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VIEWPOINT: PROMOTING ENTREPRENEURSHIP IN AGRICULTURE IN THE EASTERN CAPE

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Selected cases in developing entrepreneurship in small-scale subsistence and commercial agriculture in the Eastern Cape are examined, including the provision of marketing facilities, the training programme of the Africa Cooperative Action Trust (ACAT) in Ciskei, government sponsored irrigation projects and the farmer support programme. An attempt is made to draw general conclusions about the necessary ingredients for successful entrepreneurship and the formulation of proposals for further promoting entrepreneurship in agriculture in South Africa.

1. Introduction

Most contemporary writers are in agreement that the entrepreneur is the most important individual in the process of economic development (Van Daalen, 1989). Cannon (1991) identified the entrepreneur as a person who performs a crucial role by accepting risks associated with innovation and development that others avoid. An important attribute of an entrepreneur is high achievement motivation which is closely related to entrepreneurial success (Nicholson, 1989). In addition the entrepreneur must have the ability to look beyond the obvious, be self-reliant, creative and innovative as well as possessing the determination to complete projects.

In a study of Amatola Basin households in Ciskei, 17 per cent were found to be 'seriously' engaged in farming (Eckert, 1993). This is not a strict measure of entrepreneurship but may give some indication of the expected proportion.

Jagoe (1986) stated that it is an internationally accepted rule of thumb that only between five and 10 per cent of any population are either latent or active entrepreneurs. He felt therefore that in Ciskei with a rural population of approximately 600 000 it would be safe to assume that the level of entrepreneurship amongst adults could be as high as 14 000 to 20 000. In the agricultural economy of Ciskei it would not be unreasonable to assume that there are potentially between 5 000 and 10 000 active or latent entrepreneurs. Using the same argument for Transkei, with its larger rural population, the number of potential entrepreneurs must be even greater.

The objective of this paper is to investigate the promotion of entrepreneurship among small-scale farmers in Region D. A number of programmes have been implemented in the past aimed at increasing the level of production by small-scale farmers but with limited success.

This review will first investigate the characteristics of entrepreneurship among small-scale farmers in general, followed by a look at entrepreneurship in small-scale commercial agriculture and subsistence agriculture respectively. Efforts at promoting entrepreneurship among small-scale farmers in the Eastern Cape will then be discussed and finally some lessons will be drawn from the preceding discussion.

2. Characteristics of entrepreneurship among small-scale farmers

Van Rooyen *et al* (1987) note that farmers in rural developing economies can generally be divided into commercial farmers who can at present compete on an equal footing in the markets and the subsistence and emerging farmers who cannot. Bembridge (1987:18) identified four categories of households in the rural areas in terms of economic differences, resources, personal characteristics, values, concerns and interests. The four basic categories are as follows:

- (i) Resource-poor households without any land rights or large stock, comprising about 562 000 (31%) rural households in Southern Africa.
- (ii) Small-scale land holders with subsistence and below subsistence production levels. They do not usually sell any crops or livestock and comprise about 1,03 million (56%) rural households.
- (iii) Progressive small-scale land holders, comprising about 238 000 (13%) rural households, who adopt some modern technology and who sell some produce and/or livestock.
- (iv) Market-oriented commercial farmers who are making a living out of farming, comprising about 3 100 (0,2%) rural households.

Jagoe (1986) made the point that all efforts must be aimed at developing or stimulating people because it is only the entrepreneur, operating within an environment of free enterprise, who can maximise the utilisation of the available agricultural resources. Therefore the agricultural sector needs to:

- (i) Identify the entrepreneur;
- (ii) Understand who the entrepreneur is and what his/her needs, strengths and weaknesses are; and
- (iii) Develop an environment in which the entrepreneur can operate.

A study of farmers in Gazankulu identified various characteristics which were evident among successful farmers (Nicholson, 1989). These farmers exhibited a number of the characteristics of commercial behaviour and were considered more likely to be innovators or early adopters. It was considered that the findings of the

study were also applicable to rural development in other areas of Southern Africa.

