	<ul style="list-style-type: none"> • Visiting Natural Attraction (53.7%) • Wildlife (51.9%) • Beach (35.7%) • Theme Parks (6.2%) • Adventure (24.5%) 	
Holiday Tourist Daily Spend	R330 – R 760	
Total Estimated Direct Spend	R 12 billion	R 1.0 billion
Average length of stay	5.8	

Source: Adapted from ECECC (2017) & SAT (2018)

PSJ TOURIST DEMAND ESTIMATES

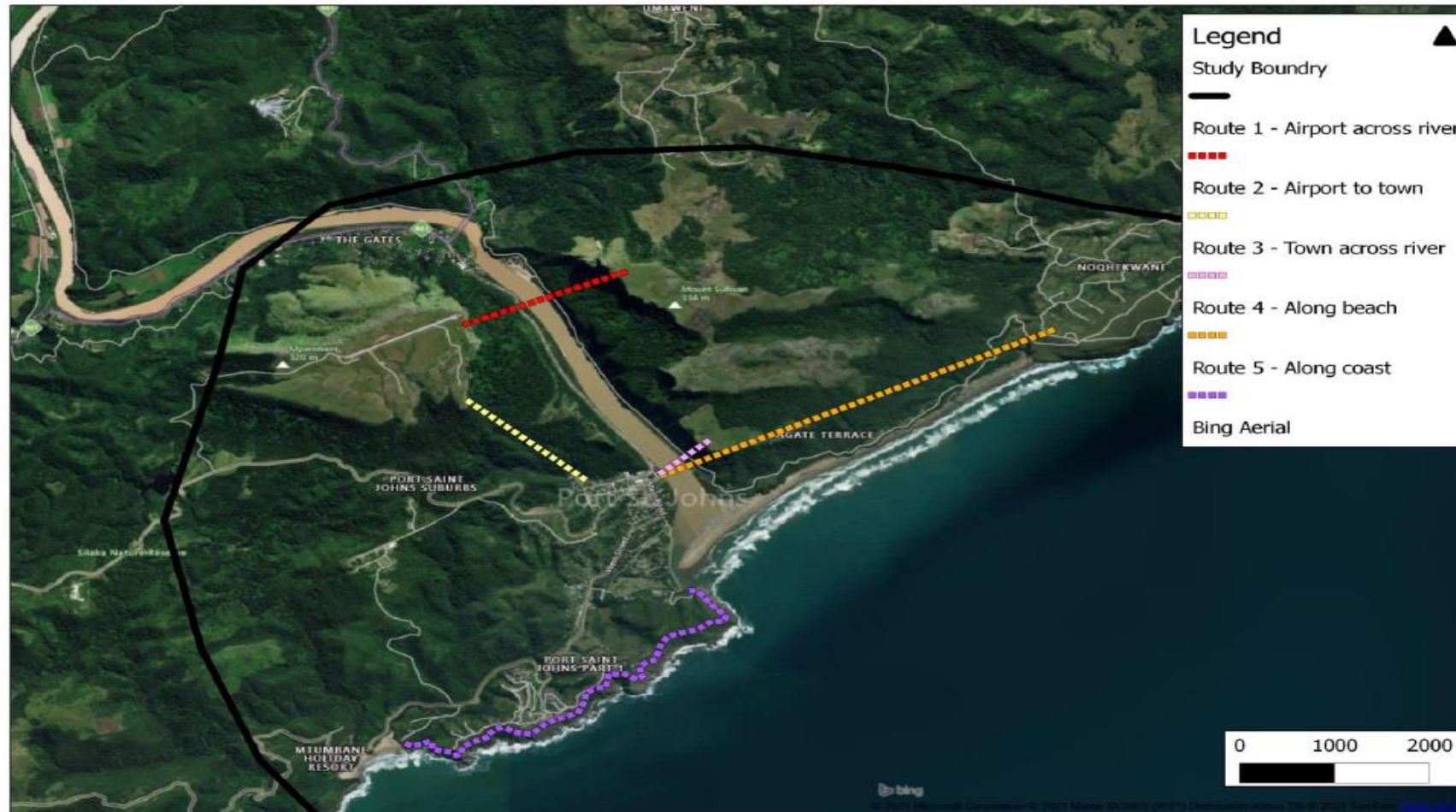
Target Market

- Local market and tourist market
- Helps to **reduce seasonality** of tourism industry
- Local Residents of entire district (affordability +R76,801 p.a)
- Assumptions:
 - Domestic Tourists– 60% of holiday travellers to ORTDM
 - Foreign Tourists – 30% of all visitors to ORTDM
 - Local Residents – 10% middle/higher income residents per year

Market Segment	Low	Medium	High
Local Residents (ORTDM)	13 020	17 360	21 700
Foreign Tourists	5 320	7 980	10 640
Domestic Tourists	8 121	16 242	24 363
TOTAL	26 461	41 582	56 703

IDENTIFIED ROUTES FOR THE CABLE CAR

SPATIAL ANALYSIS – ORIGINAL ROUTES



ADDITIONAL ACTIVITIES

7.5 Packaging of products

In order to make the cable car an attractive offering to both local visitors and tourists, product packaging is seen as an important marketing and revenue generation strategy. Packaging the cable car experience with existing or newly introduced products will not only enhance the overall experience but also improve the sustainability of the entire operation.

This packaging will have the added advantage of widening the potential customer base and retain visitors in the area for a longer period. This will in turn, improve the sustainability of other businesses in the area, and help to improve overall security due to high levels of foot traffic.

