OPTIONS PAPER 1

GROUP OPERATIONS ON GOVERNMENT OWNED LAND

Western Cape Land Reform Summit
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Overview

- This paper sets out to review group based/owned production on government owned land.
- The paper first provides some contextual background by briefly situating this model and the different forms it takes within the evolution of the land reform programme.
- The paper presents a group ownership and operations continuum which ranges from informal occupation of state land and production through to more formally structured and regulated production systems and tenure arrangements.
## Grants and land allocation instruments

<table>
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<th>Grant</th>
<th>Tenure</th>
<th>Individuals/groups</th>
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<td>Land held in private ownership through a land holding entity</td>
<td>Large groups</td>
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<td>1997 –</td>
<td>Grant for the Acquisition of Municipal Commonage</td>
<td>Leasehold on State owned land</td>
<td>Commonage Users Association Group projects and individual grazing</td>
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<td>2001 – 2005</td>
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<td>Land held in private ownership through a land holding entity</td>
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<td>2007 - 2009</td>
<td>The Settlement and Production Land Acquisition Grant (SPLAG)</td>
<td>Agrivillages with residential erven held in individual title</td>
<td>Groups and individuals</td>
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<td>2005</td>
<td>Proactive Land Acquisition Strategy (PLAS)</td>
<td>Leasehold on State owned land regulated by State Land Lease and Disposal Policy (2013)</td>
<td>Four categories of producers Groups and individuals</td>
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<td>1987 -</td>
<td>Act 9 Rural Areas Act TRANCRAA</td>
<td>Land is held by the state in trust pending the processes envisaged in TRANCRAA.</td>
<td>Individuals and groups</td>
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</table>
Land reform background

• Redistribution grants and sub programmes
  • The Settlement and Land Acquisition Grant (SLAG)
    • From 1995 – 1999 the programme sought to enable organised groups of the landless poor to purchase land in private ownership using the household-focused SLAG pegged to the value of the housing subsidy.
    • Because of the low value of the grant many beneficiaries had to be pool their grants in order to purchase and develop land.
    • Many SLAG projects socially and economically unsustainable.
    • There are numerous failed projects from this era of land reform which are sometimes referred to as ‘legacy projects’.
Commonage policy and grant

• Redistribution grants and sub programmes
  • Grant for the Acquisition of Municipal Commonage
  • Commonage became a focus of land redistribution in the mid-1990s when the Department of Land Affairs (DLA) sought to make old commonage available to poor black residents of small towns
  • In 1999 this grant was extended to enable municipalities to invest in infrastructure development on commonage to the value of 25% of purchase price of the land
  • More recently there have been arguments that commonage should play a much bigger part in the land reform programme, and that it also meets the strategic objectives of the National Department of Agriculture.
LRAD and SPLAG

• In August 2001 the DLA launched the Land Reform for Agricultural Development (LRAD) Programme which offered two grants
  • The LRAD grant ranged between R20,000 and a R100,000, where the grant amount escalated in proportion to the level of own contribution in labour, cash or kind.
  • The Settlement and Production Land Acquisition Grant (SPLAG) was intended to provide for both settlement and agricultural production land needs of people living and/or working on rural land.
    • SPLAG was targeted at farm workers and occupiers, labour tenants and others requiring long term tenure security in terms of tenure legislation and was intended for the establishment of agrivillages and rural farming settlements with individual farming plots.
    • The grant could be used in conjunction with LRAD and was available between 2007 and 2009
PLAS

- PLAS was to be linked with a land reform Area Based Plan (ABP) at municipal level which would identify land needs and guide land acquisition strategies.
- It enabled the “state [to] proactively target land…without first identifying beneficiaries”. PLAS land was ‘warehoused’ by DRDCLR which could enter into caretaker agreements before the land was leased to selected beneficiaries.
Current land redistribution policy (Cousins, 2014)

- **State**: Buys and owns land
  - Committees (national, provincial, district)
  - Select beneficiaries, Allocate leases and funds
  - Assess progress (against business plan)
  - Terminate leases
  - Determine upper and lower land holding limits by district

- **Beneficiaries**: black farmers
  - 1 = limited land for subsistence
  - 2 = subsistence + sale
  - 3 = medium-scale commercial farmers
  - 4 = large-scale commercial farmers

- **Re-Cap funds (for 5 years)**: Leases, which require:
  - Legal entity, bank acct, notarial bond, 5 year probation period, asset register, permission for improvements

- **Agribusiness/white farmers**
  - (Subject to land holding limits)
  - Mentors
  - Strategic Partners
  - Equity shareholders
  - Consultants

- **Business plan**
  - Projected net income = key criterion for assessing lessee performance

- **Perpetual lease, nominal rentals**
  - No option to purchase

- **30+20 yr lease**
  - Rental @5% projected income p.a.
  - Option to purchase
It is important to define the concept of ‘group operations’ and distinguish this from ‘group access’ to land, but with a mix of individual and group production.

