Joint Venture Schemes : KZN, Western Cape, Mpumalanga, Eastern Cape

Research Report Prepared:

By

HUMAN SCIENCES RESEARCH COUNCIL(IRRD)

and

SURPLUS PEOPLES PROJECT

HSRC

Contact Person:

Dr Simphiwe E Mini

Mr Rendani Randela

Mr David Mayson

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Executive Summary:

The research project on joint venture schemes was initiated as a joint research project between Human Science Research Council and Surplus Peoples Project. Joint venture schemes in this research are described to include a wide range of agreements which combine technical expertise capital resources and capital of established commercial agricultural interests with resources available to previously disadvantaged groups (McKenzie 1993) The term Joint Venture schemes is used to include all forms of joint initiatives including, share-equity schemes, contract farming or out-grower schemes, share-produce schemes, and worker-cooperatives, multipartite leasehold schemes and intermediary contract farming. International experience and evidence suggest that each of these categories has its own merits in specific environments. One of the major benefits of joint venture schemes is capital

resources, sharing and distribution of risks. Commercial farmers participate in joint venture schemes largely as results of rising labour costs, and increased competition. They can also reduce labour costs by restructuring the farm-labour force, and by adjusting the mix of capital and labour. Joint venture schemes can also lead to increased productivity by capturing the workforce's capacity for commitment and innovation (Kistern, Van Rooyen and Ngqangweni 1996; Marchington 1989). Infusion of new ideas and creativity into farming enterprise was lead to better results. Employers expect that by associating employees with management decision-making, the quality and quantity of output were increase; resources and facilities were used efficiently. This were to lead to decrease in production costs cause there is a better care of equipment and resources. In some instances commercial farmers engage in participative strategies for moral and socio-political reasons (ILO 1981). Joint venture schemes are expected to reduce conflict, improve workers' morale. On the other hand farm-workers derive some specific benefits including increased real income, and food security, empowerment through participation in decision-making. In almost all these categories the government plays a regulatory role by creating an enabling environment for joint venture schemes to operate and also by developing legislation that would protect small-scale farmers.

The central question that the project seeks to understand is the extent to which joint venture schemes can and have transferred land resources, restructured power relations, and enhanced the capacity of farm workers to produce more food and improve the quality of life of beneficiaries. One of the critical issues this research seeks to answer is how joint venture schemes are initiated, in whose interests are joint venture schemes initiated, what is the capacity of various groups not only to participate in the decision-making but also to influence the deals.

For this purpose a detailed study of various types of joint venture schemes was undertaken in Western Cape, Eastern Cape, KwaZulu Natal and Mpumalanga provinces.

The research used a combination of qualitative research methods and techniques. A two-pronged approach was adopted to collect data from individuals and some institutions involved in joint venture schemes. Primary research data was collected through research surveys and interviews with beneficiaries and commercial farmers, and farm workers. Research assistants (fieldworkers) from respective provinces were identified and trained on data collection using structured questionnaire. A flexible questionnaire and interview schedule was designed to facilitate data collection and recording of observations. Whilst core questions were asked in all interviews, interviews in all were flexible to allow open and free expression of opinions and experiences. Follow-up visits, meetings, and interviews with commercial farmers, beneficiaries, consultant, project designers and finance institutions. The purpose was to obtain insights and data covering a wide range of issues on joint venture schemes.

The report is structured into four different parts according to the types of joint venture schemes analysed in this study. This format allowed for in-depth and detailed analysis of each type of joint venture scheme. One of the key themes that run through this report is the meaningful participation of farm workers in various types of joint venture schemes and the developmental impact of joint venture schemes. The primary focus is on detailed analysis of structural design, implementation procedures, post-settlement support, developmental impact and contribution of joint venture schemes to broader objectives of land reform programmes. The variables and indicators used in this research remained consistent in all types of joint venture schemes. However the depth of analysis was in some cases compromised by the non-availability of data at the time of this research or in some cases projects were fairly new for detailed assessment of developmental impact.

This report is divided into four major sections and each section focuses on specific type of joint venture initiative. To this end, the report is divided into four sections. The first part deals with share equity schemes without land transfer component. These are share equity schemes, which focus primarily on investment and wealth generation in farming enterprises. Beneficiaries access their land reform subsidies and invest these grants by purchasing shares in farming businesses. Such farming enterprises in which beneficiaries are co-owners are redesigned as private business farming businesses. Major observations are that these are mainly investment business joint venture schemes. Developmental, social and welfare aspects conditions of farm workers are really not a priority. The major focus is economic growth and sustainability is measured in terms of monetary gains. The main challenge is to maintain good quality production for meaningful participation in national and international markets. As business joint ventures, beneficiaries are exposed to the normal national and international market risks. In this context farm workers participating in this type of share equity schemes are more vulnerable and lacking any form capital investment are particularly exposed to market risks.

Whilst government involvement and intervention through various forms of post-transfer extension support is always desirable, this is limited by the fact that these are private business ventures. Therefore the extent of State involvement and the need to manage the negative effects thereof in private agribusiness ventures will always be opened to debate.

The second part of this report focuses on share equity schemes with land transfer component. Whilst this type of joint venture is in many respects similar this first one, the fundamental difference is that beneficiaries use their land subsidies to purchase and enter into share equity arrangements on farming business with a partner. Beneficiaries do become land-owners and in this respect security of tenure of beneficiaries is enhanced. In category, a critical balance between monetary investment, economic growth and developmental objectives is maintained. This category contributes in more direct ways to reaching the target of distributing 30% of commercial land to landless communities by 2015. Whilst the farming businesses in which farm workers are shareholders, are exposed to national and international market risks, the beneficiaries have strong security of tenure as landowners. There is also a greater investment and development support by major finance development institutions like IDC, DBSA, Ithala Bank and Uvimba Bank. These finance institutions provide the much needed capital support during the critical transition phase. The financial support is provided either at much lower interest rates or as part of the development mandate of these finance development institutions. The significant fact is that beneficiaries are not highly indebted as would have been the case with private financial institutions. This form of bridging financial support plays an important in the success of the joint venture schemes.

The third part of the report focuses on joint venture schemes on Commonage land. Municipal commonage programme is not designed to transfer land to individuals or groups but rather allowed various types of lease arrangements between local municipality and lessees. The primary purpose is to provide local residents access to commonage land resources for agricultural purposes. Land remains the property of the municipality. The Department of Land Affairs commonage policy allows a wide range of initiatives by local residents as farmers.

Some municipalities have taken a more active role where they proactively initiate agricultural development projects on the commonage land jointly with other stakeholders. In this instance municipalities use their constitutional mandate to fund and support projects with small-scale farmers. Local municipalities have also used their position as leading institutions in local government to draw in other public and private actors. In this instance the local municipality drives the project and beneficiaries would be invited to participate under specific conditions. The second approach is when commercial farmers get into a joint venture initiative with farm workers and request permission to use commonage land for a farming business venture. In this case local municipality may not be an active participant but does provide for development appropriate infrastructure.

The last section focuses on contract farming as a form joint venture scheme between local producers and companies in agribusiness. Contract framing can take place in various forms of land ownership regimes. The major benefit for small-scale producers or emerging farmers is guaranteed access to market based on a wide range of conditions in production. However further research is still needed in this area in order fully appreciate developmental benefits of contract farming for emerging commercial farmers.

The major observation is that joint venture schemes are voluntary initiatives between farmers workers and commercial farmers. Whatever support is made available is made available to beneficiaries, the main point is that beneficiaries participate as junior partners and power relations are extremely unequal in most joint venture schemes. However there may be nothing wrong with this and in fact that could be the very reason why joint venture schemes exist. Whilst many commercial farmers have good intentions of initiating joint venture schemes, including transferring skills, sharing wealth and empowering farm workers, the challenge is that farm workers participate not only with minority shares in farming businesses but the very complex and technical nature of the arrangements, compromise the ability of farm workers to make meaning contribution to decision making processes and their ability take conscious decisions as demands in the national and international market may dictate is compromised. However as case studies reported in this project indicate, these difficulties are not insurmountable. Conscious and deliberate strategic programmes with commitment to invest in capital resources and human development, needs to be developed or expanded. In some respects, these joint venture schemes are private business initiatives and therefore the role of the State will always come under question. In the context of restructuring opening access to commercial agriculture, the role of the State will always be a critical factor.

Joint venture schemes, as business joint venture initiatives will continue to develop with or without the support of State. This is largely because many of them are initiated privately by individuals, including commercial farmers and farm workers. One major benefit of joint venture schemes, particularly share equity schemes is the indication of the willingness of commercial farmers to share benefits, wealth and resources with their farm workers or former farm workers. However the environment within which joint venture schemes develop does provide a potential for the continuation of exploitative relationship between commercial farmers and farm workers. Hence there is a need for a very clear policy and continuous monitoring and evaluation of these schemes.

Joint Venture Schemes: Commercial-Farmers and Farm-workers

1. Introduction

One of the critical questions for the land reform programme is the extent to which land transfers could negatively affect commercial agriculture and thereby affect food security and foreign exchange. A second question is the extent to which farm workers can meaningfully participate in commercial agriculture and significantly benefit from commercial agriculture. Agrarian reforms amongst other things imply an increasing access of previously disadvantaged groups in commercial agriculture. The extent to which land beneficiaries could meaningfully participate in commercial agriculture for national markets and international exports is one of the major challenges for agrarian and land reform in South Africa. One of the many ways that land reform beneficiaries have entered into commercial agriculture is through some form of partnership with current white commercial farmers, through which capital, technical expertise and access to the market is shared. Various joint venture schemes have come increasingly popular within the context of land reform and restructuring of commercial agriculture.

During the last years, joint venture schemes have emerged in the context of two separate but closely related processes. First the land reform programme has provided both a policy framework for the development of joint venture schemes and as well as capital, financial support for development of joint venture schemes. Secondly the restructuring of commercial agriculture due to deregulation in the context of economic globalisation has also created an environment for emergence of joint venture schemes. In the framework of land reforms joint venture schemes are implemented not only to increase and broaden participation of farm-workers in commercial agriculture but also are a strategy to increase access to land resources. While various types of joint venture schemes received great popularity in the post 1994 period, their performance and impact on communities have recently come under question. Research into the joint ventures is extremely important at the moment, as there are many concerns about the share-equity models both in terms of performance and in terms of seeing them as a land reform option rather than an investment option. The main question is the extent to which joint venture schemes enhance and further the broader objectives of land reform and agrarian transformation in South Africa.

The success of land reform in South Africa hinges on the successful implementation of three broad programmes: Land Redistribution; Land Restitution and Tenure Reform. Each of these programmes has several components, which are often combined and integrated at the implementation phase. Initially the government provided Settlement and Land Acquisition Grant (SLAG) and more recently the Land Redistribution for Agricultural Development grants (LRAD), which are flexible, and beneficiaries can use this grant to participate in types of joint venture schemes. Whilst land tenure reform has brought about many changes, which aim at protecting the interests of farm-workers, joint venture schemes have introduced another level of protecting the interests of farm-workers by allowing for increased access to land resources through various forms of contractual arrangements. Joint venture schemes therefore create an environment, which not only protect farm workers against arbitrary evictions but also allows them access to land and capital to productive farming. However the extent to which joint venture schemes enhance security of tenure and contribute to land redistribution is still open to debate.

Whilst earlier reports indicate a slow progress in the implementation of joint venture schemes, the whole process of designing and implementation of joint venture schemes remains complex and challenging. Most joint venture schemes involve farms-workers who while have extensive farm-work experience, do not have the necessary capacity to participate in a meaningful to share their lives within share equity schemes. The participation of farm-workers in various types of joint venture schemes remains an interesting area of research not only in terms of capacity building, increasing food security and employment opportunities but more importantly, in terms of their ability to meaningfully participate in the design and construction of joint venture agreements. On the other hand the interests of the commercial farmers in entering into joint venture initiatives with their farm-workers are always not clear. Internal family and demographic factors coalescing with many often contradicting factors national and international external market driven factors all putting pressure commercial agriculture for change and restructuring

However the social and economic impact of joint venture schemes is also not very clear and the extent to which these programmes improve the quality of life of participants has come under question. A review of these programmes is therefore necessary with the purpose of strengthening the policy in order to improve the quality of life of beneficiaries.

purpose of this research is to assess and evaluate the performance of all types of Joint Venture Schemes.

1.1 Types of Share-Equity Schemes

In descriptive terms, a `farm worker equity share' implies an arrangement in which farm workers combine their resources and capital to buy into a joint ownership of a farm through a land company or agricultural assets or business or farm operating company. This arrangement usually take the form of a marketable shares which allow farm workers to realise their capital, through selling their share to a fellow member of the scheme, should they wish to exit the scheme. In an attempt to simplify very complex set of arrangements Hamman (1998) developed a typology of a range of farm worker share equity joint venture schemes. These include:

- On-farm share equity schemes (existing development)
- Off-farm share equity schemes (new development)
- Share-cropping arrangements
- Downstream sharing equity schemes

The scope of farm-workers participation is very broad and share equity can range from jointly owning an operating enterprise (firm) to jointly owning or controlling a very specific asset or resource.

Farm worker share equity schemes can be designed in many different ways depending on purpose of the joint venture and local conditions. Four different ways in which farm workers and commercial farmers enter into share equity joint venture schemes have been identified.

Table 1: Joint Venture Schemes by types

Types of Share Equity Schemes
Two separate land-owning entities (worker-owned and farmer-owned), with an umbrella share holding company for the whole business enterprise in which the workers have shares. Employment continues on the original farm
Two separate landowning entities with share equity business venture (company) only applying to worker-owned land. Employment continues on original farm. In some cases, these projects involve the grouping of several neighbouring farmers and their employees for the purchase of an additional farm.
Two separate land owning entities with share equity in the new farm but not the business i.e. farming is conducted in partnership on worker-owned farm, but on an individual basis. Employment continues on original farm.
Farm workers have share equity in business enterprise only, with no land transfer. Employment continue as before, with dividends paid to shareholders based on the profits

It is important to note that it is not just through the government land reform grant system that share-equities have developed. In Outgrower contract in the poultry industry, while the motivation for the "privatisation" of the broiler and other farms comes from the contract-based system, the resulting companies, which hold and carry out the businesses on these farms, are equity schemes (Cairns 2000.). In these situations, capital for the acquisition of the land and the business is acquired from financial institutions through the company providing the security. The first share-equity recorded in South Africa, Whitehall fruit farm in Grabouw, was started before the land reform programme was launched.

Other government departments have also introduced measures to enhance the ability of farm workers or small-scale farmers to gain access to equity in land-based commercial enterprises. The Department of Water Affairs and Forestry is one such Department and in the Western Cape has developed a land-for-water exchange system to encourage white commercial farmers to engage in share equities. In two cases in the West Cape, commercial farmers applied to the Department for licences to draw surplus water from the Olifants River. The Department responded saying that these licences would be granted if previously disadvantaged people were drawn into the projects. In both cases, the result was an equity scheme in which previous employees of the farmers were drawn into the scheme. In one, the DLA grants were coupled with the water contribution to establish the workers' share. In the other, contributions from the SA Wine Industry Trust and the water contribution made up the workers' share.

The share equity schemes are perhaps the most recorded of all joint venture schemes, especially in the Western Cape wine and fruit industry (Knight, Lyne and Roth 2002.). The deciduous fruit, wine and citrus industries are examples of a very different type of industry, as compared to timber and sugar in particular. They are high value crops with high establishment costs and long lead times as well as being export-orientated with volatile markets. Furthermore, contrary to the sugar industry with its single channel marketing, since deregulation of the marketing in the fruit and wine sectors a plethora of exporters have emerged, although these have decreased again in recent years as many of the "fly-by-night" exporters have been shaken out. Furthermore, the sector is generally characterised by the dominance of private family farms of between 30 to 80 hectares, rather than corporate. These factors have meant that share equity schemes have been the form of joint venture that has emerged in these sectors.

Knight (2002) has described share equity schemes as "privately owned farming operations that are generally restructured as companies with the original owner of the farm and the farm workers as shareholders, the farm workers most often using their government land reform subsidy to acquire these shares. Most often company management exercises exclusive rights to the farmland with farm workers and the previous owner obtaining tradable voting and benefit (dividend and capital gains) rights in proportion to their financial investment.

It is important to note, however, that while most equity schemes have developed involving the farm workers working on a farm and the previous or current employer of the farm workers, this is not necessarily the only form available for land reform beneficiaries. Other options are available where farm workers, or small-scale farmers or other land-based groups enter into an equity arrangement with a commercial partner in the land-based non-agricultural business. The current policy of the Department of Land Affairs allows for this.

The Department of Land Affairs appears not to have any comprehensive study of share equity schemes and clear national records of the number of currently existing schemes. Knight (et al 2002) noted that, by 1998, 50 farm worker equity share schemes had been initiated, mostly in the Western Cape. The number has increased since then and in December 2001, the Land Reform Credit Facility had approved a further 11 schemes.[1] . Knight and Lyne (2002) furthermore assert that these schemes now exist in a spread of products including wine, fruit, vegetables, olives, cut flowers, dairy and eco-tourism.

[1] Knight, Lyne and Roth, 2002, 2

Tregurtha and Karaan (2000) in an internal report for the Department of Land Affairs, have identified the theoretical advantages of farm worker/commercial farmer based share equity schemes in the following way[2]:

A. Advantages for the farm worker
1. Improvement in income and wealth
2. Greater security of employment and tenure
3. Opportunity to build a capital base for future needs
4. Low risk of entry into commercial farming
5. High quality technical and managerial support
6. New learning/training opportunities
7. Known partner
B. Advantages to the present farmer/land owner
1. Improvement in productivity
2. Greater expected stability in the workforce
3. Release of capital for alternative investment (i.e. avoid debt)
4. Means to contribute to the reconstruction effort
5. Known and trusted partners
C. Advantages to the broader socio-economic environment
1. A model to achieve redistribution goals
2. Leveraging of government funds
3. No or small recurrent costs to the state
4. Achieve empowerment of new entrants at a low cost
5. Debt burden of agriculture remains constant

[2] Tregurtha and Karaan, nd but circa 2000, 3.

The fact that each scheme is developed by a separate private farm means that the extent to which such schemes achieve these various advantages is very contextual and specific to each individual scheme. Later in this document a critique of these schemes will be highlighted.

Knight and Lyne's (2002) study provides extremely important findings and correlations between issues of performance indicators, institutional arrangements, worker empowerment and management quality. They sum up their findings proposing that a successful equity scheme should be operated as, or like, a company with voting and benefit rights proportional to the investment made by each member. They suggest that these rights should be limited by restricting the transfer of shares to non-employees and by a temporary moratorium on the sale of shares (especially for the dominant partner – generally the previous owner). They suggest that this should be coupled with a long-term plan to gradually reduce the proportion of equity held by the previous owner or the dominant partner.

They further assert that these arrangements should be accompanied by such other best practices as:

- Worker participation in the design and in the operation of the scheme
- provision for female representation in the workers' legal entity
- the general transfer of literacy, life and technical skills followed by continuous mentoring in financial, administrative and managerial skills "so that worker representatives can perform their duties as office bearers, participate meaningfully in policy decisions and ultimately establish their own enterprises"
- Have independent auditors to entrench financial transparency and accountability in all the legal associated entities.[3]

[3] Knight, Lyne and Roth, 2002, 20.

1.2 Joint Venture Schemes and Land Reform Policy:

Government plays an important part in the development of joint ventures, primarily through the provision of grants to enable previously disadvantaged and poor people to purchase land or equity in established enterprises. Government also plays a role of being a partner in joint ventures where state land is made available to small-scale farmers. The White Paper on Land Policy in South Africa deals specifically with joint ventures by saying that:

> "*Partnerships with the private sector* will be supported which have the potential to widen the scope and efficiency of the land reform process. The ... Grant can be used to purchase a share in land and infrastructure provided that it broadens the base of land ownership, offers security of tenure and raises the incomes of the grantees" (DLA, 1997:x).

What appears to be important is that the White Paper specifically says that

> **"Where government grants are involved, the state needs to be reassured that the investment of public funds is justified that the interests of the intended beneficiaries – the farm workers – are adequately safeguarded...... Such schemes must pass the acid test, namely that *they significantly improve the tenure of the farm worker, contribute to land redistribution, reconciliation and harmony*"**

The current Departmental policy, while it gives guidance of ways in which the tenure security of farm workers involved in these schemes can be increased, nevertheless says that

> "although the LRAD Grant (for equity schemes) is not linked to the housing subsidy, an attempt should be made to improve the security of tenure of land reform beneficiaries on the farms. Increased tenure security provides a tangible output for land reform beneficiaries participating in the scheme even before other financial benefits are

realised."[4]

The emphasis in the White Paper that "(e)nhanced security of tenure is the principal criterion and has to be part of the written agreement between the Department, the grantees and other participants"[5], appears therefore to have been reduced.

The principal outcome of any joint venture in which state funds are invested therefore needs to be secure access to land. This is so not just where the Department of Land Affairs (DLA) is involved but also other departments and spheres of government involved in joint ventures. Local authorities use their ownership of land at a local level to initiate joint ventures while the Department of Water Affairs is pressurising commercial farmers to establish joint ventures through land-for-water deals – water licences are only granted to commercial applicants if they involve black people.

The DLA is the principal department dealing with land reform but appear to have no mechanism to monitor these schemes: their progress, whether policy requirements have been adhered to, whether business plans are implemented and what impact they have had on the livelihood of grant beneficiaries. The Department's Monitoring and Evaluation directorate was not able to provide statistics on the number of such schemes. Having the criteria and guidelines serves very little purpose beyond the initial assessment therefore, as the state retreats once the grant has been paid over to the project.

While it has policies and interests in developing these schemes, government is a limited player in joint venture development. Various corporate and commercial actors have a very direct interest in developing joint ventures with previously disadvantaged people. These interests include rationalising their operations, improving the marketing profile of the company, accessing capital for expansion of production and for altruistic and social responsibility interests. It is evident therefore that the private

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[4] DLA, 2002, 20.

sector is the main motivator in the development of most joint ventures (Freysen, personal communication). These ventures need to therefore be addressed with much circumspection.

2. Background: The Research Project

Joint Venture Schemes are of several types. The share-equity model is one such joint venture in which the land reform beneficiaries invest their subsidy from the government as equity in the farm business, in purchases and in other various ways. A body of research has en developed regarding the performance of share-equity schemes (Eckert, Hamman and Lombard 1996; Knight, Lyne, Roth 2002. At the moment there is no available conclusive evidence on how share-equity schemes improve the quality of life of beneficiaries. Early work done on share-equity schemes seem to be emphasising only the positive developments in this sector at the expense of difficulties experienced by beneficiaries and do not provide a clear recommendation on share-equity schemes. The purpose in this project is to evaluate and assess the impact of all types of joint venture schemes including share-equity schemes. It is necessary to understand how joint venture schemes have en designed, structured and redesigned on basis of experience over the years and also on the basis of policy changes. These include contract farming, share produce schemes, joint-marketing schemes, secondary production projects, and others.

The perception that joint venture schemes tend to favour the commercial farmers/partners to the detriment of the landless people who bring state funds (through their subsidies) into such businesses needs to be tested against empirical evidence. In researching these schemes, therefore, the study focused on how they build the independence of the workers, farmers or other participants in the process.

Research into joint ventures is extremely important at the moment, as there are many concerns about some joint venture models both in terms of performance and

[5] DLA, 1997, 46.

in terms of seeing them as a land reform option rather than an investment option. It is intended that the DLA and the Department of Agriculture (NDA) and many other stakeholders were involved throughout the process.

Joint venture schemes in this research are described to include a wide range of agreements which combine technical expertise capital resources and capital of established commercial agricultural interests with resources available to previously disadvantaged groups (McKenzie 1993) The term Joint Venture schemes is used to include all forms of joint initiatives including, share-equity schemes, contract farming or out-grower schemes, share-produce schemes, and worker-cooperatives, multipartite leasehold schemes and intermediary contract farming. International experience and evidence suggest that each of these categories has its own merits in specific environments. One of the major benefits of joint venture schemes is capital resources, sharing and distribution of risks. Commercial farmers participate in joint venture schemes largely as results of rising labour costs, and increased competition. They can also reduce labour costs by restructuring the farm-labour force, and by adjusting the mix of capital and labour. Joint venture schemes can also lead to increased productivity by capturing the workforce's capacity for commitment and innovation (Kistern, Van Rooyen and Ngqangweni 1996; Marchington 1989). Infusion of new ideas and creativity into farming enterprise was lead to better results. Employers expect that by associating employees with management decision-making, the quality and quantity of output were increase; resources and facilities were used efficiently. This were lead to decrease in production costs cause there is a better care of equipment and resources. In some instances commercial farmers engage in participative strategies for moral and socio-political reasons (ILO 1981). Joint venture schemes are expected to reduce conflict, improve workers' morale. On the other hand farm-workers derive some specific benefits including increased real income, and food security, empowerment through participation in decision-making. In almost all these categories the government plays a regulatory role by creating an enabling environment for joint venture schemes to operate and also by developing legislation that would protect small-scale farmers.

In South Africa joint venture schemes have since early 1990s increasingly en perceived as important programmes for agrarian and land reform. At one level and in the context of agrarian reforms, the objectives of joint venture schemes is to increase access to land resources and facilitate the integration of previously disadvantaged groups, small scale farmers and farm-workers into the mainstream commercial agriculture. Share equity schemes have received most popular support, en popular

2.1 Problem Statement and Research Questions

The purpose of the project is to facilitate the debate on whether joint venture schemes do further and advance to developmental vision and objectives of agrarian reforms and specifically the aim of land reform. The central question that the project seeks to understand is the extent to which joint venture schemes can and have transferred land resources, restructured power relations, and enhanced the capacity of farm workers to produce more food and improve the quality of life of beneficiaries. One of the critical issues to be pursued in this research is how joint venture schemes are initiated, in whose interests are joint venture schemes initiated, what is the capacity of various groups not only to participate in the decision-making but also to influence the deals. The following research questions were guide and give direction to this project:

1). In which ways can joint venture schemes qualify or regarded as a form of land Reform? This were review the fundamental objectives of joint venture schemes as a component of land redistribution.

