

**Successful integration of upcoming farmers in the  
commercial farming sector:  
A focus on the Western Cape**

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of the requirements for the degree of  
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**Degree of confidentiality: A**

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## **Declaration**

I, Jacobus Ernst Nel, declare that the entire body of work contained in this research assignment is my own, original work; that I am the sole author thereof (save to the extent explicitly otherwise stated), that reproduction and publication thereof by Stellenbosch University will not infringe any third party rights and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

J.E. Nel

24 January 2015

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## **Abstract**

In South Africa, land reform and the development of upcoming farmers are part of the country's transformation objectives. The development of upcoming farmers into commercial farmers therefore requires the growth of sustainable agri-businesses. Unfortunately, limited success has been achieved in terms of land reform and the country is far from its set targets.

This study examined the factors that gave current successful, upcoming commercial farmers the advantage to grow their businesses up to a certain level. Data was collected through interviews with farmers, mentors, transformation managers and governing bodies such as Agri-West Cape. Interviews on the farms gave the researcher the opportunity to observe underlying factors that can influence their businesses. The objective of the study was to determine the critical success factors that relate to the success of upcoming commercial farmers in the Western Cape.

The results identified a number of success factors, some of which were unexpected and in contrast with some of the literature sources.

All the cases covered in this study – i.e. successful, upcoming commercial farmers in the Western Cape – used different business models and emphasised the importance of proper management. They also used their detailed business plans as a handbook for successful farming, and acknowledged the important role of mentors. Only a mentor-farmer relationship based on trust and respect worked in the end. The mentors took on coaching roles that were not limited to farming activities but included an equally important people development component. A sustainable market was identified as one of the critical success factors for successful upcoming commercial farmers.

One of the biggest hurdles for upcoming farmers was financial management. Hence, they required dedicated financial management to be sustainable.

One of the main outcomes of the study was the importance of the personal profile of the farmers and their understanding of the opportunity. Focusing on short-term financial gains resulted in failure. All the farmers in the case studies displayed a deep understanding of the long-term goal of their businesses and their role in that.

Transformation, land reform and building an equal society in South Africa are burning points for the nation. The success of upcoming farmers helps to build confidence that the hard work is paying off.

### **Key words:**

fresh fruit production, irrigation, land reform, South Africa, upcoming farmers, Western Cape

## Table of contents

<b>Declaration</b>	<b>ii</b>
<b>Acknowledgements</b>	<b>iii</b>
<b>Abstract</b>	<b>iv</b>
<b>Table of contents</b>	<b>v</b>
<b>List of figures</b>	<b>viii</b>
<b>List of acronyms and abbreviations</b>	<b>ix</b>
<b>CHAPTER 1 INTRODUCTION</b>	<b>1</b>
1.1 INTRODUCTION	1
1.2 BACKGROUND	1
1.2.1 Agriculture in South Africa	1
1.2.2 Agriculture in the Western Cape	3
1.2.3 Irrigation farmers in the Western Cape	4
1.2.4 Research projects	5
1.3 RESEARCH PROBLEM	6
1.4 RESEARCH QUESTION	6
1.5 AIM OF THE STUDY	7
1.6 RESEARCH METHODOLOGY	7
1.7 CHAPTER OUTLINE	7
<b>CHAPTER 2 LITERATURE REVIEW</b>	<b>9</b>
2.1 INTRODUCTION	9
2.2 CONTEXT IN THE BIGGER PICTURE	9
2.2.1 Food security	9
2.2.2 Climate change	10
2.2.3 Employment opportunities	11
2.3 UPCOMING COMMERCIAL FARMERS IN SOUTH AFRICA	15
2.3.1 Defining upcoming commercial farmers	15
2.3.2 Demographics and history	15
2.3.3 Geographical spread	16
2.3.4 Stigma	17
2.4 FINANCING	17
2.4.1 Agricultural financing for upcoming farmers	17
2.4.2 Commercial finance	18
2.4.3 Rural financing	18
2.5 TECHNICAL KNOWLEDGE	19
2.5.1 The importance of technical knowledge	19
2.5.2 Primary production	20
2.5.3 Planning	20

2.5.4	Technology and the changing environment	22
2.6	QUALITY AND QUANTITIES OF PRODUCE	22
2.6.1	Type of produce	22
2.6.2	Primary markets	23
2.7	CONTRACT FARMING	24
2.8	UPCOMING FARMER AS A SMALL BUSINESS OWNER	24
2.8.1	Comparison	24
2.8.2	Integration of similarities	25
2.8.3	Mindset of the small business owner	25
2.9	FROM LITERATURE TO DISCUSSION FRAMEWORK	26
2.9.1	Farmer background	26
2.9.2	Farm information	27
2.9.3	Market information	27
2.9.4	Sponsor information	28
2.9.5	Technical support and extension services	28
2.9.6	Financial support	28
2.10	SUMMARY	29
	<b>CHAPTER 3 CASE PROJECTS IN CONTEXT</b>	<b>31</b>
3.1	INTRODUCTION	31
3.2	BACKGROUND AND PARTICULARS OF THE STUDY SAMPLE	31
3.3	SUMMARY	32
	<b>CHAPTER 4 RESEARCH METHODOLOGY</b>	<b>34</b>
4.1	INTRODUCTION	34
4.2	SELECTING RESEARCH CANDIDATES	34
4.3	DATA COLLECTION	35
4.4	DATA ANALYSIS	36
4.5	SUMMARY	36
	<b>CHAPTER 5 FINDINGS</b>	<b>37</b>
5.1	INTRODUCTION	37
5.2	PROFILES OF THE RESPONDENTS	37
5.2.1	Project A	37
5.2.1.1	The farmer	37
5.2.1.2	The mentor	37
5.2.1.3	The farm	38
5.2.1.4	The business	38
5.2.1.5	The market	39
5.2.1.6	The support	39
5.2.2	Project B	40
5.2.2.1	The farmers	40

5.2.2.2	The mentor	40
5.2.2.3	The farm	41
5.2.2.4	The business	41
5.2.2.5	The market	42
5.2.2.6	The support	42
5.2.3	Project C	43
5.2.3.1	The farmers	43
5.2.3.2	The mentor	43
5.2.3.3	The farm	43
5.2.3.4	The business	43
5.2.3.5	The market	44
5.2.3.6	The support	44
5.2.4	Project D	45
5.2.4.1	The farmers	45
5.2.4.2	The mentor	46
5.2.4.3	The farm	46
5.2.4.4	The business	46
5.2.4.5	The market	48
5.2.4.6	The support	48
5.3	MAIN FINDINGS	48
5.3.1	Farm ownership	48
5.3.2	Profile of the farmer	49
5.3.3	The business	49
5.3.4	Market creation	50
5.3.5	Financial management	50
5.3.6	Support to the farmers	51
5.4	SUMMARY	52
<b>CHAPTER 6 SUMMARY, CONCLUSION AND RECOMMENDATIONS</b>		<b>53</b>
6.1	INTRODUCTION	53
6.2	SUMMARY OF MAIN FINDINGS	53
6.3	POLICY IMPLICATIONS	54
6.3.1	Screening of land reform candidates	54
6.3.2	Government support	55
6.4	PRIORITIES AND RECOMMENDATIONS GOING FORWARD	55
6.5	RECOMMENDATIONS FOR FURTHER RESEARCH	55
<b>REFERENCES</b>		<b>56</b>
<b>APPENDIX A: DISCUSSION FRAMEWORK</b>		<b>59</b>
<b>APPENDIX B: INTERVIEWS</b>		<b>61</b>

## List of figures

Figure 1.1: Topography of the Western Cape	5
Figure 2.1: Summary of South African employment targets	11
Figure 2.2: Agricultural growth and employment potential	13
Figure 2.3: The employment creation potential of agriculture in South Africa	14
Figure 2.4: Conceptual representation of quality distribution and yield of typical upcoming farmers and commercial farmers for perishable crops	23
Figure 2.5: Model of learning: prerequisites of learning, learning behaviour and learning outcomes	26
Figure 3.1: Map of farming locations	32

## List of acronyms and abbreviations

ARC	Agricultural Research Council of South Africa
CASP	Comprehensive Agricultural Support Programme
CDE	Centre for Development and Enterprise
DAFF	Department of Agriculture, Forestry and Fisheries
DWA	Department of Water Affairs
FNB	First National Bank
GDP	gross domestic product
IDC	Industrial Development Corporation
km	kilometre
LRAD	Land Redistribution and Agricultural Development programme
MBA	Master of Business Administration
NDP	National Development Plan 2030
SME	small business entity
SSA	sub-Saharan Africa
USB	University of Stellenbosch Business School
USB-DESC	USB Departmental Ethics Screening Committee

# CHAPTER 1

## INTRODUCTION

### 1.1 INTRODUCTION

The proposed research explored the factors that relate to successful integration of upcoming commercial farmers into the formal agriculture sector. In South Africa, land reform is a challenging subject. History shows that commercial farmland producing good yields can become land with no production by managing it in the wrong way (Bernstein, McCarthy & Dagut, 2005: 12). The success of the transformation process and the farmers depends on various factors, including the land reform projects, regions and farms. The aim of the study is to produce a summary of success factors that can inform future land reform projects in order to increase the success rate of these projects.

This study focuses on irrigation farmers in the Western Cape. The farmers in the study do not represent the whole of South Africa's upcoming farmer community, but they show success and they have made progress. They were therefore used as the base of this case study to provide a potential source of valuable lessons on successful upcoming farmers in the Western Cape.

### 1.2 BACKGROUND

#### 1.2.1 Agriculture in South Africa

Since 1994, agriculture in South Africa has changed significantly. A sizable group of people in the country lived from and came from the agriculture industry, and the industry supported many families even though families depended on different income sources (Centre for Development and Enterprise, 2005: 15). Most of these families are part of rural communities. The lack of support from the agricultural sector forced people to find basic living needs elsewhere (Boonzaaier, 2009: 1). The land reform report compiled by Centre for Development and Enterprise (2005) further explained that opportunities and jobs in urban areas drew people from rural areas; hence, they estimated that 70% of South Africans were living in urban areas. In 1971, the agricultural sector employed 1.8 million people. This number dropped to 1.3 million in 1995 and declined to a small figure of 600 000 people today (National Planning Commission, 2013).

Further to this, the number of commercial farmers declined from 100 000 to 36 000 in a timeframe of 13 years (Ramphela, 2013). This changed the face of commercial farming in South Africa. Farming units are getting bigger and are no longer single-handed operations. The establishment of farming corporations is becoming a common phenomenon. The current Land Act (No 6 of 2012) and associated land reform plan hold risks for property owners. Commercial farmers diversify risk by becoming part of farming corporations rather than managing smaller units (Hall, 2008: 123).

Ayinke (2011) stated that the agricultural industry is highly competitive due to the open market system and the availability of low-quality imported products. The way in which farmers reacted to economic and changing environmental factors impacted their success. The change in competitiveness and productiveness in the agriculture industry is one of the main concerns for upcoming farmers' programmes (World Bank, 2008: 14; Cited by Ayinke, 2011, 16).

The National Development Plan for 2030 (National Planning Commission, 2013) proposed that agriculture in South Africa should expand by 500 000 hectares of irrigated land and the reform of underutilised land. Upcoming farmers are part of the achievement of the plan. Land reform is also an integrated part of the plan to improve the lives of people in rural areas. Farming is often the main source of income for people in rural areas even though it might only provide for the immediate family.

In 2009, a target for the establishment of 50 000 new smallholder farmers was set for 2014. By 2013, only 11 000 had been established (Zuma, 2013). This gives a success rate of only 22% compared to the plan. Therefore, land reform is often referred to as unsuccessful. Effort towards the establishment of new farmers on commercial farmland is regarded as wasted money and resources (De Klerk, Fraser & Fullerton, 2013: 7). All this contribute to the question of food security and the future of farming in South Africa.

The national government makes land and funds available to upcoming farmers (Kariuki 2004: 27). The responsibility of support on ground level and the distribution of funds lie with the local government (Opperman, 2014). Some of the land that becomes available is existing commercial farms bought out by the state as part of the land reform programme. The land reform model changed a number of times over the last 20 years of democracy (Kariuki 2004: 27).

The transfer of existing commercial farmland to upcoming farmers is not likely to create any additional contribution to food security or GDP. On the other hand, establishing new farmers who convert unproductive farmland into yielding farmland makes a direct contribution.

The success of small-scale farmers varies between no success on the one hand and upcoming farmers who became leading commercial farmers on the other hand (Centre for Development and Enterprise, 2012: 5). The land reform report by the Centre for Development and Enterprise (2005) stated that, within this wide band, many farmers do not reach their full potential. Some lack resources and help while others cannot utilise the available help to be successful. Also, the system is exploited with people receiving grants for personal enrichment. The success of upcoming farmers depends on a combination of various factors.

At the four-day Cape Town Land Divide Conference in 2013, 100 years since the 1913 Natives Land Act was passed, Dr Mamphela Ramphele recognised that commercial farmers should form the support system for upcoming and small farmers by nurturing them (News24, 2014). If there is not a continuous handover of agricultural land to capable farmers, the agriculture industry in South

Africa might see negative changes in the not too distant future. This relates to agricultural sustainability and food security.

### **1.2.2 Agriculture in the Western Cape**

The Western Cape makes a significant contribution to agriculture in South Africa. The province employs the highest number of permanent and casual workers in the country (Stats SA, 2007). The reason for this is predominantly the type of crops and type of farming in the province. The crops produced include deciduous fruit, vegetables, wheat, maize, potatoes and pasture. The farming types include livestock, sowing and planting, orchards and vineyards (Moseley, 2006: 2).

The fruit industry is a big contributor to seasonal and permanent employment in the country. The type of farming is intensive farming on smaller pieces of land. A well-developed infrastructure and years of history and knowledge support the farmers and related agro-industries. The Western Cape employs 22.5% (211,808 of 940,815 in 2006) of permanent farm workers in South Africa (Moseley, 2006: 2).

The census of commercial agriculture (2007) summarised the statistics of crop production, financial expenditure and employment figures for the different provinces. Here are some of the statistics for the Western Cape (Statistics South Africa, 2007: 3):

- Recorded the highest income generation from horticulture
- Employs the highest number casual and permanent workers
- Comprises of 6 682 farming units
- Has the highest farming debt in the country
- Has the highest value of assets in the country
- Recorded the highest capital expenditure
- Incurred the highest value of losses during the reference period
- It is the leading province with animal and animal product sales.

From this data, it is clear that the Western Cape holds high potential for farming, but it comes with risk. The province is the best-developed of the provinces and it creates the highest number of employment opportunities.

Farming in the Western Cape holds great risk. Therefore, strong leadership and knowledge are required to be successful, especially from the perspective of upcoming farmers. The capital and input costs are often more than what the average upcoming farmer can afford (Centre for Development and Enterprise, 2008: 15).

In South Africa, each province follows a different approach to support upcoming farmers. The local government works with farming organisations to support the farmers with technical know-how and day-to-day activities. In the Western Cape, Agri West Cape works with the local government to achieve land reform goals (Opperman, 2014). Through the implementation of structured

development plans and the help of commercial farmers, the province delivers many successful upcoming farming projects.

### **1.2.3 Irrigation farmers in the Western Cape**

The cold Atlantic Ocean on the western side and the warm Indian Ocean on the south and eastern sides of the Western Cape influence the climate of the province. The result of these two opposing weather systems is a varying climate and unique micro and macroclimate systems. Most of the province has a Mediterranean climate with cool, wet winters and warm, dry summers (Moseley, 2006: 2). The south coast, which includes the Garden Route and Overberg areas, has a maritime climate with cool, moist winters and mild, moist summers. The Karoo is a semi-arid area. The winters here are cold and frost often occurs, but both winter and summer has low rainfall (Wikipedia, 2014).

All intensive commercial farming operations in the Western Cape employ irrigation, because of the warm, dry summers (Moseley, 2006: 2). Irrigation therefore plays a significant role in agriculture in the Western Cape. The farmers in this study are located in the Mediterranean climate zone. Irrigation in summer time is important for crop production. The crops produced are mainly permanent crops such as fruit in orchards. Therefore, most of these farmers have an annual income base. There are also pastures and cash crops such as vegetables.

The water source for irrigation is mainly bulk water from dams that fill up during wintertime. Most of the distribution of water in the Western Cape is through closely monitored and regulated irrigation schemes. Some farmers are reliant on ground water from wells. The Department of Water Affairs (DWA) monitors the consumption of water through irrigation boards in the main crop-producing areas (Western Cape Government, 2005: 40). The success of irrigation in the Western Cape depends on planning and knowledge of the soil and the crops that farmers grow. For many farmers the available resources are not abundant but rather scarce (Western Cape Government, 2005: 51).

The topography of the Western Cape, with mountains that divide the inland area from the coastal area, form water catchment areas. Farming that includes the irrigation of crops is concentrated around the water supply systems and rivers. Figure 1.1 shows the general topography of the Western Cape indicating the main rivers.

To irrigate crops involves running costs for water and electricity. This contributes to the cost of crop production and it is one factor to take into consideration when planning for the season.



**Figure 1.1: Topography of the Western Cape**

Source: Wikipedia, 2014.

#### 1.2.4 Research projects

Project managers and governing bodies that are active in the Western Cape assisted the researcher to identify successful land reform projects for this study. The farmers who formed part of this study have shown continuous development as farmers in terms of product quality and output. They expanded their businesses gradually and are self-sustaining. They produce for the commercial markets and sell to make profits. Their land reform projects stand out among counterparts in terms of their success and the rate of development. Their progress and development attract opportunities to develop through grant schemes and institutional help from suppliers and service providers. Compared to counterparts who started out with the same opportunities, they are rather successful.

All the land reform projects that form part of the study are irrigation farmers within a 200 km radius of Cape Town. Most of the farmers produce fresh fruit for the domestic and export markets. Some produce vegetables and most of the farmers have livestock on their farms.

### 1.3 RESEARCH PROBLEM

South Africa needs successful upcoming farmers to be able to transform agricultural land and to ensure food security (National Planning Commission, 2013: 219-230). Over the 20 years of transformation in South Africa, the success rate has not been high enough. However, through the effective application of funds and resources, this can become possible (De Klerk *et al.*, 2013: 11). Different agricultural models delivered a range of results in the past. We have learned that poor application of funds and knowledge leads to a waste of resources and failure (Moseley, 2006: 5).

