

# Evaluating land and agrarian reform in South Africa

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# 7

## Joint ventures

David Mayson

SURPLUS PEOPLE PROJECT



**PLAAS**  
PROGRAMME FOR LAND AND AGRARIAN STUDIES

SCHOOL OF GOVERNMENT  
UNIVERSITY OF THE WESTERN CAPE

# **Joint ventures**

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## **Surplus People Project**

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## List of acronyms and abbreviations

DLA	Department of Land Affairs
DWAF	Department of Water Affairs and Forestry
ESTA	Extension of Security of Tenure Act 62 of 1997
FAO	Food and Agriculture Organization of the United Nations
Gear	Growth, Employment and Redistribution macroeconomic strategy
GOAS	Go Organic at Spier project
IDP	integrated development plan
JV	joint venture
LRAD	Land Redistribution for Agricultural Development programme
NGO	non-governmental organisation
SASA	South African Sugar Association
SLAG	Settlement/ Land Acquisition Grant
SPP	Surplus People Project
TDT	Tsitsikama Development Trust
VSB	Vredendal Saamwerk Boerdery
WAMC	Witkleibos Area Management Committee



## 1. Introduction

Joint ventures (JVs) are an increasingly common feature of the process of land and agrarian reform in South Africa. They involve black people who currently have land rights or who are land reform beneficiaries and will be receiving a government subsidy on the one hand, and white commercial farmers, corporate entities or sectors of government on the other, engaging in joint agricultural or other land-related production. The partners enter into JVs for different reasons, but the schemes generally give land reform beneficiaries access to capital and land, lock in the expertise of white commercial farmers or companies, and empower land reform beneficiaries.

The prevalence of JVs in South Africa is a result of the state's market-assisted approach to land reform, a model championed by the World Bank. Under this approach, government provides grants to landless people who have to buy land in the normal land market. Land prices are, however, high compared to the value of the state grants made available to land reform beneficiaries. Tilley (2002:4) asserts that the potentially radical concepts of:

*restitution and redistribution were taken on board as land reform programmes but were dressed up in the clothes of a market-led arrangement based on a 'willing seller/willing buyer' principle and the protection of property rights.*

Along with this approach to land acquisition, the government's Growth Employment and Redistribution macroeconomic strategy (Gear) meant that subsidies, protection and other support to agriculture have been severely cut back, leaving South African agriculture as one of the 'least state-protected agricultural sectors in the world' (Tilley 2002:4). As a result, as well as finding it difficult to acquire land, land reform beneficiaries face enormous obstacles when engaging in agricultural production, and especially when establishing commercial enterprises, given that the entire system that supported agricultural producers for decades, and shaped the emergence of the commercial sector, has now been dismantled. This context leaves land reform beneficiaries and black people who already have land with very few options for agricultural use of their land, particularly commercial use. One option open to them is to enter into partnerships with commercial farmers or corporate entities.

It is important to note that JVs in agriculture predate the inception in 1994 of the land reform programme. Commercial farmers and corporations, spurred on by broader political and economic changes, have been developing such ventures since the 1970s. JVs have become a popular form of land reform project, especially in areas where land is expensive and the type of farming pursued there requires high capital inputs.

Proponents of JVs argue that they contribute to transformation of the countryside by providing poor, black people with a pragmatic option for engaging in agriculture, particularly commercial agriculture. Critics argue that JVs are a new form of exploitation, a mechanism through which white commercial farmers and corporations are able to spread the risk of engaging in an increasingly complex and capital-intensive sector, while gaining market and political credibility in the process.

This study focuses on five case studies. The cases were selected to obtain a spread of types in terms of the nature of the scheme with regard to tenure and financial arrangements, and

the involvement of different parties (state and private sector). Primary documentation was analysed and interviews with key informants were undertaken for each case study. This primary material was augmented by a literature review.

This study assesses JVs, looking at whether they:

- provide independent land tenure security
- provide independent access to capital
- develop the business acumen and management capacity of participants
- provide immediate benefits to participants
- promote gender equality by ensuring women derive independent benefits
- change power relations between the parties, and particularly whether there is a relationship between the level of organisation among participants and the power relations that result.

Finally, the types of JVs are assessed in relation to the aims of the state's land reform programme, namely whether they deal effectively with:

- *The injustices of racially based land dispossession of the past;*
- *The need for a more equitable distribution of land ownership;*
- *The need for land reform to reduce poverty and contribute to economic growth;*
- *Security of tenure for all (DLA 1997:7).*

### **The government approach to joint ventures**

Government plays an important part in the development of JVs, primarily through the provision of grants to enable previously disadvantaged and poor people to purchase land or equity in established enterprises. Government is also a partner in JVs when state land is made available to small-scale farmers. The White Paper on South African Land Policy deals specifically with JVs as follows:

*Partnerships with the private sector will be supported which have the potential to widen the scope and efficiency of the land reform process. The ... Grant can be used to purchase a share in land and infrastructure provided that it broadens the base of land ownership, offers security of tenure and raises the incomes of the grantees (DLA 1997:x).*

The principal outcome of any JV in which state funds are invested therefore needs to be secure access to land. This is the case not only where the Department of Land Affairs (DLA) is involved, but also where other departments and spheres of government are involved in JVs. Local authorities use their ownership of land at a local level to initiate JVs, while the Department of Water Affairs and Forestry (DWAF) is pressurising commercial farmers to establish joint ventures through land-for-water deals – water licences are only granted to commercial applicants if they involve black people.

DLA is the principal department tasked with land reform, but it appears to have no mechanism to monitor JVs which are part of the land reform programme: their progress, whether policy requirements have been adhered to, whether business plans are implemented, and what impact they have had on the livelihood of grant beneficiaries. The DLA Monitoring and Evaluation Directorate was not able to provide statistics on the number of JVs. Because the state withdraws



once the grant has been paid over to the project, the criteria and guidelines serve very little purpose beyond the initial assessment.

Although it has policies on JVs and interests in developing them, government plays a limited role in their development. Various corporate and commercial actors have a very direct interest in developing JVs with previously disadvantaged people. These interests include rationalising their operations, improving the profile of the company from a marketing point of view, accessing capital for expansion of production, and pursuing altruistic and social responsibility goals. It is evident that the private sector is the main motivator in the development of most JVs (Freysen, pers. comm.). JVs involving private sector partners should be addressed with much circumspection.

### **Types of joint ventures**

The case studies are based on five different types of JV arrangement:

1. Contract or outgrower schemes.
2. Share-equity schemes.
3. Municipal commonage schemes.
4. Share-produce or sharecropping schemes.
5. Company-supported schemes.

## **2. Contract or outgrower schemes**

Contract farming is an agreement between farmers and processors or marketing firms the basis of which

*is a commitment on the part of the farmer to provide a specific commodity in quantities and at quality standards determined by the purchaser and a commitment on the part of the company to support the farmer's production and to purchase the commodity (FAO 2001:2)*

The contract is very specific and generally stipulates how the crop or livestock should be produced. The producer/ farmer must supply the product to the company at specified times and the price is determined by the quality and quantity of the product. This amount is generally fixed as it is assumed that the company will carry the risk of marketing. In certain industries, however, the prevailing market price at the time of sale is used as the contract price. In return, the farmer can expect various support measures from the company: the commitment to buy the product as well as the provision of physical inputs, technical training, accounting services, access to credit (often subsidised) and advance payments.

In South Africa, contract farming is most common in the former 'homeland' areas where processors and marketers took advantage of land held under communal tenure. The most common crop grown in this way is sugar cane. In the 1970s the sugar industry recognised the potential for expanding the throughput of its mills by utilising the access that black farmers had to communal land in the homelands, so it began encouraging the development of small-scale cane growing. This was possible on land that is communally held, a tenure status which precludes the land being used as collateral for credit. The nature of sugar cane production means that the crop itself can be used as collateral. The other crop which has been grown on communal land in this way is timber (Vaughan 2001:2).

Contract farming with small-scale growers in the sugar industry started in 1973, when there were 4 500 registered black growers, producing 400 000 tons on 15 000ha. There are now 48 000 small-scale farmers on 80 000ha – 19% of the 432 000ha currently under sugar cultivation (SASA 2002:34). In the timber industry, the first outgrower/ contract farming schemes were introduced by Sappi in the 1980s under the name Project Grow. Mondi followed later with its Khulunathi Scheme. By 2000, these two schemes had 9 988 growers producing trees on 17 921ha (Vaughan 2001:6).

It is important to note that, in most communal areas, women are only able to access land through a male member of the household. This means that, even when they do most of the work themselves, their access to the benefits of JV arrangements of this kind is dependent on men. Women in female-headed households and widows have better access to the benefits of the land than their married counterparts because they are able to access land in their own right.

In freehold areas, other forms of contract farming are beginning to emerge in the sugar industry and chicken industry in particular. This occurs when processing companies withdraw from those components of the production cycle that are less profitable, have higher labour management difficulties and require less direct control for quality purposes. In the sugar industry, the milling companies have owned their own farms and cultivated sugar themselves. Since 1996, however, these companies have increasingly been withdrawing from the growing of cane and selling their farms to medium-scale freehold growers. In this period, a total of 120 farmers have acquired 12 000ha between them (Sugden pers. comm.). Now that DLA has introduced the Land Redistribution for Agricultural Development (LRAD) grant, contract sugar farming is expected to increase amongst medium-scale farmers on freehold land.

Some companies in the chicken industry have identified components of the production process which they can contract out to employees in a JV. The Tydstroom layer farm provides a specific case with which to examine how the contract farming model benefits participants.

### **Case study: Philadelphia Chicks Breeders**

Tydstroom is a national poultry company with most of its operation in the Western Cape, North West and Gauteng. It is part of the Pioneer Foods group of companies, and specialises in the production of broiler chickens. Pioneer imports specially-bred hens from Europe to produce egg-laying chickens ('layers'), which are distributed to layer farms. The eggs are collected daily and kept in hatcheries. Once the eggs hatch, the day-old chicks are delivered to broiler farms where they are reared until they are 39 days old. At that point they are taken to the corporation for slaughtering and distribution.