2). Why do commercial farmers come interested and were wiling to participate in Joint venture Schemes? This were involve the characterization and profiling of commercial farmers participating in joint venture schemes.

3). How are the various types joint venture schemes designed and structured and what strategic options inform the design and construction of joint venture schemes.

4). What is the government attitude towards joint venture schemes. If government Grants (SLAG and lately LRAD) are used by beneficiaries to participate in joint venture schemes what are critical benefits expected.

5). In which ways can government grants influence the design and structuring of joint venture schemes.

6). In which ways have livelihoods, welfare, income of farm-workers', labour tenants, and other marginalised groups particularly women and Unemployed en and how income improved as a result of their participation joint venture schemes. Farm workers represent one of the main underprivileged groups in rural South Africa, one of the central questions in this project would how have social and economic conditions of farm-workers en affected by Joint venture schemes. Would they have been better off to invest their shares in some other income generating activities.

7). To what extent do marginalised groups benefit from the joint venture schemes: These were focus on poor and marginalised groups particularly women. Equity grants are normally issued to households and shares are registered in the name of the head of household, normally in the name of a male household head. When benefits of shares are paid out; they are paid to the head of household. In this way equity scheme could increase the control of men over income resources and further marginalise women. In many instances permanent farm-workers are men and women are engaged on seasonal temporal basis. In this way women are excluded from participating in the scheme.

2.2 Research Design and Fieldwork Procedures

A two-pronged approach was adopted to collect data from individuals and some institutions involved in joint venture schemes. Primary research data was collected through research surveys and interviews with beneficiaries and commercial farmers, and farm workers. Research assistants (fieldworkers) from respective provinces were identified and trained on data collection using structured questionnaire. Almost all the fieldworkers had a post-matric qualification as well as experience in research surveys using questionnaires. The rationale for appointing fieldworkers from respective provinces was namely,

- To overcome the language barrier problem
- Build capacity in surveyed provinces for any future HSRC research work and any other research institution
- To reduce cost e.g. accommodation and travelling costs

A flexible questionnaire and interview schedule was designed to facilitate data collection and recording of observations. Whilst core questions were asked in all interviews, interviews in all were flexible to allow open and free expression of opinions and experiences. Questions focuses on the themes following:

- Reasons for entering into a joint venture scheme
- Management procedures and product marketing strategies
- Extent of participation in the design of the venture scheme
- Institutional structures, management and implementation
- Understanding of the processes of establishment of a joint venture scheme
- Expected benefits\received benefits:
- Economic benefits--income and employment opportunities
- Social benefits-- gender issues
- Distribution of benefits by households and by gender
- Security of tenure: Nature and types of tenure systems
- Agricultural labour and Management of farm production
- Food security issues and marketing of agricultural produce

Training and briefing sessions were held with fieldworkers to make sure they have an understanding not only of issues raised in the questionnaire but also an understanding of South Africa's land reform programme. Fieldworkers were provided with additional information and logistically support during the fieldwork phase of the research.

- Field workers were able to enter into a constructive dialogue with beneficiaries, commercial farmers and landowners. In addition to returning completed questionnaires, fieldworkers were required to submit a written report based on their experiences in fieldwork, observations regarding the performance of each case study.

The second approach involved follow-up visits, meetings, and interviews with commercial farmers, beneficiaries, consultant, project designers and finance institutions. These visits, meetings and interviews were conducted by HSRC researchers for the following reasons;

- To allow for an opportunity to have informal interviews, and discussions with beneficiaries, committee members, supervisors, mentors, previous landowners, and commercial farmers involved in joint venture schemes, and consultants project designers. The purpose was to obtain insights and data covering a wide range of issues on joint venture schemes.

DLA officials, officials of the national and provincial departments of agriculture, land bank officials and other relevant stakeholders were interviewed to obtain data for assessment of the implementation of joint venture schemes. Primary documentation from the joint ventures themselves and from government sources was analysed. Secondary data was derived from documentary research and analyses of policy framework on farm-workers and agrarian reforms in general and more specifically on joint venture schemes and reform programme.

Prior to commencement of fieldwork surveys meetings were held with directors, planners and project managers in the Provincial Department of Land Affairs. The purpose of these meetings was to explain the research and to facilitate contacts with various stakeholders (including commercial farmers, consultants, project designers and finance institutions) involved in projects selected as case studies for this research. Despite this, the research team in some provinces encountered serious problems in gaining access to farms. As a result surveys could not be conducted on certain farms.

2.3. Case Study Selection Procedures and Selection Criteria:

Case studies were selected provinces in the country. In terms of assessing the performance and impact of Joint Venture schemes it is extremely important to cover all types of joint venture schemes. New Joint Venture Schemes was studied as well for the purpose of understanding how the design and implementation has changed as a result of changes in policy framework and new government grants procedures. However the following considerations was guiding the process of selecting case studies.

Table 2: Selected Joint Venture Schemes Case Studies by provinces

Western Cape	Eastern Cape	Mpumalanga
1. Thandi 2. Cape Olive 3. Northridge 4. Erfdeel Project 5. Nietbegin 6. Vredendal project 7. Fairvalley 8. Kleinbegin Boerdery 9. De Kamp Boerdery	10. Peddie-Pineapple* 11. Arwin Frams* 12. Misgund 13. Joubertina Farmers Association	14. Ebukhosini 15. Cairn oil Lemon 16. Inala 17. Inkomazi 18. Hoogland 19. Tydstroom

Table 3: **Selected case studies and number beneficiaries interviewed.**

Projects	Number of Respondents
Bethlehem	**33**
Peddie Pineapple	**Meeting with trust leaders**
Misgund	**55**
Arwin Farmers	**4**
Cairn	**20**
Hoogland	**4**
Cairns Oil Lemon	**25**
Joubertina Farmers Association	**Meeting with committee members**
Vredendal Project	**Meeting with committee members**
Inala	**35**
Ebukhosini	**35**
Nkomazi	**35**
Thandi	**12**
Erfdeel	**12**
Nietbegin Partnership	**29**
Cape Olive	**7**
Fair Valley	**30**
De Kamp Boedery	**11**
Northridge	**30**
Kleinbegin	**35**

Table 4: Selection of Case Studies: Joint Venture Schemes by types

Without Land Transfer	**With Land Transfer**	**JVs with Contract**	**JVs in Commonage Land**
1. Cape Olive 2. Northridge* 3. Arwin Frams	1. Thandi 3. Northridge 4. Fairvalley 6. Kleinbegin Boerdery 7. Erfdeel 8. Misgund 9. Ebukhosini 10. Inala 11. Hoogland 12. Inkomazi)	1. Peddie-Pineapple 2. Bethlem-Apple 3. Cairn Oil Lemon Project 4. Vredendal project	**1. The Joubertina FA** **2. The Vredendal** 3. Nietbegin Partnership 4. Peddie-Pineapple 5. Bethlem-Apple

However in spite these fundamental characteristics, which define Joint Venture schemes, it is always not easy to draw clear boundaries between various types of Joint venture Schemes. Joint venture schemes do not always fall into neat clearly identifiable categories. There are always overlapping elements, which make it difficult to put them into specific categories. Other joint venture schemes do undergo fundamental structural changes during course of their life and would by definition over a period of time fall into different categories. However for the purpose of analysis and assessing social and economic impact of joint venture schemes in this report, case studies have been classified according into broad general types of joint venture (table 4).

3. Share Equity Schemes Without Land Transfer Component

Share equity projects that were studied in this category are: Cape Olive, and Hoogland, Northridge **(Northridge has undergone many changes which will be discussed later)** Inala, and Inkomazi. In all these projects beneficiaries applied for government land reform subsidies, (SLAG and LRAD) to buy shares in the farming business whilst they remaining employed in the same farming company they are co-owners. The following subsections provide an analysis of various aspects of these projects including the demographic profile of beneficiaries, design and implementation processes, labour and economic benefits derived from the projects.

3.1 Demographic and Gender Composition of Beneficiaries

The demographic profile of farm workers participating share equity schemes reflects demographic trends within this sector. Agricultural workers are generally male dominated compared to gender distribution in other sectors of the economy. The primary fieldwork data in share equity schemes mirrored these demographic trends very closely. Of the total 168 beneficiaries interviewed in this category of share equity scheme (at Hoogland, Inala, Inkomazi and Cape Olive) 58% (97) and 42% (71) were female. However though this represents an improvement in women's position in farming sector, the challenge is that there are some projects in which beneficiaries were mainly male.

However in this analysis a distinction is made between women participating as shareholders in the farming business and women as employees in the farming enterprise. Though there was no deliberate policy discriminating against women in SLAG projects, women were very much under represented. This is because SLAG grant was often linked to the head of household and invariably the head of household was a male member of the household. Women in these projects were therefore members of households benefiting from share equity schemes. In these circumstances projects would be under male control and women benefit as members of households. In Hoogland share equity scheme all 5 shareholders are male and as well as in Inala share equity project all 572 shareholders are male shareholders. These are all SLAG funded share equity schemes in which women are merely listed, as household's beneficiaries not direct shareholders and co-owners of farming businesses. However the position changed significantly in most LRAD funded share equity schemes. There is a higher representation of women as shareholders in share equity schemes that were established from 2001. In Cape Olive for example of the total 27 beneficiaries 17 male and 12 female. Fieldwork interviews also identified these women as shareholders and co-owners of farming business. In this context women have direct control and ownership of shares in the framing business there are co-owners. This is partly because of land reform policy, and especially LRAD subsidy, insisting on representation of marginalized groups in all land reform projects.

However the participation of women at management level, as members of workers' trust or as members of board of directors, or as section directors in farming company was almost non-existent. All these positions were dominated by male shareholders.

Therefore women were still under represented at higher levels of decision making in companies they are shareholders.

In terms of employment trends within share equity schemes, women were fairly represented and constituted the majority of seasonal workers. However these were largely lower level jobs, lower paying job. Moreover, analysing beneficiaries' participation in share equity schemes with regard to their age distribution. Field surveys results revealed a fairly balanced age distribution along gender lines. For instance, both male and female in the age category 20-30 and 40-50 share an equal percentage of, 7% and 10%, respectively. The average number of people per sampled household is 5 with males slightly dominating such households.

3.2 Project Design and Implementation

Joint Venture schemes without land transfer component are predominantly share equity schemes in farming businesses, and are structured along business lines. A substantial number of share equity schemes in this category are in the fruit and wine farming industry (Hamman 1998; knight, Lyne and Roth 2002) particularly in the Western Cape province, where commercial farmers enter into farming business partnership with farm workers. Farm workers retain their employment status on the business but now as shareholders in the farming business.

The beneficiaries at Hoogland, Inala, and Cape Olive used their SLAG subsidies to buy shares in the farming company. In all these case studies, farming business enterprises were redesigned to redistribute equity shares amongst the partners. The criteria for allocation and distribution of shares amongst the partners are based on amount of investment partners bring onto the business. In some cased studies, farm workers would buy up to 50% of share in the business as in Hoogland, and Inala and whereas in Cape Olive farm workers hold only 8 percent. The percentage distribution of shares amongst shareholders is an important indicator of size of investment into the business. However, though the percentage amount of shares that beneficiaries hold in the farming business is an important indicator of viability of their investment into the business, it is an important indicator only in the context of total economic or total financial value the farming business.

3.3 Institutional \ Constitutional Arrangements and /agreements

The structural design of this category of share equity scheme is illustrated in figures 1 and 2 for Ruitersvlei and Cape Olive respectively. The institutional and structural arrangements, such as Farm-workers' Constitution, Workers' Trust, and management structures in share equity schemes are important elements in the design and implementation of share equity schemes. These determine procedures, processes and provide a framework for relationships between shareholders and farming business. Institutional arrangements also provides guidelines for exit procedures in terms of stating what will happen to members' shares should any one leave the scheme; what will happen to shares of a deceased members; how and when dividends will be paid. The institutional arrangements are intended to hold all parties accountable to agreed procedures. These institutional arrangements determine the extent of participation of beneficiaries in decision making in farming businesses.

Almost all share equity schemes have these institutional arrangements in place as required in terms of grants allocation. The following section provides analysis of how these are understood by beneficiaries and the extent of how these are implemented. The intention is understand the extent to which these institutional arrangement work for the advantage of beneficiaries and therefore advance the purpose of the project.

Farm-workers as shareholders: The first challenge is to organise farm workers as a group, a legal entity, to purchase shares in the farming company. In all cases, the process is often initiated by commercial farmers who would invite farm workers to participate in the share equity scheme. Participation in share equity schemes is therefore voluntary, as farm workers respond to open invitation. In some instances, commercial farmers indicated that they preferred to select participants in share equity schemes. At Cape Olive the Estate Manager used a combination of criteria to select participants in share equity schemes. The criteria used included the number of years working on the farm, level and position on the farm, good personal character, good work ethics (commitment, diligence and loyalty) and interpersonal relations. The rationale for selecting participants is that a combination of selection criteria would draw to the project the most capable and committed beneficiaries, which would guarantee the success of the project.

However in majority of cases, farm-workers confirmed that they are no selection criteria or procedures for selecting participants or would be beneficiaries. It is usually by an open invitation to all farm-workers to participate in the new farming business. The process of restructuring the farming business however, does create not only a sense of job insecurity but also insecurity regarding residential rights. However in the situation where no reasonable alternative options were presented to farm workers, it is difficult to conclude that farm workers participation is free from any kind of direct and indirect pressure. However all interviewed beneficiaries joined share equity schemes voluntarily and there were no cases of coercion that went beyond explanation and facilitation of understanding the purpose of share equity schemes. There were few cases where individuals who declined to join or be part of the share equity scheme had left the farm. Though it would not be correct to assume that they were pressured to leave the farm, it often happened that there were no alternative arrangements for those not willing to part of the new share equity scheme.

The process of constituting farm workers as a group, a legal entity is facilitated by the service provider. Once constituted as a group, farm workers have to develop a constitution for the group and establish a Farm-workers Trust. The constitution covers a wide range of issues including the following: Membership, Institutional

Structure and responsibilities and the distribution of shares amongst the shareholders.

- Membership:
- Institutional structures and responsibilities
- Distribution of shares amongst the shareholders

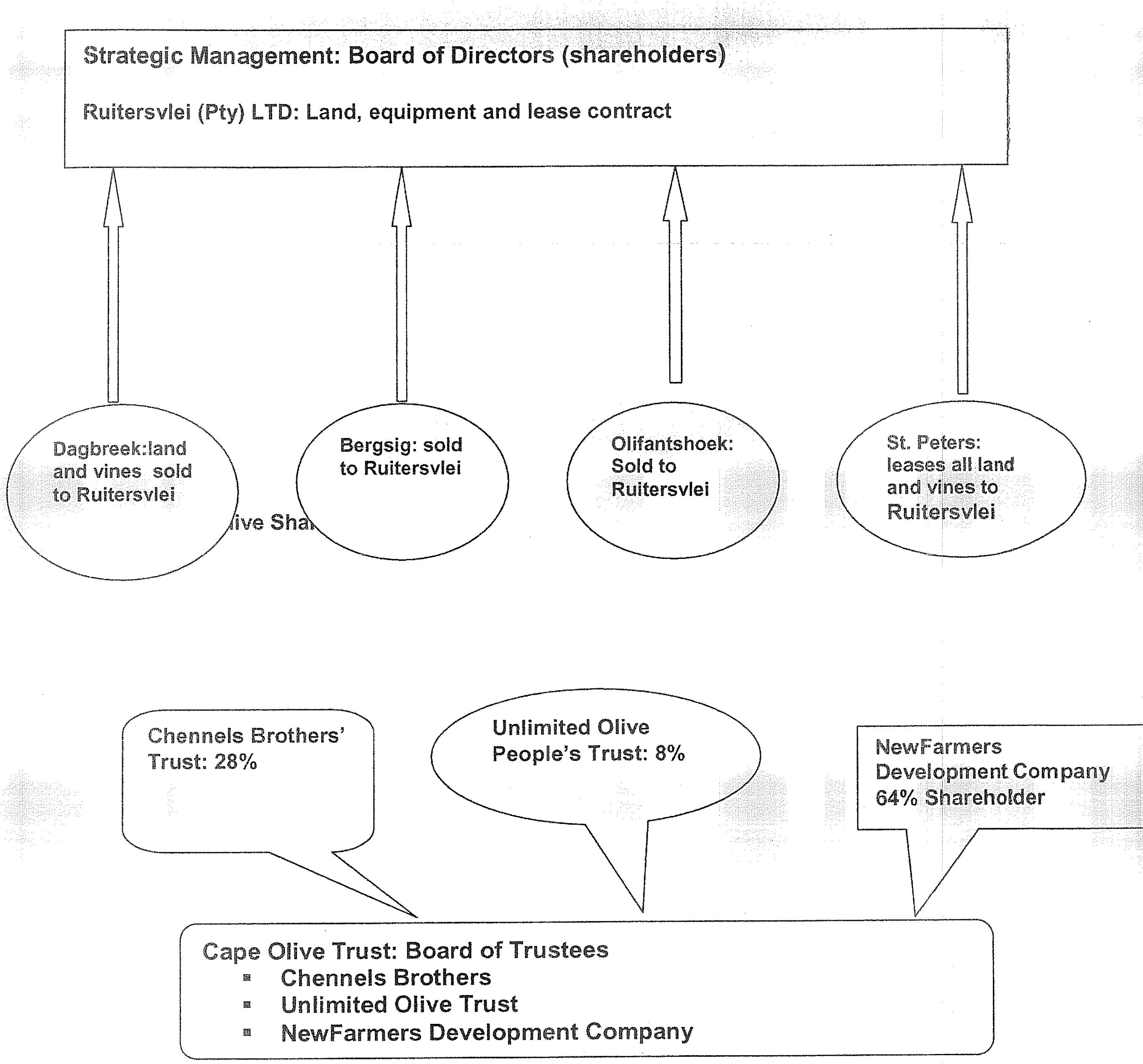
In all cases of this category of share equity schemes, farm workers confirmed that they have a constitution. The constitution was drawn up by a service provider and in some instances commercial farmers themselves had drawn up the constitution. The groups' constitution provided for the establishment of Groups' Trust, the Workers Trust, procedure for the election of Trust members and management of finances and reporting procedures by Trust members. The constitution defines and establishes the relationship between all shareholders in the farming business. It also provides a framework for how, when befits would be distributed to members. The constitution also lays out the procedures for exit conditions by shareholders and stipulates procedures of how and when shares could be transferred or sold to non-members.

In all projects beneficiaries did not have their own copies of the group's constitution. However a number of beneficiaries had a vague understanding of the contents of the constitution and other beneficiaries did not know about the existence of the constitution. In general the beneficiaries had no conceptual understanding of either the neither absolute nor relative size of their ownership in farming business. While all beneficiaries knew the value of their household's contribution (SLAG or LRAD) to the project, they could not relate this capital investment in the farming business or to the overall financial\ economic size of the business. They could not relate expected economic benefits from the business to the size of capital investment.

Whilst some of these arrangements were well documented there were many instances where farm workers did not understand what determines intervals of paying dividends, the size of dividends to be paid. Many beneficiaries did not know how and when the dividends will be paid and were not aware what will determine the amount of dividends to be paid. In number of cases where individuals had withdrawn from the scheme or died there were problems regarding the implementation of the constitution. This was the basis of conflicts, tensions and suspicions in many share equity schemes. A number of share equity schemes have collapsed because lack of understanding, either due to poor communication procedures or just a lack of capacity to understand complex procedures.

Figures 1 and 2 present an example of how share equity without land transfer component would be structured. The Pambili Workers Trust (representing beneficiaries) holds 70% of total shares in the farming business and the Redelinghuys Family Trust (representing Redelinghuys family) hold 30% percent. Though it would appear that farm workers hold the majority of shares in the farming business, it was not possible to establish the financial or economic size of the farming business. Land remains in the hands of the Redelinghuys Family Trust. The Ruitersvlei (Pty) LTD lease land and equipment from Redelinghuys Family Trust. In Cape Olive share equity scheme workers have share in the farming company through the Unlimited Olive People's Trust and commercial farmer have 28% share through the Cape Olive Trust and the NewFarmers Development Company is a 64% shareholder in Cape Olive company. The Cape Olive Company leases the land from Cape Olive Trust. A major observation here is that two distinct companies have been established, i.e. the Land Holding Company and the Business Operating Company. In this type of share equity scheme, beneficiaries have shares only in Business Operating Company. The Land Holding Company, which has land rights, is a separate legal entity, which may lease land to the Business Operating Company.

Figure 1: RuitervleiShare Equity Project


Strategic Management: Board of Directors (shareholders)
Ruitersvlei (Pty) LTD: Land, equipment and lease contract
Dagbreek:land and vines sold to Ruitersvlei
Bergsig: sold to Ruitersvlei
Olifantshoek: Sold to Ruitersvlei
St. Peters: leases all land and vines to Ruitersvlei
ive Sha
Chennels Brothers' Trust: 28%
Unlimited Olive People's Trust: 8%
NewFarmers Development Company 64% Shareholder
Cape Olive Trust: Board of Trustees
Chennels Brothers
Unlimited Olive Trust
NewFarmers Development Company

Land: Leased to Cape Olive Trust

3.4 Pre-settlement Support

The type of pre-settlement support is largely determined by the fact share equity schemes are private business initiatives. However there are many types of pre-settlement support and these would take different forms and require different content as projects progress from conceptualisation to implementation. In many cases farm workers described pre-settlement support in terms of facilitating acceptance of the proposed joint venture. In the context of share equity schemes the policy is not does for a distinction between awareness, providing a wide range of options available to beneficiaries and facilitating acceptance and implementation of proposed joint venture initiatives. The policy does not provide clear guidelines regarding the type of pre-settlement support that should be provided to beneficiaries. In this situation farm workers would accept and join share equity schemes without or limited knowledge of options available to them. The pre-transfer support is to large extent left to the initiative of commercial farmers, who would decide what kind of support should be provided, who should provide this support to the beneficiaries. The direct pre-settlement support offered to beneficiaries is limited to the facilitation of the implementation of the scheme, training and awareness issues. Awareness and training involves introduction of the share equity scheme to the workers and invitation to participate as shareholders in the proposed farming business. This also involves explanation of how the proposed business would be restructured and potential benefits for farm-workers as shareholders. Facilitation in this context is understood to mean facilitating the implementation of the project and encouraging farm-workers to understand and appreciate the benefits to be derived from share equity schemes. Since, the facilitation processes involves explanation of how the farming business is being restructured, farm-workers are left with no other option but to appreciate the potential benefits of the restructured farming enterprise. The design agents or service providers who are hired to advise and plan for the enterprises to be undertaken by the beneficiaries facilitate the process. Payment for these services is provided through the settlement and planning grant within the SLAG which is 9% of and in the LRAD grant at 15 %. Detailed comments on business plans that were analysed will follow later in this report. What is important to mention here is that business plans are to a certain extent designed to respond to the requirements for the approval projects and have less link with the practical realities and challenges to be faced in the proposed business, particularly the capacity of farm workers to meaningfully participate in share equity arrangements.

Two critical issues emerge from the analysis of pre-transfer support given to farm workers. The first one is that service providers or design agents are identified by commercial farmers and the funds to cover the costs of service providers are provided through the settlement and planning grants of government subsidies. The important question is who employs service providers and to whom are service providers accountable. The second question is that awareness, facilitation, designing and implementation are taken as one single process provided by single.

What is important here is that farm-workers have very little or no capacity to understand the full implications of the new farming initiatives. The main aim is to raise awareness of the rights people have in relation to the farming business, land access and a sense of ownership. Awareness and facilitation are also assumed as a single process and include the following aspects of joint venture:

- **Grants Application Process:** The first exercise is to make farm-workers aware of government grants and facilitation involves making farm workers aware that they qualify for (SLA\LRAD) grants with which they could purchase equity shares in the restructured farming business. The facilitation process includes assisting farm-workers processing the application forms for grants and making sure that all application procedures are properly followed. This includes proper description of demographic composition of applicants, social-economic profile of participants, and employment conditions. The intention here is to meet all the requirements and conditions of the grants as stipulated in the DLA grants' policy. The extent to which beneficiaries understand the details varies, in some cases farm workers do not understand. Service prodders or project designers facilitate this process.

- **Establishment and Registration of Workers' Trust** is one area where service providers pre-transfer support. Designing and registration of Workers' Trust is a very technical process and requires an understanding of legal procedures. This often requires, first that farm-workers constitute themselves into a legal entity and draw a constitution and procedures for the group. The constitution would provide a framework for the establishment a Workers' Trust and procedures for election of trust members. The design and development of powers and responsibilities of Farm Workers' Trust is a complex process. In almost cases studies investigated in this category, farm workers had no understanding of the full implications of authority and powers of Farm Workers Trust in the projects. The fact that the process of establishing, developing rules and powers of Farm Workers Trust is a technical and complex process makes farm workers to depend entirely on their employers. The whole process is facilitated by the service providers who would have a responsibility of assisting farm-workers to understand and participate in these processes. Low levels of education and lack of critical questioning were some of the major weaknesses of farm-workers in joint venture schemes. In these environment, farm-workers rely on knowing and trusting one another and therefore the few who would have advantage of understanding institutional arrangements would have much greater responsibility of not only communicating the views of others but also of accurately communicating the new arrangements.