Based on the benchmarking exercise the following products could be introduced, the following package options are proposed:

Table 7.5: Proposed cable car package deals

BASIC PACKAGE	PACKAGE #1	PACKAGE #2	PACKAGE #3
<ul style="list-style-type: none">• Cable Car ride• PSJ Cultural Heritage Tour	<ul style="list-style-type: none">• Cable Car• PSJ Cultural Heritage Tour• Meal Voucher	<ul style="list-style-type: none">• Cable car• PSJ Cultural Heritage Tour• Meal Voucher• Gift voucher• Mountain Bike Hire	<ul style="list-style-type: none">• Cable Car• PSJ Cultural Heritage Tour• Meal Voucher• Gift Voucher• 15% discount on accommodation• Mountain Bike Hire

FINANCIAL PROJECTIONS

9.1 Capital Expenditure

The capital costs for the PSJ Cable Car comprises all foreseen expenditure that may be incurred on purchasing, improving and maintaining of the cable car's fixed assets, such as its buildings, vehicles and equipment.

Table 9.1: Estimated Capital Costs

	R '000
Building Structures	
Base Station /Ticket Booth/ Ablutions	R2 420 00
Destinations Look-out	R1 275 00
Cable Car Equipment	
Imported Leitner Jig-Back System	R98 465 616
Transport (including bicycles)	R2 158 288

Civils	R5 957 207
Rope Stringing & Helicopter Specialists Installations	R2 843 846
Power Supply	R2 943 518
Construction Labour	R8 002 248
Professional Fees	R3 322 923
Safety and Site Establishment	R1 530 745
Operational Equipment (Computer, Hardware, refreshment kiosk and curio fit-outs)	R800 000
Environmental Upgrade (Land scaping, lighting, fences, gates)	
Base Station	R2 250 00
Destination Look-out	R1 125 00
TOTAL ESTIMATED CAPEX (ex. VAT)	R133 094 391
Contingencies	10%
TOTAL ESTIMATED CAPEX (ex. VAT)	R 168 364 404