As various reviews indicate group based production involving co-owned and managed whole farm commercial enterprises has been the dominant, if flawed approach to land reform to date.

- Hall (2009) has stated that “projects for individuals are rare, if they exist at all”.

Practice suggests that the group and individual forms of production often co-exist on the same piece of land.

- The simplifications implicit in models designed from above seldom mesh with complex realities on the ground.
- Highlights the danger in promoting single and mutually exclusive production models.
The demand for land

• It has been consistently argued that “planning for land reform has proceeded without reliable information on the extent, and possibly the changing nature, of the demand for land”.

• Research assessing the national demand for land carried out in 2005/6 revealed that one third of black South Africans want access to land for food production, and another 12% wanted land for a variety of other reasons. The study reported that nearly half (48%) of those wanting access to land, wanted only 1 ha or less.

• Research undertaken in the Breede Valley indicated a wide demand for very small parcels of land, with 61% saying that they would need just one hectare or less, compared with just 3% who said they want more than 10 hectares, and just 2% who said they want more than 20 hectares.
Subdivision

• While there has been much policy discussion about supporting the smallholder sector a range of unresolved issues relating to the subdivision of agricultural land have prevented the creation of smallholdings as part of the land reform programme.
• According to some commentators:
  • “The failure to subdivide is arguably the single greatest contributor to the failure and underperformance of the land reform programme…because it forces [beneficiaries] to work in groups whether they want to or not”.
• There is little evidence of PLAS land being used to create individual smallholdings
• Currently the land needs identified through research are inadequately addressed through the land reform programme
Models of group based production

• Hall distinguishes between:
  • Large groups obtaining farms and farming collectively as a single production entity.
  • Large groups obtaining farms and farming individually or in smaller groups.
  • Small groups obtaining farms and farming them as a single commercial entity.
  • Joint ventures between land reform beneficiaries and private sector or state institutions.
Production and ownership continuum

Joint access to land
- Individual production
  - Grazing, poultry, piggery
  - Cropping, horticulture
- Mutual co-operation
  - Inputs
  - Equipment
  - Shared overhead costs
- Group enterprise
  - Shared investment, labour and liability
  - Co-ownership
Group operations on state owned land

- Informal occupation of state land
- Access to municipal commonage as groups and individuals
- Group leases on PLAS land
- Group access and production on Act 9 land
- Group leases on state land held by other government departments
Informal unregulated occupation of government owned land

• There are numerous instances of informal and unregulated occupation of government owned land for agricultural purposes without permission.
  • Farm 996 in Eerste River is state owned land owned by the Department of Human Settlements (DHS) and informally farmed by over 100 small scale farmers represented by the Ithemba Farmers Association (IFA).
  • The Grabouw Small Farmers have registered the Abafuyi Co-operative which has 26 members who keep their own cattle, pigs and goats which they sell informally to local communities.

• The WCDOA is currently unable to provide support as they do not meet the Department’s criteria which require a five year lease.

• Research conducted as part of the DAFF Strategic Plan for Small Holder Support (SPSS) confirmed that “there is a largely invisible informal agricultural sector which involves people who live in the small rural towns and who keep livestock on the margins and grow vegetables for home consumption.”
Leasehold/permission on Commonage

- There are numerous small-scale producers on the commonage.
  - For example in 2008 there were an estimated 240 small farmers on 23,230 ha of commonage land in the Central Karoo District distributed between Laingsberg, Leeu Gamka, Murraysberg, Nelspoort, Beaufort West, Merweville and Prince Albert.

- Some group production
  - The Prince Albert Commonage project was initiated in 2004/05 to accommodate the immediate needs of local smallholder producers who included 15 onion seed farmers on 2 ha of land and 4 stock farmers farming with Angora goats.
    - Contract farming models

- **HealthGro: Napier vegetable producers** started with six members – 4 women and two men,
  - The project was supported by the Departments of Health, Department of Trade and Industry Small Enterprise Development Unit, the Department of Agriculture as well as the Expanded Public Works Programme.
  - The group had been producing tomatoes and peppers of good quality but was facing the challenge of how to market these.
  - The Department of Health was assisting Healthgro to sell produce to local hospitals and clinics through preferential procurement contracts.
Leasehold/permission on Act 9
TRANCRAAA land

