

Farmer support programmes: lessons from implementation¹

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1. Introduction

There is little doubt about the failure of South Africa's land reform programme, and there is even less doubt about the main causes of this failure. Among the most important of these is the fact that policies that have succeeded in transferring land have not been supplemented with support to the beneficiaries to enable them to make productive use of the land. This has not been because of a lack of plans by government.

The Reconstruction and Development Programme (RDP) in 1994 situated land reform as “central to and a vital driving force of a process of rural reconstruction and development” It did however “refer rather scantily to agricultural issues and did not highlight agricultural development” *per se* although the RDP clearly provided a sound strategic framework for agricultural development to accompany land reform initiatives by the state (Van Rooyen *et al.*, 1994). The Broadening of Access to Agriculture Thrust (BATAT), conceived as early as 1994, did focus on agricultural development in the context of the RDP and was “*intended to kick-start a shift away from white dominance in agriculture, and attempted to assess the needs of black agriculture - existing and new - black farmers, and identify development priorities and strategies to improve their access to agriculture*” (Oettle *et al.*, 1998). When it became evident that BATAT was not working, remedial action in the form of the Comprehensive Agricultural Support Programme (CASP) was proposed “*To enhance the provision of support services to promote and facilitate agricultural development targeting beneficiaries of the Land Reform and Agrarian Reforms programmes*” (Minister, 2004). BATAT, as is evident from these quotes, was aimed at ‘black farmers’ in general, while CASP was specifically targeted at land reform beneficiaries.

It has been argued that the central weakness of BATAT was that it was an initiative of the National Department of Agriculture, which had little line function responsibility for the elements of farmer support, given that implementation lay with the provinces (Oettle *et al.*, 1998). This could explain why the design of CASP combined funding from the national department with implementation at the provincial sphere. Oettle *et al.*, (1998: 50) also argued that BATAT was driven by “a small minority of black staff within the Departments...” while its failure reflects “the depth of resistance to fundamental change within the state sector”. Today, however, much is heard about the inability of the provinces to implement CASP, and about the loss in expertise from the national department in the post-apartheid era.

The Farmer Support Programmes (FSP) of the Development Bank of Southern Africa (DBSA), implemented from the late 1980s in an attempt to provide farmers in the former homelands with the

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support required for successful agricultural production, seemed to have served as some kind of role model for these initiatives. However, we believe that the right lessons were not learned from the DBSA experience, principally because the later versions ignored the lessons of history and the lessons learned during implementation of the FSP.

In this regard, the basic premise of DBSA's work in the field of rural and agricultural development found its origin in an article published by Merle Lipton (1977) with the title: "South Africa: two agricultures?" In her contribution, she compared what we now term 'commercial' farming (white, large scale, professionally managed farms using hired labour and modern technology) with 'subsistence' farming in the communal areas of the country in terms of outputs, and inputs used to produce the output. More importantly, however, she showed that the origins of this form of dualism could be found in government policy to support large-scale farming and to suppress small farmers, and not in market forces. It was in this sense that she did not believe that the 'two agricultures' were anything other than a policy construct. And, she argued, "... policy should aim at creating an integrated and properly specialised farm economy", in other words an integrated farmer support system that would serve to integrate agricultural production and the concomitant agribusiness sectors into supply chains that worked to the benefit of all farmers in the country.

This was not possible at the time that DBSA was designing its farmer support system, and unfortunately an opportunity was lost to put integrated farmer support in place after 1994. Yet in confronting the challenge today there are two difficulties that must be overcome, and that were not evident at the time that Lipton was writing. First, the distortion created by the Land Acts and the separation into 'two agricultures' was not the only spatial distortion in South African agriculture. Second, most state support to the commercial agricultural sector was removed in a process that started in the early 1980s and gained momentum after the democratic elections in 1994. By the end of the 1990s commercial farming hardly received any support from the state. The result was that farmers had to fend for themselves, which inevitably favours larger farmers who can afford to arrange their own market access and to buy the best technical advice, etc. Furthermore black farmers, especially those who farm in the former homeland areas, are not linked to markets, input suppliers, financial institutions, extension services, etc.

