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## EQUITY SHARING AS A (UNIQUE) LOCAL AGRARIAN REFORM EXPERIENCE : PERCEPTIONS OF FARM WORKERS

S Ngqangweni  
School of Agriculture and Rural Development, University of Pretoria

C J van Rooyen  
Director, School of Agriculture and Rural Development, University of Pretoria

This paper explores progress with the initial practical experience with agrarian reform in South Africa with special focus on the new 'equity sharing' model. It particularly discusses the current understanding and perceptions, and expectations of the beneficiaries, namely farm workers. A qualitative survey was done on two sites, one in Grabouw in the Western Cape, and the other in Badplaas in Mpumalanga, where equity schemes are currently at a pre-implementation phase.

### **AANDELEVERDELING AS 'N (UNIEKE) PLAASLIKE LANDELIKE HERVORMINGSONDERVINDING : PERSEPSIES VAN PLAASWERKERS**

*Hierdie referaat behandel vordering in die vroeë praktiese ondervinding met landelike hervorming in Suid-Afrika met 'n besondere fokus op die nuwe "aandeleverdelingsmodel", en veral die huidige begrip en persepsies asook die verwagtings van die bevoordeeldes, naamlik plaaswerkers. 'n Kwalitatiewe opname is gedoen op twee plekke, een in Grabouw in die Wes-Kaap, en die ander te Badplaas in Mpumalanga, waar bateverdelingskemas tans in 'n pre-implementeringsfase is.*

### 1. Introduction

Much has been written and/or said about the history of the South African political economy whose environment has been characterised by denial of certain sections of the population of access to resources and opportunities. In the agricultural environment these inequalities are particularly manifested in the extremely skewed access to farmland and support services, and consequently opportunities to farming and competition in agricultural markets. These themes are presently major items on the agenda for reconstruction and development (Van Rooyen, *et al.*, 1994).

Reform of property rights in land has characterised all major experiences of agrarian reforms' globally and has normally been a starting point in the process. In the international plantation sector major reforms took place from as early as the 1960s giving rise to contract and outgrower schemes operated by small farmers (*cf.* Sajhau & Von Mural, 1987; Tiffen & Mortimore, 1990). Recent experience in South Africa has shown that there is a potential to put into test an equity sharing alternative (*cf.* McKenzie, 1993) as a unique strategy for land distribution and agrarian reform. The uniqueness of this option lies in the fact that it aims to empower the farm worker beneficiaries through sharing of responsibilities in management and to give them access to farm assets including land and therefore building up a secure economic base for them without the need to formally 'cut-up' and redistribute land. Capitalising on the uniqueness of this model, this paper investigates the potential for success of this option in ensuring accumulation of benefits to the previously disadvantaged in South Africa.

The paper is organised in three sections. First, the empirical methodology will be discussed. Second, a description of the two case studies selected for investigation will be presented. This is concerned with the proposed plans of the envisaged equity sharing 'pilot' schemes which the Development Bank of Southern Africa (DBSA) is overlooking. Third, the major findings of the survey will be presented and discussed.

### 2. Research methodology

Two case studies were undertaken in two provinces of the country, the Western Cape and the Eastern Transvaal, where

a qualitative survey of intended beneficiaries was done. Semi-structured interviews and informal discussions were held with the farm workers. Twenty, and twelve respondents were informally interviewed in the Western Cape and the Eastern Transvaal cases respectively. From the interviews/discussions held, the main issues investigated were their interpretation of the new proposal, their understanding of what the deal entails, and their expectations from it. Field notes were taken as a reference for the subsequent qualitative analysis.

The qualitative method of data collection was preferred in this investigation for certain reasons. For the purpose of this particular exercise, there was a need to ensure that the respondents fully express their views and not guided by structured pre-set questions as the case would be in a quantitative investigation. The semi-structured nature of this study ensured more flexibility and exposure of certain issues that might otherwise not be exposed if a structured questionnaire was followed. Although this particular investigation was not fully structured, the general frequency of responses was determined as some guide questions were used in the informal discussions. The qualitative approach was also to ensure that the important aspect of the investigation, namely the general understanding of the respondents is clearly captured.

Qualitative analysis was undertaken and notes collected from the conversational interviews as well as personal observations used to present the final findings of the survey. The presentation of findings were such that noted common responses were presented as well as aspects which were pointed out by respondents and are considered most crucial were highlighted. The qualitative analysis method was employed for certain reasons. It is believed that the subject being dealt with here - its relevance and importance, the developments so far in the case studies selected - warrant more careful laying out of the basis or platform through qualitative analysis. Later, when developments on the ground are more conducive for quantitative investigation, this can be conducted. This statement is based on the contention that, because of its nature, the subject of this study readily lends itself to a series of other follow-up studies which will all add up to its completion.