- **Drawing of Partnership Agreement** between and amongst shareholders is also a very technical process and requires an understanding not only of share equity schemes as farming business ventures but also legal process. The size and distribution of shares amongst shareholders is stipulated in this agreement. The agreement also stipulates when, and how are dividends to be paid. The process of distribution of shares and the size of shares allocated to each partner is an important determinant of economic empowerment and the extent to which beneficiaries could derive sustainable benefits from the share equity scheme. An important observation is that all these legal arrangements are facilitated and drawn up by service providers who farm-workers have had no role in their appointment (as these are identified and appointed by commercial farmers). Farm-workers have no means of an independent evaluation and assessment of economic and developmental benefits of the proposed projects. Farm workers have no means of linking their expectations to

- **New employment conditions for farm workers:** Farm workers who are shareholders in the farming company have to enter into a new employment arrangement with the company in which they are shareholders. New conditions of employment are drawn up which stipulates working conditions wages and establishes institutional structures. However this often a source of conflict between farm-workers as co-owners of the farming business and farming business management. Farm-workers, in one respect, assume that since they are co-owners of the farming business they have a right to determine wage increase and the fact that they have invested their government grants into the scheme, they are entitled to more frequent wage increases than before. The fact that wage increase is also determined by other external market factors is just beyond the understand of farm-workers.

- **Occupiers\residential Contracts:** In many cases when share equity arrangements are made on farms in which farm dwellers would not necessarily all become shareholders in the new farming company. This requires that a new residential arrangement be designed between farm dwellers, farm workers, shareholders and property owners. The arrangement defines who should remain residing on the land, stipulates the conditions of remaining staying on the land. Complicating these arrangements is the fact that the landowner may not necessarily be the shareholder. These arrangements have to be acceptable to shareholders. However residential contracts are drawn in accordance with the Labour Tenant Act of 1996. However since this type of share equity scheme focus primarily on business partnership, security of tenure is not a priority.

- **Training of farm workers:** The training of farm workers as shareholders in the farming company is provided by service providers and in some instances commercial farmers conduct the training themselves. Commercial farmers make decisions regarding the type and content of training, to be provided to farm workers. Commercial farmers negotiate and enter into arrangements with service providers who would be in this instance qualified legal experts or a consortium of consultants to conduct training programmes for farm workers. In some instances, these service providers are known or listed as such by the provincial land reform office. Whilst it was not possible to access the training manual so as to understand the kind of training offered to farm workers, the training covered, land reform with emphasis on DLA land reform grants and application procedures, the structure of the existing business and the proposed new business venture. In some instances training include book keeping and recording of produce and marketing strategies. The fundamental premise informing the content of training material is that farm workers are co-owners of the restructured business venture and that the current employer is now a co-owner and therefore a partner in the new business. From this position, the training becomes more general and would include several aspects one would expect in any business of co-ownership in nature. Honesty and loyalty, work ethics, and conflict management, building trust and confidence in the leadership of the business. In many instances training programmes are constrained by the requirements translate into local language understandable to farm workers. In the Western Cape, the majority of farm workers speak Afrikaans as home language and training in this language is not a major constraint. In other provinces, in the Eastern Cape and Mpumalanga for instance, effectiveness of training often compromised by language difficulties. In the Eastern Cape one commercial farmer translated the training manual into Xhosa.

In many instances, training service providers also facilitate the process of submitting application forms for grants and also assist in preparation and developing business plan for the farming business. Business plans are designed to further the interest and enhance the performance of the farming business. In many instances the existing business plan serves as the basis for the approval of government grants. Business plans tend to emphasise current production trends and there is very little evidence of a fundamental shift in business design and implementation. This involves making sure the applicants (farm workers) have correct identity documents, correct profiling of applicants in terms of demographic and socio-economic conditions as targeted by government land reform subsidies.

3.5 Commercial Farmers and Share Equity Schemes

It is not always easy to understand why commercial farmers would have interest in share equity arrangements. From a purely business perspective, share equity arrangements have an advantage of minimising the impact of an adverse event by distributing the cost to shareholders. One obvious basis of analysis is to accept the fact that share equity schemes are joint venture business initiatives and therefore share equity schemes would always be alternative business options for commercial farmers. The second assumption is that commercial farmers and all those involved have keen interest in empowering and building capacity for farm workers. A third assumption is that commercial farmers are committed to land redistribution and that joint venture schemes provide an important tool for redistribution of land resources to farm workers. Interviews with commercial farmers were not only intended to test the validity of these assumptions but more importantly to understand why commercial farmers regard share equity schemes as contributing to broader objectives of land reforms in South Africa.

The fourth assumption is that share equity schemes is a strategy used by commercial farming businesses experiencing cash flows problems into financial difficulties to inject capital flows into their businesses. Share equity schemes therefore are perceived as a strategy to inject some capital into the struggling business. In this context farm-workers are used to access government cash grants for an ailing farming business venture. A related assumption is that share equity are a strategy in scaling down business farming operations due to a number reasons. One often mentioned is that in approaching retirement, commercial farmers begin to look at share equity schemes as decent exit strategy by cutting down operating costs, in terms of their own labour power, whilst increasing cash flows and retaining power and control over farm-workers (suppose to be partners in share equity scheme).

All these assumptions were taken into consideration in an effort to understand the precise causes and motivation for commercial farmers to initiate or actively promote and participate in joint venture schemes. During surveys and interviews in this research commercial farmers were asked to state their interests and factors encouraging them to participate in joint venture schemes. The following section presents commercial farmers views and interests in share equity schemes.

3.5.1 Share Equity Schemes and Commercial Farmers

One of the major objectives of this project is to understand why commercial farmers entered into share equity arrangements. There is a perception that commercial farmers enter into share equity arrangements in order to inject cash flows into their struggling farming business. This hypothesis is extremely difficult to prove. The conditions and especially the financial status of commercial farmers and commercial farming businesses vary considerably and in this project it was not possible to evaluate or assess the financial health of farming business before they were redesigned as share equity schemes. Almost all commercial farmers interviewed mentioned *`..`empowerment of farm workers*' as the main reason for initiating and participating in joint venture schemes. However one would note a general trend that is emerging from these initiatives

The demands and requirements in the international trade politics and trade arrangements particularly in the wine and fruit industry have played an important role. The participation of black and emerging farmers is critical to access internal markets and in some instances if this is not a condition it dies facilitate access to international markets.

3.5.2 Share Equity Schemes and Economic Empowerment

Commercial farmers described share equity schemes as empowerment programmes for their farm labourers. Share equity schemes are viewed as the main strategy of transferring skills, knowledge and as a means of giving farm-workers a sense of ownership in farming enterprise. In this sense share equity schemes do provide an opportunity for farm-workers to participate not only in the distribution of wealth but that farm workers are active participants in the creation of wealth. In the context farm-workers are not only active co-owners but are also active participants in job creation. This was a major motivation for commercial farmers particularly those involved in wine and fruit industry. Share equity schemes were described as means of sharing many benefits of farming business with farm-workers who had made immeasurable contribution to farming industry. From this point of view commercial farmers are driven by heart-felt concerns for their workers, the commitment to contribute to black economic empowerment through the creation of black farming class. Some commercial farmers noted that some workers have been working on the farm for more than 30 years and there was a real case to give farm-workers an opportunity to be partners in the farming business.

Farm-workers deserve more credit "all commercial farmers in this country have prospered as a result of the handwork and positive contributions of many reliable people in their employ" We can hardly estimate the value of their

contribution and in all honesty we have to say that our workers have done a wonderful job for us in tilling the land and looking after our animals and birds'[6]

At Cape Olive the Manager of the Estate emphasised the importance of **economic empowerment and distribution and sharing of economic wealth as the primary motives for entering into share equity arrangements with farm workers.**[7] John described the concept of economic empowerment as still not adequate to describe his objectives and management style of Cape Olive. To him ***economic empowerment that one still want to control the processes of jointly creating and managing wealth and one still want to control the process of giving power and not recognising that role people have played in shaping their own destiny and the power they posses to shape their own future.***[8]

However in spite of the fact that **`empowerment' creation and distribution of wealth'** was mentioned as a primary motivation for commercial farmers' participation in share equity schemes, during in-depth interviews and detailed discussions, some responses began to cast some doubts on this very motivation. When asked to explain at what point would the conditions of empowerment be achieved and what would be the indications of this being achieved. Responses to these questions varied, and only a smaller number of responses could describe the processes beyond empowerment and indications of having achieved empowerment. The majority of commercial farmers could not describe a situation beyond their own roles mentors and administrators of share equity schemes in the process towards empowerment. The condition of empowerment in this instance could remain an ideal situation, which may never in reality be achieved.

Commercial farmers who expressed reservations were particularly concerned with the capacity and ability of the present generation of farm-workers to participate effectively and meaningfully in farming as a business farming enterprise. Major difficulties

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[7] John Scrimgeour:Interview Estate Manager Cape Olive (January 2003)

[8] Interview with John Scrimgeour: Estate Manager Cape Olive

mentioned included low levels of education of farm workers, lack of capital resources, lack of expertise, knowledge and information on national and internal trade relations, poverty which undermines long-term investment planning programmes. Many farm-workers participating in share equity schemes are still operating at subsistence levels and it is difficult to see them out of this mode of existence in the immediate future. Pressing poverty conditions and immediate households needs, facing many farm-workers undermines long-term investments necessary in farming business ventures.

On the other hand commercial farmers participating in this category of share equity schemes were very much aware that this category of share equity scheme will not contribute to land redistribution, as it not designed to transfer land to participating beneficiaries. Beneficiaries hold shares in the operating enterprise rather than being shares in land holding company. However share equity schemes allow farm workers to acquire shares in farming enterprises in a way that may be seen as a first step or `foot in the door' towards entering agricultural as owners and producers.

3.5.3 Share Equity Schemes as Poverty Alleviation Strategies

Commercial farmers described share equity schemes as farmers' contribution to poverty alleviation. Share equity schemes provide access to land as critical component to poverty alleviation. One commercial farmer described share equity schemes as an attempt to bring farm-workers into the main stream of agricultural economy and in this way reduce poverty by making people food producers. Share equity schemes create opportunities for people to focus on food production and create employment for themselves. **`the main purpose of farming is not to own land –but to produce food – people cannot eat land'**[9]. The emphasis of share equity schemes is on food production and poverty alleviation. Share equity schemes give farm-workers access to high quality agricultural land and therefore farm-workers should produce not just for subsistence leaving but are able to focus on farming as a business enterprise. For farm-workers to

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achieve this they need hands-on assistance, direct mentorship, and training and share equity schemes do provide for this to happen.

One commercial farmer stressed the fact that ***'If we have to deal with crime in this country we need a multi-pronged approach, strengthening the work of SAPS is not adequate but also we have to eradicate poverty as a way of fighting crime***[10]'. Share equity schemes as a strategy to bring farm-workers into the main stream of agricultural economy and. The focus on poverty alleviation appears to be addressing both long-term and short-terms needs of the farm-workers.

Though this category of share equity scheme, by nature does not include land transfer to beneficiaries it does contribute to land reform by increasing access to land. Share equity schemes were described as a strategy of increasing access to land without adversely affecting agricultural production, market competitiveness. The good element of share equity schemes is that there are no political external pressures, and share equity schemes are based on trust and willingness to enter into joint partnership. However most commercial farmers blamed the government for being slow and some applications for SLAG and LRAD applications would take almost a take almost a year to approve. ***'because of the bureaucracy, the government is not doing enough for the landless people in this country. The government needs to speed up the process of land reform. During this long waiting period business opportunities are lost and in some farm production declines.*** [11]

It was difficult to assess the basis of these good intentions of commercial farmers. However share equity schemes are business initiatives and commercial farmers would not initiate share equity business schemes only on humanitarian grounds. In these interviews it was impossible to ascertain the financial status and reliable objective information could be obtained. All interviewed commercial farmers gave a very healthy

[10] J. Greyling: Arwin Share Equity Scheme
[11]

sound financial status of their farming businesses. However many of those interviewed did confirm that *`**some of our friends do get into JVs to make quick money and to abuse the thrust and loyalty of their farm-workers and** it **is not difficult to identify those commercial farmers who join because of financial pressures in their own farming business and they want to inject some capital into their business'.***[12]

3.6 Farm Workers\Beneficiaries Expectations.

Analysis of the expectations and interests of farm workers on share equity schemes without land transfer component is a very complicated process. The expectations of farm workers are informed by their experiences on the farm as workers, their economic needs, social aspirations and perhaps more importantly their immediate concerns retaining their jobs. Their expectations are also shaped by the manner in which information is communicated to them and the knowledge they have about the share equity schemes and other alternative options. Commercial farmers provide information and service providers provide training on what is to be implemented i.e. share equity arrangement. Like in all closed communities, farm-workers receive information mainly through commercial farmers. Farm workers are presented only with one model of wealth creation and other alternatives are usually not discussed. During interviews there noted that farm workers were not aware of any other alternative initiative they could have invested their SLAG\LRAD grants. ***`we did not discuss any other alternative and our commitment is continue with the farming business because that is what we know'***[13]Though there is some unionisation of farm-workers participation in very limited and even when there some level of union representation the focus is usually limited to immediate issues like wages and labour relations on the farm.

The majority of the beneficiaries join the share equity schemes in order to improve their standard of living and have secure land rights mainly to avoid evictions from the

[12] Interview with John Scrimgeour: Estate Manager Cape Olive

farm as well as gaining access to and land ownership. Beneficiaries defined the standard of living in terms of having decent houses, employment opportunities that earns them living wages that could, *inter alia*, be invested in human capital, education for their children in particular. The main priorities as mentioned by farm workers were continued employment on the farm, continue earning income in order to purchase immediate households requirements like food, clothing, school fees, access to housing and being able to pay medical expenses. However, LRAD is still in its infant stage to be able to assess meaningfully its impact on the aforementioned development indicators. Preliminary results seem to indicate that beneficiaries hope that they will in future realise their "dreams" taking into consideration that 85% of the beneficiaries regards investment in share equity schemes as the best way of spending their money. Thus, through the eyes of the beneficiaries, LRAD will be a regarded a success if it will address their immediate developmental needs mentioned above.

Long-term economic and questions of sustainability were not mentioned at all. One major observation from this research is that the majority of farm workers do not have insight of share equity schemes as business enterprises. The concept being shareholders and co-owners of the farming business is appeared to be too abstract for farm workers to understand and appreciate its full implications and demands.

Very few farm workers expressed interest to relocate to the neighbouring towns and many preferred to remain on the farm environment, as it is the only life-style and safe environment they know. Most farm workers were concerned about crime in towns and impersonal nature of urban life. There were no expressed desires to leave farms, and although they would qualify for housing subsidy, farm-workers had no desire to relocate to towns. They have been on farm environment for a considerable period of time and some for more than two generations. Their main fears were crime, unemployment and strange urban environment. Most farm-workers stated that the important thing for them was to retain their jobs and retain

[13] Informants

their privilege to continue staying on the farm. Any changes that would change their status as employees and also affect their residential status would not be acceptable to farm-workers. When asked whether they understand the implications of their status as partners and shareowners of the farming business enterprise, most farm-workers –some were very conscious of the new status and had positive ideas as shareowners of the farming business. However many still do not appreciate the new status confirmed by being a shareholder in the farming business.

3.7 Long-term and Immediate Economic –Development Benefits

One of the challenges is to identify concrete economic and developmental benefits derived from share equity schemes. Farm workers participate in share equity schemes for many different reasons, however the primary purpose of participating in share equity schemes is to generate income or at least continue earning income from the farming business. Farm workers tended to define their aspirations in share equity schemes very narrowly in terms of continued income earnings based on current wage income. Main priorities and expected benefits are defined in terms of the more immediate households needs. Meeting households needs like buying food, paying school fees are the main priorities.

The economic benefits for farm workers would normally be described in terms of dividends paid out to shareholders and monthly wages from the projects. In terms of wages paid there were no indications that to beneficiaries as workers, were paid better\higher wages than before entering the joint venture. In comparative terms farm workers participating in share equity schemes are not paid better or higher wages than other farm workers in other similar farming sectors.

Farm workers did not mention payment of dividends as expectations from shares they hold on the farming business. They had no expectations regarding dividends at all. However, though there are share equity schemes, which have paid out dividends to shareholders, particularly those established in or before 1996, farm workers had little or no idea what determines the frequency and amount of dividends.

3.7.1 Share equity Schemes and Employment Opportunities

Employment opportunities and job creation is one major indicators of the performance used here to assess the performance and developmental impact of share equity schemes. This category of share equity scheme is primarily an investment and wealth generating projects. When beneficiaries buy shares in farming businesses they are in way investing their land reform grants into farming businesses. In Cape Olive, Hoogland, and Inala, beneficiaries who are shareholders in farming businesses have retained their jobs after the restructuring and transformation farming businesses into share equity schemes. The majority of shareholders are employed as permanent workers in businesses they are co-owners. All shareholders at Hoogland and Cape Olive are permanent workers (4 permanent workers and 45 permanent workers at Hoogland and Cape Olive respectively). At Inala not all shareholders are employed in the company and other shareholders have had to seek employment in other farms. The representation of women in permanent workforce varied. At Hoogland all permanent workers were male while at Cape Olive there was almost a balanced gender representation in the permanent staff. In all these projects women were dominantly in the seasonal labour force.

Seasonal workers also constitute an important element of workforce share equity schemes. The size of seasonal workers depends on the type and size of business enterprise. At Cape Olive, the number seasonal workers ranges between 200 to 300 and at the time of this research there were 16 temporary workers at Hoogland.
The extent to which share equity schemes of this type create employment opportunities is subject to debate. All projects have been started with existing employees and in all projects visited there is no evidence to suggest that employment figures have increased as a result of the transformation of these farming business into share equity schemes.

3.8 Labour Relations and Share Equity Schemes

Changes in labour relations were analysed from three positions, first from the commercial farmers perspective, secondly from farm-workers position as co-owners of the farming business and lastly through the analysis of the institutional arrangements within which share equity schemes operate. All interviewed commercial farmers believe that share equity arrangements have important labour relations benefits. Their view is that share equity schemes built a sense of ownership leading to more commitment, improved and better greater work ethics on the part of farm workers. These observations were particularly expressed by commercial farmers whose share equity schemes were very successful. From this perspective share equity schemes have numerous advantages in terms of improving labour relations on the farming business. Some commercial farmers initiated share equity schemes as a strategy to solve labour relations problems particularly problems related to wage increase demands by farm workers. Giving farm workers shares in the farming business create a sense of ownership hence improvement in work ethics and less demands. However one commercial farmers participating in share equity scheme observed that **`some farm workers have not fully understood the implications of being shareholders in the farming business. Many still perform as workers do not understanding that their new status, as shareholders in the business requires a change in work ethics'**. [14]

From farm workers' perspective, changes in labour relation were far less defined except those who were given new titles or appointed to new management positions. The way share equity schemes are designed and the fact that beneficiaries retain employment under the mentorship or supervision of the previous employer imply little or no changes in labour relations. For the majority of farm workers, their new status as shareholders had no impact on labour relations on the farm. The previous farm owners remains a mentor, or a manager of the farm business, and as such

[14] Interview with John Scrimgeour at Cape Olive

would relate to him no less than an employer even in the restructured farming business.

3.9 Land Ownership and Land Tenure Security

This type of share equity scheme has no land redistribution component as it is based on partnerships in farming business activities. The rationale behind share equity schemes is economic empowerment through distribution shares and skills development by direct participation in farming business. Farm workers do not own land directly, as shares are normally held in Operating Company (Figs 1 and 2) rather than being in land itself. Security of tenure does not exceed that which is provided within the Extension of Security of Tenure Act of 1997. In Cape Olive for example, the Estate Manager indicated that whilst shareholders do not full rights in land their residential status is protected by ESTA and there is no immediate threat of eviction. However he also indicated that those individuals who do not work on the scheme but stay on farm have to enter into a different arrangement with Estate Manager. The majority of shareholders are not aware of protection against eviction provided by Extension of Security of Tenure Act (ESTA) of 1997. However it is not clear whether ESTA would still provide the intended security of tenure in this new context where farms have been transformed and restructured into this type of share equity scheme. Evidence from this research indicates that all workers who did not join the scheme have had to leave the farm or enter into a different residential arrangement.

3.10 Post Settlement Support and Mentoring

Share equity schemes in the agricultural sector are, by nature, design and implementation as private farming business initiatives. This character determines the type and extent public sector post-transfer support. Whilst is a generally accepted view that government support is available to all sectors of agricultural economy, the practise is that government support is very limited in the commercial private sector.

Agricultural share equity schemes are designed for market economy both national and international external market economy. The produce from this sector is therefore designed to meet national and international market. To a large extent technical, mentoring and other forms of support for agricultural share equity schemes are obtained from the private sector. In all share equity schemes direct government support and mentoring was almost non-existent and limited only to assisting with the development and provision of basic infrastructure.

The post-transfer support for beneficiaries was mainly provided by commercial farmers, who are often shareholders or previous farm-owners, through mentoring, support in marketing and other administrative support. Whilst this is a great advantage because they have local environmental knowledge and skills the perception associated with this is that they are still in control of the farming business, and they still make decisions affecting employees who are co-owners of the business.

3.11 Summary: An Assessment and Evaluation

The important aspect of this category of share equity scheme is economic empowerment through sharing of economic benefits, transfer of knowledge in farming business and skills development. The challenge is the extent to which share equity schemes as farming business institutions create a conducive environment for farm-workers, as shareholders to realise these benefits. Two broad indicators were used to assess the performance of this category of share equity schemes. These were the payment of dividends to shareholders and wages paid to employees in the joint venture. These were identified as important aspects of economic empowerment. During the course of this study, a number of share equity schemes were found to be struggling to make profit, whilst others were in the process of collapsing, others have actually collapsed. A few other share equity schemes were prosperous and making good profit. In all cases there were number of indicators and fundamental characteristics which would point to the causes of observed trends.

The first important observation is that share equity schemes are essentially businesses, joint venture farming businesses with strong bias to national and international markets. Like in all business initiatives, the risk element is very high and farm-workers as shareholders are exposed market forces.

If the frequency of payment of dividends and or the actual payment of dividends is taken as one of the indicators of the performance of share equity schemes, many share equity schemes had not paid dividends. The basic explanation for this is that dividends are paid on the basis of the profit made on farming business. Though many share equity schemes have time projections for payment of dividends, in many cases the conditions for the actual payment of dividends have not been achieved. Many share equity schemes had not met this commitment to pay dividends and the main reason for non-payment of dividends is the poor performance of the farming business. Economic predictions were not being achieved. The precise reasons for failure to achieve economic predictions as set in business plans were many varied and in some instances contradictory.

Non-payment of dividends and non-adjustment of monthly wages were often the basic cause of conflict and tensions in share equity schemes. Farm-workers as shareholders could not understand why dividends are paid as scheduled. These conflicts and tensions often signalled the beginning of crises in the farming business.

The wages of farm-workers, who are also shareholders, do not differ in anyway from those paid to other farm-workers; therefore problems related to livelihood conditions essentially the same. From this perspective, the beneficiaries still regard themselves as employees. Farm-workers as co-owners of farming business find themselves in contradictory situation

4. Share Equity with Land Transfer Component

Share equity schemes with land transfer component are more complex and are designed in many different forms than those without land transfer component. The following share equity projects were selected for study in this project: Ebukhosini, Arwin Misgund, Kleinbegin, Northridge, Cairn, Thandi, Fairvalley, Witkleibosch scheme with Tsitsikama project. Although these schemes fall into the same category, the manner in which they are configured varied. There is a wide range of arrangements share equity schemes with land transfer component. These schemes also differ not only in implementation strategies but also in terms of the financial size of enterprise, extent of dependence on internal or international markets. Critical determinants like, management procedures, skills levels of beneficiaries, levels of trust and the rapport between beneficiaries and senior management or previous business owners also vary considerably. One common element is that farm workers use their SLAG or LRAD grant to purchase a portion of the farm in which they are employed or buy a neighbouring farm and enter into share equity arrangement with the existing employers or the previous land owners on new farming business. In many cases, land reform subsidies are used to purchase land and beneficiaries have to raise additional capital to purchase shares on the new farming company. Farm workers retain their employment on the farm, working on their newly acquired farm and also on farmers. However in other cases, beneficiaries have access to land through other means including restitution awards, communal land holdings, tenure upgrades or through an independent SLAG or LRAD grant and enter into an equity arrangements with a partner in farming business.

The following subsections provide detailed analyses of various aspects of this category of share equity schemes.

4.1 Demographic and Gender Composition of Beneficiaries

The demographic profile of beneficiaries is always an important aspect in agrarian reform programmes as this provides an indication of whether land reform grants do reach the targeted population groups. The success of land reform programme will be measured by the extent to which previously marginalized groups, including women have gained access to land resources. While share equity schemes with land transfer component do make a significant contribution to land redistribution, the extent to which women have gained access to land resources is still much lower when compared to their male counterpart. At Misgund share equity scheme 32% are women and 68% (91) are male beneficiaries, in Ebukhosini there are (38) 35% women and (71) 65% %men. At Arwin share equity scheme all 8 beneficiaries are male and women are listed as members participating households. At Kleinbegin the position is different, 54% (38) of beneficiaries are women and 46% (32) are men. At De Kamp Boerdery 48% of beneficiaries are female and 52% are male. However though in some of recently established share equity schemes the participation of women has increased, women are still under represented in management committees. The fact that LRAD grant is awarded to qualifying individuals not to qualifying head of household has made a significant change in the participation rate of women in share equity schemes and women regardless of their household status are able to participate in share equity schemes as individuals. However the representation and participation of women at higher levels of decision-making is still very low. In spite of the fact the number women as individuals participating in share equity schemes has increased and that in some projects women are in the majority of beneficiaries, women are not directly involved in decision-making processes. All chairpersons of workers' trust and workers' representatives in the board of directors are males.