• **Genadendal Groente** consists of five people – three men and two women.
  • In 2013 they had access to 30 ha of land and water of which 20 ha were planted with vegetables.
  • The group employed 32 casual/seasonal workers.
  • CASIDRA had assisted them with a business plan and preparation of an application to the CPAC. They had also received technical and logistical support from the Overberg District Office of the WCDOA.
  • The group had obtained a tractor, irrigation equipment and inputs to prepare 20 ha of vegetables. The group was producing pumpkin, butternut, cauliflower, broccoli, and beans.
Leasehold/permission on Act 9
TRANCRAA land

- At Suurbraak in 2012 an estimated 40 previously disadvantaged individuals farmed on a total area of 2755 hectares, of which 2145 hectares are arable land.
  - Most of these individuals had access to between five hectares and 35 hectares of land, paying a minimal rental amount to the municipality to farm here.
- Suurbraak Grain Farmers Co-op (SGFC) work with a model which combines individual enterprises with co-operative sharing of overhead costs and joint marketing
  - Reserves are built up over a six year period.
  - All equipment is owned by the co-op.
  - Each member is to pay 10% of their grain income to the cooperative for maintenance and upkeep of equipment.
  - Should a member wish to use the equipment for purposes other than grain farming, the member is to pay a fee for the use of equipment.
  - 20% of individual grain income is retained to be paid as a salary.
  - There is an annual audit of the co-op books and business performance.
Workers’ Trust on PLAS land in JV with former owner

- Bellevieview is a 350 ha farm growing apples and pears.
- In 2013 the owners of Belleview Farm were in the process of negotiating the sale of a portion of the property to a Workers Trust representing 13 permanent workers.
- The property was to be purchased by DRDLR as PLAS land to be leased on to the workers.
- The seller had undertaken to continue to act as a partner for five years. The Workers Trust was to hold 55% of the shares in the joint venture entity while 45% were to be retained by the seller as partner.
Leasehold on other state land

- The Riviersonderend Small Farmers (RSF) leased a property from the Department of Public Works and received a grant from the National Development Agency for an ostrich project, but many of the ostriches died and the project failed.
  - However RSF have managed to retain access to the land for which Public Works will only issue an annual lease which is a nominal R500/annum.
  - While the lease is affordable the limited lease period has excluded small producers from accessing WCDOA support.
- Zola Organics started in 2003 on 800 sq. metres of land leased from the municipality in Zwelihle, Hermanus which also assisted with provision of water and fencing.
  - The group of six – five women and one man grew a wide range of vegetables which they supplied to Pick ‘n Pay. In 2007 the group won the Western Cape Farmer of the Year Competition and collected prize-money worth R50, 000.
  - The receipt of the award and a cash prize had the unintended consequence of creating a dispute within the group, reportedly over how to make use of the prize-money.
  - This dispute appears to have rendered the group inoperable and the municipality has since withdrawn its support for the project, turned off the water and electricity and has reportedly rezoned the garden area for housing despite significant investment by the WCDOA into the facility.
Challenges

• Available evidence confirms that group based production in land reform has faced many challenges and projects have experienced a high rate of failure.

• The problems experienced by many group based enterprises often stem from a failure to closely profile and understand the livelihood strategies, skills and expectations of group members and to build from these.
Support systems

• Support systems are required including:
  • land rights management and tenure arrangements which specify rights and obligations;
  • sustainable land use and production options;
  • skills and systems for working in groups;
  • production and marketing management;
  • organisational and institutional development skills for the running of the organisation;
  • financial management and information systems for group enterprises;
  • clarifying obligations and responsibilities of land holding and business entities – CPAs, Trusts, Companies including roles of Trustees and Directors;
  • conflict risk management and dispute resolution.
## SWOT analysis: Informal occupation

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<tr>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Opportunities</th>
<th>Threats</th>
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</thead>
<tbody>
<tr>
<td>Informal agricultural production makes an important contribution to the livelihoods and food security of poor urban households. A self-organised and initiated group.</td>
<td>Informal production and occupation of state land precludes structured state support.</td>
<td>Regularising rights could provide a basis for providing support. Commissioning research to better understand the informal agricultural economy in the metro and small towns.</td>
<td>Conflicts with the state and neighbouring communities over land use and occupation. Animal and public health risks. High levels of stock theft.</td>
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## SWOT analysis: Commonage

