

CREATING AN ENVIRONMENT FOR SUCCESS BY LAND REDISTRIBUTION: SOME CHALLENGES FOR THE SUGAR INDUSTRY

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Abstract

Transformation of predominantly white-owned commercial agriculture is viewed as an urgent imperative in South Africa. To meet its constitutional obligations, government policy aims to redistribute 30% of commercial agricultural land by the year 2014 and, to assist government in meeting this objective, the South African sugar industry will need to transfer nearly 110 000 hectares of commercial cane. At present, much attention is focused on land redistribution targets and land acquisition, while little attention has been paid to post-transfer support and long-term sustainability issues. The ultimate success of the land reform programme will be judged on the ability of the sugar industry to create sustainable black commercial farmers over the long term. The industry needs to create an 'environment for success', by ensuring that support structures and training services are appropriate, and meet the challenge of increasing numbers of new entrants to the sugar industry. In addition, grower member organisations need to promote appropriate mentoring, and ensure that beneficiaries of land reform are integrated into local grower structures.

Keywords: land redistribution, post-transfer support, extension, training, mentoring, sustainability

Introduction

Redistribution of commercial farmland is central to creating long-term sustainability in the South African agricultural sector. The government, through the Department of Land Affairs, aims to redistribute 30% of commercially owned agricultural land by 2014. The land reform programme is based on three key drivers – redistribution, restitution and tenure reform. This paper focuses on land redistribution only, but poses questions regarding restitution.

Since 1996, the sugar industry has committed itself to land reform, mainly through the redistribution of miller-cum-planter land and, more recently, through the establishment of the Inkezo Land Company. While focusing on achieving the target of 30% is critical, the ultimate success of the sugar industry land reform programme will be judged on its ability to create sustainable black commercial farmers.

Research conducted nationally reveals that, in general, little attention has been paid to post-transfer support and sustainability issues (Hall *et al*, 2003). Within the sugar industry, changing demographics are going to challenge the capacity and means through which support services are provided in future. The sugar industry's unique and generally well co-ordinated support services need to create an 'environment for success' by ensuring that support, training and mentoring services are relevant and appropriate to first generation black commercial farmers. However, creating an 'environment for success' does not necessarily guarantee success. Responsibility also rests squarely on the shoulders of new entrants to

make use of available services and training. In theory, new entrants should improve their chances of success if they timeously implement advice and training received through sugar industry support structures (Darroch MAG and Mashatola MC (2003). Sugarcane growers' perceptions of a graduated mortgage loan repayment scheme to buy farmland in KwaZulu-Natal, South Africa. *Int Food and Agribusiness Management Review*, Vol 5(4). Accessed at: www.ifama.org/members/IFAMR/v5i4).

This paper does not attempt to analyse or quantify the levels of support provided by the sugar industry. Rather, it aims to highlight the scale of the challenge that faces the industry, in order to create an awareness for future policy and debate.

Description of the land reform programme

Government's land reform programme is comprised of three components, viz. redistribution, restitution and tenure reform. The programmes are summarised as follows:

- Redistribution is based on a system of government grants for the purchase of commercial farm land based on the open-market willing buyer/willing seller principle, through the Land Redistribution for Agricultural Development (LRAD) programme.
- Restitution is in terms of the Restitution of Land Rights Act 22 of 1994. Restitution is rights based, allowing for people dispossessed of land after 1913 to submit claims against the state in order to have their land rights restored.
- Tenure reform consists of various rights-based legislation, intended to protect and upgrade peoples' rights where they are currently residing. Typical legislation is the Extension of Security of Tenure Act (ESTA) and the Labour Tenants Act.

Government aims to achieve the target of transferring 30% of commercially owned agricultural land to black commercial farmers by 2014, through the redistribution and restitution programmes. The LRAD programme has the following strategic objectives:

- Contributing to redistributing 30% of the country's commercial agricultural land by 2014.
- Improving nutrition and incomes of the rural poor who want to farm on any scale.
- Decongesting overcrowded former homeland areas.
- Expanding opportunities for women and young people who stay in rural areas.
- Promoting environmental sustainability of land and other natural resources (Department of Land Affairs, 2001).