Support to upcoming farmers is often technical and inconsistent. The Department of Agriculture, Forestry and Fisheries (DAFF) launched a support programme for upcoming farmers through extension services (agricultural advisory services). The DAFF reported that the people providing the services were not adequately equipped to provide the services. Inexperienced upcoming farmers require intensive support, up to five days a week (Auerbach, 2012).

Upcoming farmers often require not only hard skills such as planting and harvesting knowledge, but also soft skills such as marketing and planning know-how (Moseley, 2006: 5). The soft skills could easily form the divide between a small-scale operation and a commercial market venture. In order to compete with commercial farmers who have access to years of historic knowledge, these soft skills are crucial.

South Africa has set specific goals in terms of development. In order to achieve these goals it is important that upcoming farmers become successful. Upcoming farmers can contribute positively to GDP and food security (National Planning Commission, 2013: 89). If they are not successful, it leads to a waste of valuable land and resources. This underlines the importance of a model that upcoming farmers can implement to be successful in their business.

The development of upcoming farmers has similarities with small business development and the development of SMEs in South Africa. An upcoming farmer is a small business. The success factors, barriers and challenges may be similar to those of other small businesses.

The projects that form part of this study have shown significant progress in operating their businesses. Despite all the barriers in the industry and the challenges associated with starting a new farming business, they have grown in capacity, output, quality of produce, and the number of employed people. This is an important measure for the development of SMEs in South Africa (Fatoki, 2014: 270).

### 1.4 RESEARCH QUESTION

The research question posed in this study is: What are the key success factors for upcoming farmers in their transition to become commercial farmers? The outcome of this question will help to develop a practical operational guideline for upcoming irrigation farmers. The guideline must

include common mistakes and necessary growth points that could help farmers to grow, and to become independent and profitable.

Sub-questions included the practical elements that made a difference for the upcoming farmers in the transition to commercial farming. These included:

- How do they overcome cash flow problems?
- How do they penetrate the market?
- How do they set goals and create a growth plan for their businesses?
- When and how do they expand?
- How dependent are they and what is the impact of professional services on their businesses?
- What support structures do they require at different stages?

## **1.5 AIM OF THE STUDY**

This study comprises the investigation of the success factors that contributed to the success that some of the upcoming farmers in the Western Cape have achieved. Documenting these success factors should serve as an information document to guide upcoming farmers towards becoming commercial farmers. South Africa has seen many failures with land reform and the attempt to transform the agricultural sector (Centre for Development and Enterprise, 2005: 12). It is important to start learning more from success stories.

## **1.6 RESEARCH METHODOLOGY**

This study was mainly qualitative and involved a case study of successful upcoming irrigation farmers in the Western Cape. Discussions and interviews with participants were the main form of data collection.

The interviews took place in the farmers' environment to make the participants feel comfortable. Mentors and project overseers were present where possible. One of the advantages of interviews on the farms was the collection of other data on the farm. This included observations such as neatness, the state of equipment and permanent fixtures, the attitude of farm workers and contractors, and general impressions.

Confidentiality was very important in the study. Participants were not obliged to take part in the study; participation was voluntary and participants could withdraw at any point in time without any penalties.

## **1.7 CHAPTER OUTLINE**

This is a brief summary of the chapters in the research report, excluding sub-headings.

Chapter 2 provides a literature review.

Chapter 3 is a description of the case projects to put them in context.

Chapter 4 outlines the research methodology used in the study.

Chapter 5 discusses the findings from the research conducted.

Chapter 6 summarises the findings, provides a conclusion and states the limitations of the study.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 INTRODUCTION

Agriculture in South Africa contributes only 0.6% of the global food sales (National Planning Commission, 2013: 144). The National Planning Commission (2013) further stated that agriculture is one of the most labour-intensive sectors in the country, with substantial employment linkages in terms of the packaging, warehousing and processing of food.

The development of upcoming farmers in South Africa is important to the development of rural communities towards becoming part of the economy (National Planning Commission, 2013: 218). Uplifting rural communities includes the provision of basic living needs and access to services. The role that upcoming farmers can play in this process cannot be underestimated.

This literature review explored land reform, upcoming farmers and small business entities (SMEs). The latter is important, as there are similarities between farming and running a business (Boonzaaier, 2009: 23).

The literature review investigated the range of factors that influence upcoming commercial farmers. It also included the background and history of upcoming farmers in South Africa. This review further compared the challenges of upcoming farmers with those of small businesses. The skills required by an upcoming farmer and the support services rendered to the farmers play a significant role in their success (Ayinke, 2011: 12).

Ayinke (2011) explained that there are other critical success factors such as financing and access to markets. The exploration of the opportunities and limitations in this regard led to information on the critical success factors for upcoming farmers.

#### 2.2 CONTEXT IN THE BIGGER PICTURE

##### 2.2.1 Food security

The definition of food security according to the National Planning Commission (2013) is access to sufficient, nutritious and safe food by everyone, at all times. People must therefore have access to food that is available for consumption. Food security is one of the objectives shared worldwide by different organisations and governments. Organisations such as the Alliance for Green Revolution in Africa recognise the role that small farmers play in the goal to achieve food security (National Planning Commission, 2013: 89). The National Planning Commission (2013) explained that small farmers include many women and that they produce the majority of Africa's food with minimal resources and very little support. The development of small farmers is not only important for the South African economy and the transformation of agricultural land, but also for food security within Africa. Rural areas hold great potential and the development thereof can make a significant

difference in the empowerment of farm workers and in enhancing the lifestyles of people in rural communities (National Planning Commission, 2013: 219).

According to the National Planning Commission (2013: 230), South Africa has been food secure for a number of years. The goal in terms of food security has therefore shifted towards maintaining a positive trade balance for agricultural products. These include processed and primary products and are no longer only enough staple foods at all costs.

A complete changeover to subsistence and small farming will put pressure on the sustainability of value chains in the agricultural market (Boonzaaier, 2009: iii). Economies of scale are often one of the determining factors in the sustainability of supply chains and service agreements.

### **2.2.2 Climate change**

Climate change does not only effect agriculture, natural resources and the future of agri-businesses, but also corporate organisations (Ngwakwe, 2014: 337). Ngwakwe (2014) explained that the exposure of corporate companies to climate change impacts their reputation, sustainability and ability to do business. Complying with climate change rules, regulations and environmentally friendly trends becomes a prerequisite for companies that do business worldwide. This holds many risks and opportunities (Ngwakwe, 2014: 337).

Scientists consider South Africa and Africa as vulnerable to climate change (Brown, Hammill & McLeman, 2007; Collier, Conway & Venables, 2008; Patz, Campbell-Lendrum, Holloway & Foley, 2005). Ngwake (2014) explained that the country's exposure to sun and dependency on natural resources to sustain life in arid and semi-arid areas are increasing, contributing to further vulnerability and change. As temperatures rise, rain patterns change and the distribution of rain varies, affecting crop yields and causing diseases. Most of the impact is negative. This is the link between climate change and food security. Most of the farmers in Africa are subsistence farmers who depend on natural rainfall for crop production. Rapidly changing climate and weather patterns affect the livelihood of the people who are dependent on the land. Rising temperatures are likely to escalate water scarcity and subsequently droughts (Oxfam, 2009; Cited by Ngwakwe, 2014: 338).

The responsibility to act against climate change and the sustainability of earth as we know it does not only lie with developed countries and big industrial role players (Ngwakwe, 2014: 342). It lies with each individual. Climate change will in all likelihood have the biggest impact on farmers and upcoming farmers. The management of change and continuous improvement of techniques and ways to keep on producing more food with the available resources becomes a challenge. One of the goals in the National Planning Commission (2013: 48) is to decrease the impact of climate change on people and the economy of South Africa. With the National Planning Commission (2013) goals of increasing irrigated land by 500 000 ha in mind, the management of climate change and natural resources will become increasingly important.

The National Planning Commission (2013) explained that, in general, rural and poor communities are more vulnerable in terms of climate change. Their understanding of what happens in nature and the impact humankind has on that is limited and yet they could make a significant difference in the change the world wants to see. Part of the responsibility of establishing a healthy farming community in South Africa is educating rural and poor communities on the impact of climate change and the possible outcomes for each individual. The government's stand on emissions and the limitation thereof can also affect trade relations with the rest of the world. The world can impose trade limitations based on carbon emissions. South Africa is ranked the 42nd largest carbon emitter per capita in the world (National Planning Commission, 2013: 198).

### 2.2.3 Employment opportunities

More employment opportunities are one of the key aspects of any developing country. Access to employment opportunities is the best way out of poverty in urban and rural areas (Centre for Development and Enterprise, 2005: 23).

In South Africa, the SME sector employs about 70% of formal employees (Department of National Treasury, 2011: 3; Cited by Carvalhal & Murillo, 2014: 331). This includes the small and upcoming farmer sector. The National Planning Commission (2013) set a target of reducing unemployment from 24.9% in June 2012 to 14% by 2020 and to 6% in 2030. Breaking this figure down gives a rise in the employment of adults in rural areas from 29% to 40%.

The employment targets for South Africa are summarised in Figure 2.1 below:

<b>EMPLOYMENT TARGETS (2010-2030)</b>				
<b>Millions</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2030</b>
Non-working age population	18	18.2	18.8	20.6
Working-age population (15-65)	32.4	35.1	36.5	38.8
Labour force participation rate, percentage	54%	57%	60%	65%
Labour force (million)	17.5	19.8	21.9	25.3
Age dependency, ratio	1.6	1.5	1.5	1.5
<b>Employment target</b>				
Unemployment rate, percentage	25%	20%	14%	6%
Employment (million)	13	15.8	18.9	23.8
Net new employment needed (million)	0	2.8	3	4.9
Dependency ratio	3.9	3.4	2.9	2.5

**Figure 2.1: Summary of South African employment targets**

Source: National Planning Commission, 2013: 118.

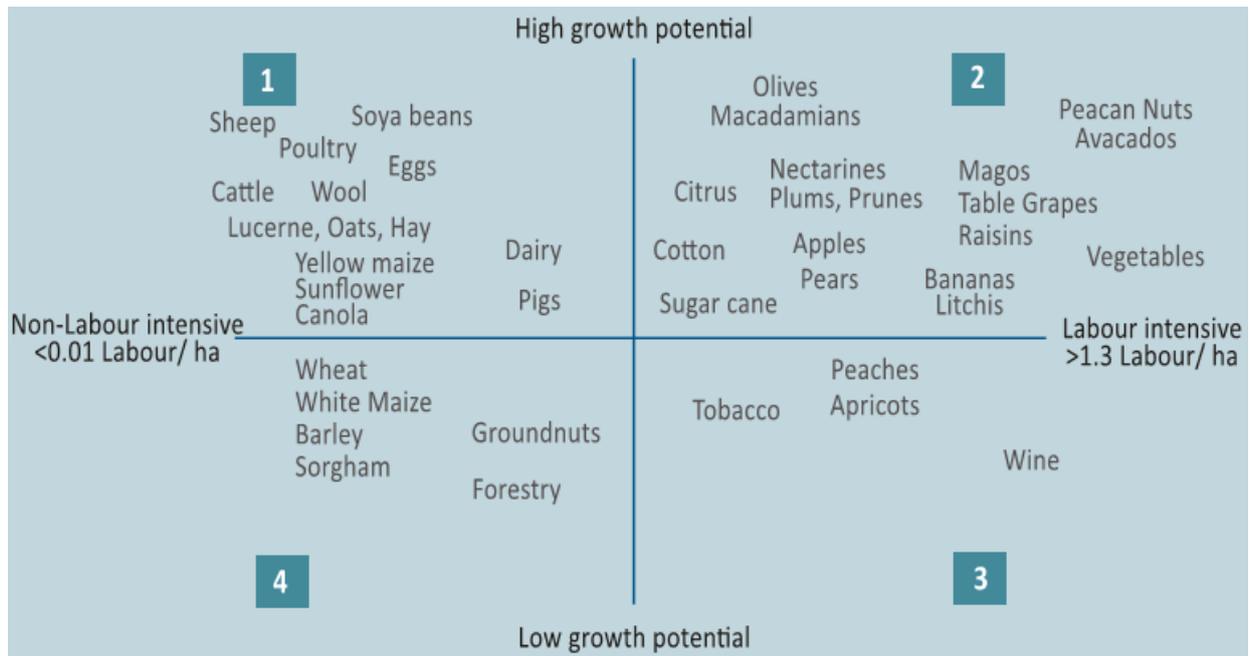
The current trend in commercial agriculture is to consolidate small units into large units or farming companies (Hall, 2008: 123). Boonzaaier (2009: 63) explained that this leads to industrialisation. According to the Earth and Environmental Science Department of the University of Adelaide in Australia, industrialisation in the agricultural sector is the consolidation of small farms into consolidated production units. These units increase economies of scale (Boonzaaier, 2009: 63).

Muchara, Letty, Obi, Masika, Ortmann, Wale and Mudhara (2014: 239) showed in a study on the role of capital assets in the success of smallholder farmers in South Africa that smallholder farmers receive less remuneration than commercial farmers do. Reasons for this can include the limited availability of employment opportunities in rural areas and the limited profitability of smallholder farming. However, employment opportunities in the agricultural market are not limited to farm work. The agricultural market holds some of the strongest backward and forward linkages for employment (DAFF, 2012: 5, Cited by Ayinke, 2011: 44). These linkages become multipliers.

The result of the consolidation of farms into large farming units and mechanisation is loss of employment opportunities in the sector. In 2011, the number of people employed in the commercial agricultural sector decreased by 5.1%. This is based on a number of 821 967 people employed in 2011, which included seasonal and permanent workers (Stats SA, 2011: iv).

The National Planning Commission (2013: 145) made a number of suggestions towards better employment rates in agriculture. If the number of hectares under irrigation could increase by 50%, there will be substantial job creation at a cost of approximately R40 billion of farm investment. This includes infrastructure such as dams, irrigation schemes, increased storage capacity and related infrastructure.

The agricultural industry in South Africa holds the potential to be a good job creator. Various initiatives can lead to the creation of jobs. Figure 2.2 below summarises the potential jobs in the agricultural market for different categories. However, the National Planning Commission (2013: 220) warned that creating jobs in the agricultural sector in South Africa would not be an easy task. The right programmes, managed on multiple levels, will be required to change around the current decline of employment in the agricultural sector. By doing this, organised agriculture as we know it can change completely.



**Figure 2.2: Agricultural growth and employment potential**

Source: Bureau for Agricultural Policy, 2011, as cited in National Planning Commission, 2013: 223.

Figure 2.2 illustrates that different commodities each show a different potential for job creation. It depends on the degree of development of the industry related to that commodity. Further to this, the consumption of the product plays a significant role in job creation (National Planning Commission, 2013: 222-226). The history of the various crops, their local and international markets, and ever-changing lifestyle and consumption patterns worldwide play a significant role in the future expectations of crop-specific industries.

Target group	Primary jobs created	Secondary jobs created	Assumption
Subsistence farmers with <0.5 hectares	83 000	41 500	The livelihoods of one in 10 of the farmers in this category are improved.
Small-scale farmers with between 0.5 and 5 hectares of land	165 000	82 500	The livelihoods of half the farmers in this category are improved.
Small-scale farmers with >5 hectares of land	75 000	37 500	These farmers employ themselves and two others.
Better use of redistributed land	70 000	35 000	Redistribution beneficiaries employ themselves and two others; one in 10 restitution beneficiaries become self-sufficient.
Labour-intensive winners	200 000	100 000	Critically, this requires investment in irrigation, support to smallholder farmers and their ability to grow their businesses.
Labour-extensive field crops	10 000	5 000	This reflects a “high road” or optimistic scenario and assumes that the current decline in employment in commercial farming is halted.
Labour-extensive livestock	40 000	25 000	This reflects a “high road” or optimistic scenario and assumes that the current decline in employment in commercial farming is halted.
<b>Total</b>	<b>643 000</b>	<b>326 500</b>	<b>969 500</b>
Note: The employment multiplier between agriculture and its upstream and downstream industries has been taken at a conservative estimate of 0.5 for small-scale farmers.			

**Figure 2.3: The employment creation potential of agriculture in South Africa**

Source: National Planning Commission, 2013: 220.

In sub-Saharan Africa (SSA), agriculture employs about 70% of the workforce together with its forward and backward linkages (De Klerk, Fraser & Fullerton, 2013: 14).

## **2.3 UPCOMING COMMERCIAL FARMERS IN SOUTH AFRICA**

### **2.3.1 Defining upcoming commercial farmers**

It is important to note that smallholder farmers should not be confused with upcoming commercial farmers, even though the terms are linked. Dent (1989) and Fraser (1991) defined smallholder farmers as farmers who farm smaller than average farms. They also stated that farming might not be the only source of income and that often the farmer and his/her family live off the surplus crop production. Koranteng (2010: 6; cited by Ayinke, 2011: 11) also described smallholder farmers as farmers who farm commercially unsustainable units. The farmer does not have the desire to become a commercial farmer. Smallholder farmers are also commonly referred to as small growers, small-scale growers, resource-poor farmers, subsistence farmers and, sometimes, upcoming farmers (Boonzaaier, 2009: 7).

Upcoming commercial farmers are farmers who start as smallholder farmers with commercial farming as target. Upcoming commercial farmers can be smallholder farmers who grow their businesses or new farmers who grow gradually.

This report uses the terms for upcoming farmers interchangeably, with the main reference being upcoming commercial farmers.

### **2.3.2 Demographics and history**

Land has been an issue in South Africa since the Colonial and Settler eras. South Africa was declared a republic on land that was taken from natives, often in violent ways and by force (Bernstein *et al.*, 2005: 5). According to Bernstein *et al.* (2005: 5), the natives were driven to what we know today as homelands by different land acts. This includes the 1913 Native Land Act, 1936 Natives Trust and Land Act, and the 1950 Group Asset Act. Land distribution became a political tool to leverage support. The distribution of land is not always based on a futuristic view, but rather on short-term, quick-gain terms. Often, no justice was done in the way in which land owners were compensated.

In terms of the land distribution policies and AgriBEE targets, beneficiaries of land redistribution schemes may only come from previously disadvantaged groups (Centre for Development and Enterprise, 2007: 7). The result is that upcoming farmers form part of the black and Coloured racial groups. During the apartheid regime, white people dominated the commercial farming sector (Moseley, 2006: 1). At the same time, black and Coloured commercial farmers co-existed with the white farmers, but policies, rules and a lack of support hindered their development and growth. The result of this is the smaller farms and limited skills development of the black and Coloured commercial farmers (Boonzaaier, 2009: 4).