Originally, the whole production process was owned and run by Tydstroom. The company recently decided to sell portions of the production process and the laying and broiler farms were identified as the sections to be sold off – 'privatised' (Thiart, pers. comm.). Through this process Tydstroom has sold six layer farms and 13 broiler farms but, wanting to ensure control over production and the quality of the product, it developed a contract system which includes the sale of the land and infrastructure to employees who enter into a 20-year contract. Tydstroom decided who should be partners and what each person's share should be in each farm. The share was essentially based on the person's previous salary package.



This research focused on a 64ha layer farm, Philadelphia Chicks Breeders. Five shareholder groups took over the farm – a previous manager-level person (white) obtained a 45% share, the previous production manager (white) acquired 20%, the two previous supervisors (black) acquired 10% each, and the workers (28 black workers, three of them women) jointly acquired 15%. The workers' shares are held in the Philadelphia Chicks Personeel Trust. The five partners jointly hold the company Philadelphia Chicks Breeders Pty. Limited. All the main shareholders are men.

Key components of the agreement between the parties are:

- *Mortgage*: The partners in Philadelphia Chicks have taken out a mortgage against the property, through Tydstroom, which they will pay back over a 20-year period at a rate of 2% below prime. If they fall into arrears, however, Tydstroom will charge a rate of 6% above prime for that period. The contract to produce eggs, and the acquisition of land are integrated – the land is paid off over the period during which the contract is in operation. The contract allows Philadelphia Chicks to pay off the land earlier if it is able to do so, but the contractual requirement to produce eggs for Tydstroom will run for the full 20 years.
- *Production*: Philadelphia Chicks has agreed to acquire all the parent chickens and all the food and vaccine requirements from Tydstroom, with provision for penalties if these goods are acquired elsewhere. Furthermore, Philadelphia Chicks has agreed to apply the food and vaccine at the rates determined by Tydstroom and has agreed to allow Tydstroom free access to the farm to inspect the production process.
- *Sale of eggs*: The agreement stipulates that Tydstroom will buy all the eggs produced by Philadelphia Chicks and stipulates that the number of eggs produced cannot deviate by more than 10% of the expected amount. The Philadelphia farm is expected to produce in the order of 108 000 dozen eggs per year. Tydstroom has agreed to buy all adult chickens that are no longer productive. The price for each egg is determined by Tydstroom, taking into account operating costs, feed costs, vaccines and medicines, chick and cull costs, and short- and long-term financing costs. An important point is that the price is worked out on a zero profit basis. This means that during the 20-year contract period, the partners in Philadelphia Chicks do not expect income from the enterprise over and above their wages, adjusted for inflation. At the end of the period, however, the partners will be the owners of a valuable enterprise currently valued at R12 million.
- *Administrative and other support*: The agreement stipulates that Tydstroom will secure accounting and other administrative services, for which Philadelphia Chicks will pay.
- *Lease*: Not all the land is used for the chicken breeding business. The remaining land is leased to Tydstroom for a period of 10 years at a nominal rate.
- *Termination*: Neither Tydstroom nor Philadelphia Chicks may terminate the contract until the end of the 20-year period. After that point, both sides are obliged to give two years' notice of intention to terminate the agreement.

The Tydstroom contract locks the participants into a very structured and long-term relationship. At the same time, the arrangement is comprehensive, dealing with all aspects of production – providing access to land, the provision of the various credit and other production requirements and building the capacity of the new owners. The contract appears to be little more than an

employment contract with a difference, but Tydstroom and Philadelphia Chicks have both highlighted that there clear benefits for those who have entered into the JV – ownership of the whole venture after 20 years, direct training and mentoring until that point, and access to credit at reasonable rates during the contract period.

### **An assessment of contract farming**

A more in-depth assessment of contract farming arrangements is necessary to highlight issues that emerge in Tydstroom and in other cases in the sugar and timber industries.

### **Access to the land**

In both the chicken and sugar industries, where contract farming includes buying the land, the beneficiaries appear to be those with higher positions in the company. Contract farming does not seem to be a mechanism for providing land to the poor. In the Tydstroom arrangement, however, the land has been sold to a share-equity scheme – a JV in which the workers have obtained shares through a workers' trust. This has enabled the poor within the company to obtain limited rights.

Sugar and timber companies assume that small-scale farmers on communal land have secure access to land and for an extended period of time. For timber farming, the period can be up to 20 years. In this situation, the engagement in continuous contract farming acts as a mechanism to obtain secure rights to land. This is especially so for women in communal arrangements. Cairns (2000:56) describes how women are not permitted to obtain land from chiefs directly, that access to land is normally obtained through a man. This limits the freedom that women have in controlling the land that they work. Cairns's case studies reveal that 'the schemes do provide an effective means for a widow to entrench existing land rights for her household in the event of claims by her husband's family or by neighbours' (2000:56). More generally, access to land in communal arrangements is secure as long as it continues to be used productively, and long-term contract farming enables this.

The access to land that the contract farmers obtain is generally at no loss or risk to the company. The access of participants is obtained in three ways: a) a completely separate land-holding arrangement (such as the communal land of the sugar and timber farmers); b) land acquisition through the LRAD programme with Land Bank support (this could happen in the future but is not currently used as an option); c) the company selling the land to the farmers in an arrangement where the repayments are guaranteed through their marketing of the goods and through obtaining the loan repayments before any other expenses are paid by the farmers. Even when the land is sold at a subsidised rate, therefore, the companies are guaranteed income from the sale.

Access to land is one thing, but control over the land is another. In KwaZulu-Natal, timber contracting companies use two approaches. Mondi requires growers to utilise the best land in an area in order to maximise the 'mean annual increase' of the trees. In this case, the land rights holder passes control over to the contracting company. This is in contrast with Sappi's approach of encouraging growers to use more marginal lands, keeping the better land for food and other crops (Cairns 2000:32). In this case, the contract arrangement leaves the control over the land to the rights holder. Where the company takes excessive control, it impacts on



broader livelihood or income-generating options and acts as a constraint on the development of the farmer. When developing contract agreements, therefore, it is important to guard against companies gaining excessive control and ensure that the farmers are able to use their land rights for additional livelihood or income strategies.

### ***Access to capital***

In contract arrangements, the company agrees to buy the product at an agreed price. At the same time, it provides access to credit, sometimes at a reduced rate. The Tydstroom long-term loan is at 2% below prime, while the production goods are supplied and charged monthly. This arrangement overcomes two of the most serious constraints for small-scale farming – access to markets and access to credit. It does, however, depend on access to land. This means that vulnerable households, particularly landless female-headed households, do not have access to such schemes.

Cairns (2000:63) has indicated that such arrangements contribute significantly to household income but ‘they do not take the family out of poverty because access to land is limited’. Vaughan (2002:3) found that ‘although the incomes derived... are generally too small to support individual households.... in those areas where small grower cane production has a relatively deep history, a diversity of small and micro enterprises has emerged’. Earnings from small-grower contract farming tend to be diverted into other livelihood opportunities rather than being put into directly building capital in the specific industry in question.

Access to capital, or resources for livelihood opportunities, has a lot to do with the profitability of the enterprise, and returns from processing are much higher than from the production of raw materials. Both the sugar and wattle industries enable primary producers to benefit from the sale of the processed material. Generally, however, companies tend to keep the processing parts of the value chain for themselves because they are the most profitable.

With regard to marketing, farmers are constrained in that they cannot bargain with other processors and thus have to accept the price offered to them. However, the guaranteed market for the product means that the generation of capital over the 20 year period is more or less guaranteed – as a Philadelphia Chicks partner said – ‘we will always break even; if we were in a “free market” we would probably have earned more, but we could also easily have gone bankrupt’ (Jordaan, pers. comm.). Contract farming is a very secure arrangement with very tight profit margins.

### ***Developing business and management expertise***

Contract farming is aimed at substantially reducing the responsibility of the principal company in certain parts of the production chain. At the same time, however, the principal company is reliant on the supply of goods from the contracted farmers at the level of quality and quantity required to keep the processing components functioning at an optimum level. For this reason, building the capacity of the farmers forms a central part of all contract arrangements.

In the Tydstroom case, the contract stipulates that Philadelphia Chicks will use the methods and regulations prescribed by Tydstroom. Along with this are continuous visits to the farm by a number of different poultry specialists providing information, checking quality and giving advice. Moreover, the contract stipulates that Tydstroom will provide the accounting and

administration services. While this is a controlling feature, it was seen as support and highly valued by the farmers of Philadelphia Chicks.

Building the capacity of farmers and maintaining control over the business are closely intertwined and can have negative implications for farmers. Vaughan (2002:10) holds that highly interventionist approaches can disempower farmers, saying that 'firms should support farmers through providing extension and administrative services, but should not undermine the autonomy of individual producers'. Finding this balance is very difficult, but it is a feature of contract farming. If the balance is not struck correctly, the farmers can end up essentially being workers of the holding company (Vaughan 2002:4).

### **Immediate benefits**

The extent to which contract farming provides immediate benefits depends on the nature of the product, the turnaround time of production, and the ability of farmers to use the benefits for livelihood purposes. Moreover, immediate benefits can be perceived in many ways – access to training, immediate access to secure tenure arrangements, and a different working environment as an independent farmer rather than a worker. How important these aspects are depends on what they mean in practice.

At Philadelphia Chicks, there were been no direct financial improvements for the farmers, since their wages remained the same. There were, however, a number of short-term benefits of which access to housing, water and electricity (for the four main shareholders), and training and support were seen as key. Increased involvement in the responsibilities and decision-making of running a business were also very important – according to one, 'if I don't work hard, I won't make it, but I don't feel that hard work' (Luchuku, pers. comm.). In those industries where there is a concerted effort to develop the skill of farmers (with its controlling contradictions), the farmers recognise the immediate benefit that it provides, especially in increased returns and in their ability to manage their farms.

Cash income, however, continues to be perceived as the most important benefit. In contract production in sugar, chickens and other products with short production cycles, the farmers receive quick and regular returns. While the loans and contract arrangements that medium-scale farmers in sugar and chickens enter into are long-term, the nature of the farming means that they receive returns within a short space of time. Such benefits are key to the success of contract farming and provide ongoing and regular livelihood opportunities for farmers.