LRAD is designed to provide grants to black South African citizens (Africans, Coloureds and Indians) over the age of 18, to access or improve land specifically for agricultural purposes. Grants are accessed on a sliding scale, with a minimum grant of R20 000 and a maximum of R100 000. The level of grant received depends on the amount of own contribution in kind, labour and/or cash. A minimum contribution of R5000 (usually in labour or kind) is required to receive the entry grant of R20 000. To access higher grants, additional capital contributions are required – usually own equity or borrowed capital.

Research conducted by Ferrer and Semalulu (2004) reveals that the pace of land reform delivery is steadily increasing, although it is well short of its target. At the same time, concern is being raised that post-transfer support is either lacking or absent in many

redistribution projects (Hall *et al*, 2003; unpublished data¹), or additional support is required to ensure sustainability (unpublished data²). Reports also indicate that no specific institution has responsibility for driving and co-ordinating the provision of post-transfer support (Jacobs *et al*, 2003). Therefore, given the increasing pace of land reform delivery and a poor national track record of post-transfer support, it becomes even more critical that this area receives increased attention.

Many black commercial farmers settled through the land redistribution programme are first generation farmers. Experience shows that these farmers are most vulnerable during the first few years, due to limited commercial farming experience and cash flow constraints as a result of high financial gearing (personal communication³). The way in which support services are currently provided to experienced third generation commercial farmers may therefore not be relevant, and herein lies the challenge.

Sugar industry commitment

In relation to other agricultural commodities, the sugar industry has made considerable progress towards redistributing freehold land, mainly through the sale of miller-cum-planter estates (unpublished data⁴). As part of its commitment to redistribute 30% of commercial farmland, the sugar industry established Inkezo Land Company, an independent Section 21 Company aimed at fast-tracking land redistribution. Inkezo aims to meet its objectives by:

- Developing a database of willing buyers and sellers.
- Facilitating sale transactions by developing innovative settlement and financial models.
- Ensuring appropriate post-transfer support.
- Lobbying government to secure funding to support processes.
- Lobbying donor funding to support processes.
- Establishing partnerships with key stakeholders.

Approximately 38 000 hectares of freehold land have been redistributed to date (Table 1). In order to meet government's target by 2014, an additional 70 000 hectares need to be transferred.

Table 1. Estimated area under cane, 2003/04.

Area under cane	Ha	% of total
Freehold area under cane	358 644	100%
30% target	107 593	30%
Black owned freehold area under cane	38 351	10.7%
Balance to be redistributed	69 242	19.3%

(Source: Unpublished data⁵)

¹ Unpublished report: Land redistribution for agricultural development as a public investment: Case studies in three provinces. Human Sciences Research Council, Pretoria, South Africa (2003).

² Unpublished report: Land reform in the wine industry. VinPro (Pty) Ltd, Stellenbosch, South Africa (2004).

³ P Simms, General Manager – Sales and Marketing, African Bank, Pietermaritzburg (2004).

⁴ Unpublished report: A. Vaughan, Corporate initiatives with respect to land and agriculture. Centre for Development Enterprise, Durban, South Africa (2001).

⁵ South African Sugar Association: Area Under Cane Survey (2003/04)

The average farm size redistributed to date is 104 hectares (personal communication⁶). Assuming similar farm size sales in future, nearly 665 first generation black commercial growers will be joining the sugar industry over the next nine years, or 74 new growers per annum.

An analysis of the Inkezo willing buyer database reveals that only 13% of the 71 willing buyers registered have any farming experience. The balance of the willing buyers have no agricultural experience at all and come from a wide variety of backgrounds, ranging from teachers and nurses through to lawyers. It appears as if the agricultural and financial skills base from which future growers will be drawn is limited. The Department of Land Affairs has indicated that they would strongly support initiatives from Inkezo that ensure the top small-scale growers have the means to become commercial growers. Although these growers may have farming skills, financial literacy will pose a challenge in most cases.