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<tr>
<td>Commonage is a key land asset which provides</td>
<td>Commonage not prioritised within DRDLR programme which until recently was</td>
<td>Commonage provides land access to the poor.</td>
<td>A focus on priority nodal rural development areas attention from non-nodal</td>
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<tr>
<td>opportunities for people involved in agriculture in urban areas and rural towns. Commonage contributes to livelihoods diversification and poverty reduction.</td>
<td>focused on ownership and not access to land. Commonages are a low priority for most municipalities. Many municipalities regard commonages as an unfunded mandate. Very limited practical support from DRDLR for commonage management. Limited support from WCDOA because of the often restricted length of the leases. Low management capacity, low payment rates for leases and grazing fees. Affordability of maintenance of land infrastructure.</td>
<td>Commonage potentially provides for a range of land uses. Opportunity to expand municipal commonage land holdings through commonage grant. Opportunities for partnerships with NGOs and CSOs to assist with commonage management and user organisation. Locating commonage as part of LED strategies which encourage local organisation and individual or small self-selecting group production. Commonage can provide a stepping stone to identify larger producers eligible for land through the PLAS programme.</td>
<td>areas. Poor management results in open access commonages. Making group projects and the registration of co-operatives a prerequisite for state support carries a high risk of failure.</td>
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## SWOT analysis: Act 9 TRANCRAA

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<td>Rights holders are settled in the area and some have access to productive land</td>
<td>TRANCRAA process very slow. Uncertainties and contestation over land rights allocations. Limited focus on tenure arrangements in the CPAs that are established to take over the land.</td>
<td>There is an opportunity for an evaluation of the various development interventions which have been made in the Act 9 Rural Areas to identify lessons learnt and shape future strategy. The impending settlement of the Ebenhaeser Restitution claim which also involves TRANCRAA land presents an important opportunity to get things right from the outset.</td>
<td>Increasing social and economic differentiation within Act 9 Areas creates social conflict which undermines development potential.</td>
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Overall analysis of success and failure

- The majority of group based projects on government owned land are a consequence of lack of choice in programme design which has channelled most people into large and small group production systems with an externally determined business model.
- Such projects have met with a high rate of failure as they seldom provide what people need and want.
- Problems identified by previous studies remain largely unaddressed. Back in 2006 the most significant constraints undermining the success of redistribution were identified as:
  - The lack of cash to operate the business and capital for development which accounted for 45% of the perceived constraints.
  - A lack of human capacity – technical, managerial and administrative skills.
  - ‘Government inefficiencies’, mainly the lack of timeous delivery of land, services and support.
- There were also important critiques made of the business planning paradigm which was said to be geared to secure grant approval and which seldom produced useable and practical plans.
Overall analysis of success and failure

• Currently the most successful group production projects on state owned land are either on well supported commonage schemes such as the Prince Albert Commonage or in Act 9 areas.

• Group based production in these instances has succeeded because it is based on self-selecting groups with a relatively strong social basis for co-operation.

• Strong support via contract farming or commodity support agencies also an important factor.
International examples

• Co-operative/group production enterprises have had ups and downs
  • Historically co-operative and other forms of collective effort were frequently promoted by the state.
  • Most large collective farm units established in China, Viet Nam and in the Eastern bloc reverted to cultivation in small units by individual families, albeit on a more equitable basis than before
  • Until recently was commonly regarded as a discredited model
• However co-operatives are experiencing an international resurgence
  • This follows in the wake of global crisis of capitalism and increased awareness of ecological limits
  • The UN declared 2012 International Year of Co-operatives
  • The potential of co-operatives to promote economic and social development for low income people is back on development agendas (United Nations, 2009; DFID, 2010) and has also been focus of study by McKinsey and Company (2012)
  • Co-ops are the focus of the policy arena in the latest edition of the Journal of International Development (July 2014) where it is reported that
    • In the BRIC countries (particularly Brazil, India and China), co-operatives play an important role in agriculture with co-operatives accounting for almost 40% of the Brazilian agricultural GDP.
    • In Brazil co-operatives as an important feature of the social and solidarity economy with an agroecological and food sovereignty focus.
Key lessons

- It is widely acknowledged that the quality of support for land reform beneficiaries (individuals and groups) is very weak and insufficiently customised to meet local needs.
- Support is also narrowly conceptualised as being technical in nature.
- There is an almost complete absence of social and institutional support for people working and producing in groups, co-ops or commercial entities.
- Group based production is complex and requires diversified support including:
  - Group contractual agreements specifying entry and exit criteria, individual rights, responsibilities and entitlements including rights in land, financial and labour commitments, benefit sharing arrangements, dispute resolution processes and the like.
  - Practical systems and procedures to strengthen group based institutions, their operating procedures and their financial and business management systems.
  - Frameworks for participatory monitoring to identify and manage risk and enable early identification of problems.
Key lessons

• Government has commissioned various studies, plans and strategies to improve support for land reform and smallholder production which have made detailed recommendations.

