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## STRATEGIES FOR SUCCESSFULLY SETTLING FARMERS IN SOUTH AFRICA

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### ABSTRACT

The South African government initiated the land reform program in 1994, which is facilitated by the Department of Land Affairs. The land reform programme has three divisions, namely redistribution, restitution and land tenure.

The main objectives of land reform since its inception are poverty alleviation, justice, food security, rural transformation, economic growth and to readdress the landless, the poor, women, the disposed and the previously disadvantaged to acquire land.

The question can be asked: Has land reform achieved its goals in the past 10 years since its inception?

This paper outlines the concept of a strategic approach as described by Nell and. Napier (2005) to help successfully establish farmers in South Africa and also other strategies that the government can adopt to settle farmers successfully.

**Keywords:** land reform, strategic approach, emerging farmers,

### INTRODUCTION

The successful settlement of farmers in the developing world caused headaches for policy-makers over many years. South Africa is no exception on the rule. Many people obtained land through land redistribution, restitution and land tenure during the past 11 years, but no information with regard to the success or failure rate is available. It is believed that the success rate is low, mainly because any previously disadvantaged person can qualify for land despite the fact that they have no agricultural background or farming skills. In the Free State Province a total of 4 160 farmers were settled by means of land reform projects – 752 farms or projects and R149 777 406 was invested (Department of Land Affairs, 2005).

The central thrust of land policy is the land reform programme. Land reform has three divisions: redistribution, land restitution and land tenure reform.

Redistribution aims to provide the disadvantaged and the poor with access to land for residential and productive purposes. Its scope includes the urban and rural poor, labour tenants, farm workers and new entrants to agriculture.

Land restitution covers cases of forced removals that took place after 1913. A Land Claims Court and a commission established under the Restitution of Land Rights Act, Act 22 of 1994, deal with land restitution.

Land tenure reform is being addressed through a review of present land policy, administration and legislation to improve the tenure security of all South Africans and to accommodate diverse forms of land tenure, including types of communal tenure.

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Strategic thinking or strategic management is the process managers use to formulate, articulate and communicate clear, concise and explicit strategies for achieving specific outcomes. It begins with asking if the right thing is being done within the context of the farming business's expectations regarding strategic direction mandate, vision, mission and core values, goals and objectives (Amanor-Boadu, 2004).

## **STRATEGIC APPROACH TO THE SETTLEMENT OF FARMERS**

The strategic management approach developed by Nell and Napier (2005) to investigate the role or impact of strategic management on the general aspect of farm management will be used in this paper to investigate the settlement of emerging farmers at Koffiefontein in the Free State Province of South Africa.

### **Figure 1: Strategic management system**

The farm Naledi Rietrivier will be used for the investigation of the role that strategic management can play in settling farmers in South Africa. This farm is situated 13 km from the town of Koffiefontein in the south-west of Free State Province of South Africa. The farm is a mutton-producing farm, which is farmed semi intensively on total of 186 ha. The farm also has 12 ha water rights with 30 ha irrigation fields. Irrigation is practiced by methods of flood, sprinklers and a centre pivot. Eight beneficiaries obtained the Naledi farm in 2001, but only four of them worked on the farm since then.

### **Stage 1: Mission, Vision, Values and Culture**

The mission of the Naledi farm is: To be livestock producers in the southwest Free State, Producing red meat on semi-intensive conditions. Our customers are at Koffiefontein and Bloemfontein. We intend to utilise the natural resources in a sustainable manner.

Their vision is: To develop the farm to a livestock-producing farm that can generate an income of R1 000 per month for eight beneficiaries.

The culture of Naledi farm is to have a farm of which all the beneficiaries can be proud of, work together and maintain a conflict free environment for all the beneficiaries.

### **Stage 2: External environment**

The analysis of the external (macro and business) environment serves the purpose of exploring what opportunities and threats the farming business can be exposed to.

#### **Macro environment**

The analysis of the macro environment is done with the use of a system-termed EPEST (Nell & Napier, 2005). EPEST stands for: Economy, Politics/Legal, Environment/Climate, Social/Cultural and Technology. Only the most important sections in the EPEST analysis that will have an impact on the farming business, will be analysed. These sections are Economy, Politics and Environment/Climate.

- Economy: The economic factor that will influence the business directly is that of cost of producing livestock. The current prices of breeding stock are exceptionally high. This is a threat to newly settled farmers.

- Political: The political aspect of land reform causes that people are settled on land without tests to establish their farming abilities. Beneficiaries with no agricultural background were settled on high technological irrigation systems such as centre pivots. They had no or little management experience or training on these systems.

- Ecology/Climate: Climate has an influence on the Naledi farm because the farm has an

irrigation system that depends on the availability of water and a canal near the farm for the irrigation of the planted pastures, which is also a water source for the livestock. When there is a shortage of water as was the case in May 2005, it poses a major threat to the emerging farmers who depend mainly on an irrigation production system. About 92% of Naledi’s farming income come from irrigated crops.