Description of current support services

Support services in the sugar industry may be defined as services that represent, train, undertake research, process and provide inputs and/or services for sugar production. Support services can be both institutional and organisational. The institutional aspects of support services involve policy and the 'rules of the game' at all levels. The South African Sugar Association (SASA), the South African Cane Growers' Association (CANEGROWERS) and the South African Sugar Millers' Association Ltd (SASMAL), together with relevant government departments, are responsible for institutional matters in respect of the operation of the sugar industry. These institutional matters are important and can be overlooked, especially at community and social levels. In respect of sugarcane production, growers receive services from:

- The sugar industry as a collective body; SASA.
- Sugar mills.
- Farmer organisations that include CANEGROWERS and its member organisations.
- Fellow growers.
- Input suppliers.
- Service providers.
- Financiers.
- The government; national, provincial and local levels.

The principal grower support services, amongst others, provided by SASA are:

- South African Sugarcane Research Institute (SASRI) – research and development (R&D) coupled with technology transfer.
- Shukela Training Centre (STC) – agricultural training in addition to industrial training.
- Umthombo Agricultural Finance (UAF) – financial services for small-scale growers.
- Mill Group Boards (MGBs) – to promote the interests of growers and millers and to provide services to facilitate the 'reception and testing' of sugarcane (Sugar Industry Agreement, 2000).
- Local Pest, Disease and Variety Control Committees (LPD&VCCs) – monitoring and advice in respect of pests, diseases and varieties.
- Inkezo – facilitating transfer of land in terms of government's land reform policy.

⁶ C Gillitt, Research Economist, South African Cane Growers' Association, Mount Edgecombe (2005).

Sugar mills, depending on the particular company's policy, provide some, all or a mix of the following services:

- Agricultural advice and, in certain instances, contractual services.
- Technical advice, training and services.
- Organisational support, which involves coordination of sugarcane deliveries.
- Grower registration, land measurement and mapping.
- Financial support, being direct and indirect via facilitation with financial services providers, e.g. UAF.
- Input support, either directly or indirectly via facilitation with providers.
- Provision of disease free seedcane.
- Contractor training and support.

CANEGROWERS is a national organisation which represents approximately 50 000 cane growers in KwaZulu-Natal, Mpumalanga and the Eastern Cape. CANEGROWERS principal support services, in addition to organisational, representation in relevant forums and advocacy functions, involve:

- The provision of agricultural economic information and advice.
- Developing and empowering cane growing communities through the promotion of training and information support.
- Management of the interests of all growers within the industry partnership.
- Lobbying government and other stakeholders.

Together with the above are services from input suppliers, including co-operatives, service providers such as contractors, financiers such as the Land Bank, Ithala Development Finance Corporation, Mpumalanga Development and Agricultural Corporation, formal financial institutions and services such as agricultural extension from provincial agricultural departments.

There can be, and are, complex relationships and interactions between the various service providers. There is not a dearth of support services for new entrants or existing growers. Rather, there could be the problem of a grower, especially a new entrant, not knowing how and from whom to access the services required.

Challenges

According to Purcell and Anderson (1997), extension can be viewed in a narrow context of 'technology transfer' or in a broader context as 'farmer education and organisation'. It is postulated that it is the latter form of extension that is required by new entrants, and the adoption of leading edge technology alone does not ensure a recipe for success. Ithala Development Finance Corporation identified lack of business skills as a prime problem facing first generation farmers. New entrants with a financial/business background and probably no or limited agricultural knowledge appear to be better prepared for an agricultural business than those with an agricultural background and limited or no financial/business skills (personal communication⁷).

According to Ithala, of the medium-scale growers it has financed as part of the miller-cum-planter initiative, approximately 32% are faring well, 14% are in difficulties and may have to

⁷ D. Pringle, Ithala Development Finance Corporation (2004).

exit sugarcane farming and 52% are in a situation where they need to improve their business and management skills if they are to succeed (*op cit*). These statistics could be changed for the better with appropriate training and mentoring (Darroch MAG and Mashatola MC (2003). Sugarcane growers' perceptions of a graduated mortgage loan repayment scheme to buy farmland in KwaZulu-Natal, South Africa. *Int Food and Agribusiness Management Review*, Vol 5(4). Accessed at: www.ifama.org/members/IFAMR/v5i4).

