

Giving Development a Face

[Renosterrivier Land Reform Project]



*'Farming looks mighty easy
when your plough is a pencil
and you are a thousand miles
away from the corn fields.'*



* ComMark is funded by the UK's Department for International Development (DFID)

RENOSTERRIVIER LAND REFORM PROJECT >>

why land reform?

FAILED LAND REFORM FARMS have become an increasingly common and depressing feature of rural South Africa. Commercial farmers, emerging farmer lobbies, land rights activists and agri-business have warned for years that giving agricultural land to people without the necessary farming, farm management and financial administration skills, without adequate finance for improvements and production costs, or a bankable business model that takes producer prices and market trends into account, is tantamount to setting them up for failure.

Nevertheless, the South African government is aggressively stepping up its plan to buy land for redistribution. This is because to date only about three million hectares of the 82-million hectares owned by 60,000 white farmers have been transferred – a far cry from the targeted transfer of 30% of white-owned farms to black people by 2014. ComMark maintains that new entrants can operate successfully and be financially sustainable, but this can only happen if past lessons are incorporated into the design of new initiatives and the mistakes of the past are not repeated.

ComMark promotes a more proactive role for the private sector and initiatives that are built upon experience, combined with a wide range of innovative land and agricultural reform models.

what did we do?

ComMark provided financial support for the preparation of 'The Renosterrivier Private Sector Initiative' report, which sets out:

- ✿ The results of a scoping exercise undertaken by the Free State University to understand the dynamics of the commercial and emerging agricultural sectors in the Renosterrivier area;
- ✿ Some conceptual issues, lessons learnt, design criteria and policy issues;
- ✿ Proposals outlining appropriate models for the area; and
- ✿ The private sector's commitment to contribute to sustainable land reform and broad-based black economic empowerment in the area.

A copy of this report was delivered to President Thabo Mbeki, the Minister of Agriculture and Land Affairs and other key stakeholders in 2006. The report was well-received by President Mbeki, who issued a further challenge – replicate the scheme in order to achieve scale benefits and increase the overall development impact.

'Land reform can be successful if it is based on partnership and sound business principles, despite certain policy and financial constraints.'



'Substantial intervention and co-operation between government and the private sector will be required to ensure sustainability of this redistributed land.'

Norma Tregurtha,

Trade and Agri-business Specialist: ComMark



about the project

Renosterrivier is a commercial cattle farming district in the northern Free State where a pilot study into viable land reform farming was launched in 2006 by a group of prominent Afrikaner business leaders, including First Rand chairman GT Ferreira and former Afrikaanse Handelsinstituut head Mof Terreblanche. The study – aimed at breaking the current vicious cycle of land reform failures – was initiated in response to a challenge by President Thabo Mbeki for the private sector to proactively support and implement sustainable land reform and broad-based black economic empowerment in the agri-business sector. To get the project off the ground, the businessmen contributed R1.5-million in initial funding.



Gert Saaiman, Project Manager: Renosterrivier Land Reform Support Centre >>

what did we find?

The report argues that the present narrow focus on land, rather than the farming business, is counter-productive and often the cause of failure and lack of sustainability. Other problems with land reform include the poor underlying profitability of the agricultural sector, lack of farming background and experience of emerging farmers, lack of finance and the reluctance of the financial sector to implement appropriate products, inefficient scale of operation, and lack of price information and access to markets. The report shows how the private sector and government can form partnerships to make land reform succeed.

The report suggests that, among other things, government should:

- * Focus on creating sustainable businesses rather than simply transferring land;
- * Externalise the cost of land purchase for new entrants. The state or a special entity must purchase land and lease it to suitable candidates, with transfer only taking place based on demonstrated commitment and the achievement of certain milestones;
- * Recognise that agriculture consists of relatively few businesses with high capital and knowledge requirements and relatively low returns on investment. Selection criteria and support mechanisms should reflect this;
- * Invest in education to train the next generation of black farmers;
- * Streamline communication and co-ordination between Land Affairs and the Agriculture Department to avoid piecemeal interventions; and
- * Introduce more powerful incentives for the private sector to help transform agriculture.



Richard Mojaki, manager of land reform farm Johannesburg. >>

main challenges facing farmers in the renosterrivier area

Out of the 82 farms which had been transferred to emerging farmers in the Renosterrivier area, 20 were selected as possible projects which could be managed within the framework of the Renosterrivier Project. Gert Saaiman, as Project Manager of the Renosterrivier Land Reform Support Centre, started by conducting an in-depth audit of these 20 farms – which were the largest ones in the area and selected on the basis that they would be the most likely to become self-sustaining economic units. However, contact details from the Department of Agriculture were only available for 14 of the 20 farms and the majority of these proved not viable for the establishment of a profitable, commercial stock farming unit.

The majority of farms are characterised by about 60% marginal lands overgrown with pioneer grass, weeds and snakebush, with very little grazing value. Less than half of the farm owners reside on the farms and many are being rented out to tenants who do not use them for agricultural purposes.

The majority of farms that do raise cattle are being used to full capacity. The cattle are generally of reasonable quality but there is widespread over-grazing due to a lack of

practical knowledge. For instance, cattle are not kept apart according to size and age, and there is no specific breeding season, no planned mating time or weaning dates and no inoculation plans or marketing programmes.

Most farms belong to families or groups of people rather than individual farmers. Richard Mojaki, one of six co-owners of the Johannesburg farm, has invested three years of hard labour in an attempt to make a success of the 100 hectare farm he inherited in 2004. Like Mr Mojaki, the majority of owners are unaware that their farms are not economically viable and that no cattle farming venture will be sustainable. There are no farms where it is practical to form a partnership with white farmers. The farms are too small and the carrying capacity too weak to enable a sustainable, economical and profitable partnership.

A sizeable amount of state funds has already been spent on the creation of infrastructure on certain farms, while others, like Mr Mojaki's, have received no financial assistance at all. Nevertheless, the response of owners and farm workers to the suggestion of mentoring and partnering has been overwhelmingly positive.

'Wherever I visited I was received with friendliness and politeness. People admitted that they did not have the necessary knowledge of farming and would be grateful for any help with the practical side of farming.'

Gert Saaiman,

Project Manager: Renosterrivier Land Reform Support Centre



'If people don't end up with viable farms it will all be in vain.'

what's next?

Mr Gert Saaiman was appointed as project manager in May 2007 to support, co-ordinate and drive the initiative, with guidance from the Renosterrivier Land Reform Support Centre board. This capacity is available to help the Land Affairs and Agriculture departments with existing and new projects in the Renosterrivier area, and mobilise additional private sector resources to help with business plans, accessing finance, setting up administration systems and maintaining a database of all initiatives.

The pilot project uses mentorships and partnerships to establish new farmers on the land. The aim is also to link emerging farmers into mainstream markets and through this make land reform succeed and farming sustainable.

Other plans include:

- * Identifying farms of at least 200 hectares within the Renosterrivier project area;
- * Helping emerging farmers to establish grazing land;
- * Helping with the creation of infrastructure where necessary;
- * Providing a practical course on cattle farming and grazing methodology;
- * Harnessing the skills of retired farmers by forming a cadre of mentors that could each take responsibility for supporting three or four emerging farmers; and
- * Ensuring that farms are only awarded to appropriate candidates who are committed to the Renosterrivier framework.



FEATURES

A practical survival plan

Land reform support programme has commercial focus for land claims

WHAT IT MEANS
Land transfer must be accompanied by commercial viability
Subsistence farmers need other solutions

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