### **Gender relations and gender equity**

Contract farming transfers responsibility for the employment and management of labour to the contract farmer. Cairns highlights this as a benefit for the companies in that labour that is not usually available to it may be utilised, particularly family labour. In practice, however, this becomes a way in which labour regulations are bypassed and labour costs are reduced to the absolute minimum. This has huge gender implications. While men often enter into contract production agreements with companies, the labour in the timber and sugar sectors is often provided by women.

Ojwang (cited in Cairns 2000:59), found that contract farming in communal areas impacted on women differently, depending on their marital status. Women in female-headed households



or widows had greater decision-making power over their labour and the benefits from the schemes than married women. This phenomenon should not be ascribed to the nature of contract farming itself, but rather to the unequal power relations in society more generally (Ojwang, cited in Cairns, 2000:59). Whether the companies are aware of this and deliberately take advantage of these broader power relations has not been investigated in this study.

In medium-scale farming arrangements in both the sugar and the chicken industries, the beneficiaries are chosen by the companies. In both, the absolute majority of chosen farmers are men. It is unclear whether this is the intention of the companies, but it has meant that women are excluded except as labourers. It is important for the interests of women to be heard and, where state funds are involved, these interests and how they are addressed need to be included in the criteria for accessing support.

#### **Power relations and organisation**

Small-scale farmers are rarely able to negotiate the terms of the contract – for example loan sizes and produce prices – since they are seldom collectively organised. The lack of organisation is aggravated where the industry is dominated by a monopoly. The sugar industry, however, provides a case where the small-scale growers have direct and ostensibly equal representation in the industry's decision-making structures. Large-scale and small-scale farmers are organised separately, but, during negotiations, they sit jointly on industry structures. Similarly, in the wattle industry, the growers are organised and are part of the co-operative which processes the wood. In both these situations, the organised bodies are able to ensure that the farmers share benefits from the sale of the processed goods. Organisation is therefore key to addressing the very real inequalities that are inherent in contract farming systems.

#### **Conclusion**

Contract farming is generally initiated by corporations or companies which want to reduce their direct responsibility over particular stages of less profitable production. For farmers engaging in these schemes, there are a number of important benefits – access to a definite market, to land (either through the company itself or through arrangements that emerge in terms of the contract), to credit and to extension services. At the same time, however, the farmers in these schemes have little power to determine the terms of the contract, which may be exploitative with regard to family labour and other matters, especially where the company enjoys a monopoly position in the market.

### **3. Share-equity schemes**

Share-equity schemes in agriculture are arrangements in which farm workers, small-scale farmers or other disadvantaged people buy shares in a commercial farm or an agricultural processing company. They may already be working on these farms or in these companies, but this is not necessarily the case. The shares may be in an already existing farm or company, or an investment vehicle may be specially established for the purpose. The ability of farm workers or small-scale farmers to buy equity comes from their access to government subsidies, or through access to credit as a result of a long relationship with the company or farm. DLA and other government departments such as DWAF<sup>1</sup> and the private sector are directly involved in share-equity schemes.

Share-equity schemes are most common in the fruit and wine sectors for a number of reasons:

- With the ending of sanctions, a global market has opened. This has required recapitalisation in order to enter these markets on a more competitive basis and share-equity schemes provide access to very cheap capital, provided by land reform beneficiaries investing their state subsidies (Vaughan 2001:22).
- The farms are typically small units each with a single owner. This makes it easier to develop an equity-sharing arrangement, as there are relatively few encumbrances.
- The barriers to entry into this type of farming are high as they are capital-, technology-, expertise- and labour-intensive. Share-equity arrangements enable participants to overcome these barriers and enter into high-value agriculture.

Since fruit and wine farming is concentrated in the Western Cape, share-equity schemes are most common in this province. Nationally, in the years from 1994 to 2002, there were approximately 50 equity schemes established with DLA grants, of which 20 were in the Western Cape (DLA 2003b).

The department appears not to have conducted any comprehensive study of share-equity schemes, nor does it have clear national records of the number of currently existing schemes. During the period 2000–2002, the Land Reform Credit Facility (the land reform funding facility of Khula Enterprise Finance Ltd.) approved 13 new equity schemes (Khula Enterprise Finance 2002). Knight et al. (2002:2) found in a recent study that these schemes now exist across a spread of products including wine, fruit, vegetables, olives, cut flowers, dairy and eco-tourism.

### **The government approach to share-equity schemes**

Share-equity schemes are the type of JV around which government has developed most policy and to which land subsidies from government have been most often applied. This interest in such schemes began with the White Paper on land policy in which government is clearly cautionary. It says that

*Where government grants are involved, ... (S)uch schemes must pass the acid test, namely that **they significantly improve the tenure of the farm worker, contribute to land redistribution, reconciliation and harmony** (DLA 1997:46 – my emphasis).*

The focus is on ensuring security of tenure. The current DLA policy gives guidance on ways in which the tenure security of farm workers involved in these schemes can be increased, but it seems that there has been a shift of emphasis:

*although the LRAD Grant (for equity schemes) is not linked to the housing subsidy, **an attempt should be made to improve the security of tenure** of land reform beneficiaries on the farms (DLA 2002:20 – my emphasis)*

The statement in the White Paper that '(e)nhanced security of tenure is the principal criterion and has to be part of the written agreement between the Department, the grantees and other participants' (DLA 1997:46) appears to have been de-emphasised.



In DLA's initial guideline document *Private sector initiatives in land reform*, adopted in 1996, one of the criteria for approval of such initiatives was that 'it improves the tenure security of the beneficiary and *is not tied to conditions of employment*' (DLA 1996:6 – my emphasis). In practice, the employment status is directly tied to the participation in the scheme – if a person leaves the employment of the company, that person is forced to sell his or her share. This is discussed further below.

### **Types of share-equity scheme**

Share-equity schemes exist in very many forms. The LRAD grant (a minimum of R20 000 per beneficiary) can only be used for agricultural projects, but the Settlement/ Land Acquisition Grant (SLAG) (R16 000 per household) can be used for buying equity in non-agricultural land-based enterprises. Thus equity schemes in eco-tourism, small-scale mining and other forms of non-agricultural land uses are still possible through land reform grants.

Generally, workers and commercial farmers establish separate business entities which then join to engage in business together. Each commercial farmer and group of workers can design their own type, but broadly the configurations differ in terms of the following:

- The tenure arrangements – who owns the land (the commercial farmer, or the workers or both – separately or together) and what the tenure relations are.
- The nature of the business on the land and who owns it – whether it is individually farmed, jointly farmed, and who owns the business.
- The employment relationship on the new farm or business and the different roles that farmer and worker play in the business.
- In the case of a new farm, what the relationship is to the previous farm – whether the workers still work on the previous farm, or only on the new farm.

### **Case study: De Kamp Boerdery share-equity scheme**

The De Kamp Boerdery share-equity scheme is in the Western Cape citrus belt, near the town of Citrusdal. It was initiated by the owner of the land who wanted to provide workers of his farm with access to land and resources for independent housing, and to contribute more broadly to black people accessing land in South Africa.

The scheme is a business venture between the previous owner of the land, and some of the farm workers. Piet Smit sold 20ha of unused land to the De Kamp Property Company which comprises Smit, his brother and 20 workers who work on his farm. The workers formed a trust to hold their shares, and this trust holds 50% of the company. The Smit brothers hold 25% each. The directors of the company comprise the two Smit brothers and three of the workers.

The 20ha of land was sold with an allocation of water sufficient for 18.2ha. The assumed price for land and water was R30 000 per hectare, a total of R600 000. Each contributing worker household received a R15 000 subsidy from the government, yielding a subsidy pool of R300 000. Piet Smit and his brother nominally contributed another R300 000.

All the workers work on the new farm and continue to work on the original farm B+B Boerdery. The new De Kamp company formally leases the machinery and other equipment from B+B Boerdery (Smit's own separate company). The financial accounts of the different companies

are kept separate. The Smit brothers are contracted to the company – one as the marketer and the other as the general manager. All production decisions are therefore taken by the Smit brothers. Major decisions on additional expenditure should be taken by all the directors but it is unclear how this happens as meetings of the directors do not take place regularly.

Capital was needed to establish citrus orchards on virgin land. A loan of just under R1 million was sourced by De Kamp Boerdery from the Industrial Development Corporation. This loan has delayed repayment conditions and will be paid off over four years from the fifth year after the orchards have been established. The repayments on the loan will increase in line with expected increases in fruit yield.

The land is held by De Kamp Boerdery. While the workers interviewed all spoke of the desire to access a portion of land for their own use for vegetables or other crops for sale or use, this land arrangement means that the workers do not have individual access to any of the land – they are shareholders and workers. When workers leave the employment of De Kamp they are required to sell their shares, but there is a moratorium on the sale of shares in the first five years of the company's operation.

There is much misunderstanding amongst the workers regarding the dividend payments they will be receiving. It is expected, however, that dividends will begin to be paid in the fifth year after production, and these could be as much as R20 000–R25 000 per year.

### **An assessment of share-equity schemes**

A deputy director in DLA's Western Cape Provincial Land Reform Office indicated that, of the share-equity schemes in the province, 65% were investments in already existing ventures and aimed at either recapitalisation or addressing the commercial farmer's debt, 30% were 'greenfields' developments, and 5% were projects initiated by owners committed to transformation in South Africa and thus motivated by concerns beyond purely economic ones (Freysen, pers. comm.).

The fact that there have been some spectacular share-equity scheme failures has caused some commentators to become suspicious of the motives of farmers. Kingwill says that many of these joint ventures have been induced by 'the declining fortunes of white commercial farmers, and seen as a "way out" for farmers who either want to "get out" over time, or farmers on the verge of bankruptcy' (2002:37).