This particular investigation employs an approach used by Foster (1969) in his examination of processes in applied anthropology. In his analysis, he sets a few guide questions to shape to sort and organise data from qualitative survey. According to Wolcott (1990: 33), Foster's approach offers a straightforward way to organise a study of directed change. This particular study is also an attempt to examine the implications of directed change as perceived by the target group in the change process.

### 3. The case studies

**The Western Cape fruit farm study:** This particular case study is conducted on an initiative by the owner who owns a 348 hectare fruit farm situated in Grabouw along the Western Cape fruit belt about 95 km south-east of Cape Town. Predominantly an apple enterprise, the farm is a thriving well established undertaking which has, over the past decade, been developed into one of the leading export operations in the Western Cape. The farm employs 165 permanent workers, some of whom descended from slaves of the original Dutch settlers. The owner has, in 1994 decided to put a third of his holdings into a trust for his permanent employees. The workers set up a representative committee that, with loans from the IDT (Independent Development Trust) and the DBSA (Development Bank of Southern Africa), is buying 33 per cent share of the farm. There is also a sizeable contribution expected from a commercial bank. This arrangement is aimed at enabling permanent farm workers to gain access to financial assets and thereby establish their economic security. Although the scheme does not actually transfer land to the workers, it aims to involve them in a profitable venture, *i.e.* access to income streams. This is all going on in an atmosphere which is characterised by high expectation from the disadvantaged black majority after the April 1994 democratic elections which saw them for the first time represented in parliament and in government. Initiatives like this one have already been hailed by both South African and international press as a 'quiet revolution' to transform agriculture in the country and to heal some of the wounds of the disinherited South Africans (*cf.* Davie, 1994; Nelan, 1994).

This case is still a concept although an agreement has been struck between the owner and the workers. The shareholding deal is still to be put on a test and one must be open at this stage for any possibilities in the period of implementation of the plan. General speculation points to higher potential for the scheme to prove highly yielding to the demands and expectations of the considerable percentage of the disadvantaged communities.

**The Eastern Transvaal case study:** Another of the cases where farm workers are set to be participating in a profit sharing venture with their employer, is that of a farm situated in the Eastern Transvaal province, 70 km south of Nelspruit. The holding is 1400 hectares in size with a variety of activities: tomatoes; ranunculus flowers; maize; soyabans; dairy, sheep; and grazing.

It is significant to note that the idea behind this farm worker involvement in the business had its origins as far as the mid-eighties. The owner, " ... looking for a better dispensation for the workers ... ", and because of " ... the requirements at that time and developments taking place ... ", realised a need to get the workers involved in management and decision making in the farm. The aim was to change from a 'traditional' way of running the farm business in which management did all the planning and workers being told

what to do, to that which ensures a spread in decision making and responsibility. This was to be achieved by first acquiring of skills by farm workers to be able to fit in the new structure, and also developing the workers' potential and equipping them through training for the envisaged change. Since then the implementation of the new changes has mainly been in the form of social changes (housing, health, children's education, clubs, recreation, etc.) and formalisation of the system of labour. Supervisors are responsible for the daily running of the different sections and are fully aware of all plans for the season, and also overlook the maintenance of the labour system.

The idea of involvement of farm workers in the co-ownership of the farm business originated from the current owner in 1993 which he put forward to his supervisors to think about. Through contacts and some discussions with some of the advocates of the idea, the DBSA and the University of Pretoria, a model was developed where a new farming Company is to be created, and a Workers' Trust formed. The Workers' Trust is to buy a portion of the present farm and all movable assets transferred to the new company to which all the farming activities are to be transferred. The following have also been proposed: the new Company will have two shareholders holding shares on a proportional basis: 80 per cent for the current owner and family, and 20 per cent for the Workers' Trust; the new Company leases land from both the current owners' side and Workers' Trust side; the lease amount is to cover all expenses of the respective properties; the Workers' Trust is to be independent, making its own decisions and run by six elected trustees; two trustees are to represent the Trust on the Company's Board of Directors; all workers will be maintained in their present jobs by the new Company.

Currently, the proposals are being drawn for different financial institutions and marketing of the model done to policy makers and government for finance and general support.

### 4. Major findings on farmworker perspectives

From the workers' viewpoint, seven major points were found and are presented hereafter. Firstly, it has been gathered that there is a generally positive response by the farm workers towards the new deal as introduced by the farm owners in both cases. However, this positive attitude is accompanied by a noted lack of clarity about the implications of the arrangement. So far, it can be argued, that this reality has not been sufficiently mediated by the role players concerned with the communication of the deal to the workers.

Secondly, it can be argued that the proposal of equity models needs a certain socio-cultural or political base. In other words, the socio-cultural or political conditions within the change environment, need to be conducive and so as to generate free spirit between both agents of change and the target group. The traditionally 'liberal' political climate of Grabouw (Western Cape) combined with historical efforts (since 1980) of empowerment through training within the farm, may have positively contributed towards the setting up of that necessary socio-political or cultural base. This is despite strong comments about 'distrust' and scepticism expressed by some of the respondents. In the Eastern Transvaal case as well, the micro- or on-farm environment has also historically established respect between farmer and worker and has been favourable, especially since mid-eighties towards empowerment of the workers through

participation in decision making. The positive intention shown from those efforts has definitely provided the needed socio-political or cultural base.