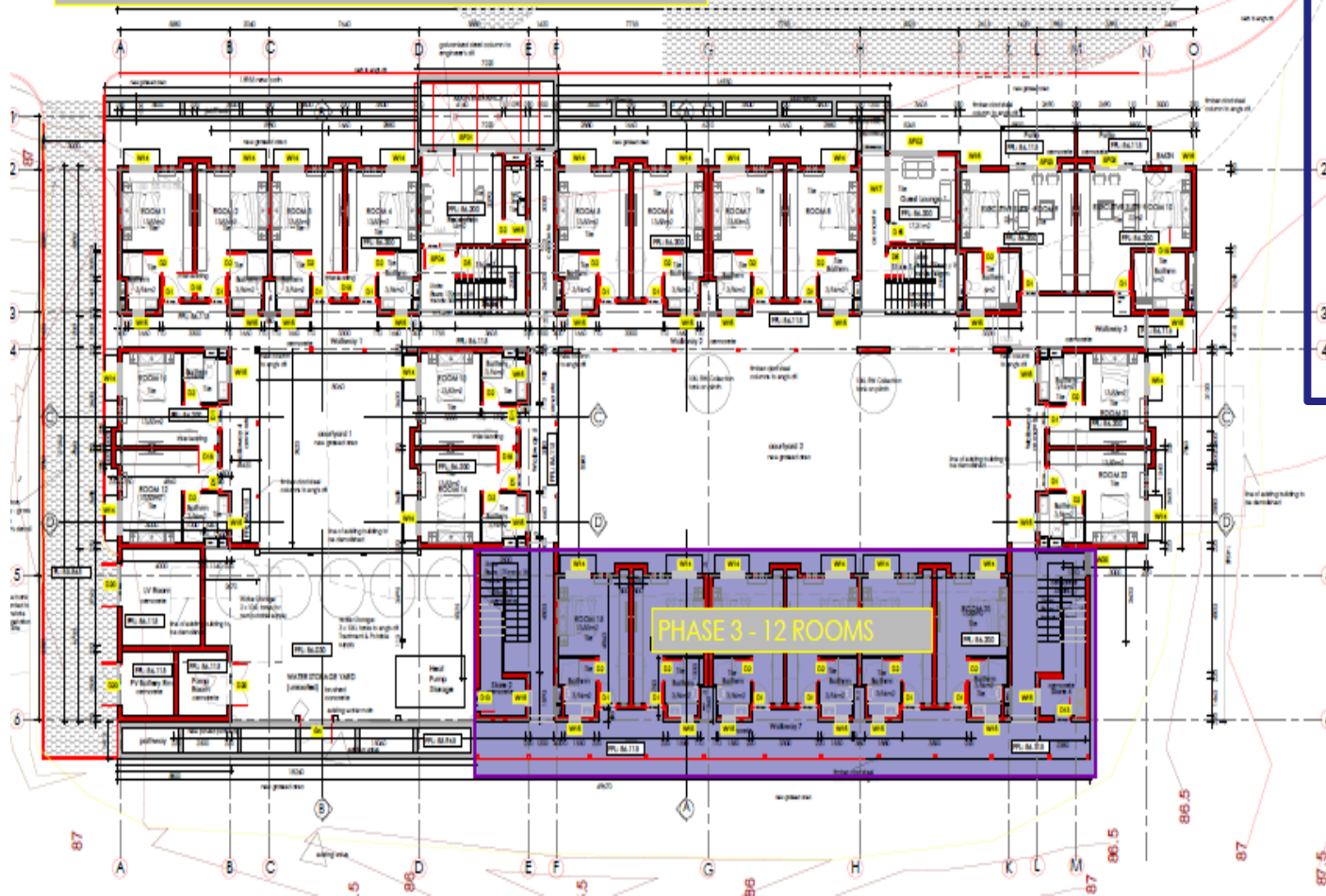
Costs formulated based on Leitner Ropeway Technology estimates: Single Section Jig-back Cable Car System, adapted by Urban-Econ 2021