South Africa comprises an area of 122 million hectares. Of this, 100 million hectares is farmland (Centre for Development and Enterprise, 2005: 10). The report on land reform by the Centre for Development and Enterprise (2005) divided farmland into potentially arable land and land that is

only suited for grazing. Commercial agricultural land comprises of 82 million hectares of which 20.4% is potentially arable land. White commercial farmers own 67% of South Africa, while 15% of South Africa is categorised as black communal areas (PLAAS, 2012: 2). The 15% of black communal areas include traditional homelands and agricultural land.

In 2005, the government committed itself to redistribute 30% of agricultural land back to black owners by 2014 (Bernstein *et al.*, 2005: 7). Most of this land became the home of upcoming farmers. When the land is distributed, it goes to people who do not necessarily have the skills or competence to be farmers. In some of the cases, the beneficiaries are familiar with farming practices, but they have no experience in terms of planning, financial management or the marketing of goods.

It is important to closely monitor and manage the role upcoming farmers in the South African agriculture sector. In 2004, one of the major banks in the agricultural sector stated that there was no room for average commercial farmers in South Africa (Bernstein *et al.*, 2005: 18). The evaluation of the setup of upcoming farmers is therefore important. White commercial farmers leave the industry because of its decreasing profitability. It is tough for upcoming farmers to be successful in such an environment.

### **2.3.3 Geographical spread**

The geographical spread of upcoming farmers was initially around the traditional homelands (De Klerk *et al.*, 2013: 26). Land was available here, with access to a different market. As the government got involved through the identification of areas where great injustices were done in the past, upcoming farmers received land in the Northern Cape and in areas with high agricultural potential (Centre for Development and Enterprise, 2005: 5). These high-potential agricultural areas spread across the country. The private sector realised that the government could not reach its land reform goals without support from other role players. Gradually, the private sector got involved through various initiatives to support the transformation in the agriculture business and the establishment of upcoming farmers (Centre for Development and Enterprise, 2005: 15). Today, the private-sector role players include agricultural cooperatives, associations, private farming companies and the South African Land Bank. Through this, the geographical spread of upcoming farmers changed to include the major farming areas of South Africa.

For the purpose of this study, the focus will be on farmers in the Western Cape and in particular irrigation farmers. The Western Cape has very diverse farmland and many different types of farming can be found within the borders of the province (Moseley, 2006: 2). These include fruit and vegetable production, dairy, vineyards for winemaking, sheep and cattle farming.

This study will concentrate on farmers who produce core fruit, apples and citrus.

### **2.3.4 Stigma**

In South Africa, land reform, and consequently also upcoming farmers, has a stigma attached to it. McCarthy (2007: 5) stated that land reform in the South African context is a complex arena. Major regional and sectoral differences mark land reform. For many people, there is a general belief that land reform is a failure and that upcoming farmers are wasting valuable resources.

Land affairs officials do not always respond in the required ways. In an attempt by the private sector to become involved in land reform and the support of upcoming farmers, suggestions and attempts are often rejected or ignored. When the plans eventually come together, the execution is so slow that the land often becomes unproductive for one or two seasons (Evans, 2007).

The effect of land claims in the agricultural industry stretches far beyond the claimed land. It creates a sense of insecurity and vulnerability in the industry. Contrary to popular belief, this is not only true for white commercial farmers, but also for upcoming black farmers. Many of the black farmers received land, only to find out later that there were land claims against it (Centre for Development and Enterprise, 2005). The message to investors is that this is not a stable industry in which to invest in terms of land ownership or infrastructure development. A report based on a round table discussion with various role players involved with land reform compiled by the Centre for Development and Enterprise (2007), highlighted the big divide in communication between the various stakeholders. On the one hand, the government wants to achieve targets set for land reform and the expansion of agriculture in South Africa (Centre for Development and Enterprise, 2005: 7). On the other hand, the commercial agriculture industry wants sustainable production and farming. These two parties want the same results, but differ in their short-term objectives. By handing land to subsistence farmers, the sustainable production of food is limited to the households of those farmers. The resources and land available for subsistence farming fall short to the need of sustainable food production (Centre for Development and Enterprise, 2005: 18). The attempt to reform agricultural land is complex and involves many stakeholders (Centre for Development and Enterprise, 2008: 2). Through ill management of the factors at play, it creates a problematic system that becomes unmanageable (De Klerk *et al.*, 2013: 7).

According to Boonzaaier (2009: 63), the lessons learned from land reform over the past 20 years of democracy also helped to create success stories. Today, many upcoming farmers are self-sustainable and contribute to the economy. With sufficient support and stakeholder engagement, this has become possible and successful transformation has been achieved.

## **2.4 FINANCING**

### **2.4.1 Agricultural financing for upcoming farmers**

Financing for upcoming farmers can be daunting and most of the formal lenders describe it as risky (Ayinke, 2011: 14). Hence, it can be challenging for upcoming farmers to obtain financing, especially for working capital. The seasonality of farming increases the risk associated with it.

Usually, upcoming farmers cannot mitigate risk through formal risk mitigation such as crop insurance. One of the big challenges in land reform is that farmers receive land, but do not have any working capital to utilise the land (Centre for Development and Enterprise, 2007). Financing can therefore become the determining factor for a successful upcoming farmer operation.

Agriculture plays a significant role in economic growth even though its contribution to the GDP was as little as 1.9% in 2011 (DAFF, 2013: v). The development of agriculture is directly dependent on the financing thereof. Economic growth through agriculture therefore depends on the financing available for the industry.

#### **2.4.2 Commercial finance**

Commercial finance is often not within the reach of upcoming farmers when they start out. Most of these farmers do not use the formal banking sector and depend upon micro lending and communal lending programmes. Commercial finance requires financial history and the assurance of financial stability. These terms are not within the reach of upcoming farmers.

In a study based on small farmers found that in urban areas as many as 53.4% of farmers use banking services; in rural areas, this figure drops to 38.4% (De Klerk *et al.*, 2013: 8). Without a proper financial history, the ability to provide adequate security and the business skills to motivate the lending, upcoming farmers stand a poor chance of obtaining commercial finance.

De Klerk *et al.* (2013: 11) stated that the major commercial financing houses are not equipped to deal with the amount of administration and paper work associated with lending to upcoming farmers. Loan amounts are generally smaller and the number of requests more. Obtaining the right information from prospective clients becomes a big problem as their business and property are not well documented. The majority of upcoming farmers need the assistance from a third party to put forward financial statements or a business plan.

#### **2.4.3 Rural financing**

Rural financing is a key factor in the success of upcoming farmers. The nature of this business and the associated costs, amount of paperwork and administration make it difficult to provide the service through commercial banking platforms. De Klerk *et al.* (2013: 7) identified a strong correlation between not having access to financial services and being poor. In some cases, the private sector caters adequately for the immediate financial needs of upcoming farmers in terms of lending, saving and credit provision.

According to De Klerk *et al.* (2013: 8), inadequate funds are put forward towards the working capital of upcoming farmers. In 2012, the state spent R18 billion on land acquisitions and only about R1.5 billion on working capital. If this is compared to the rule of thumb that a commercial grain farmer needs to spend the sum of the land's value, fixed improvements and moveable equipment on annual inputs, it falls short by far.

There is no formal lending programme for the agricultural industry apart from the structure offered by the Land Bank. In the macro environment, upcoming farmers are subjected to all the laws and protection acts implemented through legislation for financing in the country (De Klerk *et al.*, 2013: 9).

De Klerk *et al.* (2013: 10) also explained that on the micro level, the farmers are exposed to many types of financing – from commercial banks to micro lenders. In this range, development finance plays a big role. The Industrial Development Corporation (IDC) encourages developments in excess of R1 million. Through the IDC, many farmers could obtain financing for the development of new farms or the expansion of existing operations. Another regular source of finance is lending from family and friends, or ‘stokvel’ arrangements. The value of lending in this case is less and therefore also the opportunity that it brings.

The study of De Klerk *et al.* (2013: 10) found that the four big commercial banks in South Africa – First National Bank (FNB), Absa, Standard Bank and Nedbank – are changing their offering to include services to low-income households and upcoming farmers. In recent years, Absa reported a significant number of loans and value-integrated services to upcoming farmers. FNB reported business to the value of one-third of Absa’s book in this regard.

Risk and changing risk are among the biggest hurdles for financing companies. Upcoming farmers are exposed to normal agricultural risks that include the environment, market exploitation, and macro and micro factors. Education on the management of the risks involved in the production of crops or products is important.

Rural finance remains a challenge even though most of the role players in the financing arena are making a concerted active effort to address these challenges. The best solution for upcoming farmers will grow from a combination of stakeholder interest, the application of funds and financial discipline. Without appropriate financial education, upcoming farmers are set up to fail as financial knowledge is a prerequisite for growing to become a commercial farmer.

## **2.5 TECHNICAL KNOWLEDGE**

### **2.5.1 The importance of technical knowledge**

The technical knowledge that farmers apply gives direct returns. A study done by Phuhlisani Solutions (2012) on extension services in the Western and Northern Cape, found that the knowledge shortfall of upcoming farmers falls into two categories. The first is basic field skills which include basic calculations of seed and fertiliser for the calibration of equipment, the value of quality seeds and the recognition of pest and disease symptoms. The second is business and organisational skills, which include bookkeeping, record keeping, financial management, and the marketing of products. This skills set is critical for most facets of farming, which includes primary production, planning and technological advances.

### **2.5.2 Primary production**

The relevance of the farmer's knowledge in terms of primary production varies. A paper published by the Agricultural Research Council of South Africa (ARC) (2011) showed that there is a fine line between providing technical assistance and recognising the skills of a farmer. Upcoming farmers come from different backgrounds. Those who acquired land through claims are often not from a farming background. Their technical knowledge is limited to the advice provided by commercial farmers and extension services. Often, their technical knowledge is not sufficient to produce crops of a high quality. Insufficient technical knowledge, together with a lack of experience, often results in crop failure.

The other group of upcoming farmers has a farming background. This could be through employment on farms, or farming education. Recognising their skills and providing a service is important (ARC, 2011). The practical experience and the practical expertise of these farmers are important to produce crops of a high quality.

The quality of the produce is one of the key success factors for upcoming farmers. Production is often not optimal and not of the best possible quality either. This is predominantly because of a lack of knowledge, but also due to a lack of advice (Boonzaaier, 2011: 33). External companies such as the ARC or suppliers of seed or chemicals can provide extension services.

Upcoming farmers are often reliant on the advice of project leaders and mentors. The ARC (2011) identified the skills of mentors as one of the biggest challenges in the industry. Mentors are often not equipped to provide advice on the vast range of business functions required to produce and deliver a product of high quality at the right time. There are many proposed scenarios for the training of mentors, but accountability remains the biggest challenge. An institution such as the ARC can provide training. However, the ARC is already involved in providing extension services. If the whole system falls under one company, there is limited control. This could create a problem (ARC, 2011: 7).

The ARC (2011) recognises that some crops – such as citrus, core fruit and grapes – have a relatively long time window from capital layout to first harvest. The capital required for the initial investment is often only paid back in Year 5 to Year 10 after planting. During this time, management of the orchards or vineyards is important. Even though there is no crop, the management of the plants will help to determine the quality and size of the harvest to follow in a number of years' time. Some projects failed due to a lack of technical knowledge during this time window. This can be a major setback in terms of capital and the feasibility of the whole project.

### **2.5.3 Planning**

Planning is one of the main functions of farming. Seasonality creates a certain pattern for crop production (Boonzaaier, 2009: 92). Boonzaaier (2009: 176) explained that there are only certain time windows for cultivation. Yields depend on the accuracy of cultivation within the time windows.

In commercial farming, there are many guidelines as to what the order of cultivation should be. Apart from this, the experience and knowledge of farming gained over hundreds of years are available to be utilised. However, this is not the case for the upcoming farmers. Poor governance policies stripped their technical knowledge, ability to plan, and creativity. Upcoming farmers need to learn the skill of planning to become successful commercial farmers.

The following list summarises the various planning functions described by Boonzaaier (2009: 92):

- Planned plantings:
  - What crop to plant
  - What ground preparation to do
  - Equipment that will be needed
- Crop requirements:
  - Fertiliser and chemicals
  - Seed
  - Fuel and other consumables for equipment
  - Storing and facilities for consumables
- Scheduling:
  - Planting dates
  - Weed control
  - Fertigation
  - Harvesting date
- Harvesting:
  - Storing facilities for crops
  - Marketing of crops
  - Transportation of crops
- Cash flow
- Human resource planning
- Day-to-day planning.

From this list it becomes clear that planning is a continuous action. The lack of planning can result in crop failure or lower quality crops (Hall, 2008: 129).

Planning is one of the extension services offered by various institutions. For upcoming farmers to become effective planners, the role of the service provider becomes important (ARC, 2011). The organisation of extension service providers into an effective organised system is important. The ARC (2011) is not yet in a consultation phase to organise this service so that it becomes meaningful to upcoming farmers. General planning can be done in group discussions and workshops. The detailed planning is farm-specific and individualistic.

#### **2.5.4 Technology and the changing environment**

The approach to smallholder farming is often organic. No fertilisers and pesticides are used (Moseley, 2007: 7). The result is poor production and discouragement of the farmers (Catling, 2008: 1). This mind-set is one of the big hurdles for upcoming farmers. To become a commercial farmer, high yields and good production are important. In subsistence farming, low yields will still provide a sustainable source of food for the family of the farmer. The immediate requirement is therefore satisfied.

Catling (2008: 1) did a study on the factors that influence the yields for upcoming farmers. The study showed that for an upcoming farmer aiming for commercial production, the produce must be in excess of the immediate family's requirements. To obtain this it is important to grow the capacity of the land to become commercial farmland. Growth in capacity involves both the quantity of the produce and the quality of the produce. Usually, this road takes a number of years. As the farmer's experience and confidence increases, yields slowly increase and farmers start to produce more.

Technology plays a significant role in the development of upcoming commercial farmers (Lado, 1998: 171). Lado (1998) explained that primary technology initially used limited the scale of the operation. The conversion to better, more advanced technology enabled the farmers to grow their businesses instantly. However, a number of technology issues need to be addressed. Firstly, the utilisation of technology is directly proportional to the training and skills of farmers (Lado, 1998: 172). Lado (1998: 172) stated that if technology skills are not in place, the technology equipment will remain underutilised. Secondly, technology requires other inputs that have an impact on planning. For example, converting from animal power to tractors requires planning for fuel and maintenance that were not there before. Thirdly, it is important to monitor the impact of technology. This will help to determine the extent to which the technology contributes to the quality or quantity of the product, and whether it is underutilised or non-essential.

There is a big divide between the technology utilised by commercial farmers and that utilised by upcoming commercial farmers (Lado, 1998: 171). Commercial farmers use the latest technology to process data for planning purposes and responding to nature. GPS technology and precision equipment allow for precision farming. For example, it enables commercial farmers to apply nutrients in exact quantities. This type of technology can be overwhelming for upcoming farmers with no experience of or need for technology. It therefore becomes increasingly important to match the available technology with the farmer's skills and the requirements of his operation.

## **2.6 QUALITY AND QUANTITIES OF PRODUCE**

### **2.6.1 Type of produce**

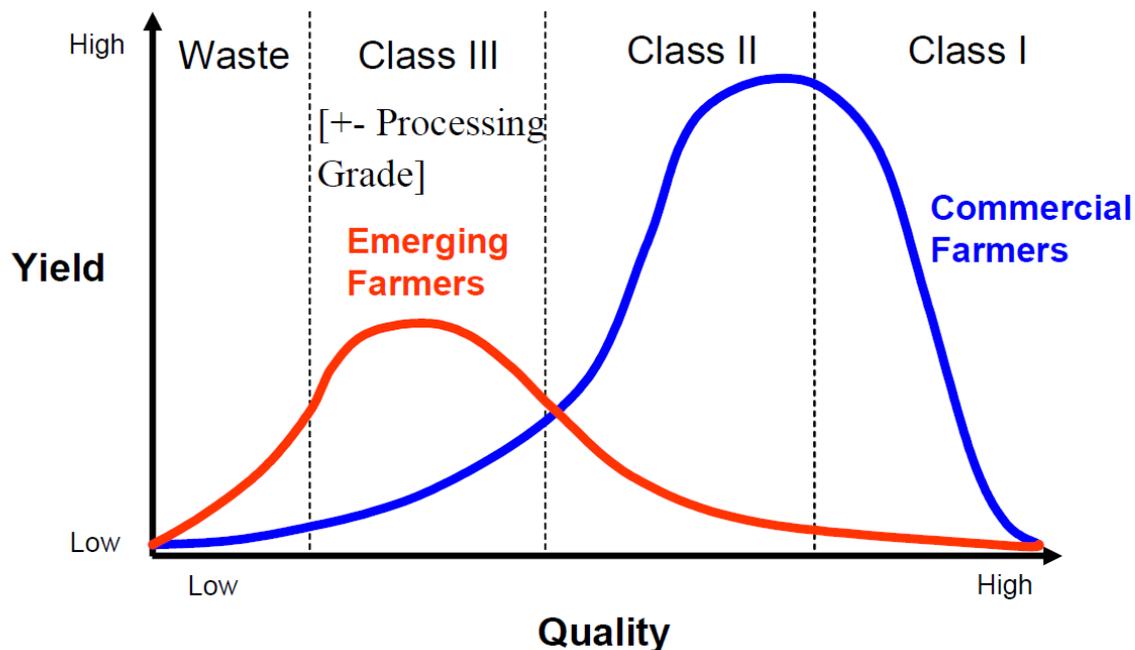
The produce offered by upcoming farmers is often of a lower quality than what is required for the export market or Class 1 market. Crop quality is also impacted by the farmer's experience, the level of extension services offered and access to additional inputs (Ayinke, 2011: 30).

Ensuring good crop quality is a part of becoming a commercial farmer (Boonzaaier, 2009: 10). Boonzaaier (2009: 10) also pointed out the relationship between farming profit, economies of scale and product quality. Once this is in balance, the input costs and return on investment start to make sense. The market that a farmer aims for also determines the quality of produce required.

### 2.6.2 Primary markets

In the fruit industry, most commercial farmers aim for the export market (Sautier, Vermeulen, Fok & Biénabe, 2006). Exports to the Northern hemisphere supply fruit to markets where the fruit is out of season. Through this, high prices ensure sustainability. For emerging farmers, to be part of this industry is demanding (Boonzaaier, 2009: 43). Boonzaaier (2009: 75) also explained that farms, pack houses and products need to comply with international regulations. The global markets prefer produce from large, commercial farms that have consistency in their offering. In addition, global markets demand volume and variety, which may provide an entry barrier that is difficult for smaller farmers to overcome. Access to export markets therefore remains a big constraint for smaller farmers.