In this paper, these two aspects (spatial distortions and the lack of farmer support) are discussed first. This is followed by a retrospective look at the philosophy of farmer support, its design and the lessons from its implementation. The central question to be addressed in the final section is whether that experience could be useful in designing farmer support services for South Africa's land reform programme.

2. Spatial distortions in South African agriculture

The impact of the Land Acts and related legislation on the rural space of South Africa came about firstly because of the definition of scheduled and released areas contained in the 1913 and 1936 Acts respectively. This created the broad division between the former homelands, where most land is held under forms of communal tenure, and the commercial farming areas where most land is held under individual title. The exception is land that has been transferred under the land reform programme, where 'beneficiaries' hold land in the commercial farming areas under less than freehold title.

Secondly, the clause that restricted black people from buying land only from other black people resulted in the so-called 'black spots' (generally land that was under black ownership and occupation) and eventually in a programme of forced removals whose purpose was to create

contiguous 'homelands' which were eventually to be excised from South Africa. The impact was a more severe demarcation of the country into commercial farming and communal areas, as well as the disruption of the livelihoods and way of life of millions of people.

Thirdly, land settlement patterns within the communal areas were determined by a series of Proclamations made under the (Native) Administration Act of 1927, which provided the legal framework for the definition of land rights (e.g. Permission to Occupy or PTOs) as well as for 'betterment' planning, which also resulted in the relocation of millions of people. Under betterment residential and arable land was allocated to individual households, while the rest of the land was used as a commons, i.e. for grazing and for gathering, etc. One of the consequences is that in most rural settlements in the communal areas the arable fields are too far from the homesteads, and are therefore underutilised.

By contrast, the spatial economy of the commercial farming areas resulted from a host of policies to support commercial farmers. These included legislation such as the Settlement Act of 1922, which made land available for farming to white people, and a variety of laws and subsidies for conservation works, whereby farmers received subsidies for the erection of fences, dams, and irrigation works, etc. But the most pernicious influence was probably the Marketing Act (1937, consolidated in 1968 and abolished in 1997). In this regard, the Maize and Winter Grain schemes can be used to illustrate the general argument.

The Marketing Act was an enabling Act. It consisted largely of a long list of powers to intervene in the market. When a sufficient number of farmers asked for control over the marketing of their commodity, a Scheme was promulgated, where the Scheme consisted of a selection of the powers of intervention. Then a Board was set up to administer the Scheme (hence Control Boards). The grain schemes were 'single channel fixed price' schemes. The Board was a monopoly buyer and seller of the commodity, had a monopoly over imports and exports, and the price was fixed annually by the Cabinet on a cost-plus basis. Prices were pan-territorial and pan-seasonal, i.e. the Board paid the same price irrespective of where or when the commodity was delivered, and sold in a similar fashion. The Board appointed agents to handle the product on its behalf – usually the local input supply cooperative in the grain producing areas. Given that cooperatives were protected by legislation and were given generous tax concessions, they achieved market power, at least in their region of operation.

The economic consequences of this control regime can be traced through the impact of pan-territorial and pan-seasonal pricing, through the cost-plus basis for the determination of the price, and through the process of deregulation. The main consequence of pan-territorial prices was that farmers close to the market were cross-subsidising those further away, which allowed a wider spatial dispersion of production. Given the cost-plus basis of price determination, and the nature of agriculture, this meant expansion into more marginal growing areas and with it the expansion of infrastructure. Another consequence was that processors moved closer to the consumers, as they also paid the same price irrespective of the point of delivery. This resulted in a) the loss of economic opportunities in the rural areas, and b) large milling plants in urban areas to exploit economies of scale, but which are less labour-intensive. This was part of a general pattern of withdrawal of agriculture-related industries from the smaller towns that included the consolidation of abattoirs and fresh produce markets into the metropolitan areas.

The main result of pan-seasonal pricing was that no grain was stored on-farm, and that farmers sold their entire crop immediately after harvest. The result was also an over-supply of transport (mostly rail) and storage capacity which stood idle for much of the year.