4.2 Project Design and Implementation

There are three possible ways in which share equity of this type can be designed or structured. The first is when a commercial farmer decides to sell a portion of his farm or one of his farms (as at Ebukhosini, Arwin) and enter into a share equity arrangements on farm-worker' land. The second is when commercial farmer encourages his farm workers to purchase a neighbouring farm (Misgund, Kleinbegin, Thandi, De Kamp Boerdery (PTY) LTD, Northridge and Fair-valley) that has become available for sale and enter into share equity arrangement with farm workers on the farming business on the newly acquired farm. The third possible way is when beneficiaries gain access to land through either restitution, or transfer of state land and enter into share equity arrangement with previous owner or neighbouring farmer (Tsistikama) In these cases share equity arrangements are on the farming business on farm workers land. In this arrangement farm-workers can retain their status as employees on the original farm if they used to work on the farm, but more importantly they become landowners, as well as shareholders in the new farming joint venture. In many cases commercial farmers are mentors in the in the new farming business venture. For farm workers this is a very complex arrangement, confusing and to some extent not clearly understood by all beneficiaries. The confusing factor which has some inherent contradiction (requiring a high level of understanding to management the conflict of interests) and conflict of interests is that farm-workers retain employee status on both farming businesses and at the sometime shareholders in the new farming company on their land. The employment relationship on both farming businesses is thus very complicated.

For the commercial farmer, he remains the employer of beneficiaries on his farming business and also a shareholder in the farming business on the farm of his employees. He manages the work schedule on his farm and as well as on the new joint farming business. This is often a source of confusion for the beneficiaries, in that the commercial farmer is both a partner in the business and also an employer. In some cases new management structures and new title names have been established, supervisors are now called directors, foremen are called supervisors or section heads. The new management structures are described as part of the transformation process aimed at empowering farm workers and transforming labour relations on the farm. The management structure would consist of the Manager who would focus on daily work routine and would report to the mentor (the commercial farmer).

4.3 Institutional Arrangements and Constitution Agreement

The design and development of a series of constitution and institutional agreement is facilitated by a service provider. Constitutional arrangements and agreements first involve farm workers establishing themselves as a group and developing a group constitution that provides a framework for establishment of a workers' trust and procedures for electing trust members. The workers trust becomes a legal entity once registered representing farm workers interests. The Farm Workers Trust would hold land and shares in the farming business for the farm workers. Having established a Trust, which would hold land for the farm workers, it often becomes necessary to establish farming company as a separate entity in which farm workers would purchase shares and become co-owners of the farming company. The workers' trust would also hold shares on behalf of beneficiaries. In Ebukhosini Share Equity scheme (Fig. 3), the farming company is Sizanani Farming Business and farm workers through Ebukhosini Farm Trust held 40% of shares in Sizanani Farming Company. De Kieviet family Trust held 60% of shares in Sizanani Farming Company. In De Kamp Boerdery share equity scheme (Fig.4), the farming company is De Kamp Boerdery (PTY) LTD in which Farm Workers Trust hold 49% shares for the beneficiaries and B&B Boerdery (PTY) LTD holds 51% shares for commercial farmer. The major difference here is that De Kamp Boerdery (PTY) LTD is an operating and at the same time a land holding company. In **Cairns Oil Lemon Company** (Fig 6) Farm Workers Trust holds 50% of shares in the Cairn Oil Lemon Company and the AA Malan family Trust holds 50%. The **Cairns Oil Lemon Company** leases land from the Metal Manganese Company In Kleinbegin share equity scheme (Fig 5) Farm Workers Trust holds 49% of shares in the farming company, the Hentiq (PTY) LTD and the **Eigelaar Family** Trust holds 51 % of share in the Hentiq (PTY) LTD. The Land Holding Company leases land to Hentiq (PTY) LTD. The challenge for farm workers is that trust members representing also hold senior positions in the farming business,

Figure 3: Ebukhosini Share Equity Project

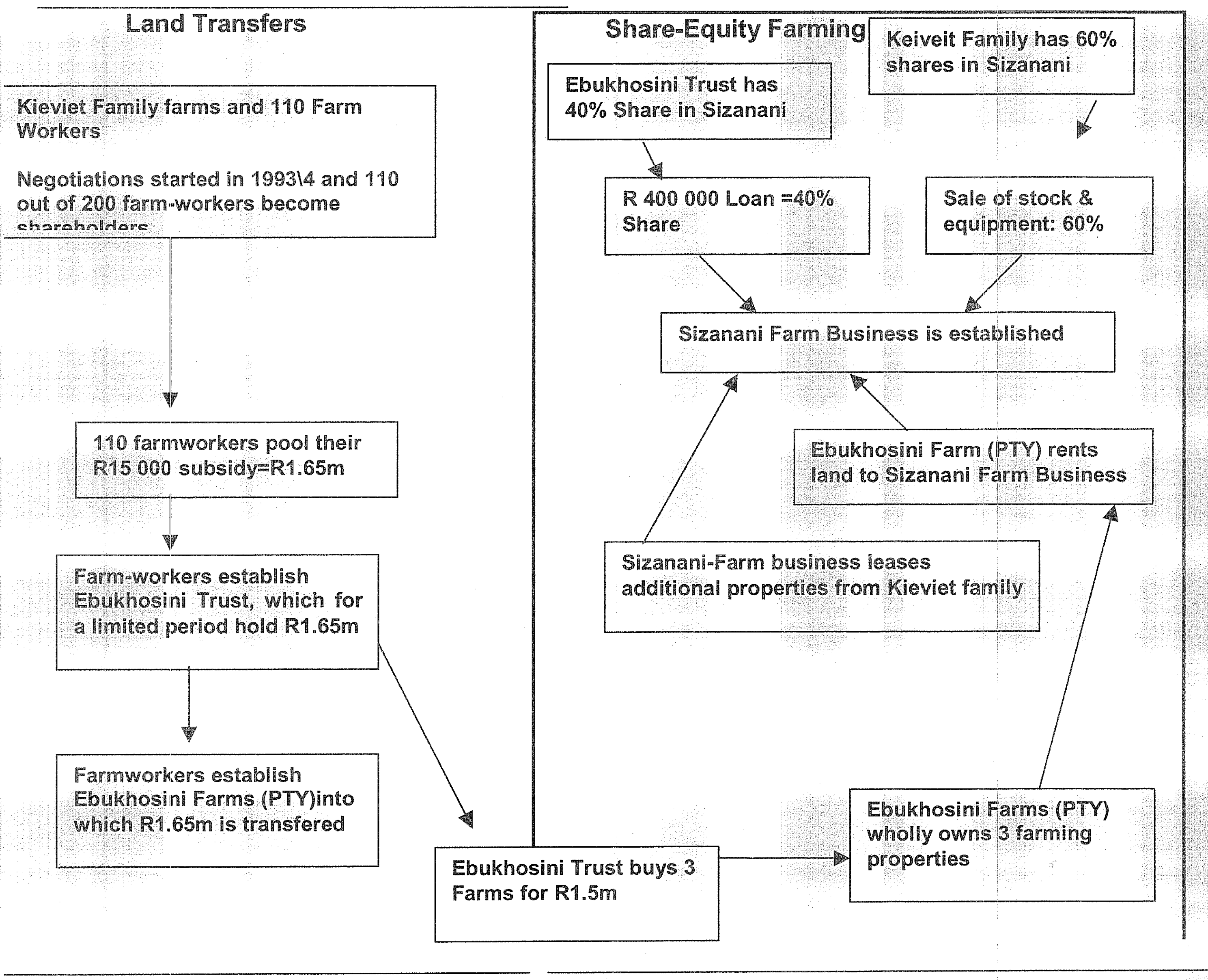


Figure 4: De Kamp Boerdery (PTY) LTD

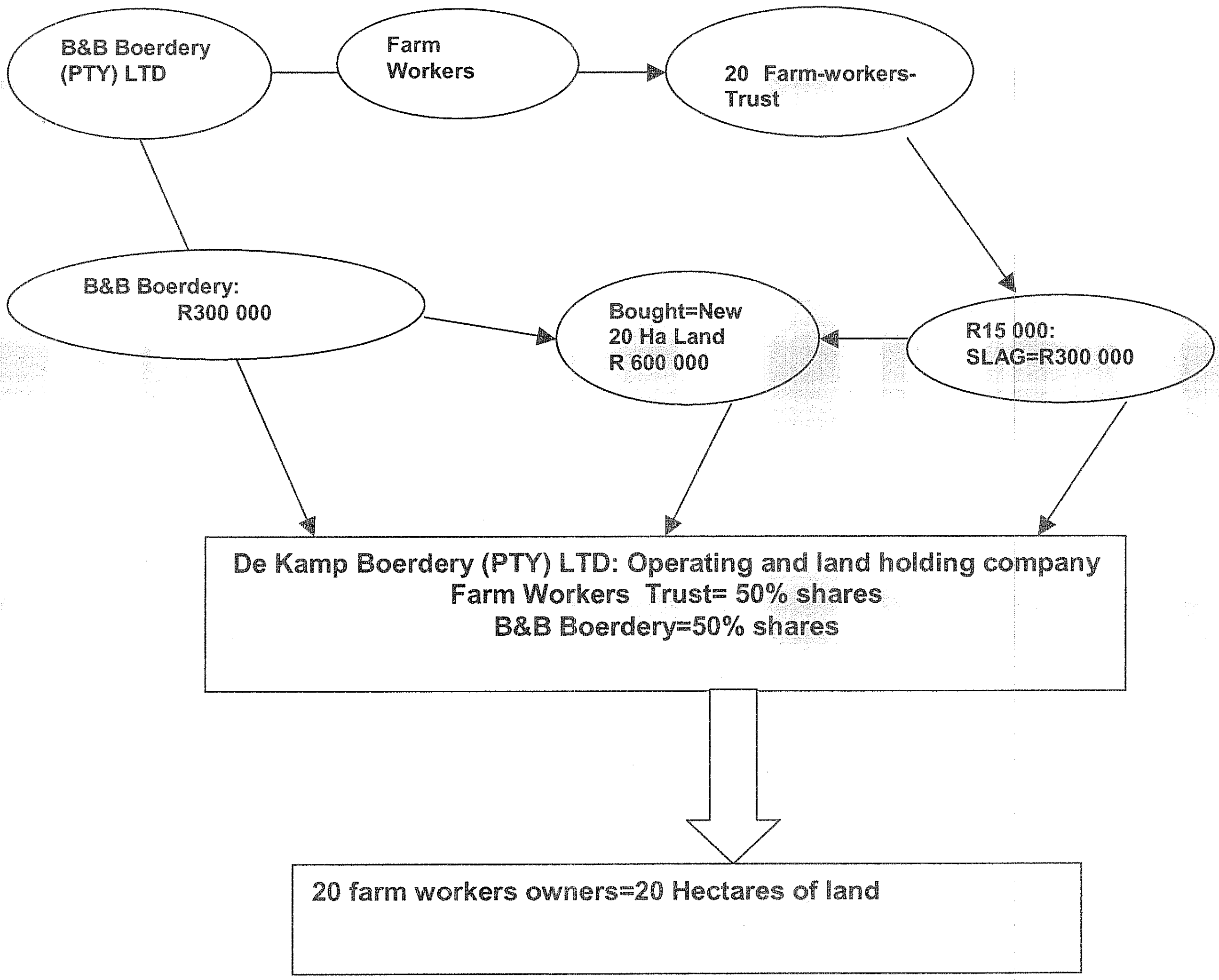


Figure 5: Cairns Oil Lemon Company

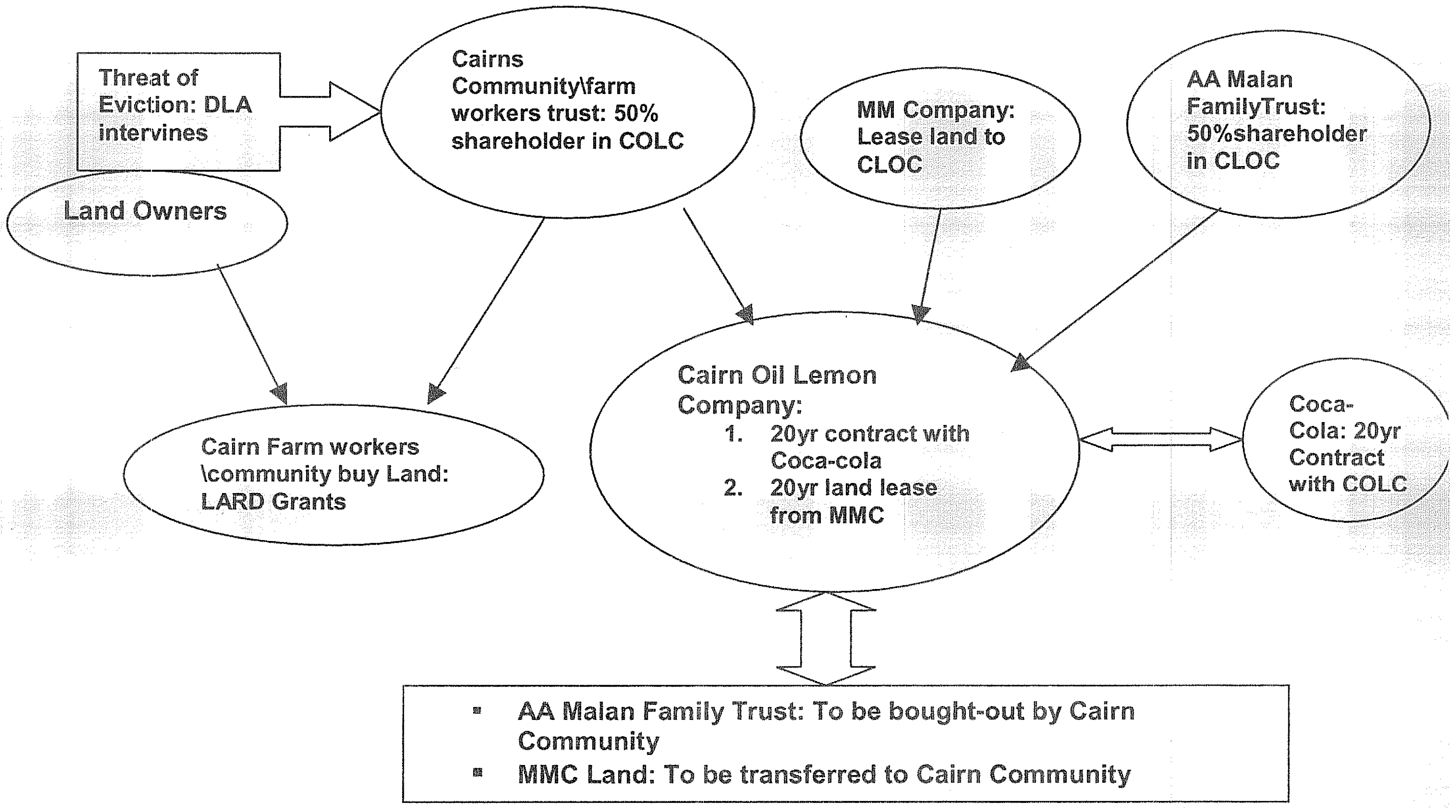


Figure 6: Kleinbegin Share Equity Scheme

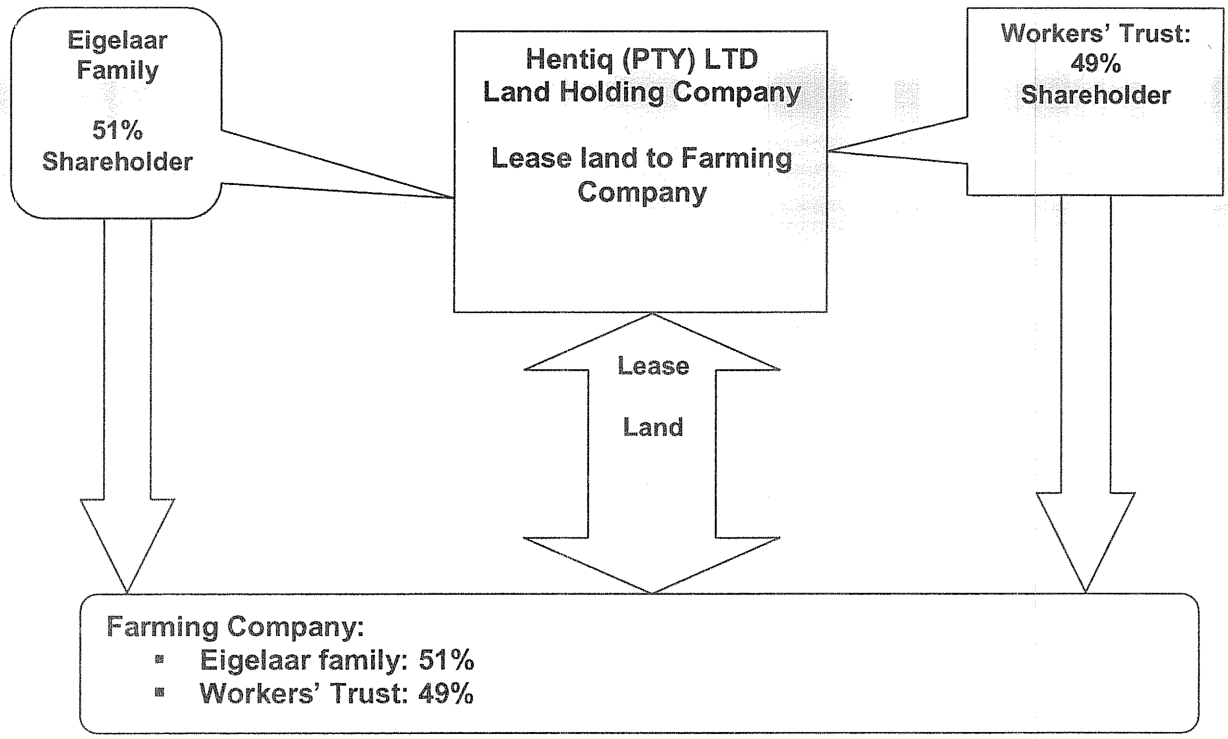
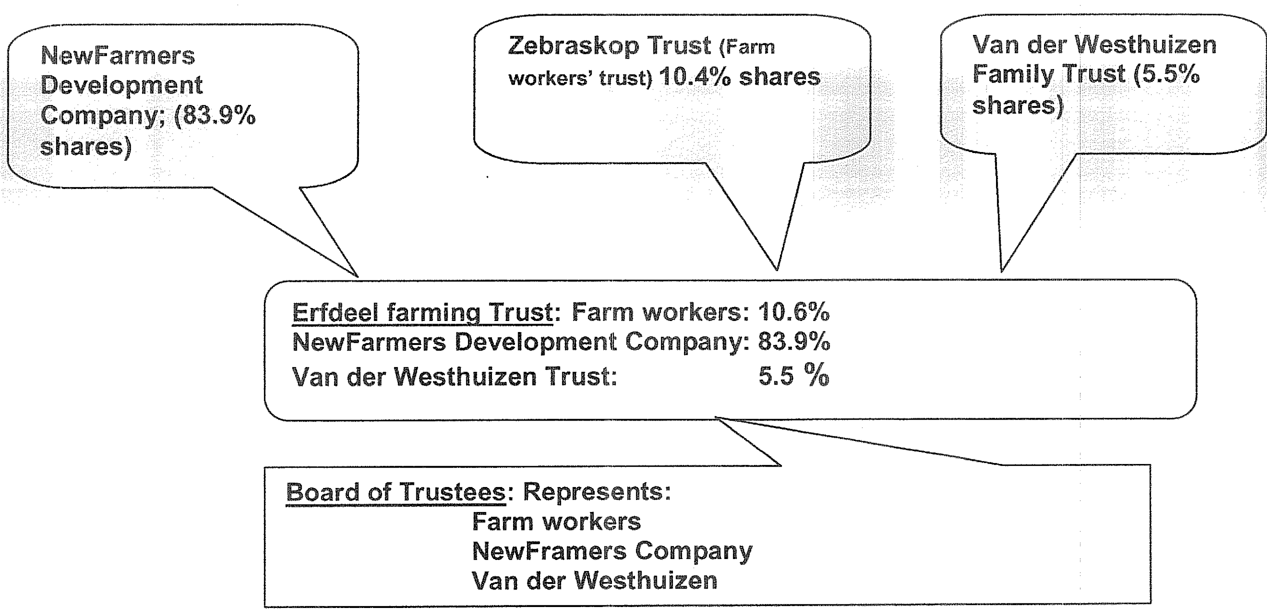


Figure 7: Erfdeel Share Equity Scheme



Though almost all schemes had all the necessary constitutional arrangements such as for Workers Trust and representation procedures, at Management and Board of Directors meetings, more than 65% of beneficiaries did not have personal copies of all constitutional arrangements and procedures. Understanding of what the constitution entails was tested mainly by asking the respondents about the exit procedures from the scheme. Exit strategy was captured in two scenarios, firstly, What will happen to your rights and benefits should you decide to leave the scheme and secondly what would happen to your shares should you die. Whilst the extent of awareness varied, the majority of the respondents did not know what would happen to their rights/benefits should they decided to leave the scheme or die. However at Hoogland all four beneficiaries were well aware about the constitutional arrangements should anyone of them decide to leave the project or die[15]? For example one of the shareholder had died in the recent past and the constitutional arrangements provides for his shares be held by the Workers' Trust until his son completes school[16]. At Ebukhosini, the situation was very confused. Many beneficiaries had left the scheme without reporting or informing the management committee and Workers' Trust. ***'many people have left and others we are told have died. Of the original 110 beneficiaries we can only account for 77 beneficiaries'[17].*** At Kleinbegin one beneficiary had left the scheme to his bad personal behaviour of alcohol drinking and the Workers' Trust had agreed that his shares will be retained until after five years, after the shares would be available for purchase with the first preference given to existing beneficiaries before allowing outsiders to but his shares. At Arwin share equity scheme, one beneficiary was bought out by the Workers Trust as he was no longer interested to work on the farm and had wanted to leave the project. The second beneficiary had died due to

[15] Hoogland with a smaller number of beneficiaries information dissemination is more efficient and internal discussion is more effective.

[16] The fifth member had died and his shares were held in trust by the Workers Trust for his son.

[17] Mr Maseko: Interview with the Chairman of the Workers Trust at Ebukhosini—September 2003

HIV|AIDs and his shares were held in trust by Workers Trust for the family until after five years when they family would have an option to draw the shares or shares would be sold first to the beneficiaries.

4.4 Pre-settlement Support:

Like in other forms of share equity schemes, the first process in this type of share equity scheme involves farm workers constituting themselves as a group to participate in the initiative. The group is constituted on basis of responses by beneficiaries to an invitation to participate in the joint venture scheme. The fact that the farm- owners advise farm-workers to purchase land together with the facilitation process by service provider plays an important role in influencing farm-workers to agree to participate in the share equity scheme. The extent to which the invitation is open to all farm workers varies. In some cases farm owners select farm workers on basis of a number of criteria including number of years working on the farm, commitment, diligence and productivity. At Arwin, and Dysseldorp project farm-owners or commercial farmers developed a series of criteria in selecting beneficiaries or participants in the project. At this point the commercial farmer may appoint a legal expert to facilitate the process. The service provider, the designer or the legal expert is appointed in consultation with Provincial Land Reform Office. In some instances the farmer take over this responsibility himself like in Arwin share equity scheme where the services of the legal expert (service provider) were terminated because of poor performance by the legal expert who according to the farmer ***'was more interested in submitting claim for travelling and accommodation than facilitating the process'***[18]. The group would then proceed to establish a formal legal entity. Legal entity may take different forms depending on the type share equity scheme and local arrangement arrangements:

1. Development Trust
2. Farm Workers Trust (Workers Trust
3. Communal Property Association

[18] Intrerview with Johann Greyleng

4. Community Trust

The service provider would also assist to register the legal entity. Once a legal entity has been established and registered, a number of processes happened almost at the same time. Farm workers would go through a process of training and at the sometime lodging an application with the Provincial Land Reform Office for a land reform grant. The costs of training and developing a business plan are often provided in the subsidy grant, the so called, planning component of the grant. In the SLAG the planning grant is 9 % of the total grant and LRAD planning grant is set at 15% of the total approved grant. The planning programme includes designing and developing a business plan, feasibility study of the scheme. The business plan is a critical component in the assessment of viability of project and also for the approval of the applications for the grants. Joint venture schemes are business-farming enterprises and business plans often reflect this emphasis. The approach that has been followed in most business plans is to put emphasis on economic viability of the project down playing all possible risks and external adverse factors, stressing continuity on established success record of the farming business and land use strategies. Continuity is emphasised in spite of changes in stakeholders and beneficiaries are assumed to fit into existing business enterprise. In many instances business plans do not relate to real challenges facing the new shareholders.

4.5 Economic and Development Expectations

Interviewed beneficiaries seemed to have very limited range of expectations from share equity schemes. The primary expectation is to retain employment in the business and continue earning wage income. The main objective is to meet the immediate households demands, buying food, paying for school fees and buying clothes. To a large extent these expectations are shaped by the manner the information is communicated to beneficiaries. Some beneficiaries described share equity schemes as the ***`brain child of farm owners and farm workers believed the good will of their employers in sharing their resources and wealth***

generating expertise with them.[19] Beneficiaries have high level of trust and unquestioning confidence in their employers. The confidence and trust that farm workers have on farmers is strengthened especially by the fact that the information and details of land reform grants is received through commercial farmers. While some commercial farmers do conduct a series of training workshops, it was noted during interviews that beneficiaries did not have full insight of benefits and business risks involved in share equity schemes. The fact that they have invested their land reform grants, that according to them guarantees immediate improvement in their livelihoods, through better income and working conditions.