CAPE MORGAN CONFERENCE CENTRE



CAPE MORGAN CONFERENCE CENTRE

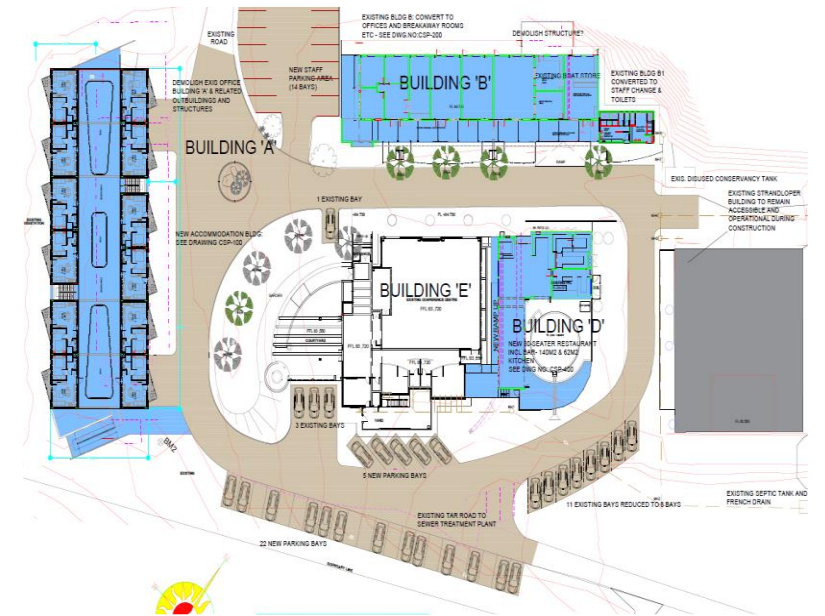
PHASE 2 - 32 ROOMS (4 EXEC SUITES; 28 STANDARD ROOMS)



A private investor (Special Purpose Vehicle) to operate the facilities and make additional investment in the in the accommodation capacity of the centre (12 Rooms).

The facilities include:

- Conference Centre with a seating capacity of ± 80 people;
- Standard double bedrooms (with en-suite)
- Executive double bedrooms (with en-suites)
- Reception Office & ablution
- kitchen and restaurant
- Offices and Breakaway Rooms
- **TOTAL INVESTMENT R12 MILLION (ADDITIONAL UNITS AND OPERATIONAL COST)**