Emerging farmers often target markets that require Class 2 and Class 3 products. This is usually local markets and informal traders such as street vendors and spaza shops (Boonzaaier, 2009). Even in these markets, volume plays a big role. To enter national fresh produce markets, minimum volumes are required. Once again, upcoming farmers need to combine efforts to build a brand name and to gain access to some of these markets.



**Figure 2.4: Conceptual representation of quality distribution and yield of typical upcoming farmers and commercial farmers for perishable crops**

Source: De Wet, 2004, as cited in Boonzaaier, 2009: 44.

The only market left is the food processing market. In general, the food processing market accepts produce in small quantities. The food processing market requires low-quality products and uses Class 3 products for processing (Boonzaaier, 2009:43). Class 3 products usually escape the dumping grounds and the price barely covers input costs. Building a farming business on the marketing and selling of Class 3 products is not feasible or sustainable.

## **2.7 CONTRACT FARMING**

Contract farming is a form of farming that dates back to the first century (Ayinke, 2011). There are different models of contract farming. The most common form of contract farming is buyer driven where the buyer of the crop provides inputs and guidance during the growth season. This provides a market for the produce and the buyer gets to control the quality of the produce to some extent. This model is in use in large out-grower schemes in many countries.

Contract farming also comes in other models: a producer-driven model, a facilitator-driven model and an integrated model. The different models give different parties in the production chain control over different parts of the production process.

In South Africa, the contract farming model benefits upcoming farmers in many ways. Today, it is a crucial part of successful agribusiness in South Africa (Eaton & Shepherd, 2001b: 15; Cited by Ayinke, 2011). According to Ayinke (2011), the contract farming model holds advantages for upcoming farmers, for the crop's marketers and for the suppliers of the seeds and other inputs (depending on the model).

The contract farming model is successfully used by commercial farmers who engage with upcoming farmers. The commercial farmers supply inputs such as seed, fertiliser, pesticides and equipment. The upcoming farmer utilises these inputs, with the advice and guidance of the commercial farmer, to produce the crop. The commercial farmer then buys the crop from the upcoming farmer and markets it commercially. This system ensures crop quality, a market for the produce, and an extension service that became a stakeholder (Ayinke, 2011: 5).

## **2.8 UPCOMING FARMER AS A SMALL BUSINESS OWNER**

### **2.8.1 Comparison**

Small business owners, entrepreneurs and upcoming farmers share many attributes. The following attributes come to the fore when an upcoming farmer is compared with a small business owner: they share a sense of adventure, they are willing to grow, they believe they can turn the venture into a success, and they believe they have the ability to do business. Individual competencies are very important (Unger, Keith, Hilling, Gielnik & Frese, 2009: 22). Unger *et al.* (2009) explained that the small business owner is steering the company. The owner carries the sole responsibility to take the business forward with limited resources, a limited skills sets and the inability to cover mistakes.

This is the same for upcoming farmers as they often steer the farm based on knowledge and inputs from trusted advisors.

Competition in the marketplace, good business practice and wise financial decisions are equally important for both businesses.

The *Government Gazette of the Republic of South Africa* (2003) defined a small business as a separate company or entity that is owned and managed by one or more owners and that falls within the allowable sizes as set out in the size standard schedule for such businesses. The entity cannot be a government organisation, but can operate in any sector or subsector of the economy.

In South Africa, SMEs employ about 60% of the labour force and contribute up to 50% of the country's GDP (Fatoki, 2014: 273).

### **2.8.2 Integration of similarities**

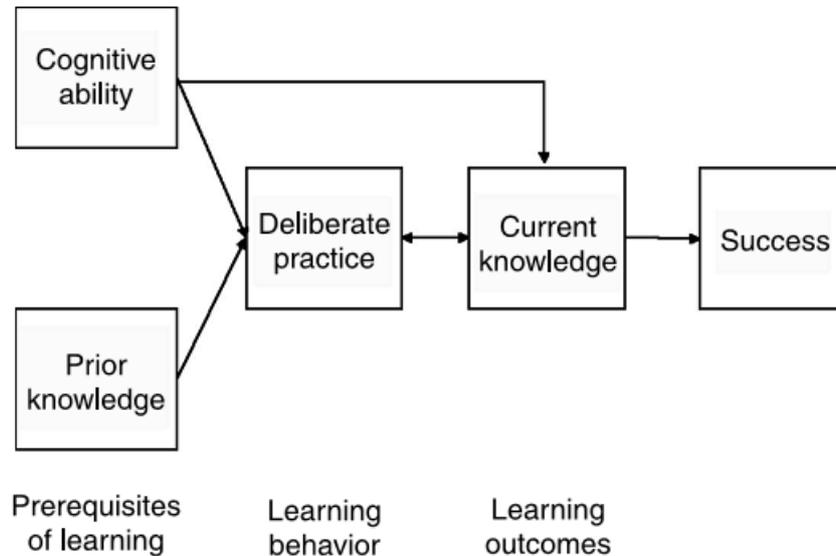
The fast pace of development is evident not only in the technology and related industries, but also in agriculture. New production methods, new disease and pest control methods, increased emphasis on organic farming and the reduction of carbon footprints can all change the way in which farmers conduct their business. As a small business owner, upcoming farmers experience very little support once they have acquired land (Centre for Development and Enterprise, 2005: 12). It is the business owner's responsibility to be innovative and to learn about the business and industry, and through that stand out among peers (Nonaka, 1991; cited by Unger *et al.*, 2009: 22).

Upcoming farmers, just like small business owners, need to grow their businesses by actively seeking new knowledge to produce crops that are better in terms of quality and quantity. Most of the upcoming farmers in South Africa come from a subsistence farming background (Boonzaaier, 2009: 5). This means they now have to increase the quality standards of their crops in order to participate in the commercial market (Boonzaaier, 2005). The upcoming farmers need to think like small business owners, analyse market requirements, set standards and comply with these standards. To be competitive and to grow their businesses, they need to incorporate industry norms into their strategic planning (Boonzaaier, 2009: 10). They also need to understand supply and demand, and the commercial marketplace (Swain, 2008: 3; Cited by Ayinke, 2011: 4). In addition, researchers and practitioners identified learning and knowledge as some of the key factors that will ensure the success of small businesses in South Africa (Unger *et al.*, 2009: 36).

### **2.8.3 Mindset of the small business owner**

Deliberate practice of continuous learning will enable small business owners to grow their businesses and to push innovation in order to achieve success (Unger *et al.*, 2009: 23). For upcoming farmers continuous learning can cover a vast array of business-related fields. This is important because the nature of their business does not allow them to specialise in only one field (De Klerk *et al.*, 2013: 73). In addition, mentorship and guidance can help upcoming farmers to acquire new knowledge and skills (Unger *et al.*, 2009: 35).

According to Unger *et al.* (2009: 24), learning rests on two pillars, namely knowledge acquired in the past and an active learning process in the present. The past component is experience and knowledge based on past learning and success. The present component is about active planning to be successful going forward. Together, the two sources of knowledge contribute towards success.



**Figure 2.5: Model of learning: prerequisites of learning, learning behaviour and learning outcomes**

Source: Unger, Keith, Hilling, Gielnik and Frese, 2009: 24.

## 2.9 FROM LITERATURE TO DISCUSSION FRAMEWORK

This qualitative study used semi-structured interviews with emerging farmers as primary source of data. These interviews with the farmers were guided by a discussion framework in order to obtain data for analysis so that the research question – *What are the key success factors for upcoming farmers in their transition to become commercial farmers?* – can be answered. The interviews formed a sketch of the key success factors that influenced the circumstances that the farmers deal with and their farming success. To guide the interview logically, the discussion framework consisted of questions categorised into a number of sub-sections, namely the farmer's farming background, information about the farm, the markets, the sponsors, technical support and extension services, and financial support.

### 2.9.1 Farmer background

This section determined the background of the farmer and comprised qualitative factors related to the farmer's past. Information about age and gender was important to group participants. This section also captured information on the farmers' education and training as one of the key factors in their development. Past experiences influence present behaviour, so this was an important sub-

section to cover. Information was also gathered about the involvement of family members and the support farmers get from their families as this could influence the performance of the farmer.

### **2.9.2 Farm information**

The farm information captured during the interviews included farm size, area under irrigated crops and how this fit into a greater irrigation scheme or group of farms, and the source and sustainability of water to determine the influence of resources on the probability of profitability.

Ownership of the land was important and the farmer's understanding of the agreements in place to ensure that there is long-term security in terms of the land the farmer utilises. This links to the potential of the land in comparison with the land of surrounding farmers.

Common use agreements for equipment, electrical supply and/or irrigation equipment with other farmers were established. Can the farm operate as a standalone unit, or does the farmer need the cooperation of neighbours to be successful?

The type of cultivation (mechanical or manual) will have an effect on the potential capacity of the farm. Improper cultivation methods or a lack of equipment can hinder growth prospects.

Does the farmer have a farm-specific business plan that includes the limitations and challenges related to the land? Support in this regard is important. The origin of the support can also have an influence on the intention of the parties involved.

### **2.9.3 Market information**

The inability of upcoming farmers to seek out markets and effectively market their produce has a negative effect on viability and profitability (Swain, 2008: 3; Cited by Ayinke, 2011: 4).

In the discussion framework for the interviews with the farmers, market information formed an important part of the information pertaining to the success of the farmers. The primary market for the crops can vary from local to international. Marketing of the crops with that of other farmers can create collective bargaining power and effect the grading of crops. The farmer's influence in these processes and systems can be a determining factor of the control the farmer has. The extent of control over the grading of crops and price determination will influence exposure and profitability.

Information about the logistics around produce marketing will help to understand the challenges the farmer faces to get the crops to the market. Does the farmer deliver his harvest or do buyers collect the harvest from the farm?

In doing business, good relationships throughout the supply chain normally have a positive impact on the delivery of products to the end user and ultimately on profits (Collier & Evans, 2012: 169). How do the farmers in this study see the relationship between themselves and the buyers? Are these long-term relationships?

#### **2.9.4 Sponsor information**

The sponsors of upcoming farmers play a role in the rate of their development. This is not only in terms of financing their ventures, but also in terms of providing advice and guidance to grow their farming businesses. Therefore, sponsors can also be mentor to the farmers. The sponsors can be private or institutional. Also, more than one sponsor can be allocated to a project. The way these sponsors work together, can create a collective benefit for the project.

Sponsors sometimes give or administrate extension services to farmers. This important function influences the investment of the sponsor in the farmer. Hence, information regarding the administration of extension services was valuable for the study.

The way the farmers see the sponsors provided a picture of the perceptions of the role of each. From the farmer's perspective, what is the role of the sponsor?

#### **2.9.5 Technical support and extension services**

The knowledge that a small business owner has, can impact all aspects of that business (Baum, Frese, Baron & Katz, 2007; Cited by Unger, Keith, Hilling, Gielnik & Frese, 2009: 22). The farmers in this study rely heavily on extension services to acquire knowledge within the farming context.

The provision of extension services can be challenging in remote areas and are limited to the skills set of the service provider. The farmers in this study needed services on various levels and in many forms. These areas of service included crop management, disease control, fertigation and chemigation, irrigation scheduling and the training of workers. Services could be year round, at harvest, or only during certain times of the year.

Effective extension services enable farmers to acquire knowledge on the specific conditions for crop production. The rotation or replacement of people providing extension services could therefore influence the success of service and the impact of the service on the farmers.

The interviews with the farmers therefore also covered information on the visit intervals, the farmers' perceived value of extension services and the extent to which the extension service providers' suggestions were implemented.

#### **2.9.6 Financial support**

In South Africa, various financial models are used to finance upcoming farmers. This includes loans from the Land Bank, government grants, Land Redistribution and Agricultural Development (LRAD) financing, private equity and private loans. The financial model will have an effect on the working capital available. Therefore, information regarding the financial sponsors and financing terms will help to understand the financing of the farmers.

The farm's ability to support this financial structure is important. If the farm cannot produce adequately to repay debt and cover production costs, it is not sustainable.

How do the farmers see debt and what are their goals and ideals in terms of debt? This qualitative information will help to understand the way the farmers regard debt and how they plan to manage it. It is also important to know who takes up the responsibility of managing the finance on the farm.

To complete the picture, the interconnectedness of the various role players is also important. If one entity provides extension services, acts as sponsor and mentor and provides financial services, it is different to another case where various entities oversee these functions?

## **2.10 SUMMARY**

The development of upcoming farmers into commercial producers of agricultural products reaches far beyond the impact on the individuals involved. Regardless of the size of the farming operation, farming has a global impact on the sustainability of human beings. Factors such as global climate change and the reduction of human impact on the earth directly influence agriculture. Also, agriculture has a significant role to play in the sustainable growth the world would like to see.

In South Africa, a healthy agricultural sector is crucial for various reasons. The potential number of direct and indirect jobs created will make a difference to people in rural and urban areas. This will significantly help to fight poverty and uplift people, particularly in rural areas.

The impact of a healthy agricultural sector in South Africa will flow over to neighbouring countries and the rest of sub-Saharan Africa. South Africa is food secure, even though poverty and food security are problems in many African countries.

To be an upcoming farmer in South Africa is challenging given the environment, industry and history of land ownership in South Africa. The application of funds and the support of farmers are questionable and the extent and quality of services vary considerably.

The biggest challenge is the support provided to the upcoming farmers in order to make the transition towards commercial farming. The entrepreneurial nature of these upcoming farmers and their appetite for risk create the ideal platform to launch a farming operation. However, their lack of business skills, cash flow problems, high capital layout costs and the seasonality of farming often create obstacles hindering further development. The default is to fall back on subsistence farming that does not contribute much to the economy and agriculture advances in South Africa.

The success stories speak of sustainable markets for products and long-term partnerships with suppliers, markets and services. Most of this comes from the private sector as the government lacks the infrastructure and resources to support upcoming farmers after land allocation. Funding to obtain land is not the main concern for upcoming farmers. Working capital for day-to-day operations creates the biggest funding obstacle.

There is ample evidence that land reform, agricultural transformation and upcoming farmers can be successful. To increase the success rate, there are a number of prerequisites. This includes

sufficient support (not only financially, but also technically) and sustainable partnerships to ensure long-term markets for produce.

Based on the literature review, the following themes will therefore be explored in more detail during the empirical part of the research:

- The background of the farmer
- The farm and its potential
- Information regarding the markets in which the farmer competes
- The sponsor and the role that the sponsor plays in the success of the farmer
- The level of technical support and its impact on the success of the farmer
- Financial support and the influence of financial support as enabler of success.

The next chapter will describe the case study programme in more detail.

## **CHAPTER 3**

### **CASE PROJECTS IN CONTEXT**

#### **3.1 INTRODUCTION**

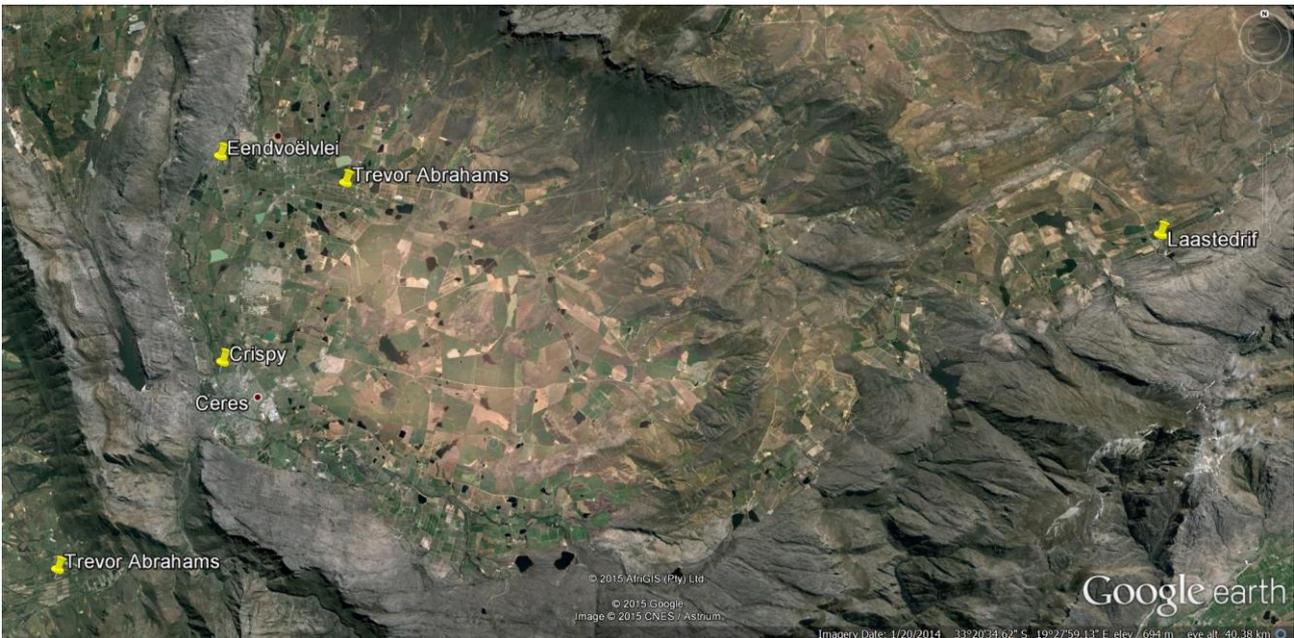
Agri SA, Hortgro and the Land Transformation Manager at APL Cartons helped with the selection of suitable candidates to participate in this study. Four land reform project farmers (upcoming farmers working towards becoming commercial farmers), each with a unique model, were available for interviews to provide insight into their businesses.

The models are different in terms of management, ownership and support systems. All of them are in the same industry and produce fresh fruit and vegetables under irrigation. They contribute to the economy and sell their produce for profits. The farmers have shown growth in terms of expansion and quality of their product.

Officials of Agri SA and Hortgro and the Land Transformation Manager of APL Cartons supplied the information that forms the base of the selection of farmers. Supporting information was obtained from company websites, newspaper articles and previous studies.