4.6 Long-term and Immediate Economic –Development Benefits

The major long-term benefit of this type of share equity scheme is the transfer of land to beneficiaries. In this context land is transferred to beneficiaries on a willing-seller willing buyer framework and farm workers become landowners without the enforcement of any of the existing legislation. In this context the relationship is expected to be based on mutual respect and this provides the basis of sustainable business relationship. Share equity schemes with land transfer component provide opportunities for farm workers to own land while continuing to earn cash income as employees. The second major long-term benefit is capacity building through mentoring that provides technical training, business development, management skills and production expertise. Farm workers acquire shares in farming business and in this way are introduced to commercial agriculture as landowners, generators of wealth and producers. Beneficiaries are exposed to national and international markets and this way share equity schemes offer an opportunity for farm workers to participate in the national economy market economy. For a long period of time farm workers have been known as a closed community with no interaction with this outside world. Their world has been the farm environment. The Thandi, Hoogland, and Misgund have to a large extent achieved these conditions. While Hoogland land

[19] Interview with messers Maseko, Chris of Ebukhosini and Misgund respectively

is still owned by the farmer, the long-terms plans are to give beneficiaries permanent residential plots on the farm on which proper could be built.

The contradiction facing commercial farmers is their commitment to empower beneficiaries whilst also exercising control over the farming business. The contradiction arises from the fact that commercial farmers are often mentors in the same business company they previously wholly owned and in which are currently shareholders. The deeply entrenched power relations between farmers and beneficiaries are likely to remain. Moreover farm workers always hold collectively minority share in the farming business and therefore have limited control over operational, management and investment decisions.

4.7 Land Administration and Land Tenure

In cases where there is a transfer of land, beneficiaries hold land through a farm workers' land holding company. In cases where land is transferred to beneficiaries and registered in the name of Farm Workers Trust or in Communal Property Association, security of tenure is very strong. Land ownership is not contingent on remaining a member of the scheme or a shareholder in the farming business but beneficiaries has land rights. In some projects beneficiaries have are shareholders in land owning company and also in operating or farming company. However security of tenure in terms of individuals being able to make individuals decisions regarding transfer of land depend very much on the group's constitution and effective implementation of the constitution. In terms of land use options individuals are constrained by the fact that they cannot make individual decisions of what to grow. The decisions regarding land use options are taken at group management level.

4.8 Labour Relations and Share Equity Schemes

The character of labour relations in share equity schemes is directly related to power relations between shareholders, hierarchical relations and work ethics in the joint venture. There is no doubt that though shareholders are co-owners of farming business, they are unequal partners not only because they hold different amounts of shares in the business. They have different capacities, skills, expertise, knowledge and more insights in decision making in farming business. Commercial farmers have an advantage over farm workers in all these areas. These advantages do confer more power and put commercial farmers in privileged positions at various levels of decision making in farming business. One view from this analysis is that power relations in share equity schemes remain unequal and that farm workers because of historical conditions on the farms. Farm workers will remain junior partners and dependent on commercial farmers on various aspects of management of share equity schemes. The deeply entrenched power relations between farm owners and farm workers are likely to remain intact for a long time (Mayson 2002; LRC 2000). The other view is that it is precisely these differences that make share equity schemes unique in that they create opportunities for the less privileged groups to interact and learn new work relations. The advantage of this is that mentoring support; transfer of knowledge, expertise and skills would take place in the context of partnership in wealth generation. This would finally benefit the less privileged groups. The fact that there are unequal power relations does not necessarily imply poor labour relations in the farming business. However the challenge is whether farm workers have the capacity to learn and meaningfully participate in decision-making in these very complex joint venture schemes. If commercial farmers have still to outsource certain aspects of their business and use consultants as advisors, this would be even more difficult for farm workers. For example when making decision regarding national and international marketing strategies they depend on consultants as advisors.

However the main question for this research is whether share equity schemes provide a conducive environment for improvement in labour relations. At Misgund Arwin, Thandi, and Kleinbegin all interviewed beneficiaries stated that they were happy that they partly working for themselves as co-owners in the farming company. All interviewed beneficiaries expressed high level of commitment to make their business succeed. Labour relationship between beneficiaries and commercial farmer or business managers was described as very positive. However it was difficult to assess the extent to which these positive expressions and developments were translated into increased labour productivity and increased income. However at Thandi project there was ample evidence of increased productivity as the project was being extended and expanding through diversification. Arwin and Kleinbegin projects are still at a nurturing stage and commercial farmers were playing a very active role as mentors. Work ethics had improved and Dr Cluver noted that ***`drunkenness which had been a problem in farm worker community had dropped considerably'*** [20].

Mr Eigelaar of Kleinbegin share equity scheme, while noting ***`improved work ethics and a general decline of various types bad behaviour like theft, drunkenness stated that beneficiaries have not yet full understood the fact that they are co-owners of the farming business, they still depend on close supervision to get work done'*** [21]. The challenge for him was how to impress onto their minds that they are now co-owners of the farming business. The entrenched power relations were difficult to change over a short period of time.

However at Ebukhosini and Inala share equity schemes labour relations were very poor. There were open hostilities between beneficiaries as workers and workers' trust on one hand and between workers trust and Mr de Kieviet on the other hand. At Inala share equity scheme poor labour relations had led to open hostilities between the beneficiaries and Piet Mr de Wet. The precise causes of poor labour relations were difficult to isolate because of the close link between poor labour relations and poor performance of these projects. Open tensions had developed because projected benefits had not been realised. At Inala beneficiaries complained that ***`after being in the scheme for seven years our lives have not been changed. We still earn less than R 500.00 a month and no dividends have been paid'*** [22] However beneficiaries argued that it is not only about failed promises but also about

[20] Interview with Dr Cluver of Thandi Share Equity Scheme
[21] Interview with Mr Eigelaar of Kleinbegin share equity scheme

labour relations practises. `***books have been closed to us for seven years and even if we are illiterate, we deserve to be told about our shares because we are co-owners of the farm'*** [23]. On the other had Mr de Wet blamed the National Farms Allied Industrial Workers Union for tensions on the farm? He argued that `***there are financial statements every year that are given to four representatives of the workers trust, and our books are audited by independent chartered accountants***[24]'. He however, acknowledged that the farming business has not realised some of the projections and that no dividends have been paid to share holders because the project has not made any profit.

4.9 Post Settlement Support and Mentoring

Joint venture schemes are often regarded a private farming enterprise and therefore government involvement is not very much defined. Most business plans provide for the post-transfer support particularly in the business sector of the joint venture. However business plans of share equity schemes define post-settlement support in terms of mentoring, management and technical support to be provided by the commercial farmer. Business plans provide no role of the public sector and in particularly the role of extension support services is not provided. In these situations the commercial farmer determines the kind and level of technical support is required and also workout the costs of such services. At Misgund the commercial farmer give advice regarding the technical support required in consultation with newly appointed manager representing the beneficiaries. However there are cases where support in terms of technical aspects of running the farming business is provided by independent consultants like in most private commercial farms. Government extension support has in many provinces is almost non-existent. However lack of extension services could be attributed to the fact share equity schemes are regarded as private business initiatives and therefore to a certain should be run as such. Once

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[22] Intreview with Mr A Makamo Nov 2002
[23] Interview with Mr A Makamo. Nov 2002
[24] Interview with Mr P de Wet of Inala share equity scheme Nov 2002

share equity schemes are established, and government land reform subsidies transferred to relevant individuals, there is no external or government monitoring of the schemes. Interviewed commercial farmers argued that government extension support had collapsed and it role is insignificant. At Arwin the commercial farmer stated that ***existing extension support staff were poorly trained and are not suitable for existing modern practises***[25].

Farm workers as shareholders in share equity schemes access credit and other financial development support through formal procedures like in all major farming businesses. In projects where the main financial institutions, involved, Land Bank, Independent Development Corporation, Development Bank of Southern Africa, costs for technical support are provided through credit facility arrangements.

5. Evaluation and Assessment of Share Equity Schemes

This section provides an overall assessment of share equity schemes in terms of their contribution to the broader objectives of land reform policy, the developmental impact of share equity schemes and their role as means of transferring and distribution of wealth. The viability of share equity schemes as strategies of economic empowerment, capacity building, distribution of wealth and investment opportunities.

5.1 Share Equity Schemes and Land Reform Policy

Share equity schemes are project specific in nature and configured according to specific environmental conditions. The design and institutional structures, ownership and distribution of shares vary to accommodate project specific conditions. Farm-worker share equity schemes can therefore be designed in a variety of ways with varying degree of equity. The scope of shared equity is very broad and can range from jointly owning a farming business to controlling and owning a very specific

[25] Interview with J Greyling of Arwin share equity scheme

asset or land resources. This make it difficult to generalise about the impact and benefits farm-workers derived from share equity schemes. However the analysis of the findings of this project reveals certain trends for general observations to be made.

The main question is to what extent do share equity schemes contribute to the objectives of land reform. Share equity schemes without land transfer component do not make any contribution to the target of 30% redistribution of white owned land. Land is not transferred to individual households but remains the property of the farming company. Beneficiaries have access to land for as long as they remain members of the group or shareholders in the farming business. If the business collapses or closedown for any reason, the beneficiaries would remain landless and would remain protected by Extension of Security of Tenure Act (1997) and Land Reform Act of 1996 (LTA). General observation is that share equity schemes demonstrate the willingness of commercial farmers to enter into private farming business arrangements with their employees.

Secondly farm-workers use their grants to purchase land and enter into share equity arrangements with their employers or former employers. In this respect whilst farm-workers benefit from sharing skills in business management and marketing strategies they become landowners in their own right. In the event of collapse of share equity business farm-workers would retain ownership of their land. In these projects security of tenure is almost guaranteed and there is greater emphasis on long development than on investment in business. Most share equity schemes that have contributed to land redistribution or with a land transfer component lie outside the prime land areas. In the Western Cape for example very few share equity schemes have a land transfer component. This is because of high value of the land and high value production.

Share equity schemes fall within the broader framework of market assisted land redistribution programme. Farm-workers are able to participate in share equity schemes primarily because of SLAG\LRAD grants from the department of Land Affairs. The grant is made available because share equity schemes have two important components, that is, land redistribution component and economic empowerment within commercial agriculture through allocation of shares in the farming businesses. Farm-workers as beneficiaries use their SLA\LRAD grants in two ways, to purchase land and enter into share equity arrangement with their employers, or other stakeholders including independent private investor, former employers, the previous land-owner and secondly they may use their grant to purchase shares in the farming business in which they are employed. In this instance the intention is on business investment and creation of wealth. In all cases these grants are once-off grants and therefore beneficiaries are not likely to qualify again and for SLAG or LRAD grants.

5.2 Long-term Economic Benefits and Developmental Impacts

One of the requirements for the approval of land reform subsidy grants (SLAG\LRAD) is the design and development of an appropriate business plan. The policy also states that there should be sufficient beneficiary participation in the planning process, i.e. that the beneficiaries must have the greater say in what they want to farm with and how they want to implement business the plans. However high illiteracy levels and complex nature of share equity schemes farming experience amongst the applicants make the participation of farm workers marginal and to be dependent of service providers. Service providers on the other hand tend to design the most idealistic business plans, knowing that they risk forfeiting the consultancy fee if the application is rejected. Consequently in many cases farming business plans tend to be over optimistic, emphasising the most feasible aspects of the scheme. Share equity schemes business plans are far removed from the realities facing farm workers. The real threats of low returns on investments, risks in farming business enterprises, as well as low levels of marketing skills and knowledge export farming of the applicants are not taken into serious consideration. The more immediate and pressing needs of farm-workers (like households food requirements, payment of school fees, school uniforms etc) are not considered. The assumption here is that the normal monthly wages would be enough for all these needs. Another major problem is that almost all these business plans are developed and modelled on the basis of the experience commercial farmers whose past financial performance on the farm is used as the basis for estimating the potential return for the new farmers, thus ignoring the reconfigured character of the farming business.

Very few share equity schemes have had direct developmental benefits for the beneficiaries. During the time of survey for this study very few share equity schemes had paid out dividends to shareholders. Share equity schemes, which had paid dividends, had been in existed since 1996, and therefore were established through SLAG grants. Hoogland share equity scheme in Mpumalanga province and Thandi project in Western Cape have been able to pay dividends to shareholders on basis of economic performance of the project. Inala share equity scheme though it was established as early as 1996 has not been able to pay dividends to shareholders and at Ebukhosini dividends were paid only once. Most LRAD funded share equity schemes were very recent and it was not possible to determine developmental benefits.

The economic and developmental performance of share equity schemes is a result of coalescence of number different variables. These include the size of shares allocated to individual shareholders or groups, the socio-economic profile of beneficiaries, risks management strategies within the farming business, understanding of national and international market opportunities and risks involved, investment risks and opportunities within the farming business, labour relations and human resources management within the farming business, all play an important role in performance of share equity schemes. It is a combinations of all these that determines the performance of share equity schemes.

The following sections look into some causes and factors leading to collapse of share equity schemes and the impact this has on beneficiaries.

5.2.1 Share Equity Schemes and Employment Opportunities

One of the key themes that run through this report is developmental impact of share equity schemes and the scope of share equity schemes to reduce poverty through employment creation and increasing wages both for shareholders and employees. In broad terms, agriculture as a primary sector has traditionally played an important role in the development of South African economy. The sector has experienced a conventional secular decline, and today contributes less than 5% of GDP. Share equity schemes are agricultural enterprises and therefore their impact of should be understood within this broader sector. Research evidence (CRLS 2001) indicates that formal employment in agricultural sector and especially in commercial is declining. Farm employment data indicates that this sector has shed about 180 000 regular employees between 1985 and 1996 and about 210 000 casual and seasonal employees over the same period. While the long-term trend in farm employment is downwards, the decline in agricultural employment is at a slower pace than employment in the economy in general.

Some share equity schemes have created new employment opportunities. The Cairns Oil Lemon Share Equity Company, as a new farming company, has 104 beneficiaries and employs 13 permanent workers and between 50 and 60 seasonal workers. Seasonal workers are drawn from beneficiaries' households. These are all new jobs created with the establishment of the project. At Peddie Pineapple project the Director of the Company Mr Mtya argued that the management of the project was committed to keep labour costs low by encouraging shareholders to find alternative employment outside the scheme. At the time of this research there were 78 seasonal workers and 30 permanent workers employed at Peddie Pineapple project. Hoogland share equity scheme has four beneficiaries who are all permanently employed in the project. Wives and next of kin of shareholders together with sixteen other employees provide casual labour in the project. At Misgund, a number of shareholders have had to find alternative employment in the neighbouring farms. At Thandi project new employment opportunities have been created for both permanent and seasonal workers.

5.2.3 Share Equity Schemes and Immediate Households Benefits

The average household size of farm workers is four members. This is relatively small when compared with household size in rural areas and in the former homeland areas, which averages between six to seven members. The smaller household size for farm workers attributed to the restrictions of on-farm housing which is normally restricted to farm workers and their dependent or immediate children. Sixty five percent of beneficiaries in share equity schemes are male shareholders. This reflects a strong male bias in agricultural employment sector compared to other sectors. In spite of efforts through LRAD to encourage women participation, it is unlikely that this will trend change in the near future.

The immediate households benefits of beneficiaries were analysed by looking at two main aspects determining households' welfare, households' income and conditions of food security. The 1996 Agricultural Survey found that the average cash wage paid to regular and casual farm workers was R 419.00 per month. The 1996 Agricultural Survey noted considerable variations by provincial and in Gauteng province employees were being paid an average of R 790.00 per month while in Free State and Northern Cape employees received R 401 and R 416.00 per month respectively. However data from primary fieldwork for this study show that the average cash wage paid to farm workers in share equity schemes is R 540.00 and the highest paid cash wage is R 1200.00 a month. The highest paid workers are new company directors of various sections.

5.2.4 Income Sources, Expenditures and Livelihood

Beneficiaries were asked to indicate their major income sources. Figure 3 shows the percentage contribution of each income source relative to the total monthly income. Cash wages contribute almost half (46%) of the total monthly income, followed by pension (24%) and informal income (15%). The average monthly cash wage earned by respondents is R807 while the lowest paid beneficiary monthly earning is R100 (minimum wage) and the highest paid employee earns R7000. The minimum monthly wage earned is far below the minimum wages entrenched in the basic conditions of employment act, no 75 of 1997. Contrary to the findings of other studies (Knight and Lyne 2001) is that remittances play a marginal role in farm workers' livelihood. In addition, it is the least source of income as expressed by 1% of the respondents.

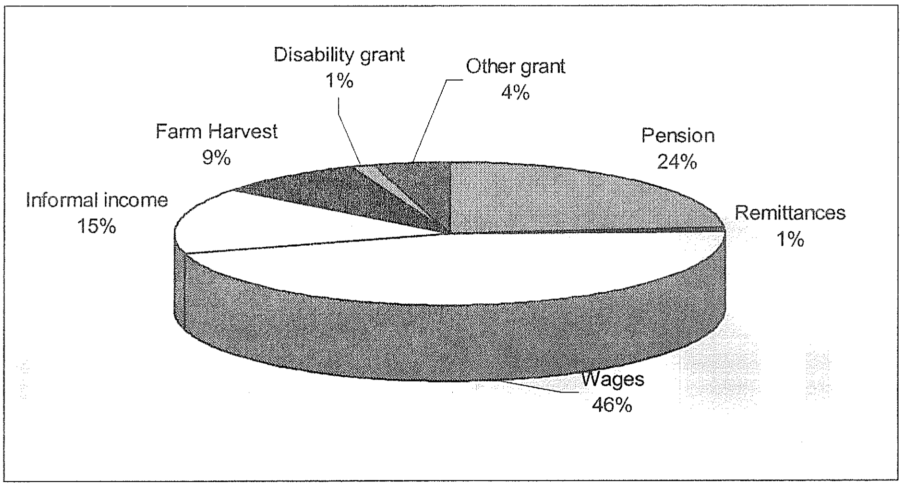

Figure 8: Sources of Income

In addition to income sources, beneficiaries were also asked to indicate their monthly expenditures. Figure 9 shows expenditure's percentage contribution to the total monthly budget. Respectively, food, clothes and school fees contribute a relatively greater proportion of 36, 15 and 14% to the total monthly expenditure. Beneficiaries' percentage contribution of food expenditure to the total monthly budget is far less than the national figure (57%) that poor household spend on food

(Business Day, 2003). Aside from cash wages, farm workers also receive additional income referred to as payment in kind, and the following items includes rations such as meat, mealie meal, clothing, transport etc. CRLS (2001) estimated that about 25% of farm workers remuneration is paid in-kind. Thus, it is probably for this reason why farm workers spent far less on food (and possibly on other items) than the poor households. To a certain extent, expenditure pattern reveals farm workers priorities in relation to their meagre income they earn. It is encouraging to note is that education for their children, as represented by school fees, is one of the farm workers priorities. Thus, the literacy rate on farms is expected to rise overtime, *ceteris paribus*.

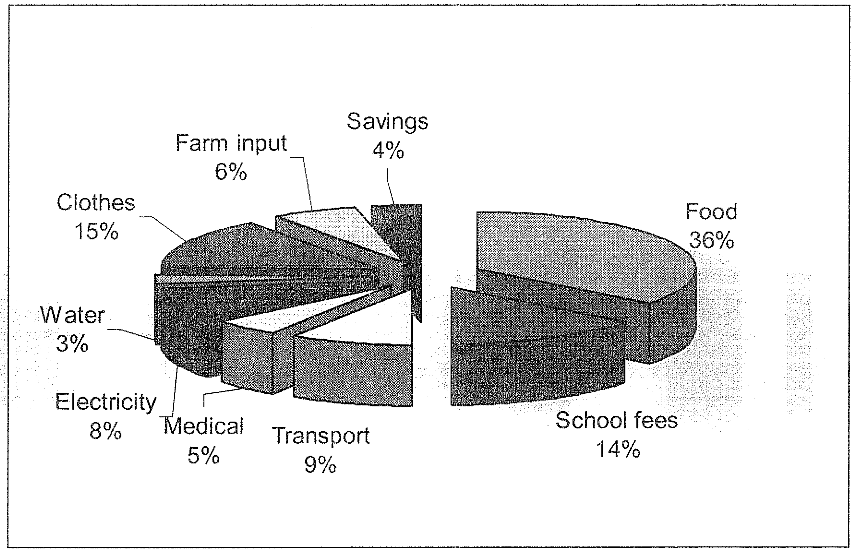

Figure 9: Household Expenditure Patterns

CRLS (2001) argues that there seem to be confusion amongst farm workers on what is meant by an employee benefit. Some employers provide uniforms etc to their employers as payment-in-kind and it is clear that sometimes a portion of this financial outlay is recovered through deductions off employees' wages. It is probably for this reason why other items, clothes (15%) and transport (9%) in particular, have a relatively high percentage contribution to monthly expenditure. It is possible that different employees have different knowledge and understanding of what is meant by a benefit or a payment-in-kind and this is likely to have had an influence on beneficiaries' responses to the expenditure question.

5.2.5 Status of Service Delivery on the Farms

The status of service delivery was captured in the questionnaire by asking the beneficiaries on their dwelling types, water sources, sanitation and energy/fuel source. Survey results are shown in Figures 10, shows that a relatively large proportion of respondents stay in their own formal house (37%), followed by own traditional huts (23%) and shack (28%). At least 4% of the respondents stay in employer provided houses. One need to be cautious with employer provided houses as this can be classified as payment in kind. As previously stated, there seem to be confusion on what is really meant by payment-in-kind as sometimes a portion of this financial outlay is recovered through deductions-off employees' wage. As the saying goes *"there is no such a thing as free lunch".*

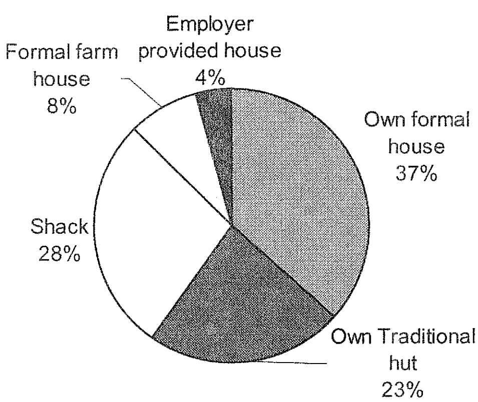

Figure 10: Dwelling Type

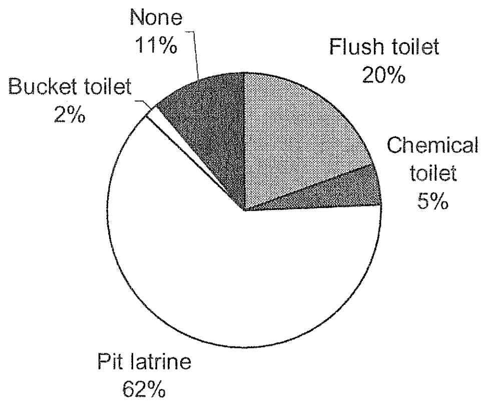

Figure 11: Sanitation Facilities

The availability of sanitation services was captured by asking beneficiaries about the type of toilet facility they use. Sixty two percent of respondents use pit latrine. Appearing to be of a concern to public health in particular is that 11% of the respondents do not have any toilet facility in their household. The main water source was used to capture the availability of one of the major basic service. The main sources of water for the majority of respondents are tap water as shown in figure 12. Finally there are three main sources of energy available to the respondents (Fig13), namely electricity (25%), paraffin (23%) and wood (22%). The use of wood is little bit worrying as in most cases has detrimental effect to the environment i.e. deforestation.