**Business environment**

The business environment entails the investigation of the business in-terms of its competitors and collaborators, creditors, input suppliers, consumers, regulations and labour market. Only the most important sections will be attended to.

- Competitors and collaborators: This will help the farmers to know who exactly their competitors are and what their strengths and weaknesses are so that they can capitalise on the weaknesses and competitors and collaborators. In this way they can secure a competitive advantage against the competition. For example, the farmers at Naledi produce their livestock semi-intensively and more and more consumers are becoming cautious about what they eat and choose to purchase products which were produced with minimum use of chemicals.
- Input suppliers: the cost of purchasing medicines, feeds and cultivation because they fluctuates with the level of economy e.g. for the farmers to cultivate their land where pastures are cultivated they make use of contractors as they have no tractors of their own to carryout tasks. The contractors charge R2 000.00 per ha, which is a major threat. It will have a negative effect on the business’s financial position as it will lower the profit margins.
- Creditors: After tree years of low yields, creditors start to get cautious to give production loans to the farmers as the carryover production debt that could not be paid after harvesting, increases gradually. The economic theory explains that the farming business should borrow funds only if they gain more from borrowed funds than what is paid (interest) for. The inability to pay debts due to low production levels, give the business a bad image and will have a negative influence on the credibility of the farming group and is therefore a threat.

**Stage 3: Internal environment**

The internal analysis will entail the assessment of the farming business’s strengths, successes, weaknesses and failures as Nell and Napier (2005) outline them. The assessment will serve the purpose of converting weaknesses into strengths and also assessing failures so that they could not be repeated again.

**Assessment of Naledi in-terms of its strengths, weakness, successes and failures**

SWOT ANALYSIS OF NALEDI FARM	
Strengths	Weaknesses
Good quality irrigation water	No management information system
Enterprises are diversified	Poor maize yields the past three years (6,0, 6,0 & 8,1 t/ha)
Good knowledge of sheep production	Poor wheat yields over the past three years (4,5, 6,0 & 2,86 t/ha)
The farm has water rights	Insufficient management training
The farm has electricity	Lack of infrastructure
	The Naledi farm and most other land reform projects have insufficient infrastructure for agricultural production
	Own no machinery to do basic cultivations – use only contractors that is very expensive
Successes	Failures
None	Inability to repay production loans due to low production levels
	The theft of live stock because farmers does not stay on the farm



#### **Stage 4: Strategic analysis and identification of the competitive advantage**

After the analysis of the business's opportunities, threats, strengths, weaknesses, successes and failures are identified, the strengths and opportunities that will lead the business to secure a competitive advantage will be identified. For example, the presences of water on the farm – even though currently there might be a shortage – is a strength which give a competitive advantage in dryer years. If utilised well, the competitive advantage of the farm can be secured because it will mean constant supply of fodder and adequate supply of water for livestock, thus increased productivity.

Diversification so that 50% of the income derives from livestock will lower the production risk of the farming business.

#### **Stage 5: Long-term goal(s)**

The long-term goals formulated for the farming business have to be aligned with the formulated vision of the farming business. The Naledi's long-term goals can be the farming business growth and sustainability, and this will be aligned with the vision of the farming business. The main goal will be to reduce risk by means of diversification to such an extent that 50% of the farming income will be derived from cash crops and 50% from livestock. On the other hand, the goal of land reform of improving the livelihoods of the previously disadvantaged, may also be achieved if the farm is sustainable and is able to generate the desired income.

#### **Stage 6: Main strategy (How?)**

The main strategy serves to identify and formulate a way in which long-term-goals will be reached, i.e. it gives direction on HOW the Naledi farm will reach sustainability and general business growth.

Examples of how the long-term goals of Naledi can be achieved:

- Maintain and follow correct procedures of general sheep production like maintaining: nutritional management and also following general breeding requirements as required by the breed the farm use.
- Improve herd health management because it can ensure that the long-term goals of the business are achieved, i.e. sustainability and success.
- Secure a market as consumers favour meat or products which were produced with as little chemicals as possible. This can also be attainable as the breed that the farmers use, is hardy and disease resistant, except for some specific diseases in the area were the farm is situated.
- Sustainable use of the pastures as well as its management to ensure a constant supply of fodder to get the sheep from the maintenance level to production level.

#### **Stage 7: Short-term objectives and actions**

The short-term objectives and actions have to be aligned with the long-term goals in order to lead to the attainment of the long-term goals; thus, the formulated vision and mission of the farming business. The short-term objectives involve or define WHAT must be done, at which STANDARD and WHEN it should be done.

Naledi's short-term objectives and actions are:

- WHAT: Marketing of the sheep locally or in Bloemfontein.
- WHEN: During November and December as many Stockvels buy during these two months and general meat consumption increases in December, especially red meat.
- STARDARD: To obtain a price of at least R20, 00/kg slaughtered in order to reach their long-term goal of general farming business growth.