Among the characteristics identified was a need for achievement or achievement motivation. In order to meet this need the farmers employed farming knowledge gained previously and used their resources more efficiently. They also made use of advice available from various sources and were market oriented and showed a desire to be more involved in marketing and made greater use of credit. In line with this factor, the farmers organised their enterprises with profit as the motive and produced in excess of their consumption requirements.

The successful farmers had higher personal standards of excellence and tended to be more innovative than their less successful counterparts. They managed their land in a more concerned manner by applying conservation measures, had a greater perception of marketing problems and wished to alleviate them and perceived a need to improve their standard of living. In terms of their innovativeness they were able to change from the traditional patterns of production and were prepared to challenge the tribal customs which hindered progress.

A number of selection criteria were identified for the selection of farmers having high agricultural potentials for the more efficient use of support services (Nicholson, 1989). The criteria which were based on easily measured variables include, *inter alia*, age, education, farming experience, attitude to cash production and profit orientation.

Bembridge (1984) investigated the influence of personal and structural constraints on the potential impact of agricultural improvement in Transkei. The farmers with low personal and structural constraints are the group who need the least help and encouragement because they have entrepreneurial and management ability and do not have problems in adopting modern practices. These farmers make up about 10 per cent of the total. The second group which has higher constraints to adoption and makes up approximately 50 per cent of the farmers are those for which an extension programme will have the highest potential effectiveness. The final group which makes up the remaining 40 per cent have constraints to adoption which make extension contact unproductive. Extension efforts have generally been focused on the first group whereas the second group is the one to whom new practices are relevant and who need help and encouragement to improve their farming efficiency.

3. Entrepreneurship in small-scale commercial agriculture

Commercial farming in Ciskei and Transkei has been promoted and farmers have been established *inter alia* as citrus, pineapple and livestock producers. The most visible of these attempts have been the large irrigation schemes including those at Keiskamahoe, Tyefu, Shiloh, Qamata, Ncora, etc. While each of the schemes varies in detail the common elements have been the objective of establishing self-sufficient commercial producers (Hill, 1985). But what has determined the success or otherwise financial failure of individuals on these schemes?

On each scheme there has been an important 'management' (administrative) input which has allowed relatively little room for variation in the type of crop or livestock or in the production methods. Nevertheless, 'success' as measured by financial returns has varied considerably - the most successful farmers earning double the average

and up to nine times as much as the least successful (Antrobus, 1982).

The Tyefu scheme, established on the northern (Ciskei) bank of the Fish River in 1977 is not atypical of government sponsored irrigation projects in Region D. A so-called tribal farm, consisting of 50% of the irrigated land, was established together with 4ha commercial farms and 0.25ha foodplots. Land was allocated to individuals from local families (Antrobus, 1982 and 1988).

In an anthropological study of the scheme, Holbrook (1992:162-4) came to the conclusion that success or failure of the individual commercial farmer or food plot holder was a function of both their ability as a farmer and their position within the village social organisation. In an environment in which farmers were often at loggerheads over the scheme's physical design and organisation, close links to an important village family "would be further strengthened by close and sympathetic ties to management", for example, in their ability to timeously obtain the best plant seedlings and thereby gain the benefit of an early crop which fetched higher prices.

4. Subsistence farming and entrepreneurship in Region D

Studies of peasant farmers in Ciskei and Transkei (Bembridge, 1984; Fraser, 1991 and Steyn, 1988) investigated similar characteristics among the rural population to those identified by Nicholson (1989) as characteristics of successful farmers. The results of these investigations indicated that the farmers in these areas, to a large extent, were apparently lacking in entrepreneurial spirit. This was evident in the use of the limited pieces of arable land available.