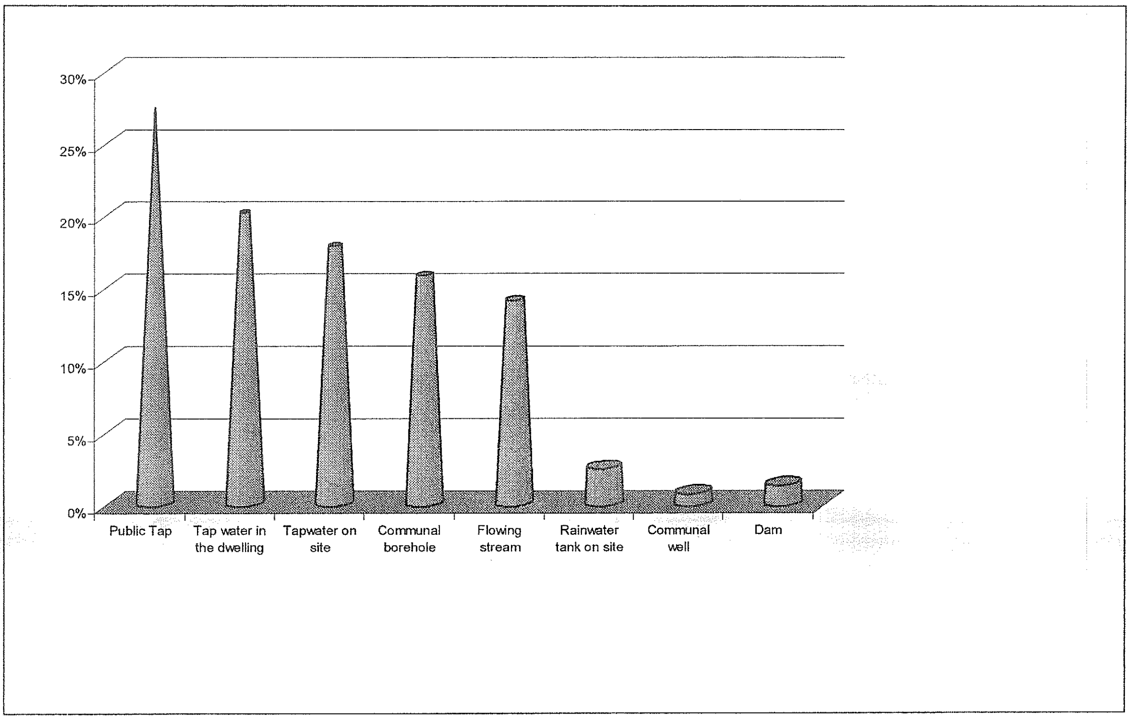

Figure 12: Water Sources

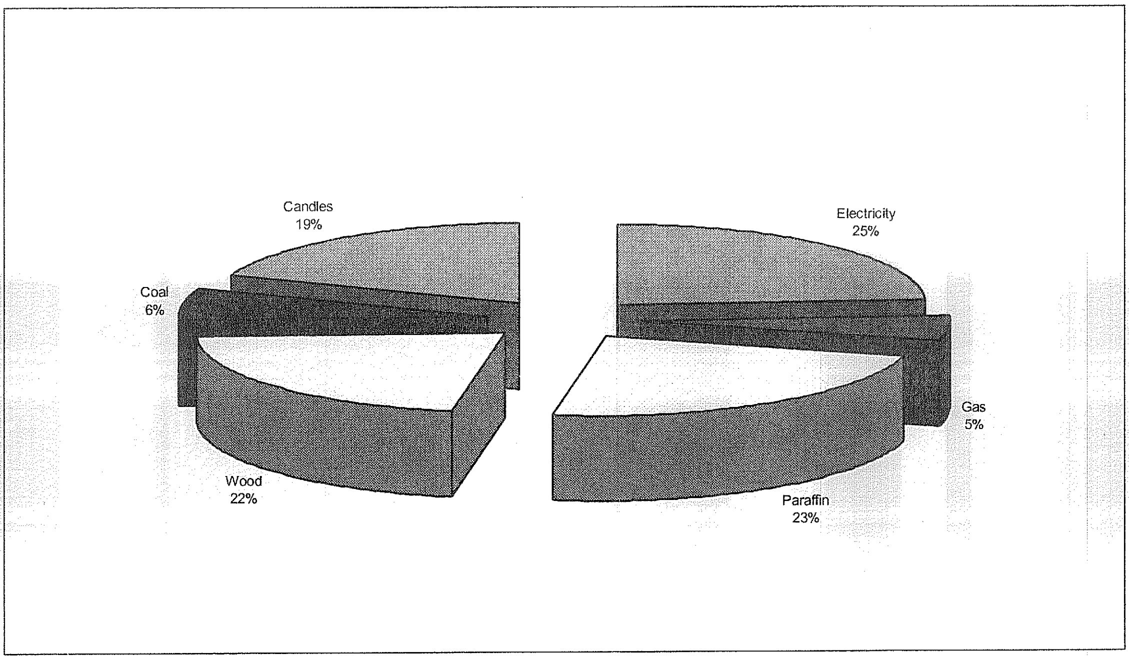

Figure 13: Energy Sources

5.3. Why Share Equity Schemes Collapse?

This study tried to classify share equity schemes into two major categories, that is, those with land transfer component and those without land transfer component. However it is important to note that share equity schemes to a large extent do not necessarily fall into clear distinct categories. They are not designed to fall into neatly defined categories. Attempting to isolate factors and causes of collapse and failure of share equity schemes is not an easy task. Some causes and factors apply only to certain specific environment and therefore cannot be generalised for all share equity schemes.

The major challenge facing most farm workers who purchase a neighbouring farm and enter into share equity arrangement with their employer is the collapse of the infrastructure, equipment and the general deterioration of the quality conditions of the farm. The collapse of infrastructure, equipments and deterioration of the quality of the farm is partly caused by neglect and lack of maintenance during the long period of processing the applications of beneficiaries. As soon as beneficiaries sign the purchase agreement, commercial farmers would completely cease to maintain and service infrastructure, equipments and implements. The average delay period between signing purchase agreement and the actual transfer of money to the seller's bank account in 9 months. For all this period the farm implements are not serviced, and farm conditions deteriorate. This is particularly significant for the fruit and wine farming industry. Fruit trees are very sensitive, as they require continuous monitoring and maintenance. As a result of the collapse of infrastructure, implements and equipment, farm workers have either to hire equipments and implements from their employer or arrange a loan with a financial institution to purchase new equipment. In many instances farm-workers start with a huge debt. In addition to these challenges, the deterioration of the conditions of the farm during the waiting period lead to many challenges and when formal production resumes, farm production fall to much lower levels compared to projections made in the business plan. In this situation beneficiaries would face a serious challenges of servicing the debt (or paying rental for hired equipments and implements) with reduced production levels. In many share equity schemes these were early indications of the beginning of the crisis and final collapse of the project.

The collapse of share equity schemes cannot be ascribed only to the delay or a long period of the actual transfer of land to beneficiaries. There are a number of other inherent factors in the nature of share equity schemes themselves and also the characteristics of beneficiaries. Other reasons leading to the collapse of share equity schemes are related to the complex nature of share equity schemes and the capacity of farm-workers to understand and manage share equity schemes. The socio-economic profile of farm-workers themselves makes share equity schemes more vulnerable to failure and collapse. Farm workers are the most vulnerable group in the farming sector. They lack any form of capital investment with which to support their farming business. This makes their farming business to be entirely dependent on external cash flows such investment by private sector and loans for running expenses.

One of the critical problems is the assumption that farm-workers want to continue farming within the commercial farming sector. Some share equity scheme projects are implemented without exploring with beneficiaries other viable alternatives in which they may invest their land reform grants. Short-term gains are interpreted as indicating sustainability of the project. Extremely low levels of education amongst farm workers render them incapable of managing share equity schemes, which are predominantly, export and market oriented.

Lack of financial support, particularly at the early transition phase and absence of external investors is a major challenge. In cases where beneficiaries bought land and established a share equity scheme on the land, the price of the farm was often so high that the whole SLAG or LRAD grant was used to purchase the farm and they had no capital to purchase farming equipments. Many beneficiaries have had to hire implements from commercial farmer who would be a partner in the farming business. At Misgund, beneficiaries have had to hire farming implements from a farming partner at R 42 000 per annum for five years. During this period beneficiaries had to pay for maintenance costs of these implements. After five, which was the end of the rental period, beneficiaries bought these implements for R 300 000. At Ebukhosini beneficiaries had to raise a loan from a commercial bank to purchase farming implements from a commercial farmer. The Ebukhosini beneficiaries complained that ***`we paid through a loan for equipment that was almost dilapidated, and the repair and maintenance costs where making difficult for us to service the debt incurred for paying for these implements'***[26]. Financial difficulties are often experienced by share equity schemes in which beneficiaries had to raise loans with private commercial banks either to pay for equipments, or pay wages or for any other non-production related costs. In these schemes there was no external private investor nor was there an involvement of government related financial institutions like IDC, DBSA, Ithala nor uVimba banks. Whilst it was not clear why these institutions were not involved, it was noted that beneficiaries lacked the capacity and had no knowledge of how to approach these organisations. In projects that were facing difficulties also lacked the support of private development financial institutions. In this context therefore the participation of external development financial institutions and external investment, is particularly important especially at the early transition phase of the projects. However transitional technical and capital support are important only when other important conditions exist. The Northridge share equity scheme beneficiaries received substantial amount of financial and technical support and yet the project in 2003 once again got into serious financial crisis for the second time.

Some share equity schemes experience difficulties because of what Dr Cluver called ***`a long period of waiting between spending and earning money, a long period of time when business is not generating profit and if you are poor which is***

[26] Interview with the chairman of Ebukhosin workers' trust Mr Maseko: May 2003

often the case with farm workers, you need money almost immediately'[27]. Farm workers are more vulnerable and during the waiting period their household economic conditions deteriorate rapidly to the level where it would be difficult to recover.

5.4 Why some share equity schemes have been successful

Some share equity schemes are very successful and have had positive developmental impact and this identified certain trends and basic characteristics of successful and well performing share equity schemes. Successful share equity schemes are mainly those in which there is a significant involvement of external investors and in which development financial institutions have a greater role. The support that these projects received is not just limited to subsidy grants that beneficiaries received from the Department of Land Affairs but other development financial institutions have played a greater role. At Bethlehem Apple project, for example, there is a greater participation of DBSA, IDC and Oos Transvaal Ko-operasie, OTK currently known as Afgri. In Cairns Oil Lemon project in Nelspruit, a number of development finance institutions including IDC, DBSA, Telkom, DPW and Coca-cola all have provided the much needed transitional capital and technical support. The Peddie Pineapple Project in the Eastern Cape has also received various forms of support from different financial institutions targeting different aspects of the project. Telkom for example, provided training of workers and trust member, on various aspects project management including conflict and dispute resolution. These projects seem to be stabled on strong development and investment foundation. The basis for success is well established by involvement a wide range development finance institutions. On the other had the Thandi share equity scheme while it has received little or nor external development finance from much support from outside investors, is often regarded as a model share equity scheme in the wine industry in Western Cape.

[27] Interview with Dr Cluver 2003

Dr Cluver, a commercial farmer and a share equity partner in Thandi share equity scheme argued that it is a combination of a number of factors that determine the success of a share equity scheme. He identified the following elements as important determinants of the performance of share equity scheme.

- Availability of Land
- Money and capital investment through involvement of external investor
- Technical skills and knowledge. Support through mentoring and marketing skills
- Management skills and leadership skills training of beneficiaries, allowing for internal leadership to emerge. [28]

According to Dr Cluver it is only when these elements are mixed in a balanced manner that a share equity scheme may produce expected positive results. According to this model the important challenge is to maintain a sensitive balance between economic, financial viability of the scheme and developmental objectives. Though economic, financial viability of the projects is of fundamental importance; such benefits would be relevant only when they have developmental impact on participants. Successful share equity schemes make an improvement in livelihood conditions of beneficiaries.

Another aspect that determines the success of share equity schemes is extent to which government extension support is provided to beneficiaries. Share equity schemes in Western Cape number of advantages over other schemes in other provinces. In Western Cape commercial farmers being involved in high value agro-industry do have access to capital resources which enables them to get a wide range of technical extension support services and secondly the provincial department agriculture still provides high quality extension support compared to other provinces. In other provinces and especially in Eastern Cape, Limpopo and Mpumalanga provincial departments of agriculture have limited capacity to provide technical extension support to share equity schemes.

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[28] Interview with Dr Cluver 2003

5.5 Changing Labour Relations and Conditions

One of the research questions to which this project seeks to find answer is the extent to which share equity schemes provide a suitable environment for improving labour relations in the farming business. By definition share equity schemes should give farm workers a sense of ownership in the farming business and this should change their commitment, generate positive work ethics, and create new labour relations on the farm. When having shares in the farming company, farm workers should are assumed to have more power and participate in decision-making and management of the farming business. All these are assumed to have positive contribution to farm production and therefore increase profitability of the project. However evidence from this research indicates that all these positive aspects of share equity schemes have not been achieved in most share equity schemes. Farm workers have hardly recognised their new status as co-owners of the farming businesses, and have not realised that being shareholders in the farming business they have more powers and more responsibilities. Decision making in the farming business according to farm workers is still the responsibility of some higher level authority and although they (as a group) are represented in different management structures, that representation according to farm workers is limited to facilitating communication of decisions taken at higher level. Whilst the representation of farm workers, as shareholders, in the management structures is a positive development that representation is constrained by the fact share equity schemes by nature are complex business initiatives. Higher-level decision-making processes on complex matters like developing strategies for internal and international markets, risks management in internal and external markets and risk management in production costs and labour related costs, investment opportunities. When decisions are made on these matters, farm workers are compromised by lack of capacity to understand and follow the logic of reasoning. Although these limitations are not insurmountable, only a very few of the present generation of farm workers can be trained to adequately comprehend these complicated matters.

Share equity schemes do also experience labour related conflicts and tensions. The fact that share equity beneficiaries remain employees of the farming business creates confusion in mind of the ordinary beneficiaries. Holding shares in the company that employs them seem less important than the fact that they continue earning wages in the company. The most important matter for farm workers are the immediate needs that is, continued wage income in the farming business. For the ordinary farm workers there is a need to bridge the gap between being an employee and also a shareholder in the same farming business. Pressing for increased wages from a farming company that is expected to generate profit in order to pay dividends, to some employees creates confusion and contradictions.

5.6 Market Assisted Land Reform and Share Equity Schemes

South Africa's land reform programme to a large extent is a market assisted land reform programme where the government provide various types subsidies to beneficiaries to access land available in the market. Share equity schemes have provided an environment within which beneficiaries can apply for different types of subsidies or grants. Four types of government land reform grants have been accessed by beneficiaries, these are: SLAG, Commonage Grant, Land Restitution Discretionary Grant and LRAD. This section evaluates to the role of SLAG, LRAD in share equity schemes. The critical question is whether these grants within the share equity scheme environment do promote the broader objectives of land reform programme. The processes and implementation procedures will also be analysed in the context of share equity schemes. This section also considers the role of other financial institutions including Khula through LRCF, DBSA and IDC in share equity schemes within the broader context of land reform.

5.6 1. Share Equity Schemes and Government Subsidies

Government land reform subsidies are available to qualifying beneficiaries within the broader land reform principle of `willing buyer, willing seller' approach makes land reform contingent on the willingness of current owners to sell at the prices that grant applicants can afford. South Africa has a fairly active land market but the land prices, size, shape and infrastructure of commercial farms makes it impossible for farm workers to buy with small grants unless there are many people in a group. South Africa' market assisted land reform programme is driven largely by two subsidy programmes, the Settlement and Land Acquisition Grant (SLAG) and Land Reform for Agricultural Development grant (LRAD). The SLAG subsidy granted on household basis was initially at R15 000.00 and later increased to R 16 000.00. Farm workers have been able to buy land and also purchase shares in the farming using this grant. In practice farm workers had to pool together their grants in order to buy a farm from a willing seller or to collectively buy equity shares in the farming business. A major observation of share equity schemes under SLAG is that groups were too large on very small land or the share percentage of farm workers was too small yet the group was very large. The LRAD subsidy grant was launched in August 2001 and unlike SLAG, the LRAD programme offers grants on a sliding scale from R20, 000 to R100, 000. In selected projects for this study, the average grant per qualifying farm worker is R 29 000.00. A number share equity schemes have been established through using this grant.

The change from SLAG to LRAD grant subsidy has made no immediate major difference in economic and developmental performance of share equity schemes. Whilst the LRAD programme offers larger amounts of grant than SLAG programme this has had no direct impact on economic and developmental performance of share equity schemes. It is difficult to isolate specific reasons for these observations as this may result from a combination of different reasons. One suggestion is that since commercial farmers know in advance what amount of LRAD grants are their farm workers are entitled to, farmers would set land prices accordingly leaving LRAD beneficiaries with little or no advantage over SLAG beneficiaries. However there is no conclusive evidence that LRAD programme has inflated land prices.

One of the difficulties mentioned during interviews was a long and elaborate process of approving grants applications, and transfer of land to beneficiaries. The approach of the Department of Land Affairs (DLA) is to ensure maximum participation of beneficiaries in the process of acquiring land. This implies that the beneficiaries are themselves responsible for engaging and implementing the process. This approach corresponds with the National Policy Framework (DLA, 2000) that states that it is a beneficiary demand driven process.

The process currently follows a widely applied sequence of events and includes the following:

- Upon engaging in the process, individuals are required to determine the amount of the grant as it relates to the amount of their own contribution.
- Sourcing the services of a "design agent".
- Identifying available land.
- Entering into an informal contract with a commercial farmer
- Apply for loans from the Land Bank. (In some cases other types of loans are also applied for.)
- Seeking the services of a conveyancer and preparing a farm business plan.
- Approaching the local agricultural extension officer of the Provincial Department of Agriculture (PDA) for an opinion on the viability of the farm.
- Submitting a complete proposal package to the District Screening Committee (DSC) and the Provincial Grant Approval Committee (PGAC) for final approval or rejection.
- After approval of the project, funds are released and transfer of the property is implemented.

There is no doubt that government land reform subsidies have played an important role in the design and implementation of share equity schemes.

5.6.2 Share Equity Schemes and Financial Institutions

Share equity schemes are farming private operations in which financial equity is owned by farm workers, commercial farmers, farm managers and other investors including financial institutions. It is always not very clear why financial institutions would be involved in share equity schemes but the fact that share equity schemes are private business initiatives provides an opportunity for both private sector financial institutions and state driven to participate in share equity schemes. Whilst the role, contribution and impact of these financial organisations will always be opened to debate, the involvement of these organisations is an important indicator of economic and financial sustainability of share equity projects.

Three groups of financial institutions were identified as playing an important role in share equity scheme. These are the private banks, government state related financial institutions including Land Bank, IDC, DBSA, and Khula Enterprise Finance (LRCF). Former homeland financial institutions, which have been restructured but still operate within provincial boundaries, Ithala Bank (KZN, Uvimba (Eastern Cape) also play an important role. However it is not clear the extent to which the roles and responsibilities of these finance organisations are streamlined and therefore the study could not determine whether each of these organisations was focusing on certain aspects of share equity schemes. However these are all stakeholders in share equity schemes.

The Land Bank plays an important role particularly with regard to processing and approval of Land Reform for Agricultural Development (LRAD) grants. The Department of Land Affairs entered into agreement with the Land Bank in terms of which the Land Bank manages LRAD grants. In terms of this agreement potential beneficiaries would lodge their grant applications with the Land and the Bank has the overall responsibility of screening and approving applications. The arrangement is has a number of benefits one being the fact that LRAD applicants are also able to apply for other Land Bank loan products and such applications can be processed all at once. The other benefit is that LRAD applications through the Land Bank are processed much quicker and the waiting period is shorter compared to LRAD applications processed through the provincial land reform office.

The Independent Development Corporation has two operational and client-oriented Divisions being the Sectors- and Projects Divisions. The main objective Sector's Division is to provide medium to large enterprises as well as emerging entrepreneurs from the previously disadvantage communities with medium term finance for the establishment of new enterprises or the expansion of existing concerns. On other hand the objective of the Projects Division is to make a measurable impact on the national economy by utilising its expertise in evaluating project ideas, participating in and co-funding of project, pre-feasibility and/or feasibility studies, as well as providing project finance for viable new and/or expansion projects. Both Divisions are organised into Strategic Business Units (SBUs) to ensure an industry specific focus and delivery of high-quality, innovative services to both traditional and new customer bases. Independent Development Corporation (IDC) through its Project-Division provides expertise and finance to Agri-Projects to promote infrastructure development in the agriculture, aquaculture, fishing and related value-added industries. Investments are focused on the development of new crops and technologies, as well as the empowerment of emerging entrepreneurs. IDC not only provides financial assistance, but also participates in the planning, structuring and strategic management of share equity projects. Consequently, its role limited to projects in which it has equity stake, to compensate for the high level of input provided. Its Strategic Business Unit provides an exit plan from such investments with six to ten years. The programme aims at entrepreneurs in the agricultural, sector wanting to expand and develop their businesses. Approval of projects is based on submission of economically viable business plan. The participation of a strong operating shareholder is generally a precondition for Agri-Projects' involvement. The Independent Development Corporation was involved in three share equity schemes that were part of this study. In all cases it was providing the much-needed external cash loan through having shares with an exit strategy.

The Development Bank of Southern Africa (DBSA) is involved in share equity schemes at three levels. The main focus of DBSA in share equity schemes is to provide development grant finance mainly for development of required infrastructure.

Secondly to provide grant funding to address human, institutional and financial constraints within rural development projects and also to facilitate private, public and community partnership in the development of share equity projects. DBSA is involved in share equity projects especially in fruit and wine industry, providing finance for infrastructure development.

Khula Enterprise Finance (a Department of Trade and Industry finance institution) entered into an agreement with the Department of Land Affairs in terms of which it administer and manage the Land Reform Credit Facility (LRCF). Land Reform Credit Facility is a credit facility established by the Department of Land Affairs (DLA) and jointly funded by DLA and European Union. The main purpose of the LRCF is to fast-track implementation of land reform programme and also to facilitate participation of commercial banks and other investors in agrarian reform programmes. Land Reform Credit Facility (LRCF) provides unsubsidised loans with deferred repayment to commercial banks that finance, on similar conditions, share equity schemes and land purchases by small emerging farmers. The major requirement for share equity schemes to qualify for LRCF loan is that at least 10% of the loan component must finance the purchase land or a long-term lease to secure farm-workers' rights to residential property. Third-party investors should not own more than 50% of the equity in the farm or land operating company. The purpose is to ensure that the primary partners in the farming business, farm-workers and commercial farmers retain control of the project. The major task of Khula Enterprise Finance is to screen and approve applications submitted by accredited financial intermediaries according to a number of the broader objectives of land reform programme. ABSA bank is the LRCF major client. The major role of Khula Enterprise Finance-LRCF is that it facilitates the participation of private sector banking sector in land and agrarian reforms in South Africa. It is an important aspect of a market assisted land reform programme.

The LRCF financed 14 share equity projects between 2000 and 2002 mainly in the Western Cape, KZN, Eastern Cape and Mpumalanga. Eleven of these were in the

Western Cape mainly in Wine and Fruit Industry. Access to LRCF is based on two critical components of land reform. The first one is the viability of the proposed farming business as provided in the business plan. This aspect emphasises the importance of partnership and mentoring new beneficiaries. The second aspect is the requirement that 10% of the development loan must be used to purchase land for the beneficiaries. This requirement not only contributes to the 30% land redistribution target but also ensures that in the event the farming business collapses, beneficiaries would still retain ownership of the land.

Other small finance institutions include Ithala Development Finance, and Uvimba Development Finance. Ithala Development Finance provides loans for the purchase of plant and machinery, irrigation and other farming equipments as well as livestock (including fish and poultry) and tradable business rights (e.g. quotas, transferable contracts etc). To contribute to the development of the rural areas of KwaZulu-Natal by the financing of and investment in entrepreneurial development and productive enterprises in the agri-business sector in a viable and sustainable manner. The emphasis is on entrepreneurial development in the agri-business sector with the financing of new entrepreneurs and or enterprises. This includes any new agri-business activities and enterprises, which are economically viable. Export orientated production and the horticultural sector receive priority attention. Ithala Bank financed share equity projects in sugar cane industry. In general, the banks tend to be wary of involvement in the agricultural sector, though some banks, ABSA, for example, have been more active than others. The difficulty is that investment in land is substantial, but returns are generally low. However, there is willingness to assist with land reform where projects are financially feasible, and where appropriate collateral can be provided. The primary interest of the banks is in ability to repay. The feasibility of projects is assessed in terms of gearing, management, and profitability. Other factors that are considered crucial to project success are training and technical advice.[i]

NewFarmers Development Corporation is a private equity investor, focusing on commercial farming and agribusiness. It has focuses on agri-business and mainly do business with all entrepreneurs, irrespective of race, creed or gender with a special emphasis on black economic empowerment. It aims to contribute to empowerment, land and agricultural reform and economic transformation in general in South Africa. NewFarmers Development Company participates in share equity project with the primary purpose of making profitable investments in agribusinesses and thereby creates co-ownership and empowerment opportunities for project participants. The major consideration for NewFarmers Development Company participation is that share equity projects should have strong earnings potential and over time provide the opportunity for NewFarmers development Company to eventually profitably disinvest. A package of investment instruments is offered, such as equity, debentures, preference shares and loans. ***The package is structured to fit the repayment ability of the project and to maximise the shareholding of the operating partners***[29]. A committed entrepreneur supported by a competent management team is important. NewFarmers Development Company normally prefers minority equity stakes of between 25 and 49 percent as co-owners, but it may have more than this at early stage of the project (like at Cape Olive) and allow beneficiaries to progressively increase their shares in the business. Operating partners and employees should preferably have a substantial stake. A range of schemes is used to involve employees in a meaningful way, for example employee equity schemes. During the time of this research (2003) NewFarmers Development Company had share in eight share equity projects throughout the country and seven of these were in the Western Cape and one in Mpumalanga.

6.8.3 Challenges and Opportunities for Financial Institutions

To understand the role and contribution of financial institutions including commercial banks it is important to begin from the premise that their approach is a market-driven, market based process. For financial institutions agrarian reform projects are

[29] Interview with NewFarmers Director

not only related to the price of the land, but also to the value of commodity produced. However there is always a difference or a gap between the market value of land and its productive value. A major challenge for the involvement of the banks in agrarian reform projects is that the government land reform subsidies or grants available to beneficiaries are much smaller to make up the residual gap between the market and the productive value of the land.

However the Land Redistribution for Agricultural Development (LRAD) offers more possibilities and its sliding scale from R20 000 to R100 000 makes it more flexible than the old Settlement and Land Acquisition Grant (SLAG) of R16 000 per household. However, LRAD has some of the limitations identical with the SLAG grant. In many instances, LRAD grant can meet the difference between the price of the land and productive value by increasing the size of the group or favour the development of joint venture projects.

One major observation of the impact of LRCF is that if the commercial banks were to play a role agrarian reform, it would be necessary that commercial banks have access to LRAD grants on the same basis as the Land Bank. One option would be to allow access for the commercial banks to LRAD funds through Land Reform Credit Facility (LRCF). The DLA-LRAD linked with Khula-Enterprise-LRCF would facilitate and enhance a far more effective contribution of the commercial banks in agrarian reform.