• Despite inclusive and exhaustive processes these strategies have often not been piloted or implemented.

• This can lead to stakeholder fatigue and disillusion which undermines willingness to co-operate in future.
Interface with current government programmes

• In the land sector intergovernmental relations appear to have progressively declined in recent years:
  • Municipal level structures such as the District Assessment Committees have been dismantled by DRDLR and it is only recently that these are being revived.
  • As a result land reform and DOA smallholder support still does not feature prominently in most municipal IDPs.
  • Area based planning was introduced by DRDLR and then dropped. This was supposed to result in a dedicated chapter within the IDP that highlighted the contributions of different departments and support provided by the private sector and land sector NGOs.
  • The piecemeal planning and weak relationships between provincial and national government departments and district and local municipalities presents fundamental challenges to attainment of the goals of land and agrarian reform.
Livelihood benefits

- A rise of informal settlements in many rural towns which accommodate increasing numbers of displaced farm workers and in-migrants who are seasonal workers.
- In this setting well designed and supported commonage projects appear to offer real livelihood benefits to poor households.
- This requires a dedicated focus on the land, food security and livelihood needs of the poor in small rural towns and the identification of appropriate support mechanisms in agreed priority areas which include partnerships with local civil society organisations and farmers associations.
Contribution to government objectives

• If government is to successfully address its objectives as set out in the 2014 – 2019 MSTF it will need to develop guidelines and approaches which carefully engage with local social, institutional, environmental and economic realities across diverse contextual settings.

• This diversity suggests that government should abandon rigid models which have not met with success to date and opt for more flexible and adaptive approaches which recognise producers at different scales and the particular opportunities and constraints in space and place.
Resources to be put in place

• Group based production models should be approached very cautiously. While there is a place for them in certain circumstances there are numerous critical success factors identified above which must be met if they are to succeed.

• Irrespective of which models are supported there will need to be:
  • A reinvigorated and structured dialogue between government and non-government stakeholders (WCDOA, DRDLR, DWA, Local Municipalities, Agrimega, CASIDRA and Hortgro, organised agriculture local producer organisations and NGOs to better align and co-ordinate programmes in support of land reform, rural development and smallholder development.
  • Agreement on indicators of success and failure combined with a data collection, curation, sharing and management plan to enable the most accurate and up-to-date information on smallholder producers in different categories and settings to be available to state and civil society actors.
Resources to be put in place

- A baseline survey/census of smallholder producers involved in informal and formal agricultural production as a basis for planning future support strategies and identification of priority support areas.
- Investment in the development of municipal scale smallholder support policies, systems for commonage management and urban agricultural support as part of municipal LED strategies with WCDOA and DRDLR backing.
- Applied research to better understand informal agricultural production and markets as part of local livelihood strategies in priority districts.
- Backing for the development of local, district and provincial organisation of smallholder producers.
- Budgets for networking, exchange visits and farmer to farmer extension between smallholder producers.
- A rigorous assessment of the economics of small scale production to enable small producers to track costs and returns and identify the factors impacting on enterprise profitability.
- Better use of digital information technology to keep in touch with and provide information to small holder producers through bulk SMS, messaging software and low cost social media communication platforms.
- Investment in the institutional development of group or co-operative schemes including group contractual agreements, tenure arrangements and mediation/dispute resolution capabilities.
Obstacles to be removed

- The principle obstacle at present is a rigid and inflexible approach to land reform which focuses on the transfer of land in isolation from key contextual factors and needs of local people.
- This is exacerbated by a compartmentalised approach to land reform where the DRDLR and DOA do not jointly identify and work with groups and individuals to see how they want to farm and support the development of appropriate tenure arrangements, enterprise and livelihood options at different scales.
- Area based planning can help to clarify these diverse contexts and identify land needs in space.
- Meeting the needs of the majority of those who have a need for a small parcel of land will require a review of issues relating to subdivision and a revitalisation of commonage schemes across the province together with their extension.
- Where group based production models are desired and necessary these require more holistic support which deals with social, economic, institutional and technical dimensions of the enterprise.
Conclusion

• The Land Reform Summit proposes to deal with comparative models which will be piloted in the province.

• It is Phuhlisani’s submission based on our extensive work in the land reform sector that we should be cautious about promoting particular models and work rather with an objectives oriented approach which emphasises hybridity and flexibility based on the demands and needs embedded in particular spatial and social settings.
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