The majority of the *de facto* heads of households (in excess of 60 per cent in Ciskei) are female. This imbalance to some extent is due to the *de jure* heads of households being employed in different parts of South Africa as migrant workers. In addition the ages of the resident heads of households was high with 50 per cent being in the age group 60 years and older (Fraser, 1991). The level of education was low with a large proportion of the heads of households being functionally illiterate. The personal characteristics of households in Transkei were found to be similar (Bembridge, 1986). According to Nicholson (1989), these would be factors mitigating against the development of entrepreneurs. The fact that the major sources of income in these areas are pensions and remittances would appear to have hampered the development of entrepreneurship as food and other goods can be purchased. Fraser (1991) quoted results of studies in Ciskei which found that the contribution of farming to household income made up between six and 15 per cent.

The inefficient use of resources is also a possible pointer to an underdeveloped or latent entrepreneurial spirit among the peasant farmers in the area. As will be seen later in the paper, farmers in the farmer support programmes elsewhere have made full use of their available land. Despite an average land holding of approximately three hectares in Ciskei (De Lange, 1991), only about one-third of the households utilised all their land.

In order to investigate the characteristics of progressive farmers, Bembridge (1984) asked extension officers who were familiar with the area to identify the 'best farmers' in each of the districts who were then included in the survey. The data from the 'best farmers' were compared

with the average for all respondents in order to explain why these farmers were more successful. The results coincided with the characteristics evident among successful farmers as identified by Nicholson (1989). It was found that significantly more of the best farmer *de facto* heads of households were men who were managing the farm enterprise and in addition were better educated and more of them had vocational training.

5. Efforts at promoting entrepreneurship among small-scale farmers

A number of attempts have been made to increase the level of production among small-scale farmers in the region and to promote a spirit of entrepreneurship. These efforts have been made by different organisations, both government and non-governmental. Those that will be discussed briefly include the extension services, the provision of marketing facilities in Ciskei, ACAT and the farmer support programme.

5.1 Agricultural extension to small-scale farmers

The provision of extension services and information to farmers in less developed agriculture is vital due to their relatively isolated position. Farmers require these services to become aware of innovations in production methods as well as improving their knowledge of marketing procedures for the sale of any surplus produce. In addition it would involve changing the outlook of the farmer and encouraging his initiative in improving his farm. Bembridge and Pemberthy (1980) stated that the extension service has an important role to play in assisting Ciskeian farmers in their efforts to make the transition from subsistence to semi-commercial method of production, farm management and the use of external services such as credit and marketing.

The extension services in Ciskei and Transkei are understaffed, especially in the case of Ciskei, and have a maldistribution of senior to junior staff. In Ciskei the total number of agricultural officers in 1986 constituted only 43 per cent of the established posts and this number had decreased subsequently (Fraser, 1991) which would seriously impair the effectiveness of the extension service.

A factor which further limits the influence of the extension service is the relatively high ratio of senior agricultural officers to junior staff as the senior staff have little or no direct contact with farmers. In Transkei the ratio of senior to junior staff was 1:2.2 which is considered high by international standards (Bembridge, 1984). In Ciskei they made up 31.9 per cent of the total number of staff.

The effectiveness of the extension service in the region can be gauged by the knowledge and contact farmers have with agricultural officers. This has been limited. A study in Ciskei (Fraser, 1991) found that 45 per cent of farmers had no contact with extension officers even though some of them were aware of the service. Of the 24 per cent of farmers who knew that there was an extension officer servicing the village, only one-quarter knew the name of the person. The situation in Transkei was rather better where about half the respondents were aware of an extension officer in the area and 40 per cent knew the name of the officer. The majority of farmers in these areas do not receive advice from extension officers which will be a restriction on the development of latent entrepreneurs.

5.2 The provision of marketing facilities in Ciskei

The inadequacy of marketing facilities in less developed agriculture are often considered as one of the major bottlenecks to rural development. Arnon (1981) stated that developing countries are generally characterised by the inefficiency of their marketing systems and as a result are faced with a vicious circle: if the farmer does not obtain an economic return from the sale of his production, he will tend to produce at a subsistence level only. On the other hand, a shortage in the supply of a marketable surplus makes the development of an efficient marketing system extremely difficult.