6. Joint Venture Schemes on Commonage Land

The department of land affairs together with district and local municipalities have developed policies and framework for development and use of commonage land. Local government is a key role to player in the development of the people in their municipal areas and are constitutionally required to "promote socio-economic development" (RSA, 1996: Section152(c)). Many municipalities, especially in the small towns in the Northern, Western and Eastern Cape and the Free State provinces hold land, which is registered as commonage. Most municipalities inherited this land from the nationalist government. There was no coherent policy regarding the use of municipality commonage land. In the former homeland towns, town and township residents were allowed to use commonage land for stock grazing and there were no clear guideline except that one had to be a resident. In other towns outside homelands various individuals especially commercial farmers leased commonage land from the local municipalities. Commonage is land of a special character, which has various conditions on its use and disposal and is held by the municipality for use by the local population. Most often, commonage has been used for agricultural purposes.

Understanding the different approaches to the use of commonage and the role of the local authorities is critical in assessing and understand the impact the on the lives of land reform beneficiaries and small-scale farmers.

6.1 Municipal Commonage Land Programme

The Department of Land Affairs has developed policies and guidelines framework for municipalities to acquire commonage land for communities to access municipal commonage. Two major legal provisions provide a framework for the development and management of Municipal commonage land. The Provision of Land and Assistance Act 1993(Act no. 126 of 1993) provides a framework for the Minister of Land Affairs to grant an advance or subsidy to a Municipal Council to acquire or extend land to be used as commonage (........) . The Municipality Grant and Services programme enables Municipalities to acquire additional for commonage land (through willing seller willing buyer approach) and also provide infrastructure development on new and existing commonage land. The objective of commonage land programme to acquire land to create or extend commonage in order to establish schemes involving the productive use of the land. The purpose of commonage programme is to increase commonage land for use by residents for agricultural purposes. A broad range of projects are promoted including food gardens, cultivation, grazing wood fuel and other veld products and eco-tourism.

The commonage programme is designed to allow for the development of two levels of farming. The first type of farming is subsistence farming on commonage land. This allows residents to enter to an arrangement with local municipality to access commonage land for agricultural purposes. This normally involves lease arrangement between the local municipality subsistence farmers. The primary purpose of subsistence farming is to supplement households' incomes from other sources. The second level to is provide a suitable environment for emerging black commercial farmers who would lease commonage land at least in the early phases of development, at the phase when their very vulnerable and still open to external forces. At this stage emerging black commercial farmers would use commonage land to access municipality infrastructure and services. The a higher level of development achieved, and having accumulated capital resources and other resources, emerging black commercial farmers would move out of commonage land and become independent producers. The other third level is the development of various form s of farming joint initiatives between municipality, residents and private investors. Local residents and private farming businesses would approach the local municipalities with a request to use commonage land for agricultural purposes. This is very recent development and this study has selected a few of these projects to assess the developmental impact of the joint initiatives on commonage land.

Some municipalities have taken a more active role where they proactively initiate agricultural development projects on the commonage land jointly with other stakeholders. In this instance municipalities use their constitutional mandate to fund and support projects with small-scale farmers. Local municipalities have also used their position as leading institutions in local government to draw in other public and private actors. In this instance the local municipality drives the project and beneficiaries would be invited to participate under specific conditions. The second approach is when commercial farmers get into a joint venture initiative with farm workers and request permission to use commonage land for a farming business venture.

Municipal commonage programme is not designed to transfer land to individuals or groups but rather allowed various types of lease arrangements between local municipality and lessees. The primary purpose is to provide local residents access to commonage land resources for agricultural purposes. Land remains the property of the municipality. It is difficult to sell commonage land, because of its special nature, and so the right that users obtain is a lease right – with a lease ranging from 1 year through to 50 years. Access to land is, therefore, very secure for the term of the contract and the nature of the enterprise undertaken needs to take that into account when determining the length of the contract. The commonage policy allows a wide range of initiatives by local residents as farmers.

6.2 Demographic, Composition, Gender Relations and Equity

A balanced gender representation on share equity schemes on commonage land is difficult to achieve mainly because the manner by which these projects are initiated. In the case of subsistence farming projects, the farmers residence association would initiate discussion with local municipalities. Women are always underrepresented in these associations. The Bethlehem Apple project has 110 beneficiaries and only 29 of these are women. In Peddie Pineapple project were also under represented particularly at management level though they constituted the majority of labour force in this project. At Nietbegin 39 of 99 beneficiaries were women. However the workers' trust deed stipulates that a minimum of four women (50%) must be elected to the workers' trust. The Kareedouw-Joubertina farmers association is predominantly a male association since it comprise stockowners and ownership of livestock in these areas is still the privilege of male head of household.

The Small Farmers Association is often male dominated organisation and women's interests are often ignored in municipal schemes, with the assumption that they are not interested in farming. In small rural towns stock ownership is still a male dominated activity. In those arrangements where municipalities play a limited role and merely lease commonage land out, no provisions are generally made for women to be prioritised amongst the applicants.

In those schemes where municipalities take a more active role, greater possibilities to advance women's position are available but often not pursued. The Matzikama project, while it selected women as part of the group of farmers, did not specifically highlight the inclusion of women as part of the criteria. The location of commonage land close to towns means that women can involve themselves in such activity while continuing to undertake other responsibilities. But this means that women have to be prioritised and their land reform interests highlighted in municipal schemes.

6.3 Joint Ventures in Commonage Land: Design and Implementation

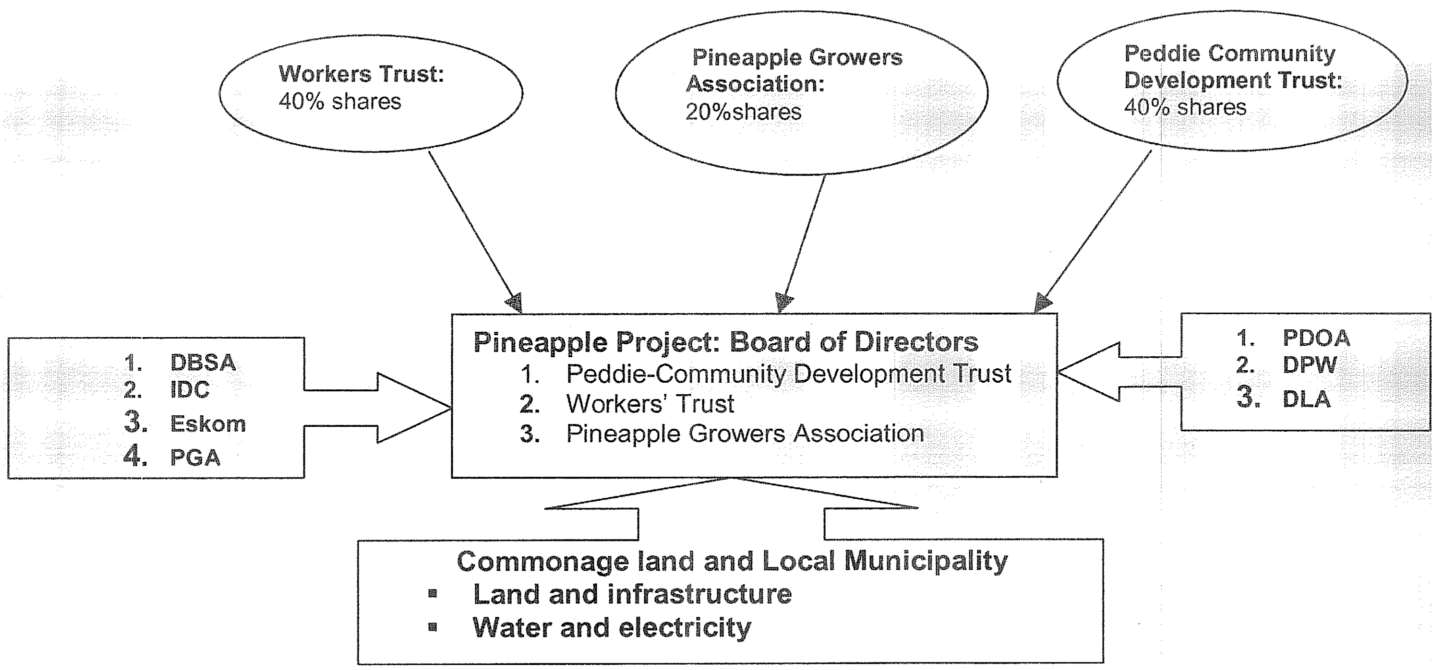
Joint venture schemes on municipal commonage land take different forms involving different stakeholders. The design and institutional structure of joint venture schemes on commonage land are largely determined by local conditions and therefore such joint venture schemes would vary from place to place. Two types of joint venture schemes on commonage land have been studied in the project. Share equity schemes and joint group production schemes. The following projects on commonage land were analysed:

Share equity Schemes	**Group Production**
Nietbegin share equity scheme	Kareedouw-Joubertina
Peddie-pine Apple	Bethlehem Apple Project
	Vreedendal commonage project

In Kareedouw-Joubertina, Peddie-pine Apple and Matzikama, there is currently no formal lease contract between the farm worker/partners and the municipality and this creates confusion. However the situation in Peddie is far less clear and the director of the project stated that they are leasing the land from the municipality but the public perception is that the Pineapple project on community land and therefore falls under the control of the traditional authority. The project was established by the Ciskei homeland government on land expropriated from white commercial farmers and when the homeland government collapsed the land ownership question remained unresolved. However the tribal authority has also registered its claim and hence the Peddie Development Trust, representing the community, is an important stakeholder in the project. The local municipality, though recognised as the legal owner of the land, has no clear basis claiming land ownership.

However in terms of the business plan of the project, it is proposed that once the "individual small farmers has unequivocally proved their ability to farm... economically viable ventures" then a long-term lease will be considered (Vredendal Municipality, 1999:5).

Figure 14: Peddie-Pine-apple Project



6.4 Share Equity Schemes on Commonage land

Share equity schemes on commonage land are designed and implemented as farming business enterprise with no land transfer component. Nietbegin and Peddie-pine Apple are share equity schemes on commonage land. Though the projects are similar in many respects, they differ in terms of participation and involvement of stakeholders.

Nietbegin share equity scheme, as an example, was established on municipal commonage involving two commercial farmers, farm workers of these two farms and the local municipality. The project is an initiative of the commercial farmers in partnership with farm workers. Farm workers have 50% share equity on this scheme and 25% of each of the commercial farmers. Workers Trust holds shares in trust for the farm workers. Shareholders have entered into a 45 years land lease with the local municipality.

The Peddie-Pineapple share equity scheme represents a combination of different aspects of joint venture schemes. Whilst it is essentially a share-equity scheme it has aspects of share-produce joint venture scheme. The Peddie Development Trust, representing the Peddie Community, has 40% shares in the farming business. The Pineapple Growers' Association (representing a consortium of business initiatives) has 20% and The Workers Trust (representing the workers in the farming business has 40% shares in the business. The project is to an extent unique in its involvement of traditional council and community through Peddie Development Trust. The intention is to make sure the community benefits from the project not only through employment opportunities (as there is a limit to the extent to which labour force could be absorbed) but that dividends generated through shares in the farming business do benefit the community.

In share equity schemes on commonage land, local municipalities have a limited role assisting only by providing basic infrastructure services roads, water and electricity. The project business pays for these services.

6.5 Short and Long-term Developmental Benefits

The major benefit that share equity schemes on commonage bring is the external private investment, which brings into the projects the much-needed capital resources to the local municipality. The investment by private sector including financial institutions and development agencies such as Independent Development Corporation (IDC), Development Bank of Southern Africa (DBSA), TELKOM, ESCOM in farming businesses on commonage land represent. The participation of these institutions is an expression of private sector confidence on the projects on commonage land. In the case of Nietbegin, the involvement of stakeholders in the wine industry like, KWV, Stellenbosch Vineyards, The Stellenbosch Agricultural Society, and the South African Wine Industry Trust, is an important indicator of sustainability of joint venture on commonage land. This creates opportunities to diversify investment in the projects and developments on the commonage land. This is particularly important for the Municipalities seeking a positive business confidence profile with the investors. On the other hand, private sector and finance institutions can invest in projects and farming businesses on commonage land because security of tenure is very strong in commonage land. Farming businesses on commonage land provide an important forum for partnership by public, private and community for single purpose that of poverty alleviation through employment and income generation. For local municipalities this often fits well with their constitutional mandate and especially with their Integrated Development Plans.

Peddie-Pine Apple project is also funded by a mix of institutions from both public and private sectors targeting specific aspects of the project. Eskom has funded capacity building through training covering various aspects project management and conflict resolution. Department of public works, through its Community Production Centres

(CPC) programme has provided funds for infrastructure, fencing and land development. The Development Bank Southern Africa has also provided development finance for infrastructure development. Pineapple Growers Association training and facilitates access to national and internal markets. The provincial Department of Agriculture is has also provided funding within its programme of rehabilitation of the former homeland irrigation schemes.

Share equity schemes on commonage land are able to attract larger private sector investments programmes than Group Production schemes on commonage land. Share equity schemes are mainly farming business specialising in cash crops and other cash commodities, which have high cash value in the market.

On the other hand most Group Production Schemes on commonage land focus on community livelihood strategies, commodities produced at this level are for immediate household consumption. The intention here is to enhance household food security and to improve household dietary consumption by producing food ...

Joint Venture schemes on commonage land represent a convergence of private sector investment interests, the constitutional responsibilities of local government and the interests of local residents. On one hand small scale farmers and joint venture farming businesses gain access to land resources and to other agricultural and infrastructure support with little capital input. Small-scale farmers have the advantage of utilising land resources in the immediate environment. Access to local market is to a certain extent guaranteed. Proximity to local market does not guarantee access to such markets but there are obvious advantages such as reduced transportation costs. For local municipalities, the advantage is that commonage development programme is a part of IDPs and Integrated Rural Development Strategy Programme.

6.6 Group Production Schemes on Commonage Land

Group production schemes on commonage land can be classified into two categories. There are those schemes initiated by a group of residents who on basis of identified need approach the local municipality with a request to utilise commonage land. Residents take the initiative and as such local residents drive projects. Kareedouw-Joubertina commonage land project and Bethlehem Apple Project were initiated by the residents who organised themselves into a group and approach the municipality with a request to use the commonage land. In this context projects are owned and driven by the communities themselves. Stockowners of the two small towns, Kareedowand Joubertina formed a Kareedouw-Joubertina Farmers Association and approached the municipality with a request to use municipality land initially for grazing purposes. However the project was expanded to include small vegetable gardens on the commonage. The local municipality within the framework of Commonage Programme bought two farms adjacent farms as additions to existing commonage land. Municipality has undertaken to lease the commonage to the Kareedouw-Joubertina Farmers Association.

The management structure consists of Kareedouw-Joubertina Farmers Association Executive Committee to administer the commonage. The Treasurer receives and manages contributions from members (banking, accounting for money received and spent, paying levy to the municipality and keeping a register of all livestock on commonage. Technical Committee comprising of 6 members consisting of 3 representatives from Kareedouw-Joubertina Farmers Association, 2 representatives from Kareedouw-Joubertina Municipality and 1 from the Department of Agriculture. Local agricultural extension officer plays an important role by assisting Farmers Association, in formulating business plan and monitoring grazing agreement and fulfils a facilitative role between the municipality and the Farmers Association.

The major challenge facing the Kareedouw-Joubertina Farmers Association is their project does not necessarily presents an attractive private sector investment opportunity. Since this kind of project is not a farming business access to credit facilities will be limited. The implications for this are that their project will depend on government grants and the extent to which commonage land could offer a nurturing environment for the emergence of black commercial farmers.

The Bethlehem Apple Project in the northeastern Free State is on municipality commonage land. The project is driven by small-scale farmers who were selected for the project in partnership with private and public sector partners. The municipality is not an active partner and its role is only to allow access to land and provide other infrastructure support. This project is essentially a joint venture high intensive apple production project between financiers (IDC and DBSA), the provincial department of Agriculture and selected project managers, Sentraal Oos Corporate Limited (now known as Afgri) and selected farmers. The Scheme began in 1998 when Oos Transvaal Ko-operasie (OTK currently known as Afgri) approached DBSA and IDC. OTK's intention was to take advantage of the land reform programme to ensure the empowerment of black small farmers. At the time of this research Agrilink was involved with marketing, local national and international export.

The second type refers to those projects initiated by local municipality, who within the framework of IDP and IRDSP identify and develop a project to they would invite a group of residents to participate in such projects. The Vredendal commonage project for example is a direct initiative of the local municipality in an attempt to engender local economic development, upliftment resource poor farmers and create employment opportunities for unemployed residents of Vreedendal. The municipality established the Vreedendal Saamwerk Boerdery project through which it made commonage land available to a group of 4 people who are being trained to become farmers, with grapes and vegetables as the key crops. The produce is sold to the local Vredendal market, Langeberg Co-op and Boeremark. The vegetables are also supplied to Freshmarket (the fresh produce affiliate of Shoprite/Checkers). Municipal officials are to play an important role in negotiating the sale of the products.

In total the municipality has 106 hectares of commonage land and allocated 20 of these to small-scale farmer development. The criteria for selection used by the Municipality were that the person must be physically capable of participating, unemployed or have a household income of less than R1500 per month, and must be from the historically disadvantaged community and a permanent resident of Vredendal (Vredendal Municipality, 1999:7). It advertised the project in the local newspapers inviting applications. From the group of just over 40 applicants, six people were selected. This number has now reduced to four fulltime worker/partners and 30 part-time workers. The four partners formed the Vredendal Saamwerk Boerdery group.

The project aims to take the group through a two to three year programme of "capacity building on the job". It is expected, after the three-year period that the farmers will enter into a long-term lease arrangement on the land and will manage all aspects of the farm themselves. The project is a partnership among:

- The workers/farmers who work the land;
- Matzikama municipality which provided land and start up capital;
- Department of Agriculture which provided capital, extension services, training, technical advice and coordination;
- Department of Social Services which provided funding;
- Commercial farmers who provided mentorship and some of the implements.

A two-tiered management structure was set up:

- A technical committee to plan production and monitor performance. This consists of the Municipality, Vredendal Saamwerk Boerdery (VSB), local commercial farmers and the extension officer from the Department of Agriculture.
- The "dag bestuur" is the daily management of the project, conducted by two of the 4 VSB members - a project manager and a deputy.

All capital for the project has been sourced from government - a total of R490 000 in the first three years. The initial financial predictions were that the project would break even within the second year, but this has not materialised due to a bad season. For this reason, no dividends have yet been paid. Meanwhile, the four VSB members receive a wage from the project funds – the project managers receive R1200 per month and the two workers receive R1000 per month. This is similar to the rate for municipal workers.

6.7 Access to Capital and National and International Markets

One obvious benefit of Group Production Schemes on commonage land is empowerment of beneficiaries through building business and management expertise. Whilst the initial purpose of the majority of small scale farmers using commonage land is to supplement household income the advantages of proximity to local market become obvious and production is no longer for immediate household consumption but also to sell the produce to market. Proximity to market centres would therefore increase market opportunities.

This highlights the predicament that the municipality is in, especially where a long-term development programme is involved. The land in Vredendal was originally for use by the community but the project is making the land available to four people – essentially privatising a public resource. Balancing the needs of specific small-scale farmers, with the needs of the broader group of small-scale farmers in the town, will therefore continue to be an issue that the municipality must address.

In those projects where the municipality is more intensively involved, the ability of the beneficiaries to decide on land use seems less. The decision seems to be made by local municipalities. There is little independence of decision-making power and, in the confusion that may exist; the municipality essentially has the power to decide on any matter where there is not clarity. Beneficiaries appear to be able only to plant what the municipality wants. However, because there is often political pressure to make the project succeed, success of the project in terms of tangible results is often more important than the building of independent expertise and allowing for the mistakes that often go with such development processes. The role of the municipality can therefore become over bearing, a paternalistic relationship can develop and in the process undermine the development of the capacity of the participating farmers.

In the Matzikama scheme, once it is "sustainable" and the farmers have entered into a long-term lease arrangement with the municipality and are operating independently, the capital that they generate as part of the scheme will be more independently accessible. For the farmers, therefore, this is a relatively secure way in which independent capital can be generated over time as the municipality carries most of the risk.

Where beneficiaries have entered into a joint venture project, with private sector investors and municipality, beneficiaries have numerous opportunities to access capital resources, training and marketing in a number of ways. The Bethlehem Apple projects is a good example of multiple-stakeholder involvement in which the greater involvement of private sector has enhanced the opportunities for the project to be sustainable with greater potential for capacity building and empowerment. ***In 2001 over 1 000 tons of apples were harvested and distributed to national and international markets***[30]. In the national market Bethlehem is now an accredited supplier to major chain supermarkets including Woolworths, Pick'n Pay, and Spar. Afgri provides international markets support and Bethlehem is now accredited by EurepGap as the supplier to European market.

The linkage that the municipality has with the various state departments, and with local commercial farmers has meant that such expertise is more-easily brokered to support the initiatives. In general there is less involvement of private sector in group production on commonage land. The Matzikama, Kareedouw-Joubertina, Peddie-pine Apple and Bethlehem Apple Project, the farmers have a greater support from the municipality in terms of infrastructure support, management, marketing, and administration. However the type and level of support varies not only in terms of type production of the project but also in terms of strength and capacity of local municipality.

Municipalities are well placed to create an enabling environment for the development of farmers. There will always be a tendency to dominate in such schemes, however, because of the political interests involved – it must produce tangible results. In the process, the skills and understanding of farmers will be constrained.

6.8. Employment Opportunities

Peddie Pine-apple projects, Bethlehem apple project, are new projects established with a new labour force. In these projects there has been a direct job creation. At Bethlehem there are 94 full-time farm workers and 29 of these are women. The recruitment strategy targeted the unemployed individuals from the community who were willing to become full time farmers. The project also creates between 270 and 280 seasonal jobs, particularly during harvest seasons. Therefore over 350 job opportunities have been created. The Peddie Pineapple project has also created a number new jobs and in 2002 employed 79 seasonal workers during the harvest season over 140 hectares under pineapple. Indirect jobs created are estimated at 350. The project has not only created new jobs, beneficiaries have become producers, manage their own labour force, learn practical skills computer skills and have responsibility for their grading machines

[30] Interview with project director

6.9 Power Relations and Organisation on Commonage Land

Power and labour relations on joint venture schemes on commonage land varies depending on type of joint venture schemes. The organisation of farmers in small towns is easier and more common than the organisation of farm workers. In Kareedouw-Joubertina and Matzikama municipal areas for example, each town has its small-scale farmers association, which is striving to acquire commonage land (as the easiest land to acquire). The fact that they are not employed by commercial farmers, they are to certain extent independent and able to constitute themselves into an association. They are able to take collective independent decisions. However in relation to the municipality, however, these associations are very weak and tend to be in a subordinate relationship dependent on the municipality for access to land, infrastructure and other forms of support. It is only political pressure that the farmers can put on the municipality and this is often limited as small-scale farmers are a weak sector of the town's population, even in rural areas.

6.10 Assessment of Commonage Schemes

The development of commonage land is a joint initiative by local government, DLA, National and Provincial Department of Agriculture, and local communities.
The increasing development role of municipalities has meant that the Municipalities are well placed to leverage funds and to access government grants. These grants do provide commonage projects with the initial capital inputs and therefore with capability of proceeding without a huge debt, relative to the capital outlay.

The access to land and other resources that municipalities have means that, where municipalities are intensively involved, immediate benefits are often central to the schemes. In the Matzikama Kareedouw-Joubertina, scheme, Peddie-pine Apple and Bethlehem Apple the criteria in the projects required that the applicants were unemployed or earning a household income of less than R1500. Receiving a monthly wage, higher than the prevailing farm worker wages in the area, is therefore an enormous immediate benefit from the project. At the same time, the training and mentoring programme provided the worker/partners with improved skills in farming and business.

Municipalities are well placed to engage in joint venture schemes involving small-scale farmers and other land-based projects. They have a particular, constitutionally determined development role and are well located in the state, and locally with a clear understanding of local needs, especially in the light of the Integrated Development Plans.

While these factors position municipalities well, they are also faced with a number of contradictory roles and constraints. They are to ensure that the development needs of the residents are met while at the same time ensure good and responsible use of public funds and resources. It is not its role to engage in business but on the other hand it needs to allocate funds to development projects (often business development in the GEAR framework) in a sustainable way benefiting as many people as possible.

Finally, it is important to note that the capacity of municipalities to be able to take on any of these roles is so very often limited. Matzikama is a strong municipality with a good tax base of powerful agricultural interests, industry and some mining. It is therefore able to retain expertise in its own administration to pursue such projects. This is not common in South Africa – most municipalities have a very low tax base and the capacity of the officials is extremely limited. It is therefore unrealistic to anticipate that municipal schemes where the municipality is intensively involved might become commonplace in South Africa.

Local authorities have a key role to play in the development of the people in their municipal areas. The South African Constitution prescribes that the objects of local government are inter alia to "promote socio-economic development".[31]

[31] Act 108 of 1996, Section.152,c.

The involvement of municipalities in the development of local small-scale farmers is not unique to South Africa. An interesting example of such a scheme is the Multipartite Leasehold Schemes in Brazil. Lack of land has meant that municipalities have approached landowners in order to access land for use by local residents. In these schemes the landowner cedes part of the land to the municipality without giving up ownership. The municipality then leases it to resource poor farmers and brokers machinery and technical assistance for the farmers from the central government departments.[32]

In the South African situation, municipalities have approached this differently and, the access that municipalities have had to land has been key in how municipalities have taken this up. The holding of commonage has been an important part of the municipal contribution to local development and has been common in the Northern, Western and Eastern Cape and the Free State provincial areas for more than a century[33]. Commonage land is land of a special character, which the municipality acquires in a variety of ways. It has various conditions on its use and disposal, depending on how it was acquired, but it is essentially held by the municipality for use by the local population. Most often, commonage has been used for agricultural purposes.

On the one hand, municipalities have taken the approach that their role is merely to supply land for use by the local community. In this regard, the municipality advertises land that has come up for lease, ensures that the decision is fairly taken and then monitors the lease arrangement. This is the most common way in which municipalities have dealt with commonage and the related development of small-scale farmers.