### **Access to land**

Few share-equity schemes include a tenure security component. Knight et al. (2002:7) recommend that shares should not be held by non-employees, an approach which would specifically exclude the possibility of a tenure security component on the land itself. Many schemes, however, have the provision of access to independent and secure access to housing as a long-term aim. The De Kamp scheme, like many others, does not fit the DLA criteria – there is no increase in tenure security over and above rights under the Extension of Security of Tenure Act 62 of 1997 (ESTA) and the shareholding is directly dependent on continued employment on the farm. Those worker partners who have left only remain as partners in the workers' trust by virtue of the fact that they have done so before the 5-year moratorium on the sale of shares has expired. At least five of the ex-workers will be paid out the value of their shares once the moratorium is over.



The approach suggested in Knight et al. (2002) is aimed at ensuring the workers remain committed to the enterprise. However, this approach would ensure that share-equity schemes by definition will not provide access to land. Conceptualised in this way, they are not really land reform schemes – they are investment schemes.

Officials within DLA are developing a greater understanding of share-equity schemes, and are consequently imposing additional requirements. In the Eastern Cape '(t)he most acceptable models that are developing are those that involve a degree of equity on newly acquired land (i.e. the farm worker owned land, where the owner may have a minority share holding) and to leave the original farm intact' (Kingwill 2002:37). At the national level, the DLA policy division has encouraged this approach by providing a variety of suggestions for mechanisms to provide secure access to land. These range from registering a notarial deed of right of residence in terms of the ESTA (which would only be possible where the workers live on the farm) through to the farm workers using the housing subsidy to acquire a portion of land on the farm, separate from the share-equity arrangement.

### **Access to capital**

Share-equity schemes are premised on providing a return on investment, enabling the shareholders to build their capital share in the company, or withdraw dividends. In reality, however, there are a number of factors that impact on share-equity schemes which make them a complex investment for poor farm workers. Firstly, share equity schemes are most common in agricultural sectors in which shareholders must wait a long time before they can expect dividends of any sort. In the citrus and deciduous fruit industry, for example, the trees must grow for several years before they start to bear. Secondly, the orientation to the international market requires investment in expensive production processes. At the same time, an export orientation makes these sectors vulnerable to global competition. If all goes well in the production and in the market, share-equity schemes can provide a good return on the money invested.

Whether this return is withdrawn in dividends, (and then consumed or invested elsewhere), or is left in the company as further investment, is sometimes up to the individual. Many schemes focus on these funds providing independent housing off the farm once the employee shareholder withdraws. A worker on De Kamp, the only worker who understood the scheme and had been part of the development of it, epitomised the ideal candidate of a share equity partnership. He was very pleased with his investment (even though he did not have clarity on its current performance), and understood clearly that he would begin to receive dividends from the investment in the fifth or sixth year. His aim is to use income from his investment to provide capital for a venture of his own. At the same time, he is investigating the options for obtaining his own piece of land through the LRAD programme. Given the opening of the US citrus market, it is likely that he will soon be a farmer with his own piece of land, but still working at De Kamp.

In those industries and farms where the returns on investment are good, such as De Kamp, the markets are relatively secure, and the capacity of the commercial partners is high, particularly with regard to marketing, a critical success factor in deregulated markets. In such situations it is likely that the return on investment and the possibility of the worker shareholders having access to independent capital over time will be good.

**Developing business and management expertise**

Fast (1999:6) highlights issues which need to be overcome in the development of worker-partners:

*the farm workers who become shareholders in equity schemes are for the most part poorly educated and often dis-empowered by generations of domination and this makes meaningful participation in management and financial decision-making an extremely ambitious goal.*

Furthermore, as Vaughan (2001:23) asserts, '(B)eneficiaries in equity schemes may have production skills, but farm management and marketing are unfamiliar spheres'. The capacity of worker participants depends a lot on the nature of their involvement prior to the launching of the scheme. A DLA Western Cape director and the director of the Farmer Settlement and Support unit in the Western Cape Department of Agriculture indicated that the capacity to participate and understanding of the business was dependent on how open management was, what capacity building had taken place and what staff relations were like prior to the scheme (Freysen, pers. comm. and Isaacs, pers. comm.).

At De Kamp, the Smit brothers never saw the project as having to build the expertise of the workers; for them, it was a means to generate profit. Consequently, there has been little capacity building among the workers, including the directors. The supervisor, the only worker director, is the only one with any detailed understanding of the project. He was the elected chair of the workers' trust and had therefore been centrally part of the discussions setting up the whole scheme.

Building the capacity of farm workers is a long term, costly and time-consuming exercise. While DLA requires that a 'skills transfer plan should be put into place to allow participants to participate in decision-making and understand their investment' (DLA 2002:22), it is apparent that there is limited time and skill to train workers in-house, especially in small ventures. Most commentators voice similar concerns about the capacity of the DLA to provide any of this expertise – according to one DLA official, DLA's task has become managing contractors rather than direct facilitation of land reform (Freysen, pers. comm.). Kingwill (2002:35) questions whether, with the need for intensive pre- and post-settlement support, these schemes are sustainable with the current state of capacity within DLA.

**Immediate benefits**

Investing in a new citrus farm generally requires at least five years before any return can be expected. It is difficult, therefore, to provide immediate benefits. At De Kamp, there have been no additional housing benefits, participation in management decisions, nor any dividend payouts. The commitment to such schemes declines substantially when no immediate benefits from the venture are received. An overall recommendation emerging from Fast's study (1999:40) is that

*Visible benefits should be built into every year of the financial plan, the possibility of establishing equity schemes which specialise in cash crop production should be explored, and the setting aside of productive land for beneficiaries' private use should be actively encouraged.*

A Western Cape Department of Agriculture official agrees that people want to see something in return for their investment and recommends that immediate benefits, albeit small, need to



be built in to the business plan from the beginning, even when the business is not yet making a profit (Isaacs, pers. comm.). Knight and Lyne (2002:7) revealed that, on the schemes they studied, the trustees cited improved housing and free transport, free and subsidised crèches, schooling and clinics as benefits that came directly from the ventures. In the De Kamp case, the trees produced fruit earlier than expected, and management decided to pay the loan off sooner. If the shareholders were paid a small dividend instead, commitment to the venture may have been substantially increased.

### **Gender relations and gender equity**

Complex gender relations emerge in share-equity schemes. Men are generally full-time workers on farms, and access to accommodation is obtained through this contract. As shareholding is based on being an employee, men are often the shareholders in these schemes and women are excluded because they are not full-time employees. The De Kamp trust document stipulates that the shareholder is the worker on the farm. This is most often a male worker. Only one woman is a shareholder – the domestic worker in the Smit house.

This situation places increased tension on the relationship between the man and the woman in the household since, in cases where they have jointly accessed a SLAG subsidy, the *job* now provides the *housing* and the *investment opportunity* provided by government. This means that if the worker is dismissed, the family not only loses the job and home, but also the potential income from the investment in the scheme. Because the LRAD grant is individualised, the male household member will be receiving the subsidy, and the woman may apply for her own subsidy. It is not clear what the impact of this change will be on household gender relations.

In Knight and Lyne's study (2002:9), it was found that, on 63% of the schemes, more than half of the worker shareholders were women acting in their own names. Moreover, they found that in seven out of eight cases, the trust deed made special provision for representation of women on the trust. This is an encouraging development and, if the schemes are successful, means an important additional income will be earned independently by women – especially in the light of the fact that women continue to earn wages at rates much lower than men (Knight & Lyne 2002:9).

### **Power relations and organisation**

Share-equity schemes are the meeting of two parties with unequal power. Interviews with various workers at De Kamp and project reports from field workers based at the Surplus People Project (SPP) have indicated that, in many share-equity schemes, the involvement of farmworkers in the preparation of the business plans and the setting up of the scheme is minimal. Many farmworkers find themselves in the scheme without a real understanding of it, and locked into a contract for a minimum of five years.

Even in a situation where the commercial farmer may hold a smaller share, the relationship remains unequal because:

- the workers have very few other options
- the skill and expertise in farming business of the different parties within the scheme is very different

- the historical relationship between the two parties is unequal
- the power of the different individual participants in society more generally plays itself out in share-equity schemes.

Share equity schemes therefore require special mechanisms to bolster the power of the worker shareholders. Two facilitators of share-equity schemes and other JVs see this power relationship as one of the most important factors and suggest that a resource person should be appointed to the board of directors. They say that such a person should be accountable to the workers and to DLA, should look after the interests of the worker shareholders, and should ensure that the workers understand the issues. In this way, the enormous power of the commercial partners can be balanced (Cochrane, pers. comm.; D van Zyl, pers. comm.).

As seen in the discussion above, where contract farmers are well organised, they are more able to stand up to their powerful commercial partners and assert their interests. Organisation amongst farm workers is notoriously weak. Amongst members of share equity schemes, it is non-existent. Sharing experiences, the ability to intervene in policy and the possibility of engaging in joint capacity building programmes are a number of key benefits that would emerge from an organisation of worker shareholders.

### **Conclusion**

A number of commentators have agreed with a list of critical success factors identified by a Western Cape Department of Agriculture official (Isaacs, pers. comm.):

- good cohesion and experience of working together
- a long-standing engagement by the workers in issues beyond the mundane requirements of immediate tasks (pre-exposure)
- a good model for the venture – one which enables good participation, allows for a good balance of shareholding power and has the right partners
- the nature of the product – the more successful schemes are those where products are diversified and where there is a mix between long-term and short-term crops<sup>2</sup>
- a secure market – the most decisive factor.

Share equity schemes are the most common joint venture in which the DLA grants are invested but there is no mechanism to monitor developments within these schemes. Once the grant has been paid, the state plays no role and the power relations in each project determine what happens. The imbalance of power means that it is likely that farm worker shareholders will continue to be dominated by their more powerful partners.

Investing their state land reform grants in share-equity schemes could provide farm workers with a share in an asset, an income, and an opportunity far better than any other way of investing such a grant. The dominance of white farmers, the current lack of involvement of workers in the establishment of the schemes (and the lack of options presented to them), the risky nature of the schemes, the lack of independent access to land, and the lack of independent monitoring, however, means that share-equity schemes are the type of JV in which the land reform beneficiaries or small-scale farmers are most likely to be exploited. This necessitates the highest degree of care in designing the ventures. If they are to make an important contribution to land reform, the planning and monitoring components of state involvement must be significantly improved.