A comprehensive marketing system was developed under the aegis of the Ciskei Agricultural Corporation with the aim of achieving optimum utilisation and development of agricultural resources with a view to obtaining satisfactory returns. The marketing system provided facilities for the marketing of both fresh vegetables and field crops, livestock and livestock products. In order to make farmers aware of the pricing arrangements, times of collection and advice on the preparation and presentation of the products, farmers days were organised.

In a study of two rural villages, Fraser (1991) found that the provision of the marketing facilities had very limited effect on the production of the small-scale subsistence producers. Even farmers who claimed that they produced crops with the intention of selling surplus production had not made use of the facilities. Support of the livestock marketing facilities was also very limited. Sales of livestock, mainly smallstock, took place in the villages but this was mainly intra-village selling. Cattle sales were restricted because the individual holdings of the farmers were not even sufficient to meet their primary and social needs. The only marketing facility that was used to any extent was for the sale of livestock products, albeit in limited amounts. Wool and hides and skins were marketed through the Corporation as they were of little use to the households in their raw state and were the major source of agricultural income. The provision of the marketing system did not have the desired effect of increasing the level of production and bringing the subsistence farmers to a more commercial level.

5.3 The training programme of ACAT

The Africa Co-operative Action Trust (ACAT) of Southern Africa launched trusts in the Ciskei and Transkei in the early 1980's. ACAT, as an overtly Christian missionary rural development agency, is staffed by modestly paid committed Christians, which has enabled the NGO to achieve remarkable results with relatively little manpower and few other resources on a 1992/3 budget of approximately R1.5m in Region D.

ACAT's target is the mass of rural people, mostly with limited access to land - minimally with access to a garden plot - who are reached through savings clubs and training programmes. The purpose of the savings clubs is to mobilise small amounts of cash for "packages" of seed, fertiliser, etc., for a limited amount of training and to underpin the work of spreading the gospel of Christ.

To run the savings club a chairman, secretary and treasurer is required from the local village. Training in chairmanship, bookkeeping, minute writing and order taking is thus an integral part of the system in addition to the necessary training in the preparation and maintenance

of the crop garden or plot. Other training includes chicken rearing, wire netting making, tank building, homecrafts (knitting, sewing, leatherwork, crocheting, macrame, etc.) and water projects, especially spring protection.

From its launch in 1983 the number of clubs established expanded rapidly. In Ciskei the number rose to 185 in 1986/87 with 8000 members run by 17 staff on a budget of R343 000. In that year, apart from servicing the Savings Clubs, over 200 Savings Club Secretaries and Club Assistants completed training courses and more than 100 completed handcraft and tank building courses. Since 1988, however, the operations were reduced. Smaller budgets necessitated staff reductions and a curtailment in organisational services and the delivery of packages to Savings Clubs. The political upheavals in the Ciskei since the 1990 coup and events surrounding the role of alternatively Tribal Authorities and Residents' Associations further severely curtailed activities in the rural areas. The number of active Savings Clubs declined both under the uncertain political situation and with the depressed economy, exacerbated by severe drought conditions.

ACAT, nevertheless, was able to continue its training activities and it is in this area that it has successfully kindled entrepreneurial abilities. In many cases ACAT training of Savings Club Secretaries led to subsequent formal sector employment and is rightly claimed as a "success" by the NGO. To what extent has ACAT kindled entrepreneurship though? This question is much more difficult to quantify, but a limited number of individuals and small groups beginning with ACAT packages, especially with chicken rearing, and handcraft training have successfully established financially viable operations independent of ACAT.

What are the positive lessons which can be drawn? Firstly, ACAT appears to have provided a vision for the poorest members of society that they can help themselves. This must be attributed very largely to a highly motivated and committed staff who themselves have a clear goal. Secondly, the training function is a vital component to the successful use of the packages. Thirdly, the delivery of packages to the village with the correct mix of ingredients in affordable sizes e.g. to plant a 1 x 2m area.

On the negative side:

- ▶ ACAT's Savings Club bookkeeping system became cumbersome and extremely difficult to audit;
- ▶ The need to service Savings Clubs on a regular basis and the responsibility of delivering packages became a major bottleneck because of the staff needed and transport costs and the need to access the rural areas regularly during politically unstable times.
- ▶ The inability of the organisation to move to greater self funding in the "package" delivery.