### **Stage 8: Functional tactics**

The functional tactics assist management to determine whether the short-term objectives and strategies will generate the desired results. There are five functional tactics that can be used in the farming business, namely production, marketing, financial, human resources and research and development tactics. A comprehensive and a full assessment of the functional tactics will lead to the farming business securing a competitive advantage. The long-term budget of the farm that determines the financial success of the business due to strategic management is presented in Addendum 1.

### **Stage 9: Key implementation policies**

The implementation policies entail the empowerment of the workforce and financial policies, such as to earn more with foreign capital than what the interest is ( $R_e > R_o$ ) (Nell & Napier, 2005). The workforce, which is also management will be empowered by means of the attendance of short courses to improve their general and financial management skills. Financial policies are the most important for this farming business because it has a direct influence on the success of the business. For example, currently there is a need for funds to purchase tractors, breeding stock and fences to divide the farm into camps. The farmers should determine how these items are going to be financed, either using borrowed funds or wait for the funding from the government grants.

### **Stage 10: Implementation of actions**

The implementation process entails the execution of plans from the formulation of the vision and to determine whether the long-term goals and short-term objectives can be attainable. The implementation procedure entails answering the following questions

- What has to be done?
- Description of the action.
- Standard.
- When?
- Who is to be responsible for the task?

### **Stage 11: Strategic control and repositioning**

Control entails evaluation of the results and to determine if they are deviating from the planned activities. Nell and Napier (2005) evaluate control for production, marketing and finance because the success of the farming business is based on these three aspects. For example, if something is going wrong in the production process, there will be less produce to market and also less income. The control process is very important because it evaluates the total performance of the business with the three pillars of an agricultural business, namely production, marketing and finances.

## **OTHER STRATEGIES TO BE FOLLOWED WHEN SETTLING FARMERS**

The following strategies can be considered by government when farmers are selected for settling:

- Evaluation of potential farmers to determine whether they have the abilities and qualities to become sustainable farmers.
- Determine their abilities for cash crop or live stock farming.
- Farmers that are selected must get basic farm management training before land is allocated to them.
- All the agricultural stakeholders should work together, for instance using Equity Sharing



### Schemes (ESS)

- Mentorship by commercial farmers can contribute substantially to the success of farmer settlement.

#### **Equity Sharing Scheme. (ESS)**

The Equity Sharing Scheme or mentoring should involve all the stakeholders in agriculture as Jordaan and Jooste (2001) explained that the successful settlement of the farmers depends on the stakeholders to work together to help the farmers to make success and contribute or take their rightful place in the country's economy.

An example will be an apple project near Bethlehem in the Eastern Free State where the manager of Afgri took a mentorship role for this farm. This farm currently is one of the most successful projects in the country as it has even gained access to the export market. This would not have been possible if it wasn't for the system used to settle the farmers. Other advantages of this system are that farmers gain knowledge in different aspects of agricultural management from their mentor (Afri's BEE Apple Project, [www.otk.co.za/services/nas\\_showarticle.asp?aid=165](http://www.otk.co.za/services/nas_showarticle.asp?aid=165)). The Centre for Agricultural Management at the University of the Free State presented a one day course on general agricultural management for emerging farmers, which also contributed to the success of this group.

Another example is of the Olienhoutsloof Development Project, a mixed arm which borders Dysselsdorp in the Little Karoo, where the labourers on the farm own 44% of the shares. Mr. Manie du Plessis, a co-owner of the farm, explained that all the members of the farm are actively involved in the day to day running of the business and he is positive that even if he leaves the farm, the farmers will make it on their own as he has transferred knowledge and management skills to the farmers (Nofal, 2004).

#### **Training**

Before they getting settled on farms, farmers have to be trained as most of the people who obtain land do not have any agricultural background, like for instance working on the farm or an agricultural qualification. They just obtain land that has equipment such as centre pivots to irrigate land and cash crop production under irrigation requires high management skills. This type of farming is technological advanced and need specific skills such as evapotranspiration or the water requirements of a specific crop, irrigation scheduling, the operation of a centre pivot etc.

### **CONCLUSION**

The settlement of farmers in South Africa has to be done not just for the handing land over to the landless, but with the aim of attaining the goals of sustainable land reform because they are all important and will benefit the economy of the country as a whole. The strategic management system will help in the process of settling farmers in such a way that it communicates the whole idea of sound business practices to the beneficiaries. They will know before they embark on the task of being farmers what really is expected of them. One should not think of farming as only for food security, but also for generating income and contributing to the country's economy. It will, however, not be an easy task as modern agricultural businesses require more than just production. Marketing, finance and human resources also have to be take into consideration.

The equity sharing and training will involve all the stakeholders and will ensure that the beneficiaries of the farms know what to do so that they can get into commercial farming on their own, as most of them have no background of agriculture or any management skills in-terms of an agricultural business.



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