From the preceding summary of support services, it is evident that the sugar industry, through its various structures, has the necessary expertise, technology, systems and information to support farmers in all aspects of sugarcane production. However, it is equally evident that the matrix of support services is complex, with approximately 26 different divisions or departments within the sugar industry structure from which support in one form or another can be obtained. For a new entrant with limited knowledge of the industry, this matrix could be daunting and difficult to navigate. Research conducted by Darroch MAG and Mashatola MC (2003) (Sugarcane growers' perceptions of a graduated mortgage loan repayment scheme to buy farmland in KwaZulu-Natal, South Africa. *Int Food and Agribusiness Management Review*, Vol 5(4). Accessed at: www.ifama.org/members/IFAMR/v5i4), revealed that approximately 60% of medium-scale growers perceived that they had initially received unsatisfactory support and mentoring.

The challenge is to provide a focused farmer business skills and management support system. This may require more emphasis being placed on mentoring and a different approach to the traditional agricultural extension services being adopted. Central to mentoring should be the transfer of business and management skills, followed by cane husbandry skills.

A model of mobilising local support service resources, linked to mentoring and farmer community support, has been promoted in the Darnall area (personal communication⁸). This model is demonstrating that a focus on the concentration of local services for the support of new farmers has a great deal of potential in addressing first generation farmer problems. The complexity of sugar industry support services is de-mystified and access is promoted efficiently, effectively and timeously.

Given the large number of organisations providing direct and indirect support, it is important that these service providers are co-ordinated to ensure that they are not giving conflicting advice which would serve to confuse new entrants even further. A move towards setting up a 'one-stop shop' at regional level to ensure that service providers are communicating with one another, should be considered. This concept is working well in the Sezela and Eston areas, where all industry grower support services and the financier meet bi-monthly. This has resulted in the forum being able to leverage additional resources from government in the form of a R2.5 million production input grant, thereby improving the efficacy and level of support and service to medium-scale growers.

The provision of post-transfer support services should be seen as a partnership which requires two willing and able partners – the service provider and the land reform beneficiary. Equally as important as the sugar industry providing relevant and appropriate support and training, new entrants must also show commitment to making use of all the resources at their disposal and implementing the advice given.

⁸ B. Linda, Darnall Farmers' Association (2004).

Settlement of the vast number of restitution claims throughout the industry is going to pose a different challenge. In most cases, restitution claimants of cane land are large communities of up to 1 000 households who have claimed significant areas of land (personal communication⁹). The separation of responsibilities between the legal entities that own land and the management of the farms will pose a unique challenge. The manner in which restitution claimants are integrated into local grower structures and support services is going to be unique, as many restitution claimants have become land owners through an emotional and legal process and not necessarily with the ambition of becoming commercial growers. The tension between an individual's need for more land within a restitution community and the passive income they will receive through any dividends from the commercial enterprise will place additional pressure on the future use of the land.

Conclusion

Transformation of agriculture is key to the future stability of the sector. All indications are that the pace of land reform delivery is slowly increasing and future acceleration may be anticipated. However, evidence points to shortcomings when it comes to post-transfer support to ensure sustainability of the land reform programme. The sugar industry has a unique and almost singular system for providing support and services to all sugarcane farmers. The question remains, is the industry gearing itself towards supporting a growing number of first generation black commercial farmers? The industry should be gearing itself towards creating an 'environment for success' by delivering well co-ordinated support and training services that are relevant, appropriate and accessible to these new farmers. A strong mentoring programme and local area mobilisation of resources appear to be essential to ensure that services and support are delivered effectively. Equally important is the need for land reform beneficiaries to demonstrate a commitment to making use of all the resources at their disposal and to timeously implement relevant advice that is given.

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⁹ B. Boyce, Land Claims Commission, Pietermaritzburg (2005).