#### **4. Municipal commonage schemes**

Local authorities have a key role to play in the development of the people in their municipal areas, in fact they are required by Section 152c of the Constitution to 'promote socio-economic development'. Many municipalities, especially in the Northern Cape, Western Cape, Eastern Cape and Free State hold land which is registered as commonage. (Anderson & Pienaar 2003 provide more information on this topic.) Commonage is land held by a municipality for the use of the local population, and which is subject to various conditions on its use and disposal. Most often, commonage has been used for agricultural purposes. DLA's municipal commonage policy enables municipalities to apply for grants to acquire additional land for use by previously disadvantaged people.

There have been two approaches by municipalities regarding the use of commonage. The most common way that municipalities have dealt with small-scale farmers and commonage has simply been to supply land for use by the local community. However, some municipalities have become far more involved by proactively creating, funding and supporting initiatives with small-scale farmers using their position to draw in other actors – specifically white commercial farmers.

In Sutherland in the Karoo Hoogland district of the Northern Cape, the municipality has acquired additional land for small-scale farmers through the DLA commonage programme. The land is to be used for sheep farming. In order to stimulate the development of small-scale farmers, the municipality has developed links with a local commercial farmer who is willing to assist in preparing the wool, and has been active in developing markets for it. The municipality plans to provide land in the town where wool could be prepared and where the local manufacture of goods, using some of the wool, could take place. This scheme is at an early stage, but it shows that some municipalities are trying to create an enabling environment for development in their area of jurisdiction.

##### **Case study: The Vredendal Saamwerk Boerdery project**

The Vredendal local municipality in the Matzikama district of the Western Cape decided in 1999 to initiate a project to engender local economic development, uplift resource-poor farmers, and create employment opportunities for unemployed residents of the town. It made commonage land available to people who are being trained to become farmers, with grapes and vegetables as the key crops. The produce is sold to the local Vredendal market, Langeberg Co-op and Boeremark. The vegetables are also supplied to Freshmark (the fresh produce affiliate of Shoprite/Checkers). Municipal officials are to play an important role in negotiating the sale of the products.

The municipality has 106ha of commonage land, 20ha of which was set aside for small-scale farmer development. The criteria for the selection of small-scale farmers were that the person must be physically capable of participating, unemployed or have a household income of less than R1 500 per month, and must be from the historically disadvantaged community and a permanent resident of Vredendal (Vredendal Municipality 1999:7). It invited applications by means of advertisements in the local press. Over 40 applications were made, and six people were selected for the project. This number has now diminished to four full-time worker partners who formed the Vredendal Saamwerk Boerdery (VSB) group. VSB employs 30 part-time workers.

The project aims to take the group through a 2–3 year programme of ‘capacity building on the job’. It is expected that the farmers will then be able to enter into a long-term lease arrangement on the land and will manage all aspects of the farm themselves. The project is a partnership among:

- the farmers who work the land
- Matzikama Municipality which provided land and start up capital
- the provincial Department of Agriculture which provided capital, extension services, training, technical advice and co-ordination
- the provincial Department of Social Services which provided funding
- commercial farmers who provided mentorship and some of the implements.

A two-tiered management structure was set up:

- A technical committee to plan production and monitor performance. This consists of the Vredendal local municipality, VSB, local commercial farmers and an extension officer from the Department of Agriculture.
- The ‘dag bestuur’ [daily management] of the project. This is performed by two members of the VSB – one acting as project manager and the other as deputy.

All capital for the project has been sourced from government – a total of R490 000 in the first three years. The initial financial predictions were that the project would break even within the second year, but this has not materialised due to a bad season. For this reason, no dividends have yet been paid. Meanwhile, the four VSB members receive a wage from the project funds – the project managers receive R1 200 per month and the other two VSB members receive R1 000 per month. This is similar to the rate paid to municipal workers.

## **An assessment of municipal schemes**

### **Access to land**

It is difficult to sell commonage land, because of its special nature, so the right that users obtain is by means of a lease, with lease periods ranging from one year through to 45 years.<sup>3</sup> The lease ensures that access to land is very secure for the term of the contract. The nature of the enterprise to be undertaken must be taken into account when determining the length of the contract. In the Matzikama scheme, there is currently no formal lease contract between the worker partners and the municipality, and this has created confusion. In the long term, it is proposed that once the ‘individual small farmers has [sic] unequivocally proved their ability to farm... economically viable ventures’ then a long-term lease will be considered (Vredendal Municipality 1999:5).

This point highlights the predicament that the municipality is in, especially where a long-term development programme is involved. The commonage was originally intended for use by the community of Vredendal, but the municipality is making the land available to only four people – essentially privatising a public resource. The municipality will in future have to carefully balance the needs of the VSB group with the needs of the other small-scale farmers in the town.

In those projects where the municipality plays a more hands-on role, the ability of the worker partners to decide on land use seems more constrained – it appears that they may only



plant what the municipality wants them to plant. As with some of the timber schemes, the cash crop is produced to the exclusion of access to land for food security. In the Matzikama scheme, there is no clarity about what rights of land use the farmer workers have, and whether they can extend the area under production with their own crops or crops belonging the business. In areas where there is a lack of clarity, the municipality essentially has the power to decide.

### ***Access to capital***

Increasing recognition of the development role of local government has meant that municipalities are well-placed to leverage funds from other spheres of government. In the Matzikama project, committed and well-connected municipal officials and councillors have ensured that grants were obtained for the project rather than leaving the farmers dependent on credit. While it is questionable whether access to grant capital is replicable on any scale, given cutbacks in state funding, the grants provided the project with the ability to proceed without a huge debt, relative to the capital outlay.

However, the independence of the capital that is generated in this way is questionable. It is only available to people that are part of the scheme and only if they remain in the scheme – no provision has been made to make it transferable, at least not in the initial phases. Once the Matzikama scheme is ‘sustainable’ and the farmers have entered into a long-term lease arrangement with the municipality, the capital that they generate as part of the scheme will be more directly accessible to them. For small-scale farmers, this is a relatively secure way in which independent capital can be generated over time, since municipalities carry most of the risk.

### ***Developing business and management expertise***

Municipalities which have entered into JVs try to build capacity in a number of ways. The links between local government and various state departments on the one hand, and with local commercial farmers on the other, has meant that expertise is more easily brokered to support initiatives of this kind. In the Matzikama project, the farmers have a lot of management, marketing, and administration support from the municipality.

Municipalities are well-placed to create an enabling environment for the development of farmers. However, there is often political pressure to make the project succeed in a short time. This pressure means that municipalities are inclined to dominate the relationship. The perceived success of the project in terms of tangible results may be more important to the municipality than building independent expertise among project participants, especially given that good development processes always make allowance for mistakes. If the municipality becomes overbearing and paternalistic, this undermines the development of the capacity of the participating farmers.

### ***Immediate benefits***

The access to land and other resources that municipalities enjoy means that municipalities which are intensively involved in JVs are often able to make immediate benefits available to participants. In the Matzikama scheme, the project criteria required applicants to be unemployed or earning a household income of less than R1 500. Receiving a monthly income higher than

the prevailing rate of pay to farm workers in the area is an enormous immediate benefit to participants. At the same time, the project's training and mentoring programme has provided the worker partners with improved skills in farming and business.

The success of municipal JVs depends on the commitment of worker partners. Their commitment depends on their ability to control the project and the immediate benefits they receive. In the Matzikama project, over time, the lack of access to land for independent cultivation and the municipality's control over decision making became a point of contention for VSB. Providing immediate benefits is one key for the success of municipal schemes, but long-term success depends on the municipality assisting the worker partners to develop their capacity rather than exerting a paternalistic form of control.

### **Gender relations and gender equity**

Women's land reform interests are often ignored in municipal schemes because it is assumed that they are not interested in farming. Where municipalities merely lease commonage land out, they seldom make provision for women applicants to be prioritised. In schemes where the municipality takes a more active role, there are better possibilities for giving women preferential access, but these are often not pursued. The Matzikama project beneficiaries included women, but the inclusion of women was not specifically made part of the selection criteria. The location of commonage close to towns makes it possible for women to use this public land while continuing to meet their other responsibilities, but the land reform interests of women must be specifically prioritised in municipal schemes.

### **Power relations and organisation**

Farmers are generally more organised than farm workers. In the Matzikama district, for example, each town has a small-scale farmers' association which is striving to acquire commonage land (since this is the easiest land to acquire). However, these associations generally have a subordinate relationship with the municipality, since they are dependent on the municipality to make the land available. The only pressure that farmers can put on the municipality is political, and this is often limited as small-scale farmers are a weak sector of the town's population, even in rural areas.

### **Conclusion**

Municipalities are well placed to engage in JV schemes involving small-scale farmers and to embark on other land-based development projects. They have a particular, constitutionally-determined development role, they are part of the state, and they have a clear understanding of local needs, especially given that all local governments are required to have integrated development plans (IDPs).

While these factors position municipalities well, they are also faced with a number of contradictory roles and constraints. They must ensure that the development needs of the residents are met, while at the same time ensuring good and responsible use of public funds and resources. It is not the role of municipalities to engage in business, but they are required to allocate funds to development projects in a sustainable way to benefit as many people as possible. In the Gear framework, 'development projects' are often seen as *business* development projects.



Finally, it is important to note that the capacity of municipalities to be able to take on any of these roles is so very often limited. Matzikama is a strong municipality with a good tax base of powerful agricultural interests, industry and some mining. It is therefore able to build up expertise in its own administration to pursue development projects. This is not common in South Africa – most municipalities have a very low tax base and the capacity of the officials is extremely limited.

## 5. Share-produce schemes

Share-produce or sharecropping has been a common form of JV arrangement between landowners and tenants in South Africa. It is generally an agreement where ‘instead of paying a predetermined amount of rent, the tenant agrees to give the landlord a share of the output’ (Canjels 1998:109). This general definition has expanded to include the payment of a share of the profit in the form of money, not just a share of the produce itself.