#### **3.2 BACKGROUND AND PARTICULARS OF THE STUDY SAMPLE**

All the projects are located in the Witzenberg area close to Ceres and Wolseley in the Western Cape. They produce fresh fruit predominantly for the export market. Fruit that are not suitable for the export market are sold on local markets or to the pulp, juice, canned fruit and dried fruit industries. During the time of the study, the farmers were busy with their summer harvest of peaches, nectarines, apples and pears. Some of the farmers produce vegetables year round. The following map (Figure 3.1) shows the location of the farms:



**Figure 3.1: Map of farming locations**

Source: Google Earth.

The research sample consisted of men and women of different ages. Their formal education falls within a broad range from uneducated to diplomas and master's degrees. Most of the respondents had secondary education. Some received further education in group format through extension services and training sessions. All the respondents are fruit farmers in the Western Cape and they irrigate their crops. The race of the respondents is mainly Coloured, but also includes blacks. In total, the four projects selected for evaluation have more than 1500 shareholders.

The sponsors, mentors and farmers described all the selected land reform projects as successful. The number of years in operation varies between the projects. The youngest project has been in operation since 2006 and the oldest since 1998. All of the projects conformed to the selection criteria of at least five years in business.

All the farms are big enough to be commercial farming units. In the current economic conditions in South Africa, this is around 40 ha. The farm sizes of the various projects differed, ranging from 40 ha to 265 ha. Detailed farm information will follow in Chapter 5.

### 3.3 SUMMARY

There are commonalities between the study projects, but each of them displays a unique form of management and business model. All of the projects are in the same geographical area and therefore produce the similar crops. The permanent crops are seasonal crops, which mean the farmers need to find additional sources of income to carry them for the rest of the year. All the projects use vegetables to get a more constant income stream. Not one of the projects was a hand-over of a commercial farm in full production. The businesses show growth through diligence

and a futuristic vision. All the projects have a proper business plan and put effort into planning. These plans are dynamic and change as the industry and economic environment change. Some of the projects invested in businesses that relate to their farming activities. This adds another source of income. However, only the bigger role players have the resources and capital to do this.

The management model for each of the projects is different. This varies from whole owner to management appointed by a board so that shareholders can be non-executive. Mentorship is a key factor that forms part of their businesses, regardless of the business model.

The market creates common ground. All of the projects use well-established markets and slot in with known brand names. Experts control and take over the marketing function to ensure offset for the produce and the best prices. The project farmers agree that certain functions should be contracted to experts in the industry. This is also true for extension services and technical assistance.

## CHAPTER 4

### RESEARCH METHODOLOGY

#### 4.1 INTRODUCTION

This case study research uses qualitative data to answer the research question: *What are the key success factors for upcoming farmers in their transition to become commercial farmers?* The sample comprises farmers who have developed from upcoming farmers to successful commercial farmers.

The qualitative research makes use of a discussion framework designed to obtain important information from respondents. The discussion framework explores the business model, management model, farming practices, markets and other influences on success. The aim was to find the key success factors that related to the ongoing success of the farmers who participated in this study.

Agri-West Cape, Hortgro and the Land Transformation Manager at APL Cartons helped to select a number of farmers showing good performance to form part of the study. Respondents had the opportunity to decline the invitation to participate in the study if they felt they were vulnerable to exploitation.

Personal visits to the farms gave the researcher a better understanding of the unique circumstances of each farmer. Personal interviews can result in deep, rich data (Le Roux, 2012: 3), which included body language and attitude. By visiting the farms a visual comparison helps to define the general impression of the farmers.

#### 4.2 SELECTING RESEARCH CANDIDATES

The definition of the success and state of business of the participants is important for classification. First, successful can be interpreted in more than one way. For the purpose of this study, the businesses of successful farmers had to comply with the following criteria:

- The business has been sustained for at least five years.
- The owner grew the business over time.
- The business has a positive cash flow.
- The owner is dependent on the farm for income.
- The farm shows progress in quality and quantity of production.
- The owner considers the farming operation as sustainable and has a long-term vision.

Commercial farmers cannot be classified using only a single measurement. The Department of Agriculture in the United States of America (2014) classified commercial farms as farms that have a gross cash income equal to or exceeding \$ 350,000 per annum and that are non-family farms. If this measure is applied to South African farms, it results in few commercial farmers in the country.

The definition of commercial farmers for the purpose of this study is farmers selling their crops to make a profit so that the business contributes to the economy of the country. They manage a sustainable agri-business that utilises technology and market information to stay up to date with the ever-changing agricultural environment.

Representative bodies played the biggest role in participant selection. The relationship between the farmers and their mentors and sponsors is important and can influence their success. Farmer performance formed the basis of the selection process. This performance included financial health, production volume and quality and sustainability of performance. Measuring the success of farmers is subjective and creating an equal platform for evaluation is difficult. Each farmer in this study, even though in the same industry, deals with unique challenges in terms of resources.

The study included a wide range of farmers showing success on different levels. Discriminating against farmers with limited success was not allowed, so they were included in the study. Gender played no role in the selection process as farmers could be male or female.

Language was no barrier for this study. The participants are bilingual and speak Afrikaans and English. The language of the participants' choice was used for the interviews. All the respondents chose Afrikaans as interview language.

### **4.3 DATA COLLECTION**

Interviews were conducted during January 2015. This is the harvesting season for summer fruit in the area. The time of year created some time constraints for interviews as the farmers were all busy with their harvests. A one-hour interview was requested from the farmers at the location of their choice and at a convenient time to them. Some of the meetings exceeded the one-hour limit, and took up to two hours.

Primary data collection through farm visits and interviews with the farmers formed the basis of this qualitative study. It provided information on how the farm setup worked and how the farmer saw the farm in its area and industry. The interviews gave insight into the history of the business, and the planning and business functions. The researcher handled the data collection so that general observations – such as farm neatness, attitude of farmers and their workers and the state of equipment – could be made. The visits were scheduled over two days with two interviews every day. Distances of up to 30 km between farms created some travel time between interviews. Researcher flexibility gave the respondents the opportunity to select a convenient time slot in their busy schedules for the interviews.

Before the interviews commenced, the researcher explained the reason for the study and the basis of selection of participants to the farmers. The farmer had the opportunity to decline participation in the study without any penalty or legal implications. All the farmers invited were keen to take part in the study and no one declined. They were proud of the fact that they are successful in challenging

ventures. The sharing of information was without hesitation in an open conversation based on the discussion framework.

#### **4.4 DATA ANALYSIS**

The active process of data analysis through the utilisation of Atlas.ti software helped with the analysis of the primary data. The coding of information collected during the interviews helped to analyse data, identify trends and come to conclusions. However, coding cannot replace the conceptual process required of the researcher (Le Roux, 2012: 10). The primary data varied in terms of how relative to the question it is and how relative it is to the study. Filtration of data is important to exclude unnecessary information that will blur the results. The depth of information from the respondents allowed the analysis of trends and the identification of critical success factors.

The geographical location of the projects provided an equal base for the analysis of the farmers' businesses. All the projects produced the same type of crops and they were exposed to similar environmental conditions and factors. Producing crops under irrigation created further common ground by requiring a certain degree of crop management.

#### **4.5 SUMMARY**

In summary, this study with its qualitative research design covered four cases. Primary data was obtained through in-depth interviews with participants.

The research participants qualified for the study based on the recommendations of mentors, sponsors and/or governing bodies. The farmers who participated in the research were all fruit farmers in the Western Cape who utilised irrigation to grow crops. The classification criteria of a commercial upcoming farmer were adjusted to suit the South African environment. Turnover and profit were not used as qualifying criteria. Instead, development and the ability of the business to be self-sustainable were used as qualifying criteria. Farmers had to show prosperity and the desire to grow their businesses. Ultimately, their contribution to the economy was important.

The discussion framework for the interviews with the farmers was designed to obtain knowledge about the factors that led to the success of the farmers. This was not a rigid interview schedule, but rather a semi-structured framework to guide the conversation to obtain information in a comfortable, casual way.

The utilisation of software packages designed for qualitative research helped the researcher to code and analyse information in order to get the answers to the research question.

## CHAPTER 5

### FINDINGS

#### 5.1 INTRODUCTION

The findings obtained through the interviews highlighted important business-related commonalities that can be indicative of the success of emerging farmers. A profile for each of the respondents was drawn up based upon the information obtained from the interviews. The profiles were analysed to identify various aspects that impacted the success of the businesses investigated in this study.

The findings carry sufficient weight to give an indication of the critical success factors for upcoming farmers transitioning into successful commercial farmers. The common factors in the land reform projects created focus areas for further investigation.

#### 5.2 PROFILES OF THE RESPONDENTS

##### 5.2.1 Project A

###### 5.2.1.1 *The farmer*

The farmer grew up on a farm and worked with the farm owner from a young age. As he grew up, he worked in the farm store and later helped to milk the cows.

He was also involved in farming as much as he could be while working as a schoolteacher. At the time, he rented land from the municipality to farm with cattle and pigs. Later, he joined an abattoir as manager. In 1999, he got the opportunity to apply for land through the LRAD scheme. After his successful application for land, he remained manager of the abattoir and farmed part-time. This continued until he could no longer afford to spend so little time with the farm. He then resigned to become a full-time farmer.

He continued to grow his business based with good mentorship and based on good business principles. Later he acquired another piece of land to bring the total area under producing orchards to just over 40 ha. His aim is to farm 100 ha of productive orchards.

###### 5.2.1.2 *The mentor*

When the farmer received his land close to Ceres, his neighbour realised his potential. The neighbouring farmer decided that he wanted to be a mentor for this upcoming farmer. The mentor is a farmer running his own business, so he had the background and ability to guide the upcoming farmer towards success. The mentor discussed this with his family and the family agreed that their son should be available to mentor the new farm owner.

The new farm owner accepted the offer on a basic agreement between the two of them. The mentor wanted no payment for his coaching services. However, for other support, the farmer had

to pay. This included the use of labour and equipment during the start-up phase. On the other hand, the farmer requested that the mentor must not use him as a political pawn. The new farmer had good contacts in government and he was an influential person. Using the new farm owner for personal gain would end the relationship.

This basic verbal agreement is still in place today. Trust forms the base of their relationship and the farmer knows that the mentorship forms part of his success. The two of them never forced any business transactions and up to today the relationship stays the same.

#### **5.2.1.3 The farm**

The LRAD land of 39 ha awarded to the farmer is close to Ceres. On the first small orchard he made a profit of R33 000 in Year 2. The first planting was a basic type of peach that is easy to farm. His mentor recommended this so that he could learn about lower-value crops. He gradually developed the rest of the farm until he had 22 ha under various types of fruit, including pears, peaches and nectarines.

Later, he expanded by acquiring more land close to Wolseley. In order to get the land he could not wait for another grant, so he took out a bank loan. This was a big step for his business as he farmed with a cash account up to that point. Today, he has 18 ha of productive orchards on the new land.

The two farms form part of one business, but the farms are managed as separate units. They have their own water rights from the local irrigation scheme and they have their own electrical supply.

#### **5.2.1.4 The business**

The business plan went through various developmental phases. A consultant appointed by the government compiled the first plan. This plan was a scaled-down plan that compared with that of the commercial farmers of the region. Later, the business plan was expanded to include his individual business environment.

The business plan is now in its fourth revision. The latest plan incorporates the experience that the farmer has gained over the last 15 years. Plans for further development and a five-year cash flow projection are part of the latest business plan.

During the 15 years of doing business, the dynamics of agricultural business have changed significantly. In 1999, 15 ha was an economically viable farming unit. Today, 40 ha is considered an economic unit. Profit margins decreased as the cost of production increased rapidly while sales prices only increased by approximately 2.5% annually.

Available soil and water limited the expansion of the business. Capital is also a factor, but that can be overcome through loans and planning. In the Wolseley area, available land is a bigger problem than water.

In the farmer's business, the mentorship made the difference he needed to become successful. Mentorship helped him with decision-making, acquiring important industry information and curbing costly mistakes.

#### **5.2.1.5 The market**

There are two main marketing channels. The first is through a pack house with a well-established brand and the second is through the same pack house to the local market. The farmer utilises the name and channels of his mentor to export fruit. As he gains experience in different markets and builds a name for himself, it will become possible to set up his own packing facility once the volumes of production justify this. In the local market, the farmer supplies a number of big retail groups, including Shoprite and Woolworths.

The farmer progressively learned what the marketing of fruit requires and realised that he cannot market his fruit without the support of other farmers such as his mentor. Clients are looking for certain minimum volumes and exporting directly requires a substantial capital layout to obtain the required infrastructure. For the size of his business, this is not feasible. As new markets open up, the farmer and his mentor work together to supply and further develop the market. In this, there is a mutual benefit for both.

The farmer underlines the importance of a marketing plan that forms part of the business strategy. It is important to use effective channels for marketing.

#### **5.2.1.6 The support**

The mentor offered assistance with technical and extension services. These services never came without a cost. The use of independent consultants for certain functions is important to ensure outstanding crop quality.

The farmer made resources available for research and development by the Agricultural Research Council (ARC). Through this, he gets expert advice and further education on critical technical aspects. He regards this as a learning school that comes at a relatively low cost. His involvement with research further builds his name and puts him on the map in the industry circles.

An accounting firm that does the administration supports the in-house financial management with the help of his mentor. The outsourcing helps the farmer to keep all financial records up to date and the statements in order. The fact that his financial data is up to date helps him to respond quickly when the opportunity for support arises.

Initial financial support came from the government through the LRAD scheme. As the business grew and began to support itself, the farmer was less dependent upon the grants. Today, the business is self-sustainable, but it still participates in the grant system. The farmer realises that they need to use any help available and therefore apply for grants every year. Grants include subsidised fuel and chemicals.

The mentor's family formed a big part of the farmer's financial support. As agreed, he paid for inputs supplied by his mentor. The agreement was that he would pay them back once there is money to do so. The value of these services gradually added up almost R1 million. This interest-free loan was given with no specified payback period. This gesture made a substantial difference in the cash flow of the business. The farmer cleaned this account over the years.

Further financial support included bank loans and own capital.

A summary of capital expenditure was done in 2014. At the time, the capital input in the project was R13 million. Of that, the government supplied him with R6 million while the mentor's family supplied R1 million on a loan basis. The remaining R6 million consisted of bank loans and own capital.

An overdraft facility and loans, good management practices and continuous application for support addressed the cash flow dilemma.

## **5.2.2 Project B**

### **5.2.2.1 The farmers**

When the employees of the Du Toit Group received grants as part of the LRAD land reform programme, they realised the grants were not enough to buy land or to start a farming business. They therefore combined their grants to establish a single business of scale.

After careful evaluation, a group of 1400 shareholders were selected to start up Crispy. The main criterion was that the shareholders had to be 21 years of age or older. Gender was not part of the selection process.

The shareholders knew farm work, but they were not farmers. Today, training is one of the biggest challenges they face. They know that addressing problems starts from the bottom up and that each labourer must learn to observe, identify and communicate problems. For the farmers, this meant a mind shift to view their work and farming through a different lens.

### **5.2.2.2 The mentor**

The mentor started with Crispy during 2008. Crispy formally employed him and paid him a salary for his full-time mentorship. He is responsible for mentoring the farmers to ensure success and growth in their current agri-business. The mentor summarised the duties and responsibilities of a good mentor as follows:

- The mentor must have the ability to change the way people think and through that develop and grow people. This is the single most important attribute of the mentor.
- The mentor must have the authority to make fair announcements that influence the business.
- The mentor must have good interpersonal skills to be able to work with people.
- The mentor must be a leader in the industry in terms of technical knowledge and experience.

- The mentor must be a leader.
- The mentor must have a critical eye for problems and mistakes, and the ability to effectively communicate that with stakeholders.
- The mentor must understand the business philosophy.
- The mentor is responsible for establishing ownership and accountability with each stakeholder in the business.

Judging by the success of Crispy, they illustrate what a good mentor-farmer relationship is all about. The development of the farmers is clearly visible and as they progress, they take over planning and strategic functions.

### **5.2.2.3 The farm**

The farm was established in 1998 when houses and land became an issue for employers of the Du Toit Group. The owners combined efforts to produce a single project which held the potential of sufficient economies of scale to provide cost advantages.

Du Toit Group established a company with capital raised from grants that the members received, capital from the Du Toit Group and personal capital put forward by the management of the Du Toit Group. Shares were limited to the workers and management of the Du Toit Group. This is still the case. From the shareholders, a group of 19 directors was selected through a democratic voting process. This group of directors is responsible for top-level decision making and other director duties. The duties of the directors include the following:

- Communication between the shareholders and the board
- Directors' duties in terms of business management
- Obligatory training sessions in business principles, procedures, financial management and strategic planning
- Drawing up the annual plan for the business to be presented and finalised at the annual board meeting.
- Monthly progress reports to be presented at monthly board meetings.

The business relates its success back to the beginning. Everyone bought in on the project. After that, clear communication and constant strengthening of working relationships formed part of the daily routine. Board meetings are pre-arranged, formal meetings. Directors take up the responsibility of managing the company according to the principles laid out by the board.

### **5.2.2.4 The business**

The business is a private company with plans to become a public company. The trading of shares are limited to people who comply with the minimum criteria for shareholders in a BEE farming company. The company's share-trading counter determines the criteria.

From the very beginning, the vision for the company was communicated to the stakeholders. The business plan was developed and tested against industry requirements and the business environment. Feasibility was part of the foundation of the project. Part of the feasibility study was the determination of the potential of the land in terms of soil, natural resources (water), existing infrastructure, climate and management structure and style. The aim was to get the business plan and feasibility study to be as comprehensive as possible. At business plan stage, the role of the mentor was already defined and the right person was identified.

They started the business based on standard, well-known practice and principles. The decision to leave new ventures and exploration for a later stage of the company's life is paying off.

Current planning goes up to 2019. The long-term outlook helps to keep the end vision clear for the whole company. The current operation includes 265 ha of irrigated orchards. The plan includes replanting and improvements. Planning for capital expenditure and operational expenses is provided in detail for every week of the year. The detailed financial plan goes hand in hand with a detailed operational schedule.

The ability of management and directors to understand the planning function of the business is highly important. This teaching process takes time and effort.

Record keeping and the effective utilisation of records are important to monitor inputs and outputs. Produce, chemical application, labour and overhead costs are all critical aspects to monitor and compare. When fluctuations of such inputs affect the plan, they adapt accordingly.

It is important to have a constant source of income (cash cow) in the business. For Crispy, it is their packing and cooling facility. This fruit-packing facility is not only for their benefit, but also serves as a sustainable source of income.

#### **5.2.2.5 The market**

The business produces for a well-established brand name. All the produce that meets the requirements are exported under the Du Toit brand name. Crispy's shareholders knew the importance for upcoming farmers to slot in with an established brand in the market. This is the best way to get a footprint in an existing market. The brand name determines the quality of the produce through a set of personal and market criteria. This is to the benefit of the producer.