[32] Jacobs, 2001, 3.

[33] The research paper by Megan Anderson in this series gives further detail on commonage.

There have been a number of situations where the municipality has used its access to land in a much more proactive way. In the Karoo Hoogland municipality, for example, the municipality has acquired additional land for small-scale farmers through the DLA Commonage programme. The land is to be used for sheep farming, and small-scale farmers also hold sheep on other land in the area – lease arrangements with white farmers are the most common. The municipality has taken the decision to stimulate the development of small-scale farmers and has therefore developed links with a local commercial farmer who is skilled in the preparation of wool in a particular way, and has been active in developing markets for such wool. Furthermore, the municipality has plans to provide land in the town where such wool could be prepared and where the local manufacture of goods, using some of the wool that is not sold, could take place and be sold. The different approaches to the use of commonage and the role of the local authorities are critical to understand but it is important to assess what impact they really have on the lives of land reform beneficiaries and small-scale farmers.

7. Contract or Outgrower Schemes

Contract farming is an agreement between farmers (generally small-scale) and processors or marketing firms the basis of which

"is a commitment on the part of the farmer to provide a specific commodity in quantities and at quality standards determined by the purchaser and a commitment on the part of the company to support the farmer's production and to purchase the commodity" (FAO, 2001:2)

The contract is very specific and generally stipulates how the crop or livestock should be produced. The producer/farmer must supply the product to the company at specified times and the price is determined by the quality and quantity of the product. This amount is generally fixed as it is assumed that the company will take the risk of marketing. In certain industries, however, the prevailing market price at the time of sale is used as the contract price. In return, the farmer can expect various support measures from the company: the commitment to buy the product but also the provision of physical inputs, technical training, accounting services, access to credit (often subsidised) and advance payments.

In South Africa, contract farming is most common in former bantustan areas where processors and marketers have tried to take advantage of land that is held under Communal tenure. The most common crop that uses communal land in this way has been sugar cane. The sugar industry began encouraging the development of small-scale cane growers in the 1970s, seeing the potential of expanding the throughput for the sugar mills by utilising the access that black farmers had to land in the former "homelands". This was possible on land that is communally held, which currently cannot be used as collateral for credit. The nature of sugar cane production means that the crop itself can be used as collateral. The other crop, which has used communal land in this way, is timber (Vaughan, 2001:2).

Contract farming with small-scale growers in the sugar industry started in 1973, when there were 4 500 registered black growers, producing 400,000 tons on 15 000 hectares. There are now 48 000 small-scale farmers on 80 000 hectares – 19% of the 432 000 hectares currently under sugar cultivation (SASA, 2002:34). In the timber industry, the first out grower/contract farming schemes were introduced by SAPPI in the 1980s - "Project Grow". Mondi followed later with their Khulunathi Scheme. By 2000, these two schemes had 9988 growers producing trees on 17 921 hectares (Vaughan, 2001:6).

An important factor to note is that in most communal areas, women are only able to access land through a male member of the household. In terms of access to land, and to these joint venture arrangements, women are therefore generally entirely dependent even where they may undertake most of the work on the farms themselves. However, women in female-headed households and widows are able to access land in their own right and are therefore able to achieve greater benefits than their married counterparts.

In freehold areas, other forms of contract farming are beginning to emerge in the sugar industry and chicken industry in particular. This occurs when processing companies withdraw from those components of the production cycle that are less profitable, have higher labour management difficulties and require less direct control for quality purposes. In the sugar industry, the milling companies have owned their own farms and cultivated sugar themselves. Since 1996, however, these companies have increasingly been withdrawing from the growing of cane and selling their farms to *medium-scale freehold growers*. In this period, a total of 120 farmers have acquired a land area of 12 000 hectares. [34] With the introduction of the new land reform grant structure, Land Redistribution for Agricultural Development (LRAD), contract sugar farming is expected to increase amongst medium-scale farmers on freehold land. In the chicken industry, in a similar way to the sugar industry, some companies have identified components of the production process, which they have contracted out to employees in a joint venture. The Tydstroom layer farm highlights this experience and provides a specific case to examine how the contract-farming model benefits participants within it. The detailed nature of the arrangement is presented and then it is assessed in terms of the six factors highlighted earlier.

7.1 Design and Implementation

7.1.1 The Tydstroom Layer Contract Farms

Tydstroom is a national poultry company with most of its operation in the Western Cape, North West and Gauteng. It is part of the Pioneer Foods group of companies, specialising in the production of broiler chickens: specially bred hens are imported from Europe and used to produce layers, which are distributed to layer farms. Their eggs are collected on a daily basis and kept in the hatcheries. Once the eggs hatch, the day old chicks are delivered to broiler farms where they are reared until they are 39 days old, when they are taken to the corporation for slaughtering and distribution.

Originally, the whole production process was owned and run by Tydstroom. The company recently decided to sell portions of the production process and the laying and broiler farms were identified as the sections to be sold off - "privatised.[35]" Through this process Tydstroom has sold 6 layer farms and 13 broiler farms but, wanting to ensure control over production and the quality of the product, it developed a contract system which includes the sale of the land and infrastructure to employees who enter into a twenty-year contract with the company. The company itself decided who should be partners and what each person's share should be in each farm – the share was essentially based on the person's previous salary package.

7.2. Institutional Arrangements and Agreements

This research focused on a layer farm, Philadelphia Chicks Breeders that covers a total of 64 hectares. Five shareholders took over the farm - a previous manager-level person (white) obtained 45% share in the farm, the previous production manager (white) acquired 20%, two previous black supervisors acquired 10% each and the black workers (28 in total on the farm, 3 women) jointly acquired 15% - held in the Philadelphia Chicks Personnel Trust. These five partners are joined in a company – Philadelphia Chicks Breeders Pty. Limited. All the main shareholders are men.

The following key components are included in the agreement between the parties:

The Mortgage – the partners have taken out a mortgage against the property, through Tydstroom, which they will pay back over a 20-year period at a rate of 2% below prime. If they fall into arrears, however, Tydstroom will charge a rate of 6% above prime for that period. The contract to produce eggs, and the acquisition of

[34] Interview with Sugden 2002
[35] interview with Thiart 2002

land are integrated – the land is paid off over the period during which the contract is in operation. While this is so, the contract does allow the farmers to pay off the land earlier, if they are able, but the contract to produce eggs will then still continue for the full period.

Production – The farmers agree to acquire all the parent chickens and all the food and vaccine requirements from Tydstroom, with penalties if these goods are acquired elsewhere. Furthermore, the farmers agree that they will apply the food and vaccine at the rates determined by Tydstroom and that Tydstroom will have free access to the farm to inspect the production process.

Sale of eggs – The agreement stipulates that Tydstroom will buy all the eggs produced by the farmers and stipulates that the number of eggs produced cannot deviate by more than 10% of the expected amount. The Philadelphia farm is expected to produce in the order of 108 000 dozen eggs per year. Tydstroom also agrees to buy all adult chickens that are no longer productive. The price for each egg is determined by Tydstroom taking into account operating costs, feed costs, vaccines and medicines, chick and cull costs, short and long term financing costs. Importantly, the price is worked out on a zero profit basis. This means that during the 20-year contract period, the partners do not expect additional income from the enterprise – over and above their wage, adjusted for inflation. At the end of the period, however, the partners will be the owners of a valuable enterprise – currently valued at R12m.

Administrative and other support – The agreement stipulates that Tydstroom will secure accounting and other administrative services, for which the farmers will pay.
Lease – Not all the land is used for the chicken breeding business. The remaining land is leased to Tydstroom for a period of 10 years at a nominal rate.
Termination – Neither Tydstroom nor the company can terminate the contract until the end of the 20-year period and after this period have to give two years notice of the intention to terminate it.

The Tydstroom contract locks the participants into a very structured and long-term relationship. At the same time, the arrangement is comprehensive, dealing with all aspects of production – providing access to land, the provision of the various credit and other production requirements and building the capacity of the new owners. The contract appears to be little more than an employment contract with a difference, but the company and the participants highlight clear benefits for those who enter into the venture – ownership of the whole venture after the twenty year period, direct training and mentoring during that period, and access to credit at reasonable rates.

7.3. Assessment of Contract Farming

A more in-depth assessment of contract farming arrangements is necessary, however, to highlight issues that emerge in Tydstroom and in other experiences in the sugar and timber industries.

7.3.1 Access To Land and Security of Tenure

Where contract farming includes buying the land, the selected participants appear to be those that are higher up in the company echelons in both the chicken and the sugar industry. This does not therefore seem to be a mechanism that provides land to the poor. In the Tydstroom arrangement, however, the land is sold to share equity scheme joint ventures where the workers obtain shares in the profit through the workers' trust and so in this way the poor, within the company do obtain limited rights.

Sugar and timber companies assume that small-scale farmers on communal land have secure access to land and for an extended period of time – for timber farming the period can be up to 20 years. In this situation, the engagement in continuous contract farming acts as a mechanism to obtain secure rights to land. This is especially so for women in communal arrangements. Cairns (2000:56) describes how women are prohibited from obtaining land from the chiefs directly – it is normally obtained through a man. This limits the freedom that women have in controlling the land that they work. Cairn's case studies reveal "the schemes do provide an effective means for a widow to entrench existing land rights for her household in the event of claims by her husband's family or by neighbours" (2000:56). More generally, access to land in communal arrangements is secured as long as is continues to be used productively – and long-term contract farming enables this.

For the companies, the access to land that the farmers obtain is generally at no loss or risk to the company. Either access to land is obtained through a completely separate arrangement (such as the communal land of the sugar and timber farmers) or the land is acquired through the LRAD programme with Land Bank support (this Could happen in the future but is not currently used as an option), or the company sells the land to the farmers in an arrangement where the repayments are guaranteed through their marketing of the goods and through obtaining the loan repayments before any other expenses are paid by the farmers. Even when the land is sold at a subsidised rate, therefore, the companies are guaranteed their income from the sale.

Access to land is one thing, but control over the land is another. In KwaZulu-Natal timber contracting companies use two approaches. On the one hand, the Mondi firm requires growers to utilise the best land in an area in order to maximise the "mean annual increase" (MAI) of the trees. In this case, the land right holder passes control over to the contracting company. This is contrasted to SAPPI's approach, which encourages growers to use more marginal lands, keeping the better land for food and other crops (Cairns, 2000:32). In this case, the contract arrangement leaves the control over the land to the right holder. Where the company takes excessive control, it impacts on broader livelihood or income generating options and acts as a constraint on the farmers' development. In developing contract agreements, therefore, it is important to guard against such levels of control and ensure that the farmers are able to use their land rights for additional livelihood or income strategies.

7.3.2 Access to Capital

In contract arrangements, the firm agrees to buy the product at an agreed price. At the same time, the company provides access to credit, sometimes at a reduced rate – the Tydstroom long term loan is at 2% below prime, while the production goods are supplied and charged monthly. This arrangement therefore provides farmers with two of the most constraining aspects for small-scale farmers – access to markets and credit. It does however depend on access to land and for vulnerable households, significantly landless female-headed households; it is not possible to access these schemes.

Cairns (2000:63) has indicated that such arrangements contribute significantly to household income but "they do not take the family out of poverty because access to land is limited". Vaughan (2002:3) found that "although the incomes derived ...are generally too small to support individual households.... in those areas where small grower cane production has a relatively deep history, a diversity of small and micro enterprises has emerged." Earnings from small-grower contract farming tend to be diverted into other livelihood opportunities rather than into building capital in the specific industry directly.

Access to capital, or resources for livelihood opportunities, has a lot to do with the profitability of the enterprise and returns from processing are much higher than from the production of raw materials. Both the sugar and wattle industries enable primary producers to benefit from the sale of the processed material. Generally, however, corporations keep these parts of the value chain precisely because they are the most profitable.

With regard to marketing, farmers are constrained in that they cannot bargain with other processors and thus have to accept the price offered to them. On the other hand, however, the guaranteed market for the product means that the generation of capital over the 20 year period is more or less guaranteed – as a Philadelphia farmers said – "we will always breakeven, if we were in a "free market" we would probably have earned more, but we could also easily have gone bankrupt" (Farmer A, personal communication). Contract farming is a very secure arrangement, with very tight profit margins.

7.3.3 Empowerment: Business and Management Expertise

Contract farming is aimed at substantially reducing the responsibility of the principal company in certain parts of the production chain. At the same time, however, the principal company is reliant on the supply of goods from the contracted farmers at the quality and in the quantity required to keep the processing components functioning at an optimum level. For this reason, building the capacity of the farmers forms a central part of all contract arrangements.

In the Tydstroom situation, the contract stipulates that the farmers will use the methods and regulations as prescribed by Tydstroom. Along with this are continuous visits to the farm by a number of different poultry specialists – providing information, checking quality and giving advice. Moreover, the contract stipulates who will do the farmers' accounting and administration. While this is a controlling feature, it was seen as support and highly valued by the farmers.

Building the capacity of farmers, and maintaining control over the business are closely intertwined and can have negative implications for farmers. Vaughan (2002:10) has said that highly interventionist approaches can dis-empower farmers, and suggests that "firms should support farmers through providing extension and administrative services, but should not undermine the autonomy of individual producers". Finding this balance is very difficult, but it is a feature of contract farming and, if it is not done correctly, farmers can end up essentially being workers of the company (Vaughan, 2002:4).

7.3.4 Immediate Economic Benefits

The extent to which contract farming provides immediate benefits depends on the nature of the product, the turnaround time of production and on the ability to use the benefits for livelihood purposes. Moreover, immediate benefits can be perceived in many ways – access to training, immediate access to secure tenure arrangements, a different working environment (as an independent farmer rather than a worker). These aspects are important, but how important depends on what they mean in practice.

At Philadelphia Chicks, there had been no direct financial improvements. The farmers' wages remained the same. There were, however, a number of short-term benefits of which access to housing, water and electricity (for the four main shareholders) and training and support were seen as key. Increased involvement in responsibilities and decision-making in the business were also very important - "If I don't work hard, I won't make it but I don't feel that hard work" (Farmer C, personal communication). In those industries where there is a concerted effort to develop the skill of farmers (with its controlling contradictions), the farmers recognise the immediate benefit that it provides, especially in increased returns and in their ability to manage their farms.

Cash income, however, continues to be perceived as the most important benefit. In sugar farming, chickens and other such products with short cycles, the farmers soon receive returns on a regular basis from their involvement in contract production. Thus while the loans and contract arrangements that medium scale farmers in sugar and chickens enter into are long-term, the nature of the farming means that they receive immediate returns. Such benefits are key to the success of contract farming and provide ongoing and regular livelihood opportunities for farmers.

7.3.5 Gender Relations and Render Equity

Contract farming transfers responsibility for the employment and management of labour to the contract farmer. Cairns highlights this as a benefit for the companies in that labour not usually accessible may be utilised, particularly family labour. In practice, however, this becomes a way in which labour regulations are bypassed and labour costs can be reduced to an absolute minimum. In particular, it has huge gender implications, as often it is women who undertake the labour required in the timber and sugar sectors, where men have entered into the contract with the companies.

Ojwang (cited in Cairns, 2000:59), found that contract farming in communal areas impacted on women differently depending on their marital status. Women in female-headed households or widows had greater decision-making power over their labour and the benefits from the schemes than married women. This phenomenon should not be ascribed to the nature of contract farming itself, but rather to the unequal power relations in society more generally (Ojwang cited in Cairns, 2000:59). Whether the companies are aware of this and deliberately take advantage of these broader relations has not been investigated in this study.

In medium scale farming arrangements in both the sugar and the chicken industry, the beneficiaries are chosen by the companies. In both, the absolute majority of chosen farmers are men. It is unclear whether this is the companies' intention but it has meant that women are excluded except as labourers. Women are either ignored or their position in society is taken advantage of in contract farming arrangements. It is important for the interests of women to be heard and, where state funds are involved, these interests and how they are addressed need to be included in the criteria for accessing support.

7.3.6 Labour Relations and Organisation

Small-scale farmers are rarely able to negotiate the terms of the contract – for example loan sizes and produce prices – since they are seldom collectively organised. The lack of organisation is aggravated where the industry is dominated by a monopoly. The sugar industry, however, provides a different case where the small- scale growers have direct and ostensibly equal representation in the industry decision-making structures. Large scale and small-scale farmers are organised separately, but jointly sit on the industry structures in the negotiations. Similarly, in the wattle industry, the growers are organised and are part of the co-operative, which processes the wood. In both these circumstances, the organised bodies are able to ensure that the farmers share benefits from the sale of the processed goods. Organisation is therefore key to addressing the very real inequalities that are inherent in contract farming systems.

8. Summary

Contract farming is generally initiated by corporations or companies that want to reduce their direct responsibility over particular stages of less-profitable production. For farmers engaging in these schemes, there are a number of important benefits – access to a definite market, access to land (either through the company itself or through arrangements that emerge as a result of the contract being in existence) and a number of benefits including access to credit and extension services. At the same time, however, the farmers in these schemes have little power to determine the terms of the contract, which can therefore be exploitative, especially with regard to family labour, and where the company enjoys a monopoly position in the market.

9. Conclusion: Major Observations

Joint ventures, involving two parties, tend to be extremely complex and often contain contradictory elements. On the one hand, the access to land, capital and expertise that such arrangements make available to farm workers and emerging small-scale farmers provides a valuable opportunity to overcome many of the severe constraints that are faced by poor people in particular. On the other hand, the provision of these resources, the easy access to them and the overshadowing role that the "benefactor" plays in these relationships can be undermining. In the process, therefore, opportunities diminish and dependence can set in. Without an appropriate monitoring programme, beneficiaries would remain junior partners indefinitely.

It is important to develop a balance between allowing the project take its course and over-involvement in determining its success. Maintaining that balance through the life of the project, especially when it is perceived that intervention may save a project, is very complex. Where success is determined entirely by the degree to which the project is producing profit, and it is needed to showcase the involvement of the company in community development, then the more intensive involvement of the benefactor can be expected. Over-involvement in the success of the venture is likely to result in failure. Where the long term sustainable development of farmers, capable of independent farming, is the aim then a lesser involvement by the "benefactor" can be expected.

Comparative assessment

This study began with asking the question whether joint ventures really contribute to transformation of the countryside, or whether they are a new form of exploitation of farm workers. In order to understand this, nineteen projects of joint venture type were assessed addressing the six key aspects of access to land and security of tenure, access to capital formation and investment, building business acumen and management capacity, immediate and long-term benefits, gender relations and equity and issues of power and organisation.

The power balance is really the fundamental issue in any joint venture. This relationship is based on what the different parties are bringing to the venture – the relative bargaining power. In most schemes, the beneficiaries are essentially the subordinate participants in a scheme in which they have very little power, and this is the nature of joint ventures in agrarian reform. Nevertheless, they are important means through which farm workers can gain access to resources, which significantly change their livelihood options and contribute to the transformation of the countryside. The critical factor in all joint ventures becomes how the power of the beneficiaries, generally subordinate partners is bolstered in and through the venture.

Access to land and control over its use is a key factor in land-based enterprise. Share equity schemes particularly those with land transfer component, provided the black participants with far more power than any of the other venture types – they had a resource which commercial farmers wanted and could use it to determine the terms of the venture. Joint ventures should strive to bolster farm workers and emerging small-scale farmers participants' control over land (as leased or private land) as a resource that can be used to leverage preferable terms with commercial and other partners. Not all joint ventures provide access to land. The most complex of these are the share equities in which beneficiaries use land reform subsidies, SLAG and LRAD grants to buy shares in an agricultural related company, which have to be sold upon leaving the company. Independent access to land and security of tenure is not guaranteed. Beneficiaries in these schemes are exposed to greater risks as the primary focus is on business investment. Some researchers the fact that share equity schemes should (Knight, Lyne and Roth's (2002) aim at obtaining committed workers, increased productivity and returns from investment. It does mean that share equities, by definition will not provide access to land. Conceptualised in this way, they are not really land reform schemes – they are investment schemes. Officials within DLA are developing greater understanding of share-equities, and are consequently asserting additional requirements. In the Eastern Cape, therefore, "(t)he most acceptable models that are developing are those that involve a degree of equity on newly acquired land (i.e. the farm worker owned land, where the owner may have a minority share holding) and to leave the original farm intact"[36]. At the national level, the DLA policy division has encouraged this approach by providing a variety of suggestions for mechanisms to provide secure access to land. These range from registering a notarial deed of right of residence in terms of the Extension of Security of Tenure Act of 1997 (this would only be possible where the workers live on the farm) through to the farm workers

[36] Interview at the PLRO 2002

using the housing subsidy to acquire a portion of land on the farm, separate from the share equity arrangement.

A further aspect that bolsters the power of the farm workers and emerging farmers' participation is *organisation* – the better organised the greater power and ability to bargain. Where organisation is absent or weak then it is likely that the venture will be disempowering, an economic venture only and is unlikely to be supported by the black participants. The organisation of growers, share equities participants and others provides space for sharing and strategising to enhance their bargaining power in negotiating the terms of contracts and intervening in policy at a government and corporate level. Mechanisms to bolster the organisation of such groups need to be sought and while it is not the role of government to actively organise, government can support such organisation by:

1) Demanding evidence of organisation amongst the group in grant applications;
2) Making funds available to support the organisation of farm workers or small-scale farmers.

Strengthening and supporting women in joint ventures is a further important area. Gender relations in the different contexts have meant that women are often excluded from joint ventures or are exploited in their participation. In most cases, the fact that women may have different interests or aims in participating in a venture was not considered – the fact that most of the agreements do not refer to women at all is indicative of this. While women are the main workers of the land in the contract arrangements in the timber industry, it is the men that make the decisions about the money. While participation might provide an improvement on the livelihood circumstances prevailing beforehand, it may very well be that women enter into yet another exploitative relationship. This situation is likely to continue as long as women's access to land is determined in this way, or until women are able to access private land through the government land reform programme or through other means. Facilitators, and particularly those appointed by DLA, need to understand women's interests and to actively seek ways in which these interests can be bolstered through the ventures.

Control over the use of land also provides alternative livelihood options. Where the land is all allocated to farming a commercial product, participants have no other options and become entirely dependent on this. Having access to land and livelihood options outside of the scheme gives participants less dependency and additional power. There have been many complaints that share-equity participants were not aware of other options for the use of their grants – that the facilitators failed to inform them of these. In many instances beneficiaries were not given reasonable alternative options to proposed projects. Seeking alternative options, and allocating sufficient resources to the facilitation processes in establishing these ventures is imperative.

Building the skills and abilities of people is often included as a key objective of joint ventures and is an important way in which the power of participants can be bolstered. Building the capacity of small-scale farmers, farm workers and other landless people involved in joint ventures is a key long-term objective. An integrated response from government is required to respond to this need otherwise dependence on white farmers who have the expertise will remain the order of the day. In those schemes that operate on a smaller scale it is unrealistic to expect the commercial partner to provide such capacity. Other mechanisms are therefore necessary:

- The DLA previously had a technical training fund, which could be draw upon for such support. This fund or similar resources needs to be re-introduced.
- Departments of Agriculture extension services need more resources and must be expanded to cover economic and management components of farming.
- Formal training is necessary. Developing very specific courses for those in joint ventures is important.

Independent monitoring is needed in joint ventures. It is often the case that black participants in these joint ventures do not have the skills and experience to sufficiently monitor the performance of the venture. Independent monitoring can either be though the state, or through the appointment of such a monitor by the participants themselves. Black participants need to build in such independent monitoring capacity, which increases their power in the short term and builds their independent abilities in the long term. In joint ventures, which have only DLA funding, where there is no independent investor involved, little monitoring takes place if at all. It is fruitless to expect the DLA to improve its monitoring of the success of these ventures, as resources to monitor, and mechanisms to do so, are absent. However, state resources *are* being put into these schemes and the results should therefore be monitored. Resources need to be allocated by government and mechanisms, including thorough scrutiny of business proposals to assess criteria, need to be developed and implemented.

Finally, most joint ventures have been initiated by white commercial farmers, often to improve the profile of their organisation, recapitalise their business or deal with a debt problem. Commercial farmers have therefore determined the nature of these schemes and DLA funds have often not been put into the best options – from a financial and an empowerment point of view. Both Cochrane and Freysen have asserted that a *supply-led approach* should be taken – "we should get out there, and look for good farmers to do projects – rather than wait for them" (Cochrane, personal communication). Demand-led schemes, especially when DLA is only made aware of these at the final stages, are inadequate. A shift in approach is therefore required where DLA and the Departments of Agriculture (national and provincial), or agents appointed by them, should proactively engage various industries to link farmers to markets and enable share equities, contract arrangements and sharecropping arrangements.

Joint ventures mobilise private sector and government resources to support land reform initiatives and are seen to help poor people overcome the many barriers of entry into commercial agriculture. At the same time, commercial farmers and corporations are faced with changed circumstances: they have to recapitalise to enter the global markets and they have to show their transformation commitments when marketing their goods. Commercial farmers and corporations use joint ventures to address these changed circumstances.

Joint ventures are therefore seen to solve these two needs but they have to be treated with a high degree of caution. White commercial farmers and corporations usually initiate joint ventures, and their interests dominate. Where local government is involved, councillors' political interests often dominate the projects.

Government has not prioritised agrarian reform and has therefore applied limited resources to it. This means that many of the joint ventures (including the government supported projects) proceed in a manner in which the power of the commercial partners is unchecked by any other body. Where the government, and the DLA in particular, is involved, however, a different more proactive and determining role should exist to ensure that the interests of previously disadvantaged men and women involved in the schemes dominate. This means initiating more projects, being more prescriptive, and monitoring the projects once funds have been allocated. If this does not happen, state funds for land reform will end up bolstering current landowners in agriculture and poor men and women will once again lose out.

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