Sharecropping agreements have generally been negotiated between a more powerful landowner and a less powerful occupier or tenant. In South Africa this was a mechanism that black people used to retain some hold on the land and engage in successful commercial agriculture. The introduction of the Natives Land Act 27 of 1913 formally outlawed sharecropping. From interviews with tenants remembering those times, Keegan (1998:140) says:

*they were obliged to sell off their ‘excess’ livestock, to render increased labour to white landlords, hand over a larger proportion of their crops in rent, and generally to place themselves and their productive resources more closely under white control.*

As a result of this and other processes, sharecropping arrangements almost disappeared in South Africa, with the only remnants being forms of labour tenancy which still exist in certain parts of KwaZulu-Natal and Mpumalanga. In post-apartheid South Africa, sharecropping arrangements have been rediscovered and are being used in a number of ways. A key difference is that the balance of power between the two parties is not as unequal as it was under apartheid. An example of this is an arrangement in the Western Cape where workers on a grape farm entered into an agreement to work the land on the neighbouring farm Uitgezocht in exchange for half the crop of grapes (Hamman 1998).

### Case study: The Witkleibos Dairy Trust

An interesting JV involving the Witkleibos Mfengu community and white farmers has been established in the Eastern Cape. The Mfengu community was dispossessed of its land near Humansdorp in the 1970s. The state then sold the land to white farmers who developed successful dairy farms with high quality pasture and sophisticated machinery.

Responding to the pending demise of apartheid, the Mfengu community formed the Tsitsikama Exile Committee to negotiate with the white farmers for the return of their land. The committee and the farmers went to meet the African National Congress, still in exile at the time, to get its support for the deal. The government’s Advisory Committee on Land Allocation restored the land to the Mfengu land just before the country’s first democratic election in 1994. Part of the agreement made provision for the farms to be leased to the white farmers on the land for at least a year.

The Tsitsikama Development Trust (TDT) was formed to hold the land on behalf of five sub-groups of the Mfengu, each of which had owned a part of the land before dispossession. All rental income was paid over to the TDT, and each sub-group established an area management committee to address development issues in its area.

Willie du Plessis and his brother Andre leased a portion of the farm Witkleibos. Towards the end of the first year's lease, they began to discuss a longer-term arrangement with the Witkleibos Area Management Committee (WAMC) and the TDT, based on the 'share-milking' agreements used in New Zealand (Federated Farmers of New Zealand 2001; 2002). These are agreements between land owners, cattle owners and workers on farms to obtain access to land and cattle. The sharing arrangement became crystallised into a JV known as the Witkleibos Dairy Trust. It was established and began operating at the beginning of 2002. The arrangement is scheduled to remain in place for ten years.

Key features of the agreement are as follows:

- *The land:* The land is owned by the TDT but is leased by the WAMC which, in turn, leases it to the Witkleibos Dairy Trust. A total of 500ha of land, useable for dairy, has been leased. Of this, 120ha is under irrigation.
- *The cows and the equipment:* The Du Plessis brothers own the cows (a herd of 600 animals) and the equipment required to undertake the dairy business.
- *The management contract:* The Du Plessis brothers are contracted by the Witkleibos Dairy Trust to manage the scheme and ensure a reasonable return.
- *Funds for capital development:* Additional outlays of capital were needed. The community Witkleibos Development Trust obtained a grant for this through Eskom, facilitated by the Development Bank of Southern Africa.
- *Training and capacity building:* Two members of the Witkleibos community will be employed and trained to take over the business after ten years. They will be enrolled in agricultural courses at the local technikon. The bulk of the capacity building will therefore happen within the training institution, supplemented by practical work experience on the farm. A further component, which is addressed through an independent director, is the training of TDT trustees in order to ensure that they are able to control the business in future, regardless of who runs the farm.
- *The directors:* There are five directors on the Witkleibos Dairy Trust – the two Du Plessis brothers, two members of the Witkleibos community, and an independent trustee, Jan van Zyl, who does not have voting powers. Van Zyl is a dairy specialist who has been involved in a number of similar projects over many years. His role is to ensure that management decisions are correct and fair, to ensure that the Witkleibos community representatives understand the issues and can participate meaningfully in decision making on the trust, and to facilitate good working relationships between the principal parties.
- *Profit sharing:* There are two beneficiaries in the Witkleibos Dairy Trust – a Du Plessis family trust, and the Witkleibos Development Trust. The contributions of each are determined to be of equal value and thus each party receives 50% of the profit from the enterprise – an equal share. Of the Witkleibos Development Trust's 50% share, 20% is paid to the TDT for rent and for the use of the resource.



### **An assessment of share-produce schemes**

There has been much criticism in the literature of sharecropping arrangements – it is seen as a form of wage labour in early transitions to capitalist agriculture. In the examples above, however, the power balance is different. Either workers have skills which are critical in the production process, or a group has a scarce resource (land) with which it can bargain. The question remains to what extent these schemes contribute to agrarian reform.

#### **Access to land**

There are two ways in which land features in sharecropping arrangements. Where workers or small-scale farmers do not have land of their own, sharecropping can be used as a mechanism to acquire the means to buy land. Working in step with the land reform programme, sharecropping could enable people to buy a larger piece of land than they would otherwise have been able to buy. Where the land to be used for sharecropping is already in the hands of black people, the community or group has the leverage to obtain preferential terms in a JV relationship. However, it is important to ensure that any JV agreement does not jeopardise the security of ownership of the land.

#### **Access to capital**

Sharecropping arrangements may be focused on acquiring land or on acquiring access to capital for the operation of the business. The Witkleibos JV business plan focuses on assisting the landowners to acquire capital over the period of the agreement in order to proceed with dairy farming on their own once the agreement has expired. Such an aim in a JV agreement is a reasonably secure way for landowners like restitution claimants, LRAD beneficiaries and people on communal land with long term rights to obtain access to capital. Such an agreement must, of course, ensure that the black people in the arrangement secure tangible benefits from the venture.

There is a continuing dilemma regarding the generation of capital for a *community* in such a joint venture. Using the Witkleibos example, cows are expensive and if the community is to take over the business entirely within ten years, all its resources would have to be invested in purchasing animals. At the same time, there are competing demands on the community's resources for providing water, housing and other amenities, especially for community members returning to the land. It is generally the role of the state to provide these but, because Witkleibos is private land, the community assumes *it* is responsible. While this particular scheme will enable the landowners to generate capital, competing demands will make things difficult in the short term.

#### **Developing business and management skills**

In sharecropping arrangements where the landowners do not have the expertise to undertake production, the JV must include a programme to train the landowners or their appointees, particularly in management and financial expertise. The level of such skills transfer must be described in the business plan, and participants must be able to enforce the implementation of such undertakings.

In the Witkleibos example, building expertise is necessary both at the level of management and at the level of the trustees. The commercial farmer partners cannot take primary

responsibility for such skills transfer. For this reason, two mechanisms were introduced in the agreement: 1) training at the local technikon together with ongoing employment in the business and an intended rise through the ranks over time, and 2) the appointment of an independent trustee to monitor the decisions of the trust in the short term and to build the capacity of the trustees.

### **Immediate benefits**

Depending on the nature of the product, sharecropping tends to provide reasonably immediate returns. The Uitgezocht scheme could only work because the vineyards in question are mature and can therefore be harvested. Similarly, the Witkleibos JV enterprise already has mature milk-producing cows. In both cases, there are immediate benefits in the form of profit-sharing. There are also long term benefits – eventually owning a grape farm (Uitgezocht) and eventually owning a dairy herd and the necessary equipment (Witkleibos).

There could be other immediate benefits. In Witkleibos, community members have access to individual portions of land separate from the venture, and there is a vibrant small-scale farmer group. These farmers have been assisted in a number of ways: their fields are ploughed using equipment belonging to the JV and, when there have been problems with water supply, the JV's expertise and resources have been applied to solving the problem. Willie du Plessis says this kind of assistance adds to the general success of the JV – 'when your partners are your friends it is OK, if not then there are problems' (pers. comm.). In the Witkleibos arrangement, these additional benefits are not formalised – they are negotiated on an ongoing basis. It makes sense to anticipate the general benefits that will arise in a JV relationship with respect to the use of jointly-owned resources, and make provision in the agreement for the use of these resources.

### **Gender relations and gender equity**

In share-produce arrangements involving community land, gender issues are very important. The Witkleibos JV is aimed at generating a profit for use by the community. In the longer term, the extent to which women are able to determine the use of the funds generated is the key gender issue in the Witkleibos Development Trust. It is unclear to what extent women are able to determine the agenda of the trust.

Witkleibos Dairy Trust is comprised only of men, so it is likely that the business decisions are very gender-biased. The trust documents do not refer to women as a separate group at all. In addition, the only applicants for the salaried positions offered by the JV were men. In the Witkleibos Development Trust, however, the chairperson and the treasurer are both women who play leading roles and ensure that the trust keeps its focus on building the Witkleibos community (J van Zyl, pers. comm.). Share-produce JVs need to ensure representation of women in their structures, and the controlling documents need to ensure the interests of women are promoted.

### **Power relations and organisation**

The lack of land reform in South Africa means that land-hungry black people are increasingly frustrated. Many white farmers fear a Zimbabwe-style land reform programme. This scenario



means that communities can bring more than just land and access to cheaper capital through grants to the table – they have indirect bargaining power as a result of this broader political environment. In the Witkleibos area, farmers want to improve the longer-term security and property rights of black people and are actively seeking ways in which they can enhance land reform efforts in the district (W du Plessis, pers. comm.).

There are two important organisational issues. Firstly, because ventures in which communities are involved have to deal with a number of competing interests, they may face internal conflict. While the Mfengu are reasonably well-organised at the overarching level through the TDT, there are emerging tensions between the TDT central fund and needs of the five management areas. Because the sub-groups do not speak with one voice, the power of the Mfengu to negotiate with white farmers is diminished.

Secondly, the Mfengu do not have links with other communities which hold land in this way. This lack of broad organisation in the sector hampers the ability of communities to pressurise local farmers, organised agriculture, government and other agencies into supporting their initiatives and creating an enabling environment for the development of more balanced JVs. Building such linkages will significantly bolster the ability of communities to negotiate favourable terms for themselves.