Thirdly, it would immediately strike any observer though that in both cases, the target group (the workers) are not sufficiently equipped to fully understand the technicalities and business implications of the working of the equity sharing concept. This lack of understanding, among other factors, has subsequently played a major role in the workers' initial sceptical reception of the equity idea. It can be argued that the conservative receptiveness among the target group might in turn be attributed to one factor, namely, traditional culture of conservatism among the workers. In other words they are not always prepared to accept new ideas. It must be pointed out that this particular factor has not been sufficiently mediated yet in both cases. As a result, there is still strong scepticism prevailing among many workers about the idea. This human reality requires more careful consideration attention from the side of the agents of change and advocates of the idea to more effectively explain, communicate and promote the concept such that it is attractive enough for consideration. It can be suggested for example that more 'graphic' and other innovative ways can be used to this effect.

Fourthly, another human aspect related to the above, that is a cause for concern, is that of how the workers see themselves when the scheme is up and running. Not enough understanding has been apparent from them regarding their new role. This is especially true in the Western Cape case among the respondents. The IDT has particularly played a positive role to this effect, which is greatly appreciated by the workers, but a long term innovative solution to the problem is required as, as it now stands, the workers are clearly not equally and sufficiently informed with information regarding the equity deal. This is probably because of the apparent inconsistency in worker involvement in negotiations especially in the Eastern Transvaal case.

Fifthly, as equity sharing has, by all means, business implications, and is basically a business deal, it cannot be avoided that negotiations must be conducted with 'business wisdom'. In this case under review, the workers are actually 'non-business' people, which is a rather painful dilemma. Although the negotiations process and preparation phase of the arrangement has so far partly acknowledged this contradiction, a long term training programme on farm business aspects, is of great necessity. This must form part of broader agrarian reform finance.

A sixth aspect to note is that of a potential danger from how some workers view the current business position of the farm. In the Western Cape case, some workers tended to show 'suspicions' of looming financial crisis and thus 'interesting' timing of the proposal from the farm owner. From their view, more transparency on the current financial situation (position) of the farm business needs to be ensured. This will help in reassurance of the potential participants of the economic 'safety' and sustainability of the scheme, as well as in ensuring them of a reward and fulfilment of their expectations. The concept of 'security of expectations' is very much applicable in this case. Another prevailing controversy surrounds waiver contribution to the deal. This needs to be explored by the financiers and dealt with.

It must finally also be reflected upon that farm worker representative organisations have definitely played their

basic role of being the workers' voice in meeting and in the whole negotiations process rather well. As it has been pointed out, in both cases, natural leaders among the workers have particularly been instrumental in the negotiations process with their persuasive and leadership attributes, which has had a positive impact in the interest level among the workers in the new deal. This will also be essential in the long term success and sustainability of the equity sharing scheme.

From the above points it is clear that the envisaged schemes will definitely face a severe test of fairness and equitability. In the Western Cape case in particular, some of the African workers interviewed expressed their concern about who should be in the driver's seat in the facilitation of the implementation of the scheme (i.e., meetings, discussions, negotiations) as their representative. They felt that they would prefer more Africans as opposing coloureds in the workers' representative committee through whom they will be assured that their interests are taken care of. On the other hand, respondent workers in both cases indicated the need for involvement of someone for them to count on and to make sure that there is no room for disappointments or some mechanism to ensure that.

Another great test that the equity idea is facing is that of political acceptability. The equity scheme has so far reviewed very little support from the government circles. The Western Cape workers, however, expressed more positive feelings towards the involvement and support from the IDT and the role they have played so far during the pre-implementation phase of the scheme. The Eastern Transvaal workers representative committee indicated the possibility of involving the ANC in the negotiations, which is a step in the right direction.

In conclusion, two main recommendations can be made which are considered as most important for the current theme of reconstruction and development. Firstly, given that the equity sharing arrangement has capacity building implications, this must be carried out in a more meaningful and organised way. It is thus recommended that an independent body must be appointed to overlook and facilitate this important function.

Lastly, the equity sharing option is considered to be potentially a significant strategy to satisfy some of the demands for agrarian reform, and most likely ease the possible socio-political tensions arising from a fully fledged land redistribution process. The policy makers therefore need to take this into consideration. It is the responsibility of the advocates of the model to encourage a policy recognition for this model.

#### Note:

1. 'Agrarian reform' in this paper is taken in its broad sense. In the wider sense of the concept, 'agrarian reform' is preferred to 'land' reform, as the former implies that other institutions must be redirected and reshaped to insure that a wide range of support services go to the beneficiaries of reform (Thiesenhusen, 1989 : 8).

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