Farmer development and transformation in agriculture

By Jane McPherson

As a commercial farmer running an agricultural business, you might say that the only way to survive is expanding the business in order to harness the economies of scale, which include collective bargaining power, advanced mechanisation and access to markets. Your overhead costs, such as labour, interest, mortgage payments on land, insurance, depreciation, and taxes, are high.

When a commercial farmer looks at a developing farmer who only has 20ha to plant to maize, it seems like a futile exercise. What can such a farmer do with the profit generated on 20ha?

Now, let's consider the other extreme (and, of course, all the other situations in between these two extremes). You are a person living on communal land in one of the former homelands. You have access to 15ha of land (if you are in the North West), or perhaps only 1ha if you are in the Eastern Cape or KwaZulu-Natal. What do you do? There is no opportunity for employment, unless you move to the city, where there are other challenges to face. You need to make the most of the land you have available to feed your family – and hopefully generate a surplus that you can sell.

Human needs and satisfiers

Humans have various needs and our happiness depends on satisfying these needs. According to Manfred Max-Neef's Fundamental Human Needs, we all need subsistence, protection, affection, understanding, participation, idleness, creation, identity and freedom. Although we all have the same needs, they are not identical.

In this context, what can be done to assist subsistence farmers to expand their business, or to achieve more through farmer development?

By teaching farmers about good production practices and helping them access the best possible inputs at affordable prices, they will be able to increase their yields.

This will never be seen as commercial agriculture, but in areas that have a high rural population, it is a system that needs to be recognised and supported.

New commercial farmers

In the context of transformation, South Africa has a large contingent of 'missing middle' farmers. These farmers are not subsistence farmers on small pieces of communal land; they are farmers who have access to commercial farms that they are unable to farm optimally due to various reasons. This is the area where real challenges are experienced and where many negative perceptions have developed over the years regarding transformation and black farmers.

Barriers to success

Through the various redistribution programmes of government, such as the Settlement Land Acquisition Grant (SLAG) and Land Redistribution for Agricultural Development (LRAD), the selection of farmers was not necessarily related to their interest or ability to farm the land they were given. Unfortunately, many farms were given to well-connected individuals who had no interest in farming and no intention to make farming their life's work.

Although some of the land made available to black farmers was very good, it is well-known that when the government started buying farms for the purpose of redistribution, it was often land that had limited potential.

The proximity of the land to the townships, or other areas with a high population density, increases the chances of theft. Many black farmers simply cannot plant 'stealable' crops such as maize on their land, because the high incidence of theft will diminish their harvest. They have to look at other crops such as cotton or soya beans. This scenario also applies to livestock.

Limited access to finance

To a large extent, access to production credit is related to the collateral the farmer can offer (a bond on the property, or a notarial bond on the loose assets). Farmers who do not own the land, which is the case for the majority of black farmers, cannot offer a bond to the financier. The earlier land redistribution projects, such as SLAG and LRAD, made the title deeds available to beneficiaries, but most of these projects had limited success.

Many financiers will take a cession on the crop as security for a production loan. However, in the event of a natural disaster, multi-peril insurance is taken out as a back-up plan. In order to obtain this type of cover, the insurance company may require five years' production records. Farmers who have not been able to access production loans in the past will not have such records.

Mechanisation on farms

Mechanisation plays a huge role on larger farms. However, in the case of redistributed farms, the equipment that came with the farm was often in poor condition, and some farms had no equipment at all. For inexperienced farmers, managing the mechanisation aspect of the farm is no easy task, and it can become expensive.

Farmers who could not buy equipment had to make use of contractors, which led to vast exploitation. Some contractors charged exorbitant prices for their services because the market lacked adequate competition to drive prices down. In many cases, black farmers had to pay double the going rate.

The Departments of Rural Development and Agriculture had fleets of equipment in some provinces. However, there were some management issues, including:

- Some farmers who took the equipment to their own farms did not make it available to others.
- No one took responsibility for servicing and maintenance.
- Different drivers did not always treat the equipment with the necessary care and respect.
- In some areas, the equipment was only available from 9:00 to 16:00 on weekdays (even during the planting season).
- Farmers who had to plant at the same time (e.g. after good rains) could not be accommodated at the same time due to limited capacity.