### **Conclusion**

Sharecropping arrangements are similar to share-equity schemes in that each is unique, developed within a specific set of circumstances. It is difficult to draw general conclusions from an analysis of just one case study. The success of each sharecropping arrangement is entirely dependent on the relationship between the two partners and the relative power of the parties.

Where the black people in the relationship have a resource, or set of resources, which are crucial for the venture, they are in a better position to negotiate. Willie du Plessis says that both partners in a relationship of this kind must be happy. This means that each partner must be clear about what it wants from the deal, and what it is willing to offer.

## **6. Company-supported schemes**

Some JVs emerge as a result of a commitment by a large company to engage in community upliftment as part of its social responsibility programme. These programmes fulfil a number of purposes for companies. They contribute to the development of local people, often linked to the company, thereby enhancing staff commitment to the enterprise. At the same time, they serve as a marketing tool, showcasing the company as one which is concerned about more than just making a profit (Enthoven, pers. comm.).

Churches and other religious organisations support such ventures as an expression of their beliefs and in order to make their resources available to others. In South Africa, Christian missionaries were able to access large areas of high-quality land during periods of colonial expansion. Many churches are now seeking ways to make this land available for use by local people, sometimes in partnership with the church; most often with people linked to the specific church in question.

**Case study: Go Organic at Spier**

The Spier complex near Stellenbosch in the Western Cape comprises a number of companies clustered under the banner of Spier Holdings. The agricultural components of Spier do not make up a large component of the total business, but are an important part of its social responsibility programme. The Spier companies have a philosophy governing their operations – the ‘triple bottom line’ involving ‘an integration of economic viability, social equity and environmental integrity’ (Annecke 2002).

In 2000, Spier developed an organic vegetable farm called the Go Organic at Spier (GOAS) project on 20ha of a piece of commonage land leased from Stellenbosch municipality for 45 years. Using a loan obtained from the Khula Land Reform Credit Facility, a JV was set up which allocated a 27.5% shareholding to small-scale farmers, with Spier owning the remaining 72.5%. Five farmers drawn into the project were given a 5% share in the business. One, who became the general manager, received an additional 2.5%.

The five farmers worked as a collective. The organically produced vegetables were packed and marketed by Dewcrisp for supermarkets. Spier’s Sustainability Institute provides mentoring support while a local NGO, the Stellenbosch Business and Learning Centre, also provides support to the farmers.

This venture did not succeed for a number of reasons:

- the overheads and debt burden were too high for the size of the venture
- organic inputs are much more expensive but the yields are lower, making it more expensive to produce, and the retail companies were exerting downward pressure on producer prices (Enthoven, pers. comm.)
- single channel marketing (necessitated by a limited number of outlets for organic products and specific packshed requirements) meant that buyers were able to set low prices
- consumers are not educated about organic quality produce – they look for a product which *looks* like top quality, something which is difficult to achieve with organic methods (Faroa, pers. comm.).

Spier management decided to terminate the project in that form. Early in 2002, the company and the farmers concluded that organic farming was not viable with Spier’s soils and in the form that GOAS was undertaking it. Furthermore, Spier management felt that the model of farming which had been used was not sustainable at that scale.

Among the farmers there was a feeling that Spier had reneged on its promise to support the project financially, and had pulled the plug on the project at a critical time. They felt that Spier was overly involved in the project and did not give enough of the management of the project over to the farmers – they were not permitted to manage the finances or take key decisions. In essence the farmers felt like workers (Faroa, pers. comm.).

After a business planning session, Spier took responsibility for a loan from Khula, and changed the model. Under a new JV, the entire 100ha of commonage land leased by Spier was made available for up to 20 small-scale farmers. Being linked up to the Theewaterskloof irrigation system, the land has a guaranteed supply of water. An annual rent for the land and water is payable to Spier.



The 17 farmers currently on the land are organised in a trust called Organic Land Holdings and a linked financial co-operative – the Wineland and Employees Savings and Credit Co-operative. There are no clear criteria for membership, but ‘determined farmers’ are wanted as members and it is expected that farmers who do not succeed will fall out in a process of ‘natural selection’ (Hendricks, pers. comm.; Faroa, pers. comm.). These aspects are still to be finalised.

The trust will hold the lease, and some tasks will be done co-operatively. Each individual farmer, however, will have access to, and responsibility for up to 5ha. Farmers will be encouraged to do organic farming, but this will not be the only form of production, and they will not rely on single channel markets. Using the farmers’ current marketing channels and jointly developing alternative channels is a key objective of the trust.

The role of Spier has changed substantially in the revised model. It has no share in the proceeds from the current venture, but is involved in a number of other respects:

- it provides the land for the project
- it provides certain equipment, most importantly irrigation equipment
- it provides machinery and other equipment on a low-rental basis
- it provides mentoring in key areas of farming, organic farming and marketing.

It is thought that the trust’s links to Spier will probably facilitate easier access to credit, but this has yet to be tested.

### **An assessment of company-supported schemes**

Benevolent companies appear to dominate many company-supported schemes, but there is no doubt that they can help to develop the expertise and resources of the participants over time.

#### **Access to land**

The access of small-scale farmers to land held by the benevolent partner is often the basis of the relationship, but this is often not formally agreed-upon and written into a contract, particularly in the case of church land. Spier obtained the use of the commonage land from the municipality on a formal long lease and the farmers have been allowed to use the land, but the subleasing arrangement is still to be finalised. The farmers and Spier are seeking a way for the farmers to enter a direct lease arrangement with the municipality. Such clear, written lease agreements would strengthen the position of the small-scale farmers.

It is also important for the land arrangements between the individual farmers and the farmers’ association to be clarified. The lease agreement between individual farmers and Organic Land Holdings is currently being finalised, but is likely to include a clause that would require the farmer to make continued, successful use of the land or lose the right to use it.

While this approach is correct in terms of the sustainable use of land and social equity considerations, the lack of clarity on the criteria for use and right of access to land may mean that the poor are excluded over time, depending on what is considered ‘successful use’. If poorer farmers are unable to access credit and other resources required to farm at the scale considered ‘successful’, they could be excluded to make way for more successful farmers. The farmers at Spier appear to have taken some of these issues into account, and they are able to access smaller portions of land, depending on their capabilities. Clear criteria for access to land are needed to ensure that such access is secure.

**Access to capital**

Access to capital and improved livelihood opportunities are often also components of benevolent arrangements. This is the case, either through the resources that the benevolent partner already has at its disposal, or through leveraging the large partner's power.

In the initial Spier scheme, farmers accessed capital through the loan obtained from Khula through their connection with Spier. However, the farmers were not involved in any of the financial decisions and so control over this capital was not in their hands. Under the new arrangements, independent access to capital or livelihoods generation is dependent on the success of each farmer's own endeavours. While the farmers are linked through the two co-operatives, each farmer has the responsibility for his or her portion of land and draws the proceeds from the production on that land. Access to credit and other resources needed for farming is provided through the ongoing partnership with Spier. Many small-scale farmers have great difficulties obtaining the basic resources and equipment to start their ventures. The access to resources that benevolent large partners provide give small-scale farmers an important boost.

**Building business and management expertise**

The tendency for many benevolent partners to become paternalistic means that the development of expertise in farmers is limited. The major decisions are usually taken by the benevolent partner, thereby undermining the small-scale farmers. Small-scale farmers interviewed about the GOAS model had a keen understanding of the marketing arrangements and constraints of the project, probably as a direct result of their participation, but complained that they did not have much of a role in the financial and management decisions about the venture. The fact that Spier retained this kind of control frustrated the farmers and raised the question about whether Spier was primarily using the venture for its own publicity.

In the new arrangement, the farmers have control over the decision making of the project. Spier has not completely withdrawn its support at this level. The Sustainability Institute continues to provide mentoring and advice (the director of the institute is on the Board of Organic Land Holdings), and additional support is also provided from organic specialists on request.

**Immediate benefits**

Whether or not benevolent ventures provide immediate benefits to farmers depends on the nature of the product, the nature of the rights that farmers have to the land, and other benefits received. In the Spier example, the initial GOAS arrangement did not provide farmers with access to additional land which they could use for their own independent production – all the land was to be farmed collectively as GOAS. However, the GOAS project did provide the farmers with immediate income in the form of wages.

In the new arrangement, individual farmers have access to land for whatever they choose to use it, but not to a reliable source of income – they are entirely dependent on the success of their farming operations. While the new arrangement has given farmers much greater decision-making control over their daily lives and the production on the land, they have lost the guaranteed wage income that the GOAS project provided.



### **Gender relations and gender equity**

Whether women can benefit from such projects is entirely dependent on the approach of the supporting company and of the beneficiary group. Where there are funds sourced from other agencies, such as the Land Reform Credit Facility, gender-related conditions could be imposed on the loan. Moreover, it may require specific actions on the part of the company or the farmers to ensure that women are part of the farming group, if they want to be. In the first phase of the Spier project, there were very few women applicants, but Spier specifically decided to include one woman among the five farmers chosen. In the second phase of the project, there are no women participants. The farmers approached a local NGO, the Women on Farms Project, to assist them to encourage women to join the project, but had not succeeded in drawing in any women at the time of writing.

Whether such projects address gender issues if women become participants is dependent on the approach of the farmers and the company. In the Spier project, the single female participant eventually left the project for a number of reasons. Her inability to keep up with the 'hard work of being a fulltime farmer rather than a part-time market gardener' was apparently one (Kara, pers. comm.). Developing clarity about what women's real interests are in the project, what constraints they face, and how to address those constraints is important so that women can have a role in designing the project.

### **Power relations and organisation**

Partnerships between companies involved in supporting the development of farmers and the farmers themselves tend to be difficult because the relationships are unequal – one of the partners has most of the resources and has the most power in determining the relationship. For small-scale farmers, appealing to the companies' ethical approach, while understanding how this links to the companies marketing strategies, is important for bolstering their power.

Linking up with other small-scale farmers can provide mutual support. This may be particularly important where the company has a number of branches or subsidiaries and each has a small-scale farmer development project.

### **Conclusion**

JVs involving parties where one is essentially a benefactor tend to be extremely complex and often contain contradictory elements. On the one hand, the access to land, capital and expertise that such arrangements make available to small-scale farmers provides a valuable opportunity for poor people to overcome many of the constraints they face. On the other, providing access to resources and the overshadowing role that the 'benefactor' plays in these relationships can be undermining and establish dependence among beneficiaries.