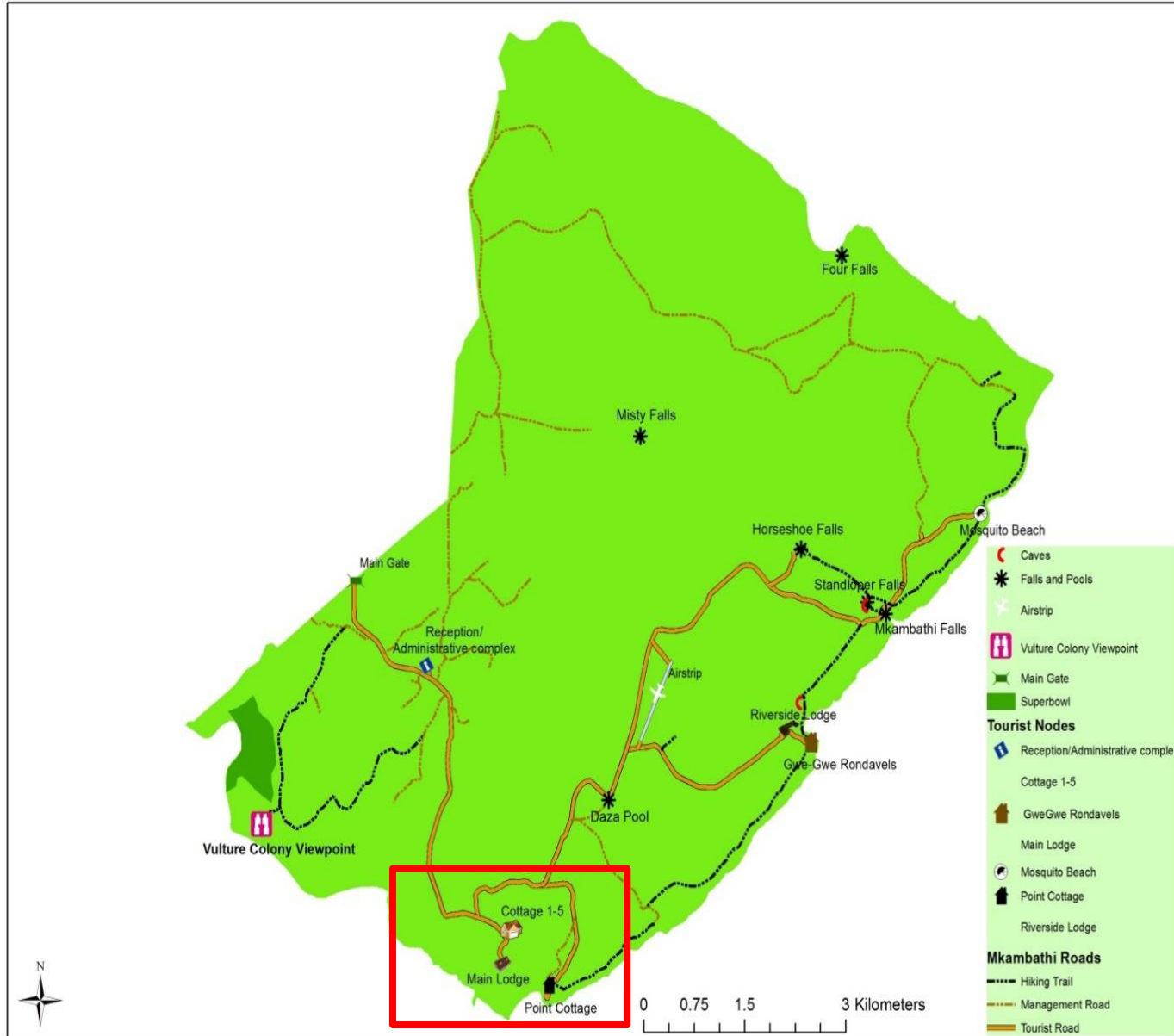
SILAKA RESTURANT & CONFERENCE CENTRE



Opportunity for a private investor (Special Purpose Vehicle) to build or convert the existing office facilities with prime ocean views into a restaurant and multi-function facility that will cater for meeting and functions.

- **Its an opportunity to build on, upgraded and adapt the existing facilities to be able to serve visitors for the restaurant and multi-function venue.**
- **The Concept seeks to achieve a multipurpose facility that can be utilized by both locals and visitors to the reserve.**
- **The development will also enhance Silaka Nature Reserve product offering and be supported by the existing self-catering accommodation facilities within the reserve**
- **Total Investment Cost ± R10 MILLION**

MKAMBATI NATURE RESERVE-MAIN CAMP



The opportunity is for a development of a 50 to 200 bed resort facility in the 3-star market with a range of nature-based and adventure activities, including conference options.

- Main Camp comprises a reception area and a cluster of old buildings most of which are in a dilapidated state.
- The Reserve is thus regarded as being of regional and national conservation significance and contains an unusual combination of plant species many of which are either rare or endemic to the area.
- The Mtentu River to the north, the Msikaba river in the south, and approximately 12 km of coastline in the east form the natural boundaries of the reserve. The only non-natural boundary is the inland fence to the west.
- The width of the reserve from shoreline to the fence ranges from 5,5 to 8,2 km.
- The reserve is co-managed with Mkambati Land Trust
- **TOTAL INVESTMENT ± R150 MILLION**