The business competes in the international market. It therefore complies with international standards for fruit exports. From a business risk point of view it is important to constantly adapt to international market trends.

#### **5.2.2.6 The support**

Technical support and speciality services come from independent industry leaders. Paid consultants fulfil this role for the business. The standard day-to-day operation and farming skills come from within the business.

It is important not to lower standards. To compete in the commercial market, the standard must at least match that of other commercial producers.

### **5.2.3 Project C**

#### **5.2.3.1 *The farmers***

The farm setup is different in the sense that the shareholders do not manage and farm their own farm (Eendvoëlvele). The shareholders are working on the farms of the trustees that established the project. The shareholders and trustees appointed a farm manager to manage the farm for them. The farm manager employs workers under him that do not benefit from the project.

The current white manager is responsible for the management of the farm and all the day-to-day operations. Part of the current manager's role is to train a successor for his position. The long-term aim is to have a previously disadvantaged manager for the farm. Unfortunately, up until now the potential candidates for this role still lack the skills of planning and effective administration. Candidates for the role of manager are going through a training programme to teach them the required skills. The training programme includes training by the current farm manager, the trustees and training courses presented by training organisations in the area.

#### **5.2.3.2 *The mentor***

The farm manager is responsible for mentoring functions. He is also responsible for obtaining the necessary extension services available from the trustees and from external experts. It is required of the manager to show knowledge about the industry, farming practice and people skills.

#### **5.2.3.3 *The farm***

Four commercial farmers established the farm in 2006. They combined efforts to establish a BEE farm. The farmers acquired a farm with 40 ha of orchards and water rights from the local irrigation scheme for three months of the year. For the remainder of the season they rely on ground water and other sources such as rain-fed dams.

The ownership is made up by 70 shareholders who own 51% of the business and four trustees who own 49% of the business. Four directors represent the shareholders. One director from each of the trustee's farms is selected. The directors are responsible for conveying information between the shareholders and the board. Decisions are made at directors' meetings with an attendance register for the trustees, farm manager, financial manager and directors.

#### **5.2.3.4 *The business***

In this agri-business, there is an interesting relationship between the trustees and the shareholders. Even though the shareholders have the majority share, they rely on the trustees for decision-making and guidance. There is a good trust relationship among the stakeholders.

The investors see growth in terms of increasing stock value and annual dividends. The shareholders reserve the right to reinvest the dividends or to cash it out. In the previous financial year, the shareholders decided to reinvest their dividends so that the business could use the funds for capital expenditure on upgrades.

Shareholders cannot trade stocks during the first five years of owning them. During this time, there are no dividends. It is reinvested in the business by default.

Should a shareholder decide to sell stocks, he or she will be obliged to reinvest the yield into an asset. The reason for this is to protect shareholders from poor financial decisions that result in impoverishment. The trustees are in control of this process. The reason for selling is usually termination of employment at one of the farms of the trustees.

In the event of death, the value of the stock is paid out to the shareholder's family. This stock is then transferred to a new shareholder, or the trust. There is a limitation on the trading of stock between stockholders. This is to ensure the spread of wealth and equal rights as shareholders.

Directors present a business plan that incorporates a detailed planning schedule at board meetings. This plan forms the backbone of the operation for the next year. Deviations from the plan are immediately communicated to stakeholders so that they can stay informed. This communication channel is very important because the shareholders and the trustees do not form part of the day-to-day operation of the farm.

#### **5.2.3.5 *The market***

The trustees provide a sustainable market through their well-established brand name. Keeping the interests of Eendvoëlvei at heart, fruit is delivered to the best market at that point in time. This is predominantly the export market, unless the local market can provide better returns. It is required to have fruit of a certain quality in order to supply the current markets. The clients determine the quality specifications. It is important to comply with all standards and specifications for the export of fruit.

Eendvoëlvei is responsible for the delivery of produce to the packing and cooling facility. From there, they do not have control over the distribution chain. This is treated as a specialised field.

#### **5.2.3.6 *The support***

Technical support and extension services come from three different sources. The farm management is responsible for sourcing the right services. This can be knowledge within the business, technical services from the trustees or services from industry specialists. Service from industry specialists is payable and there is no special treatment for Eendvoëlvei.

Throughout the season, there are peaks in production. To level these peaks the trustees and the farms help each other out. Whenever any one of the farms has excess capacity in terms of labour, they would go to the farm with the peak to help there.

There were no initial grants from the government to establish the business. Now, the government helps to develop the farm by providing grants to acquire equipment. The grants are often fragmented and do not cover an entire development or set of equipment. To develop the farm effectively, the farm has put forward the capital in addition to the grants. This puts financial strain on the business, but the stakeholders understand this and they are willing to participate by reinvesting in the business.

The trustees no longer support the farm financially. However, there is a financial advantage as the trustees perform certain services at reduced rates.

#### **5.2.4 Project D**

##### **5.2.4.1 The farmers**

One of the female farmers represented the farmers of this venture in the interview. She was part of the initial group of people who received grants through the LRAD programme to become upcoming farmers. At the time, she was working in the field as a farm labourer. Over the past 12 years, she has grown to become the wage administrator. As part of the office personnel, she understands the administrative side of the business and adds value to the team through her experience and knowledge of the business.

The farmers agree that the leadership from the commercial farmer, Laastedrif, is a crucial part of their business. Without it, the project will not be feasible. They are good with the farm work, but that is different from farm management. Their lack of business skills prevents them from managing the farm without the mentorship and leadership from the supporting commercial farmer.

The farmers experienced a shortfall in the following areas:

- The ability to do adequate planning.
- The lack of managerial skills that is important for farming.
- The absence of a market to supply produce to.
- Difficulty with acquiring financial support.
- Cash flow and financial management.

Stakeholder communication is one of the challenging elements of the project. Not all the stakeholders are always available for meetings and the lack of a representative body complicates the issue further.

One of the biggest obstacles to overcome is the perceptions of the stakeholders. The stakeholders tend to think that the project will provide them with instant financial benefits. Training over a long period helped to change this perception so that they understand the long-term plan for the project. Now, they realise that it is necessary to reinvest in the business in order to sustain and grow the business.

#### **5.2.4.2 The mentor**

The mentor is a successful commercial farmer who produces fruit and vegetables both for the local and international markets. His recent successes include the title of National Farmer of the Year 2013. He owns and manages the Laastedrif group of farms that includes six farms in a 100 km radius around Ceres. They produce fruit and vegetables and differentiate with livestock.

He leads and takes up the responsibility of mentorship and people development.

#### **5.2.4.3 The farm**

The farm was bought in 2002 with funds allocated by the LRAD programme. A total of 137 individuals and their current employer acquired the land and went into business with 60%/40% ownership. The commercial farmer owns 40%.

Initially, there were some permanent crops in the form of fruit orchards. They planted vegetables as cash crop to build up funds to plant crops that are more permanent. They did this as an interim measure because the planting of permanent crops is very expensive and they needed cash to operate the business. Permanent crops only reach their potential in Year 7.

Twelve years later, most of the farm is developed with permanent crops, all debt is paid back and they plan further developments for the production of vegetables.

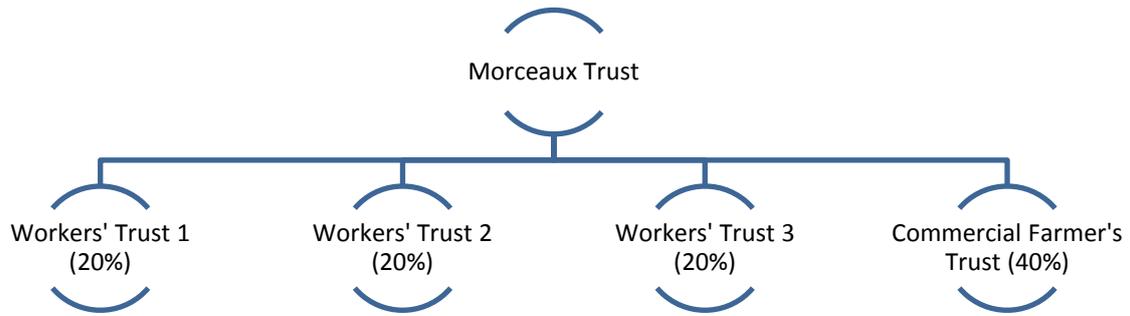
Approximately 35 of the initial beneficiaries are left on the farm. The initial criteria to join the scheme were five years of service and permanent employment at Laastedrif. The result is that older people became the trustees. Some of them passed away and some of them moved on to work with other employers.

The farm slots in with the other operations at Laastedrif, but is managed as a unit of its own. Services performed by Laastedrif are invoiced to Morceaux (Laastedrif Group) and the other way around.

#### **5.2.4.4 The business**

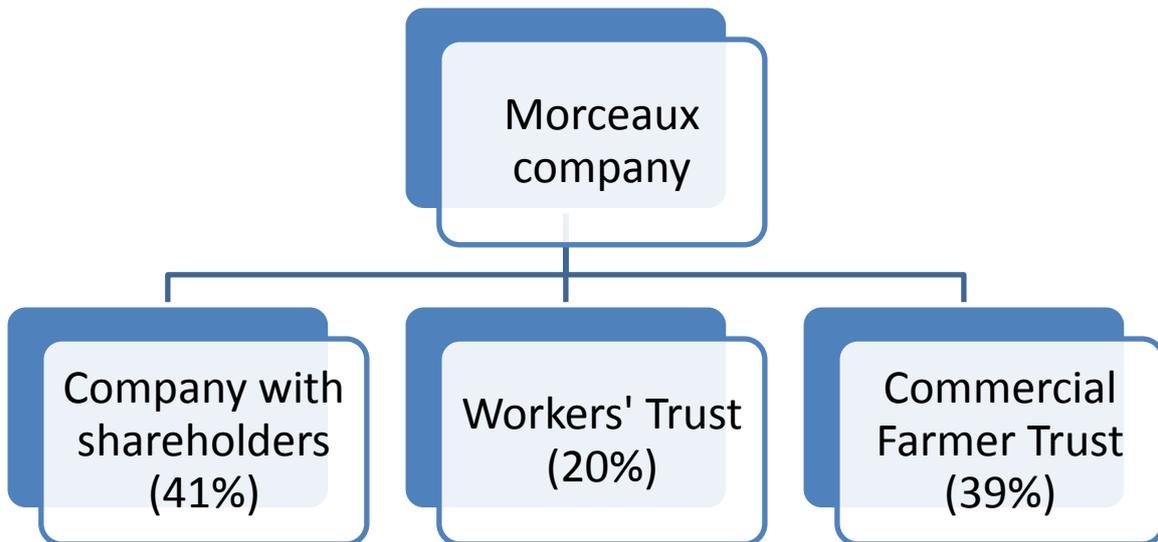
At first, the management thought that a group scheme would increase the beneficiaries' standard of living. This soon proved to be wrong. There were so many beneficiaries that they only received a small amount of money annually. This was not enough to make any difference in their standard of living. It was then decided that the funds must be ploughed back into the business to grow the business as quickly as possible.

The current business structure includes trustees from the farm labourers, management and ownership. The organisational structure is presented in the diagram below:



The three different workers' trusts represent different groups of workers who own shares in the business.

The current structure exposes itself to many organisational challenges and management dilemmas. Therefore, a new organisational structure has been proposed. The new structure employs independent trustees to be directors of a company that includes the different stakeholders as part-owners. The organisation can then be administered as a company with independent decision making by a board that represents all the stakeholders. The proposed new structure is presented in the diagram below:



The shareholders of the company can be people from outside the organisation or employees with long years of service. This gives the business the opportunity to obtain capital and to appoint a team of directors who are responsible for the management and decision-making processes.

Funds that are generated within the business must be used to grow the business and to better the beneficiaries' lives through training and development, medical support and retirement support. It

therefore has little financial benefit. The benefits will be reaped by the children of the initial beneficiaries through collective contribution by everyone in the business.

The current business plan is in line with that of Laastedrif, since they produce similar crops. Laastedrif packs and markets the produce with its own produce to take advantage of similarities and economies of scale.

#### **5.2.4.5 The market**

All the produce is marketed along with the produce from Laastedrif. This ensures a market for the produce. The quality standard must be the same as that of Laastedrif in order to supply to the same markets. The well-established market is to the advantage of the farmers. They do not have the required marketing skills yet.

Understanding the complexities of the market can be difficult to trustees. International markets are far removed from their background. Leadership and mentorship are important in this regard to develop their understanding of the market and market requirements.

#### **5.2.4.6 The support**

Collectively, the trustees of the project have years of experience in farming practice. They are experienced farm workers. However, technical services to ensure crop health and quality are necessary. Independent external consultants provide these technical services.

The initial financing to purchase the land and get the business going came from the LRAD grants, investment by Laastedrif and bank loans. All debt was paid back over the last 12 years. The farm is currently financial healthy and self-sustainable.

For new developments, bank loans will be the primary source of capital.

### **5.3 MAIN FINDINGS**

#### **5.3.1 Farm ownership**

The participants in this study represented three different farm ownership models:

- **Wholly owned:** The first farm is wholly owned by the upcoming farmer. The farmer received the land through a land reform scheme by complying with the programme criteria. The land is entirely at the farmer's disposal and the farmer is free to do with it what he wishes. The aim was that the land should be used as productive commercial farmland.
- **Ownership by a group:** The second is a group of upcoming farmers who own the land. Through a combined effort, they have to make a success of the business.
- **Partnership:** The third is a partnership between upcoming farmers and a commercial farmer or group of commercial farmers. In this case, the success of the farm can be ascribed to the collective effort of the commercial and upcoming farmers.

Ownership of the farm is not a significant indicator of its success. The relationship between the owners can influence the success. In all the cases of dual ownership, communication between shareholders is structured and planned. There is a proper understanding of the vision for the farm and the owners bought into that. The owners understand the long-term goal.

### **5.3.2 Profile of the farmer**

The majority of farm owners in this study used to be farm workers. They qualified for land as part of a land reform programme. The education of this group of farmers varies. Some of them hold secondary qualifications while others do not have any education. Efforts toward the continuous development of the farmers through training courses and practical experience in farm management and planning procedures were paying off. Farm work and the business functions of farming are not the same. This proved to be one of the biggest obstacles for the farmers. They have the ability to do the farm work, but need help with the business functions of the farm. In all the projects, significant improvement has been made in the development of the farmers. They actively participated in training initiatives to become efficient farm managers. Directors, appointed by the group, are obliged to attend training sessions in order to grow as business managers. Development in this context includes technical and business skills, as well as personal development. The emphasis on leadership makes them good managers of people.

In the case of the farmer of Project A, his profession was outside agriculture. The opportunity to acquire land through a land reform programme led him to become a farmer. However, he came from a farm background and was a part-time farmer at the time.

Regardless of the farmers' backgrounds, they all shared a love of agriculture and farming. Given the agricultural environment with its many variables, it is not an easy industry to be in. Farms operate with long time horizons. It is therefore important that the farmers are not there for immediate or short-term financial gains. Farming remains hard work, even with the technological advances in the industry. This business sector is labour intensive and there are many factors that cannot be controlled.

### **5.3.3 The business**

The structure of the businesses is different for each case. Therefore, it can be said that the structure influenced the success of the business, but it was not necessarily the determining factor. There are some commonalities in the structures. All the businesses have predominant leaders who give direction to the businesses. Trustees and shareholders respected these individuals and they realised the need for leadership. The leader can be a commercial farmer, mentor or one of the shareholders. It is important that all the stakeholders buy into the business from the beginning.

In terms of the business plan, various approaches were followed. The business plan must be adapted to farm specifics such as soil and climate conditions. The inclusion of natural resources in the plan was necessary to run the business effectively. The business environment for farmers is

very dynamic. The adaptability of the business plan was important to ensure relevance amidst changing industry forces. The thoroughness of the business plan was crucial for the farmers with little or no experience in the field of farm management. The business plan was the first step towards an organised approach to farming. In the fruit industry, certification is important in order to export products. Without a plan to obtain and maintain these ever-changing certification standards, access to markets is limited.

#### **5.3.4 Market creation**

Previous studies referred to market creation as one of the biggest challenges for upcoming farmers. Their ability to produce a good crop could be excellent, but without selling the crop, there is no business. The importance of market creation is independent of crop quality or the skill of the farmer.

In all the cases, there was common thread regarding the marketing of produce. All of the farmers used well-established marketing channels to market and distribute their product. They learned that the marketing of products is a specialised field. International marketing required certain volumes and they often produced too little to market their own crop. For most of them, the marketing function was linked to the mentor for the project. This could be a commercial farmer or an independent mentor. Trust in this relationship was very important as the farmers had very little control in the process.

The marketer specified the quality of the crop. This underlines the importance of a good relationship between the marketing company and the farmer. To ensure the right crop quality, the farmer needed expert advice during the production stage.

The development of markets also impacts future developments for the farmer. As the market supply and demand changes, it influences the varieties that must be planted to be in full production in seven years' time. Only detailed, long-term planning along with a maintained relationship between the farmer and the marketing company can ensure success.

#### **5.3.5 Financial management**

All the cases underlined financial management as one of the critical factors in their business. Diligent planning and management were the only way to ensure cash flow and sustainability. The development of a farm is capital intensive. Only permanent crops deliver returns in a number of years. Very few crop types give any returns within four months.

Cash flow was considered the biggest problem during the start-up years. This was addressed through a number of initiatives. Overdraft facilities and loans were used to address cash flow problems. However, the respondents tried to avoid debt as far as possible. All the cases worked off initial debt in the quickest possible way. Debt is now reserved for substantial developments.

In general, farm workers on commercial farms are not exposed financial management. Training in this regard is very important to the upcoming farmers. Mentorship becomes very important in this regard. Spending funds in the wrong areas can strain the business and impact its feasibility.

### **5.3.6 Support to the farmers**

Literature indicated that upcoming farmer projects often failed because of a lack of support. Such support usually included mentorship, technical support and financial support. The support must be given to the farmers to enable them to succeed.

The case farmers in this study experienced the giving of support differently. The support they received was not simply handed to them. They actively sought support for their businesses and often paid for it. This is contrary to popular belief and it made a big difference to their businesses.

Industry professionals supplied technical support. They acted as consultants on various aspects of crop production. The farmers' utilisation of these professional services ensured technological advances and it provided a learning platform for the farmers to gain more knowledge on challenging technical dilemmas regarding soil, climate, plant disease and plant health.