It is important for companies to strike a balance between allowing projects to take their own course and wanting to intervene to ensure the success of projects. Maintaining this balance through the life of the project, especially when it is thought that intervention may save a project, is very difficult. Where success is determined entirely by the degree to which the project is producing profit, or the project is expected to be a showcase for the involvement of the company in community development, it is likely that the benefactor will be more inclined to intervene. Over-involvement in the success of the venture is likely to result in failure.

Where the long term sustainable development of independent farmers is the aim, it is likely that the benefactor will be less likely to intervene. Spier's shift from GOAS to the Organic Land Holdings project shows these different approaches. The future will show whether the new approach is more successful in developing independent farmers able to generate sustainable livelihoods over a period of time.

## 7. Comparative assessment

This study began with asking whether JV really contribute to transformation of the countryside, or whether they are a new form of exploitation of black people. In order to understand this, five different types of venture were assessed, looking at six key aspects: access to land, access to capital, building business acumen and management capacity, immediate benefits, gender relations and gender equity, and issues of power and organisation.

The power balance is really the fundamental issue in any JV. This relationship is based on what the different parties are bringing to the venture – the relative bargaining power. In most schemes, the black participants are essentially the subordinate *recipients* of a scheme in which they have very little power. This is the nature of JVs in agrarian reform. Nevertheless, there are important means through which black people can gain access to resources which significantly change their livelihood options and contribute to the transformation of the countryside. The critical factor in all JVs is how the power of the black, generally subordinate partners is bolstered in and through the venture.

Access to land and control over its use is a key factor in land-based enterprises. The Witkleibos venture provided the black participants with far more power than any of the other types of JV – the community had a resource which commercial farmers wanted, and was able to use it to largely determine the terms of the venture. JVs should strive to bolster black participants' control over land (as leased or private land) as a resource that can be used to leverage preferable terms with commercial and other partners. Not all joint ventures provide access to land. The most notorious of these are share-equity schemes in which the DLA grant buys beneficiaries shares in an agriculture-related company which have to be sold upon leaving the company. Independent access to land is not a component, which raises the question of whether DLA should be handling such subsidies.

A further aspect that bolsters the power of the black participants is organisation – the better organised, the greater the power and ability to bargain. Where organisation is absent or weak, it is likely that the venture will be disempowering, a purely economic venture, and one unlikely to be supported by the black participants. The organisation of growers, share-equity participants and others provides space for sharing and strategising to enhance their bargaining power in negotiating the terms of contracts and intervening in policy at a government and corporate level. Mechanisms to bolster the organisation of such groups should be sought. While it is not the role of government to actively organise, government can support such organisation by:

- demanding evidence of organisation in the group in grant applications
- making funds available to support the organisation of farm workers or small-scale farmers.



Bolstering women in JVs is a further important area. Gender relations in the different contexts explored above have meant that women are often excluded from JVs or are exploited when they participate. In most cases, the fact that women may have different interests or aims in participating in a venture was not considered. The fact that most of the agreements do not refer to women at all is indicative of this. While women are the main workers of the land in contract growing arrangements in the timber industry, it is men who make the decisions about the money. Participation in JVs might provide an opportunity to improve their livelihoods, but women could be entering another exploitative relationship. This situation is likely to continue as long as women's access to land is determined in this way, or until women are able to access private land through the government land reform programme or other means. Facilitators, particularly those appointed by DLA, need to understand women's interests and to actively seek ways in which these interests can be bolstered through the ventures.

Control over the use of land also provides alternative livelihood options. Where the land is all allocated to farming a commercial product, participants have no other options and become entirely dependent on this land use. Having access to land and livelihood options outside of the scheme makes participants less dependent and gives them additional power. SPP's experience in the Northern Cape and the Western Cape is that many share-equity scheme participants were not aware of other options for the use of their grants because the process facilitators failed to inform them. It is essential to seek alternative options, and allocate sufficient resources to facilitation processes when establishing JVs.

Building the skills and abilities of people is often included as a key objective of JVs and is an important way in which the power of participants can be bolstered. Building the capacity of small-scale farmers, farm workers and other landless people involved in JVs is a key long-term objective. An integrated response from government is required to avoid dependence on white farmers who have the expertise. In schemes which operate on a smaller scale, it is unrealistic to expect commercial partners to provide capacity. Other mechanisms are therefore necessary:

- DLA previously had a technical training fund which could be draw upon for such support. This fund or similar resources should be made available again.
- Departments of agriculture extension services should be allocated more resources and expanded to adequately cover the economic and management components of farming.
- Formal training is necessary. Developing very specific courses on JVs is important.

Independent monitoring is needed in JVs. Often black participants in JVs do not have the skills and experience to sufficiently monitor the performance of the venture. Independent monitoring could be provided though the state, or through the appointment of such a monitor by the participants themselves. Black participants need to build monitoring capacity to increase their power in the short term and to build their ability to be independent in the long term. In JVs which only have DLA funding, where there is no independent investor involved, little or no monitoring takes place. Even though DLA is putting state resources into JVs, it has not developed any mechanisms or allocated any resources to monitoring these ventures. Resources should be allocated by government and mechanisms, including thorough scrutiny of business proposals to assess criteria, should be developed and implemented.

Finally, most JVs have been initiated by white commercial farmers, often to improve the economic position of their farms, to recapitalise their businesses, or to deal with a debt problem. Commercial farmers have therefore determined the nature of these schemes and DLA funds have often not been put into the best options from a financial and empowerment point of view. Both Cochrane and Freysen have asserted that a supply-led approach should be taken – ‘we should get out there, and look for good farmers to do projects rather than wait for them’ (Cochrane, pers. comm.). Demand-led schemes, especially when DLA is only made aware of these at the final stages, are inadequate. A shift in approach is required in which DLA and the national and provincial departments of agriculture, or agents appointed by them, should proactively engage various industries to link farmers to markets and facilitate the development of share-equity schemes, contract arrangements and sharecropping arrangements.

## **8. Conclusion**

JVs mobilise private sector and government resources to support land reform initiatives and are seen as a way to help poor people overcome the many barriers of entry into commercial agriculture. At the same time, commercial farmers and corporations are faced with changed circumstances: they have to recapitalise to enter the global markets, and they have to show their transformation commitments when marketing their goods. Commercial farmers and corporations use JVs to address these changed circumstances, but their interests often dominate over those of their smaller partners. Where local government is involved, councillors’ political interests often dominate the projects.

Government has not prioritised agrarian reform and has therefore allocated a limited amount of resources to it. This means that many JVs, including government-supported projects, allow the conduct of commercial partners to go unchecked. Where the government, and DLA in particular, is involved, a different, more proactive and determining role should be created to ensure that the interests of previously disadvantaged men and women are dominant. This means initiating more projects, being more prescriptive, and monitoring projects once funds have been allocated. If this does not happen, state funds for land reform will end up bolstering current landowners in agriculture and poor men and women will once again lose out.



## Endnotes

- <sup>1</sup> DWAF Western Cape developed a land-for-water exchange system to encourage white commercial farmers to engage in share equity schemes. In two cases in the Western Cape, commercial farmers applying for licences to draw surplus water from the Olifants River were told that these licences would be granted if previously disadvantaged people were drawn into the projects (Tregurtha & Karan 2002).
- <sup>2</sup> The Lutouw project in north Western Cape is a good example of this where a spread of crops including grapes and tomatoes were planted (Tregurtha & Karan 2002).
- <sup>3</sup> In 1994, the town of Stellenbosch leased its municipal land to white farmers for 45 years.

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## Appendix A: List of key informants

J Baron	Worker, De Kamp Boerdery
L Blau	Witkleibos Development Trust
C Brynard	Philadelphia Chicks Breeders farmer
P Cloete	Small-scale farmer, Vredendal
A Cochrane	Independent facilitator
A Diergaardt	Small-scale farmer, Vredendal
A du Plessis	Commercial farmer, Witkleibos Dairy Trust
W du Plessis	Commercial farmer, Witkleibos Dairy Trust
R Duna	Witkleibos Development Trust
A Enthoven	Owner, Spier Holdings
T Faroa	Small-scale farmer, Spier
J Filand	Small-scale farmer, Vredendal
J Fortuin	Small-scale farmer, Vredendal
J Freysen	Deputy Director, Western Cape Provincial Land Reform Office, Department of Land Affairs
G Hendricks	Small-scale farmer, Spier
J Isaacs	Director: Farmers Settlement and Support Programme, Department of Agriculture
D Jordaan	Farmer, Philadelphia Chicks Breeders
M Kara	Director, Stellenbosch Business and Learning Centre
J Kritzinger	Manager, Tydstroom
V Luchuku	Farmer, Philadelphia Chicks Breeders
B Mavume	Manager, Tydstroom
M Msizi	Witkleibos Development Trust
S Myataza	Farmer, Philadelphia Chicks Breeders
D Njenje	Witkleibos Development Trust
D O'Neil	Management, Matzikama Municipality
D Pringle	Ithala Bank
J September	Worker, De Kamp Boerdery
P Smit	Commercial farmer, De Kamp Boerdery
M Snyders	Worker, De Kamp Boerdery
W Snyders	Worker, De Kamp Boerdery
B Sugden	Director, Grower Affairs and Services, SA Cane Growers' Association
N Taylor	Oxfam, KwaZulu-Natal
G Thiart	Manager, Tydstroom
D Thomson	Transvaal Sugar Beperk
D van Zyl	Independent facilitator
J van Zyl	Independent trustee, Witkleibos Dairy Trust



Evaluating land and agrarian reform in South Africa is a project undertaken by the Programme for Land and Agrarian Studies (PLAAS) to respond to the need expressed by civil society organisations for independent research to evaluate progress in, and inform debates on the future of, land and agrarian reform. The reports in this series are:

Land redistribution



Rural restitution



Farm tenure



Support for agricultural development



Municipal commonage



Rural settlement



Joint ventures



Land use and livelihoods



Communal tenure



Final report



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