In many respects ACAT has provided the equivalent of an agricultural extension service to the rural poor far more successfully on a Rand for Rand basis than the Government. It is unlikely, however, that a government bureaucracy would allow for the duplication or emulation of an ACAT-type operation.

5.4 The farmer support programme

The final effort to promote entrepreneurship in Region D that will be discussed is the farmer support programme (FSP). A programme has been established in the Keiskammahoek district of Ciskei but unfortunately no evaluation of its success is yet available.

However evaluations of the FSP have been performed in other parts of South Africa and it is not considered unreasonable to assume that similar results can be achieved in Ciskei.

The strategy of the FSP is based on improved access to small-scale farmers to input and product markets as opposed to the previous strategy based on large-scale commercial projects (Van Rooyen *et al*, 1987) which have not achieved substantial economic development in rural areas (Van Rooyen, 1986). It involves a comprehensive and well coordinated agricultural development approach aimed at providing institutional support and incentives to emerging farmers to enable them to use their available resources more efficiently. The benefits of this include, *inter alia*, in upgrading skills, the strategy serves as an effective means for encouraging the emergence of commercial farmers to become sustainable economic producers and the stimulation of entrepreneurial activities and skills (Van Rooyen, 1986).

The economic allocation of support services is important because of the needs of a large number of small-scale farmers and therefore requires the targeting of farmer groups and areas. Emergent farmers were considered the main target for support but would also include other farmer categories and provided opportunities for all farmers wishing to expand production. The areas which were considered a priority for support services were those with high agricultural potential, where there was demand for support services and the availability of existing technical and infrastructural support.

Evaluations of FSPs in other areas of South Africa have indicated that the programmes have had positive effects increasing the output of small-scale farmers (Singini *et al*, 1992). The FSP farmers generally achieved higher farm incomes and larger yields. This can be attributed to the fact that they used higher levels of fertilizer, hybrid seeds, pesticides and mechanisation services. As previously mentioned, a characteristic of small-scale farming in Ciskei is the underutilisation of land but it was found that FSP farmers were making full use of their arable land and were prepared to rent more land. Dankwa *et al* (1992) found that households with access to the FSP produced and consumed significantly more maize as well as spending more on other goods. They argued that the provision of support services will improve the food security situation in rural areas.

6. Proposals for further promoting entrepreneurship

Entrepreneurship is to be found in small-scale agriculture, but there is good deal of latent entrepreneurship which could and should be brought to the fore. Most studies have sought to characterise the more successful members of each group from the less successful. Since these characteristics are often measured cross-sectionally within any group and include gender of the head of household, education and age as significant indicators they cannot be assumed to fully represent the characteristics of entrepreneurship. Entrepreneurship implies that risks have been taken, gaps have been seen and innovations have been made, which means that there is a past situation and a present which is different from what it might otherwise have been in the absence of entrepreneurship. Studies over time would be required to more accurately capture entrepreneurship characteristics.

However, since programmes to promote success are ongoing and since it is not unreasonable to assume that a good measure of success is attributable to entre-

preneurship, the priority is to identify, refine and improve upon the best programmes.

Within the very organisations, government and non-government, promoting entrepreneurship, the necessary climate for employees to innovate as well as a clear vision of the end objective - the encouragement of self-reliance - will be necessary. Clear direction from leadership and the scope to use initiative in many government programmes, though not lacking, is limited.

From the evidence surveyed, albeit limited, the key to developing entrepreneurship is "farmer enablement" through:

- ▶ the creation of opportunities to use and develop entrepreneurial skills;
- ▶ "seed" aid of such a nature as not to develop dependence;
- ▶ training in the basic skills necessary to recognise and exploit opportunities; and
- ▶ the use of non-government organisations as appropriate.

It is nevertheless, recognised that "farmer enablement" cannot be undertaken in isolation of other infrastructural, social and legal considerations.

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