Financial support, apart from the support offered by government, was obtained through commercial banks on industry criteria. The farmers did not receive any special treatment in this regard. Government support was often fragmented and inconsistent. The support schemes split funds and resources into small packages so that more people could benefit from them. This approach posed great challenges for the upcoming farmers. The packages became so small that they lost their impact. All of the respondents agreed that the packages must be consolidated to help fewer people at a time, but in a proper way. Support from government remained an added benefit offered to upcoming farmers. It is therefore advisable to apply for grants continuously to help the business in every possible way.

Support in the form of a mentor was essential according to the case farmers. The mentor role could take on many different forms, but it had to be based on trust and respect. The mentor role and the extent of the accompanying services were different for each of the case projects, but were clearly defined. The mentor was responsible for mentoring the farmer on various aspects regarding management and crop production – from the initial planning to marketing and sales. However, one role is often overseen. Given the background of South Africa and that of the upcoming farmers, the mentor has a duty to develop people. This was the single most important function of the mentor in the project case studies. The only way to create sustainable upcoming farmers is to develop people to understand farming, the environment, their role in society with job creation and food security, and the influence they have on a country and the world. Mentoring upcoming farmers is a process of building human beings to know that they could do more through hard work and conscious decision-making.

The successful upcoming commercial farmers who took part in this study benefitted from land reform programmes, but they are successful because of hard work and not through grants. The farmers demonstrated the ability to work with their resources before asking for more. They realised their interdependence on each other to make a success in the agricultural industry.

For them, the distribution of wealth is not about financial gain. It is about knowledge, respect and communal wealth through allowing everyone his or her place in society.

#### **5.4 SUMMARY**

The success of upcoming farmers does not rely on one specific model. The business composition and involvement of stakeholders can differ in many aspects. However, a number of similarities between the case studies gave an indication of certain factors within the business that needed to be in place to ensure sustainability and ultimately the successful integration into the commercial farming industry.

It is important that mentorship and support with the right intent are provided to the farmers for their product to reach the right markets.

However, these two elements – mentorship and support – combined with a dynamic, detailed business plan and planning schedule, stand out as the factors that are likely to influence the success of upcoming irrigation farmers.

## CHAPTER 6

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 6.1 INTRODUCTION

This research on successful upcoming commercial farmers provided lessons in retrospect. All the participants in the study could reflect back over a number of years to say what had made their businesses different from the unsuccessful business of a neighbour. From the findings, it is clear that there is no standard recipe to follow when setting up an upcoming farmer operation. However, there are certain guidelines that can increase the possibility of success.

#### 6.2 SUMMARY OF MAIN FINDINGS

A number of factors do not determine the success of upcoming commercial farmers although these factors influence the success. The business plan and structure of the company can be set up in such a way that it suits the stakeholders. The main requirement is a business plan that is executed. The structure of the company must enforce accountability and trust. Within these broad guidelines, the business can be set up in many different ways. The detail of the business plan determines the degree of support it gives the farmer. The farmer can only depend on the plan if there is sufficient detail.

On the other hand, non-negotiable factors such as mentorship and a market for the produce have a direct influence on the success of the farmers. The farmer-mentor relationship has to be based on trust and respect. Without this, the relationship is likely to fail. Without a mentor who wants to see the farmer prosper, the chances of success are not much.

A well-established market for the produce of the farm is one of the key elements of success. From the study, it is clear that access to markets played a decisive role in the success of upcoming farmers. In many cases, the lack thereof forced the farmers to become subsistence farmers with little contribution to the economy and no prospects of growth.

Becoming a successful upcoming commercial farmer takes dedication. There is no immediate financial gain for the farmers as they need to have a long-term approach to business. This is one of the biggest misperceptions among upcoming farmers. They expect instant financial gain after successful application in a land reform programme.

All the farmers in the study are successful because of hard work. The stakeholders in their business bought into the end goal and everyone works towards that goal. This leads to ongoing development and the continuing growth of the business. This should not be done without seeking help in every possible way. While the government is helping upcoming farmers through grants, they should use the help to build their businesses. Market conditions change constantly and farming remains a volatile industry.

Leaders who work together in the project are highly important. The study showed that leadership on the farm contributed to the development of people and eventually the improvement of lives. This process takes time and requires the contribution of all the stakeholders in the project. People development seems to be one of the factors that hinder the process of transforming agriculture in South Africa. The majority of beneficiaries in the land reform programmes are farm workers. These workers know farm work, but they lack exposure to the business side of farming. For them, the development of business skills is the divide between farmer and farm worker.

Support in the form of extension services does not have to be offered to farmers without cost. To be at the forefront of technology and market trends, advice from experts in the industry is necessary. Using paid consultants gave the farmers in the study the opportunity to learn. The involvement of experts in their business gave them the opportunity to obtain advice on various issues. Government support is fragmented and the current support programme has limited benefits for the farmers. The main reason for this is the fact that resources are split between too many beneficiaries. It would be better to help fewer people appropriately so that they can create more jobs and start helping others.

Being a successful upcoming farmer in South Africa is about more than the benefit of personal wealth, transformation or land reform. It speaks of change in the lives of people. These people were unwillingly part of a system that prevented personal development and that led to a vanishing dream for the future. However, through leadership and a mind shift in the industry, successful land reform and a sustainable agricultural sector has become possible.

## **6.3 POLICY IMPLICATIONS**

### **6.3.1 Screening of land reform candidates**

The success of land reform projects starts with the screening of eligible candidates. The operation and management of such a business in the current agricultural environment require specialised skills that need to be developed.

Business plans must include an identified individual as mentor. Without a mentor who buys into the end goal, the chances of success decrease substantially. The detail of such business plans must include environmental factors such as soil, climate and natural resources. A detailed development plan and feasibility study should form the basis of the application.

A screening process for mentors is advisable. Mentors must have the ability to grow people in order to increase their standard of living. The standard of living will not increase with the allocation of money alone.

### **6.3.2 Government support**

Fragmented government support leads to ineffective application of funds. If this could be changed to help fewer beneficiaries in a better way, it could result in transformation that is more successful. More successes should have a snowball effect that speeds up the land reform process.

Education regarding extension services is necessary for farmers to understand the value thereof. When services come free, the value of the service is often disregarded.

## **6.4 PRIORITIES AND RECOMMENDATIONS GOING FORWARD**

A number of critical factors for the success of upcoming commercial farmers was identified by the study. These factors are based on experience of farmers, mentors and governing bodies. The following list highlights the main criteria and recommendations for success:

- To be a farmer, you need to be a farmer in your heart. Without a passion for the industry and the work, it is not possible to be successful. It will simply be too difficult.
- The business plan must include a mentor for the programme who is honourable in what he or she does.
- The project can only be successful if it starts as a sustainable business in terms of size, resources, planned crop and stakeholders.
- The relationship between stakeholders must be open and one of trust and respect.
- Exceptional financial management is important for success.
- The personal development of farmers is very important.
- The focus of land reform projects must shift from short-term financial gain to long-term strategic advances.
- The perception that land reform will bring immediate wealth to beneficiaries needs to be adjusted.
- Beneficiaries must seek mentors instead of waiting for mentors to offer their services.
- “It is always too early to quit” (Trevor Abrahams).

## **6.5 RECOMMENDATIONS FOR FURTHER RESEARCH**

This research was limited to upcoming commercial farmers in the Western Cape who irrigate permanent and cash crops. In the agricultural industry, there are many other sectors to explore in terms of the success of upcoming farmers.

Suggested further research will be a study of the individual farmers to obtain a profile of a farmer that is likely to be successful as upcoming farmer. This will help with the identification of suitable candidates in land reform programmes.

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## **APPENDIX A: DISCUSSION FRAMEWORK**

### **1. Farmer background**

- Training and education?
- Work before farming?
- Support of family?
- History of farming?

### **2. Farm background**

- Size of farm?
- Area irrigated?
- Who is the owner of the land and how does the agreement work?
- Are there any common use agreements for electricity, water, equipment?
- Is the farming operation dependent on neighbours and cooperation?
- Technology utilisation?
- How do your farm compared with other farms in the region?
- How does the farm contribute to your success?

### **3. Business background**

- Is there a business plan?
- Is this business plan generic or unique for this farm?
- What influences the business the most?
- Is cash flow a problem, what do you do about that?
- Is there a growth plan and set goals for the business?
- When and how to expand?
- How did this change over the years?

### **4. Sponsor background**

- Is there a sponsor for the project?
- Is the sponsor the mentor for the project?
- To what extent is the project sponsored (financial, technical, infrastructure)?
- Is the sponsor private or public?
- Is there more than one sponsor and do they work together for a collective benefit?
- How do you see the role of the sponsor in your success?

**5. Market information**

- Do you know the market and do you have fresh information from the market?
- What is the main source of market information?
- How do you get your produce to the market?
- Are you dependent on other people to get the produce to the market on time (excluding transport contractors)?
- How do you penetrate the market?
- Do you have fixed contracts with the market/clients?

**6. Technical support and extension services**

- Role in crop production?
  - Fertigation and chemigation
  - Irrigation
  - Disease and pest control
  - Crop care
- Role in planning?
- Role in skills development and training?
- Does this help and is it necessary?
- What are the intervals of help and visits?
- How do technical support and extension services influence your success?

**7. Financial support**

- Financial model (loans, operating capital, management)?
- What is the main source of finance?
- Is it difficult to obtain finance?
- Is the operation profitable?
- What are your goals with regard to debt?
- Who does the financial management?
- What is the connection between the management of finance, the sponsor, mentors and technical service providers?

8. What are the support structure requirements for upcoming farmers?

9. What is the golden thread for upcoming farmers to be successful?

## **APPENDIX B: INTERVIEWS**

### **1 TREVOR ABRAHAMS**

**Mentor:** Mr. Robert Graff

**Farmer:** Mr. Trevor Abrahams

**Interviewer:** Mr. Jaco Nel

**Date:** 22 January 2015

#### **1.1 Mentor background**

In 1999, when Trevor received his land close to Ceres, Robert Graff realised that there is potential. Being his neighbour, he decided that he wanted to be a mentor for Trevor. Robert is a farmer and business man himself, so he had the background and ability to guide Trevor to success. After discussions with the Graff family, they decided to make Robert available to Trevor.

Trevor accepted this offer on a basic agreement between the two of them. Robert wanted no payment for his coaching services, but for everything else Trevor must pay. This included the use of labour and equipment in the start-up phase. On the other hand, Trevor requested that Robert must not use him as a political pawn. Trevor has good contacts in government and he can be very influential. Using him for personal gain would end the relationship.

This basic verbal agreement is still in place today. They respect each other and Trevor realises his dependence upon good advice. Both parties want to see each other prosper.

Trevor and Robert never forced any business transactions between the two of them. In Trevor's opinion, it is important not to force business transactions as this can easily change the benefit package of the relationship. Complications are only distractions.

#### **1.2 Farmer background**

Trevor grew up on a farm and worked with the farm owner from a young age. As he grew up he worked in the farm store and later helped milking the cows.

His first farming business was cattle and pigs on land that he hired from the municipality during his profession as school teacher. The part-time farming business proved to be a success. Later, he joined an abattoir as manager. When the LRAD scheme was rolled out he applied for a piece of land. After his successful application for land, Trevor remained manager of the abattoir and farmed

part-time. This continued until he could no longer afford to spend so much time away from the farm. He resigned to become a full-time farmer.

He continued to learn from his mentor and grow his business. His aim is to farm 100 ha of productive orchards.

### **1.3 Farm background**

In 1999, as part of the LRAD system, Trevor received 39 ha of land close to Ceres with water and no improvements. He started out by planting a small piece of land with peaches. After Year 2, he made a profit of R33 000. The first planting was a basic type of peach that is easy to farm. His mentor recommended this so that school fees can be paid on a lower value crop. He gradually developed the rest of the farm. Today, he has 22 ha under fruit orchards.

The farm was later expanded by acquiring more land close to Wolseley. This 34 ha land was purchased with a bank loan. Today, the new land adds 18 ha of orchards to the operation. The total area under production is just over 40 ha.

The two farms form part of one business, but both farms are run as separate units. They have their own water rights from the local irrigation scheme and they have their own electrical supply.

### **1.4 Business background**

The business plan went through a development phase. For the first plan, help was offered by a consultant appointed by the government. This plan was based on business plans of commercial farmers in the area and then scaled down to suit Trevor's business.

Later, the business plan was upgraded for the individual business environment.

The business plan is now in its fourth revision. The latest plan incorporates the experience that Trevor has gained over the last 15 years. Plans for further development and a five-year cash flow projection are part of the latest business plan.

During the 15 years, the nature of the business changed considerably. In 1999, 15 ha was an economically viable farming unit. Today, 40 ha is considered an economic unit. Margins decreased as production costs increased rapidly while sales prices increased with about 2.5% annually.

Expansion of the business is limited by available soil and water. Capital for expansion is also a factor, but that can be overcome through loans and planning. In the Wolseley area, available land is a bigger problem than water.

In Trevor's business the mentorship made the difference he needed to become successful. Mentorship helped him to make better decisions, acquire important industry information and limit costly mistakes.

## **1.5 Market information**

Export fruit is marketed through the well-established channels of the mentor. Even though Trevor pays for the marketing expenses, he gets the opportunity to supply to markets that are already developed.

In the local market, Trevor uses the marketing services of the mentor while building up his own name in the market. Currently, he supplies a number of big retail groups, including Shoprite and Woolworths.

Trevor progressively learned what the marketing of fruit requires and realised that he cannot market his fruit without the support of other farmers such as his mentor. Clients are looking for certain minimum volumes and exporting directly will require substantial capital layout to get the required infrastructure. For the size of his business this is not feasible. As new markets open up, Trevor and his mentor work together to supply and further develop the market.

Trevor underlines the importance of a marketing plan that forms part of the business strategy. It is important to use effective channels for marketing.

## **1.6 Technical support and extension services**

From day one, the mentor offered help with technical and extension services. These services never came for free. The use of independent consultants for certain functions is important to ensure high crop quality and keeping up with technology.

Trevor makes resources available for research and development by the Agricultural Research Council (ARC). Through this he gets expert advice and further education on critical technical aspects. This is regarded as a great learning school that comes at a relatively low cost.

Financial management is done in-house, with the help of his mentor. The administration of the finance is outsourced to an accounting firm. This helps him to keep all financial records up to date and the statements in order. The fact that his financial data is up to date helps him to respond quickly when an opportunity for support arises.

## **1.7 Financial support**

Initial financial support came from the government through the LRAD scheme. As the business grew and began to support itself, they were less dependent upon the grants. Today, the business is self-sustainable, but they still participate in the grant system. They realise that they need to use any help available and therefore apply for grants every year. Grants include subsidised fuel and chemicals.

The Graff family forms a big part of Trevor's financial support. As agreed, Trevor pays for inputs supplied by his mentor. The agreement is that he will pay them back once there is money to do so. The value of these services gradually added up to almost R1 million. This loan was given interest-

free with no payback period and it made a substantial difference in the cash flow of Trevor's business. Trevor cleaned this account over the years.

Further financial support included bank loans and own capital.

A summary of capital expenditure was done in 2014. At the time, the capital input in the project was R13 million. Of that, the government supplied R6 million, the Graff family R1 million on a loan basis while the remaining R6 million came from bank loans and own capital.

Cash flow problems were addressed through an overdraft facility and loans, good management practices and continuous application for support. Support schemes are offered by the government and the private sector.

### **1.8 Industry information**

Trevor was one of 18 beneficiaries who applied for the LRAD grants when he started out. Eight of them were successful in their application. Over the last 15 years, they have seen how most of them gradually lost everything to the point of extreme poverty and social decay.

In Trevor's opinion, the reasons for this are:

- The beneficiaries exercised poor financial management by spending money on developments that did not contribute directly to the bottom line of the business. An example of this taking out a bank loan to build an office while one of the rooms of the living house could be transformed into a workplace.
- Failed production plans resulted in losing contracts with potential markets. As the quality of the fruit decreased, there was no longer any market for the produce.
- Poor leadership where more than one beneficiary are dependent upon each other. The projects where more than one beneficiary farmed the same piece of land became divided. Soon, the different groups started to loot their own property by selling equipment for cash and breaking down structures. It is important to have good leadership so that the groups can work together for a mutual benefit. The vision and goal must be right to obtain this. Short-term gain is the biggest stumbling block that causes the division of groups.

What are the main factors influencing upcoming farmers?

- To be a farmer, you need to be a farmer in your heart. Without a passion for the industry and the work, it is not possible to be successful. It will just be too hard.
- Look for a mentor. Do not wait for a mentor to come to you.
- It is always too early to quit.
- It is important to calculate risks carefully before making business decisions. Then manage it with care.
- Start at the bottom and build on that.

- Be nice to people on your way to the top. You want them to be nice to you on your way down.

What is the golden thread for upcoming farmers to be successful?

- Good mentorship based on trust and respect.
- Exceptional financial management.

## **2 CRISPY (DU TOIT GROUP)**

**Mentor: Mr. Deon van Zyl**

**Interviewer: Mr. Jaco Nel**

**Date: 20 January 2015**

### **2.1 Mentor background**

Deon started with Crispy during 2008 as mentor for the programme. He is employed and paid by Crispy.

The duties and attributes of the mentor include:

- The mentor must have the authority to make fair announcements that influence the business.
- The mentor must have good interpersonal skills to be able to work with people.
- The mentor must be a leader in the industry in terms of technical knowledge and experience.
- The mentor must have the ability to change the way people think and through that develop and grow people. This is the single most important attribute.
- The mentor must be a leader.
- The mentor must have a critical eye for problems and mistakes, and the ability to effectively communicate that with stakeholders.
- The mentor must understand the business philosophy.
- The mentor is responsible for establishing ownership and accountability with each stakeholder in the business.

### **2.2 Farmer background**

All the farmers were farm workers before they joined Crispy. There were a few chancers who were eliminated early in the project.

Each individual received a grant from the government as part of a land reform programme. This was used to buy into the company and therefore to acquire shares.

The main criterion was that stakeholders must be older than 21 years of age.

Gender was not important.

Training is one of the biggest challenges for the farmers. Problems and mistakes must be corrected from the bottom up. It is important to learn from each individual, from labourers to directors, to observe and to communicate problems.

### **2.3 Farm background**

The farm was established in 1998 when houses and land became an issue for employers at the Du Toit Group. The owners combined efforts to produce a single project that could provide adequate economies of scale. Individual grants were not enough to operate the farm, but the combined effort could start a business.