Inputs and infrastructure

The various departments tasked with assisting farmers often bought the inputs themselves. However, this created some challenges: inputs arrived late; seed were often old or not of the desired cultivars; fertilisers were standard products and not necessarily suited to the land or proposed crop; and incorrect chemicals were bought.

In the wetter areas of Mpumalanga, KwaZulu-Natal and the Eastern Cape, the soil is very acidic and large quantities of lime are required to neutralise the acidity. More often than not farmers cannot afford to buy the lime themselves and there seems to be little support for these farmers.

In many areas of the country the roads are in such a state that combine harvesters and large grain lorries cannot access fields (particularly in the wetter areas of the Eastern Cape).

Impact of the drought

Some areas of North West and the Free State have experienced severe droughts during the past seven or eight years. Black farmers do not have the reserves required to survive these droughts and they find it difficult to get back on their feet. However, this is not only a problem for black farmers as many commercial farmers have also been unable to survive these droughts.

Developing proper market access

In areas where there has not been much commercial production in the past, the market for grains is not developed and storage facilities are lacking. Although modern storage facilities such as bunkers or silo bags are an option, they are not common in these areas. Increased production will develop the market over time, but immediate problems have been experienced.

Marketing of grains, cereals and oilseeds is complex and to fetch the best price, various marketing tools need to be used. This is particularly difficult for the smaller and less experienced farmers.

Lending a helping hand

Due to black farmers' lack of access to production credit, some companies decided to lend a helping hand. Some did, and continue to do very well, while others have faced difficulties, including:

- Some insisted on a minimum of 200ha of crops per farmer. When that crop failed due to drought and the farmer's inexperience, the project came to a halt and the farmers were left in debt with no hope of repaying the loans.
- They assessed the soil's potential and rainfall and insisted that the farmer seed and fertilise for maximum yield. The competence of the farmer and available equipment were not taken into account. If yields were low, farmers were unable to service the production loan.
- The economists of the banks drew up the business plans and lent the farmers money as they would commercial farmers. When the crop failed to generate the income needed to repay the loan in full, the farmer was left in debt. The bank labelled the farmer a 'high risk' and did not finance the following season's crop. Without being able to plant the next crop, farmers are unable to repay loans.
- Some companies 'took over'. They procured the inputs, engaged contractors, planted, managed and marketed the crop, and gave the farmer the balance left after the season (which was often a negative balance).

To be good at something, you need to put in the hours and gain the experience. Farming is no different. Black farmers needed appropriate guidance, training, skills development and support.

Is real transformation possible?

Yes, it is. Real transformation can be accomplished by making a few necessary changes:

- The efforts of the private sector must be aligned with government programmes. There is plenty of money being spent in the sector by government, but the impact could be much greater if the efforts of all parties involved are combined to help farmers.
- Farmers should be permitted to start smaller enterprises (perhaps not utilising all their land) while they learn so as to minimise the risk of failure.
- The financial support from government needs to be flexible and responsive. Perhaps by distributing money more evenly, the problems of many more farmers can be solved, instead of just the chosen few.
- The combination of a grant component as well as a loan component will be ideal – the grant can then be reduced as the farmer gains experience and builds up some reserves for subsequent seasons.
- Where possible, farmers should have their own equipment (appropriate to the size of the farming enterprise) and not be reliant on outside service providers.
- While the farmer is learning, interest-free or low-interest loans could be advantageous.
- A subsidy on input insurance would assist in creating a safety net for farmers (particularly in light of climate change and the accompanying risks of natural disasters).
- A shared risk model between the input suppliers and the financier could ease the burden and allow for more farmers to participate.
- A database with farmer records should be kept to prevent certain farmers from continuously receiving support and using all the available resources at the expense of other new entrants.
- On-farm support by an experienced person is critical and although this type of support is expensive, it yields great long-term benefits.

For the agricultural industry to succeed in South Africa, we need to develop successful black farmers and improve the production on farms. We need to be honest about our agenda and make sure that we are striving for a united, profitable and sustainable sector.

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