The company was established with capital raised from grants that the members received, capital from the Du Toit Group and personal capital put forward by the management of the Du Toit Group. Shares were therefore limited to the workers and management of the Du Toit Group. This is still the case.

The new farm has 1400 shareholders. The key to the successful integration of all the stakeholders and shareholders is primary buy-in from everyone at commencement of the project. Thereafter, it is communication through briefing, briefing and once again briefing.

From the shareholders, 19 directors were selected to represent the shareholders on the board. This was done through a democratic election process by the shareholders.

The duties of the directors are the following:

- Communication between the shareholders and the board.
- Directors' duties in business management.
- Compulsory training sessions in business principles, procedures, financial management and strategic planning.
- Drawing up the annual plan for the business, to be presented and finalised at the annual board meeting.
- Drawing up monthly progress reports, to be presented at monthly board meetings.

Board meetings are pre-arranged, formal meetings. Directors must take up their responsibilities as directors.

### **2.4 Business background**

The business is a private company with plans to become a public company. Shares are traded between people who comply with the minimum criteria for shareholders in a BEE farming company. The company's share-trading counter determines the criteria.

It is very important to communicate the end product or vision of the project to all stakeholders. The business plan must then be tested against industry requirements and the business environment. Feasibility is part of the foundation of the project. Part of the feasibility study is the determination of potential of the land in terms of soil, natural resources (water), existing infrastructure, climate and management structure and style. The business plan and feasibility study must be comprehensive in every single way.

To start a new venture without considering standard and known practice is not wise. It is better to start the business based on known practice.

The business plan must include a mentor who is employed and paid for his/her work.

It is important not to break up an existing system that forms a unit into smaller pieces to suit the need of many individuals. The strength of the system is greater than the sum of its pieces.

Keep strong control over financial management. Financial management can be in-house or outsourced, but rigorous control is essential.

Current planning goes up to 2019. The long-term outlook helps to keep the end vision clear for the whole company. The current operation includes 265 ha of irrigated orchards. The plan includes replanting and improvements. Capital expenditure and operational expenses are planned in detail for every week of the year. The detailed financial plan goes hand in hand with a detailed operational schedule.

The ability of management and directors to understand the planning function of the business is considered as highly important. This is a teaching process that takes time and effort.

Record keeping and the effective utilisation of records is important to monitor inputs and outputs. Produce, chemical application, labour and overhead costs are all very important aspects to monitor and compare. Fluctuations of such inputs impact the plan.

It is important to have a cash cow in the business. For Crispy, it is their packing and cooling facility. This facility is not only for packing fruit; it also serves as a constant measurable source of income.

## **2.5 Sponsor background**

Government support is not always in line with the requirements of the project and/or industry. The support is often so thinly spread or inconsistent that it loses its value. There is very little structure or consistency in the support from government.

It is better to consolidate limited funds so that one project can be a success as opposed to many small projects that has limited success. Beneficiaries must get funds based on merit. The following are good criteria for fund allocation based on merit:

- The background of the farmer
- The thoroughness of the business plan proposal
- The feasibility of the project in the given environment.

Currently, the company receives no grants from the government or private contributors. It is self-sustainable and it operates with its own capital and bank loans. The loans are based on standard lending criteria for commercial banks.

## **2.6 Market information**

The business produces for a well-established brand name. All the produce that meet the requirements are exported under the Du Toit brand name.

It is important that upcoming farmers slot in with a known brand in the market. This is the best way to get a footprint in an existing market. The brand name determines the quality of the produce through a set of personal and market criteria. This is to the benefit of the producer.

The business competes in the international market. It therefore complies with international standards for competing in this arena. From a business risk point of view it is important to constantly adapt to international market trends.

## **2.7 Technical support and extension services**

Technical support and speciality services come from industry leaders who are independent. Consultants are paid to fulfil this role for the business. The standard day-to-day operation and farming skills come from within the business.

It is important not to lower standards. To compete in the commercial market, the standard must at least be equal to that of other commercial producers.

## **2.8 Industry information**

It is important that the misperception around land reform is changed. What the public sees is not in line with what the industry experiences. The ideals of the government are not the same as that of the agricultural industry.

What is the golden thread for upcoming farmers to be successful?

- The business plan must include a mentor who is employed and paid for his/her work.

### **3 EENDVOËLVLEI**

**Manager: Mr. Anco Meyburgh**

**Interviewer: Mr. Jaco Nel**

**Date: 20 January 2015**

#### **3.1 Farm manager's background**

The manager is responsible for the management of the farm and all day-to-day operations. Part of the current manager's role is to train a successor for his role. The long-term aim is to have a previously disadvantaged manager for the farm. It has been observed that possible candidates for this role often lack the skills of planning and effective administration. Potential candidates are going through a training programme to acquire these skills. The training programme includes training by the current farm manager and the trustees, and training courses presented by training organisations in the area.

The manager is responsible for mentoring functions and to obtain the necessary extension services available from the trustees and experts outside of the organisation. It is required of the manager to show knowledge about the industry, farming practice and people skills.

#### **3.2 Farm background**

The farms were established in 2006 by four commercial farmers who combined efforts to establish a BEE farm. The farmers acquired a farm with 40 ha of orchards that have water rights from the local irrigation scheme for three months of the year. The remainder of the season they rely on ground water and other sources such as rain-fed dams.

The ownership is made up by 70 shareholders who own 51% of the business and four trustees who own 49% of the business.

The farm setup is different in the sense that the shareholders do not manage and farm their farm. The shareholders are working on the farms of the trustees. A farm manager has been appointed to manage the farm for them and to employ workers under him.

The shareholders are represented by four directors. One director is selected from each of the trustee's farms. The director is responsible to convey messages to the shareholders back and forth. Decisions are made at directors' meetings with an attendance register for the trustees, farm manager, financial manager and directors.

### **3.3 Business background**

The relationship between the trustees and the shareholders is an interesting one. Even though the shareholders have the majority share, they rely on the trustees for decision-making and guidance. There is a good trust relationship between both parties.

Since the shareholders are not working on the farm, their investment grows through growth in the stock value and paid-out dividends. The shareholders reserve the right to reinvest the dividends or to cash it out. In the previous financial year, the shareholders decided to reinvest their dividends so that the business could use the funds for capital expenditure on upgrades.

Shareholders cannot trade stocks within the first five years of owning them. During this time, there are no dividends. The dividends are automatically reinvested in the business.

Should a shareholder decide to sell stocks, the yield must be invested in an asset. The reason for this is to protect shareholders from poor financial decisions that result in impoverishment. The trustees are in control of this process. The reason for selling is usually termination of employment at one of the farms of the trustees.

In the event of death, the stock is paid out at the current value. This stock is transferred to a new shareholder, or to the trust.

There is a limitation on the trading of stock between stockholders. This is to ensure the spread of wealth and equal rights as shareholders.

A business plan that incorporates a detailed planning schedule is presented at board meetings. This plan forms the backbone of the operation for the next year. Any deviation in the plan must be communicated to stakeholders immediately so that they can be informed. This communication channel is very important as the shareholders and the trustees do not form part of the day-to-day operations of the farm.

### **3.4 Sponsor background**

The four trustees form the collective sponsor for the project. The land is owned by the trustees and they provided start-up funds. Each of the trustees offers a different advantage for the farm. One of the main advantages is the utilisation of a packaging and cooling facility that distributes their product to well-established markets.

Another trustee offers financial management services by incorporating Eendvoëlvei's financial management reporting under his financial team. This is to ensure proper management and effective financial reporting. Trust and ethics is the foundation of this relationship. With the limited knowledge of financial management that the shareholders have, it is important to maintain this trust relationship. The financial management system recently changed. In the initial model, the financial management was solely done by the trustees. Now, the financial management is done by the farm and the reporting is done by the trustees.

### **3.5 Market information**

The trustees provide a sustainable market through their well-established brand name. Keeping the interest of Eendvoëlvelei at heart, fruit is delivered to the best market at that point in time. This is predominantly the export market, unless the local market provides better returns. It is required to have fruit of a certain quality in order to supply the current markets. Quality specifications are determined by the clients.

It is important to comply with all standards and specifications of the fruit export market. Inspections and certificates must be in place to have the ability to supply.

Eendvoëlvelei is responsible for the delivery of produce to the packing and cooling facility. From there, they do not have control over the distribution chain. This is a specialised field.

All the produce is delivered to the packing facility. The farm therefore has 100% offset for its produce.

### **3.6 Technical support and extension services**

Technical support and extension services come from three different sources. The farm management is responsible for sourcing the right services. This can be knowledge within the business, technical services from the trustees or service from industry specialists. Service from industry specialists is payable and there is no special treatment for Eendvoëlvelei.

Throughout the season, there are peaks in production. To level these peaks the trustees and the farm help each other out. Whenever any one of the farms has excess capacity in terms of labour, they would go to the farm with the peak to help there.

### **3.7 Financial support**

There were no initial grants from the government to establish this business. Now, the government helps to develop the farm. Equipment is acquired through grants. The grants are often fragmented and do not cover an entire development or set of equipment. With the planting of new trees for example, the grants cover one hectare, but there are no blocks of only one hectare in the orchard. In order to effectively develop the farm it is ideal to develop a block at a time. The farm put forward the capital to develop the rest of the block. This puts financial strain on the business, but the stakeholders understand this and they are willing to participate by reinvesting in the business.

The trustees no longer support the farm financially. However, there is a financial advantage as the trustees perform certain services at reduced rates.

### **3.8 Industry information**

What is the golden thread for upcoming farmers to be successful?

- The relationship between the stakeholders. It needs to be an open, trust relationship.
- Timeous and constant communication.
- Mentorship is important to develop the shareholders so that they understand the business part of farming.

## **4 MORCEAUX (LAASTEDRIF GROUP)**

**Mentor:** Mr. Rossouw Cillié

**Farmer:** Ms. Anna van Rooi

**Interviewer:** Mr. Jaco Nel

**Date:** 22 January 2015

### **4.1 Mentor background**

Rossouw Cillié is a successful commercial farmer who produces fruit and vegetables both for the local and international markets. Some of his recent successes are the title of National Farmer of the Year 2013. He owns and manages the Laastedrif group of farms which includes six farms in a 100 km radius around Ceres. They produce fruit and vegetables and differentiate with livestock.

### **4.2 Farmer background**

Anna van Rooi was part of the initial group of 137 people who received grants through the LRAD programme to become upcoming farmers. At the time, she was working in the field as a farm labourer. Over the past 12 years, she has acquired the know-how to become the wage administrator. As part of the office personnel, she understands the administrative side of the business and adds value to the team through her experience and knowledge of the business.

The farmers agree that the leadership from the commercial farmer is a crucial part of their business. Without it, the project will not be feasible. They are good with the farm work, but that is different from farm management. Their business skills are not developed enough to be able to manage the farm without the mentorship and leadership from the supporting commercial farmer.

The farmers experienced a shortfall in the following areas:

- The ability to do adequate planning
- The lack of managerial skills that are important for farming
- The absence of a market to supply produce to
- Difficulty to acquire financial support
- Cash flow and financial management.

Stakeholder communication is one of the difficult elements of the project. Not all the stakeholders are always available for meetings and the lack of a representative body complicates the issue further.

One of the biggest obstacles to overcome was the perceptions of the stakeholders. The stakeholders tend to think that the project will provide them with instant financial benefits. Training over a long period helped to change this perception so that they understand the long-term plan for the project. Now they realise the need to reinvest in the business to sustain growth.

### **4.3 Farm background**

The farm was bought and established in 2002 with funds allocated by the LRAD programme. In total, 137 individuals and their current employer acquired the land and went into business with 60%/40% ownership. The commercial farmer owns 40%.

Initially, there were some permanent crops in the form of fruit orchards. They planted cash crops in the form of vegetables to build up funds to plant more crops that are permanent. They had to do this because the planting of permanent crops is very expensive and they needed cash to operate the business. Permanent crops only reach their potential in Year 7.

Twelve years later, most of the farm is developed with permanent crops, all debt is paid back and they plan further developments for the production of vegetables.

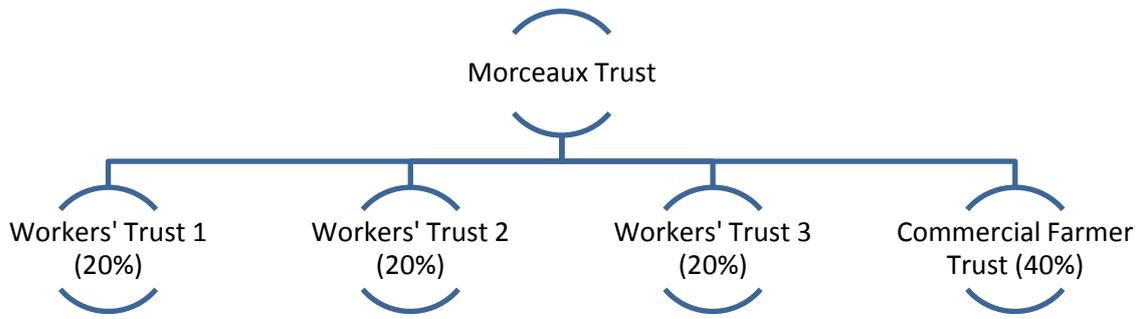
Only 35 of the initial beneficiaries are left on the farm. The initial criteria for joining the scheme were five years of service and permanent employment at Laastedrif. The result is that older people became the trustees. Some of them passed away and some of them moved on to work in different places.

The farm slots in with the other operations at Laastedrif, but is managed as a unit on its own. Services performed by Laastedrif are invoiced to Morceaux, and the other way around.

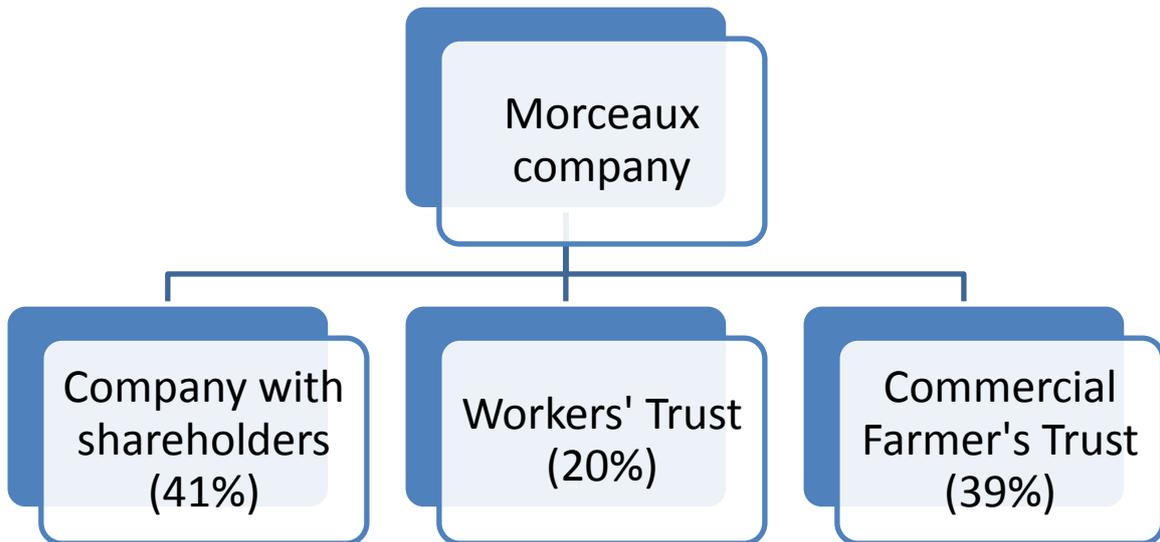
### **4.4 Business background**

At first, it was thought that a group scheme would increase the beneficiaries' standard of living. This soon proved to be wrong. The beneficiaries were so many that they only received a small amount of money annually. This was not enough to make any difference in their standard of living. It was then decided that the funds must be ploughed back into the business to grow the business as quickly as possible.

The current business structure includes trustees who represent the farm labourers, management and ownership. The organisational structure looks as follows:



The three different workers' trusts are different groups of workers who own shares in the business. The current structure exposes itself to many organisational challenges and management dilemmas. Therefore, a new organisational structure has been proposed. The new structure employs independent trustees to be directors of a company that includes the different stakeholders as part-owners. The organisation can then be administered as a company with independent decision making by a board that represents all the stakeholders. The proposed new structure looks like this:



The shareholders of the company can be people from outside the organisation or employees with long years of service. This gives the business the opportunity to obtain capital and to appoint a team of directors responsible for the management and decision making processes.

Funds that are generated within the business must be used to grow the business and to better the beneficiaries' lives through training and development, medical support and retirement support. It therefore has little financial benefit. The benefit will be reaped by the children of the initial beneficiaries through collective contribution by everyone in the business.

The current business plan is in line with that of Laastedrif, since they produce similar crops. Laastedrif packs and markets the produce with their own, so there are many similarities that can be leveraged.

#### **4.5 Sponsor background**

The initial sponsor from the government was part of the LRAD programme. Each farmer received a lump sum of money that was combined in a trust to buy the share in the farm.

#### **4.6 Market information**

All the produce is marketed along with the produce from Laastedrif. This ensures a market for the produce. The quality standards must be the same as that of Laastedrif in order to supply to the same markets. The well-established market is to the advantage of the farmers. They do not have the required marketing skills yet.

Understanding the complexities of the market can be challenging for trustees. International markets are far removed from their background. Leadership and mentorship are important in this regard to develop their understanding of the market and market requirements.

#### **4.7 Technical support and extension services**

The trustees of the project hold years of experience in farming practice. They are experienced farm workers. However, technical services to ensure crop health and quality are necessary. Independent external consultants provide these technical services.

#### **4.8 Financial support**

The initial financing to purchase the land and get the business going came from the LRAD grants, investment by Laastedrif and bank loans. All debt was paid back over the last 12 years. The farm is currently financial healthy and self-sustainable.

For new developments, bank loans will be the primary source of capital.

#### **4.9 Industry information**

What are the support structure requirements for upcoming farmers?

- An honourable mentor or supportive commercial farmer
- Focus shift away from short-term financial gains towards long-term strategic advances
- Money must not be the incentive for the farmers. Eventually there will be profits, but the business must be built first.
- Leadership in the business is the factor that ensures development and sustainability.

What is the golden thread for upcoming farmers to be successful?

- Good mentorship.
- Starting with a sustainable farming operation (in terms of crop, size and resources).