With deregulation, the location of production shifted in response to differential prices across space and over time. As a result, an estimated 30% of the maize crop is now milled by small-scale millers, and new, generally smaller and more flexible storage facilities have been built both on- and off-farm. At the same time the deteriorating rail infrastructure has forced most maize transport on to the roads, and market concentration continues to characterise agribusinesses, as has become clear from recent activities under the Competition Act.

The commercial farming space, including the infrastructure for getting inputs to farmers, and for getting farm produce to the market, is, therefore, geared to the needs of large-scale commercial farmers. It is little wonder that land reform, which generally caters for small-scale farmers, has not succeeded because farmers do not have access to markets.

3. The withdrawal of farmer support in the post-apartheid era

State support to commercial farmers increased in the post-war years until around 1980, with the deployment of a host of legal and other policy instruments that affected the prices of and access to natural resources, finance, capital inputs and labour, as well as access to local and foreign markets. The three pillars on which the Ministry of Agriculture's policy of 'optimum agricultural development' (as defined in the 1984 White Paper (RSA 1984)) was based were financing and assistance, optimum agricultural resource utilization and orderly marketing and price stabilization:

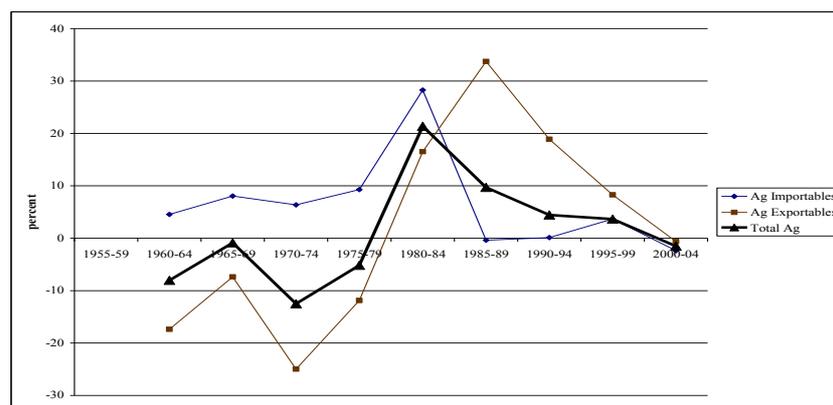
- **Agricultural financing** was considered an important pillar in view of the risks inherent to agriculture in South Africa's relatively unsuitable climate. Agricultural financing programs at heavily subsidised interest rates were provided through the Land Bank, commercial banks, other private financiers including the agricultural co-operatives, and finally the funds supplied by the Agricultural Credit Board. Under this Act funds were made available to provide for assistance to the less well-off farmers to acquire land and to provide production loans.
- The state provided a wide range of subsidies to ensure **optimal resource utilization** (e.g. for soil conservation works such as contouring, and for dams and fences, etc.) The Forest and Veld Conservation Act of 1946, the Soil Conservation Act of 1969, the Conservation of Agricultural Resources Act of 1983 and the Environment Conservation Act of 1989 provided the basis for legal control of soil erosion. Of these the first, although legally applicable to all land in South Africa, was never applied in the former homeland areas, while the others had no legal validity there. In these areas, legislative provision pertaining to soil conservation fell under the auspices of the Native Administration Act of 1927, the Bantu Homelands Constitution Act of 1971, legislation formulated by individual homeland governments, Proclamation 116 of 1949 and the Betterment Areas Proclamation R196 of 1967. There were also disaster assistance programmes to assist farmers in times of droughts or floods.
- During this period, **marketing policy** started to shift quite radically, although within the framework of the Marketing Act and the Control Boards that constituted its institutional infrastructure (Vink 1993). Many of the existing controls over the movement of labour were also lifted, setting in motion a population movement from the farms and the homelands to the towns and cities (Urban Foundation 1991). Finally, considerable microeconomic deregulation took place, also starting in the late 1970s and early 1980s and leading to a significant increase in activity in the informal economy (e.g. Kirsten 1988; May and Schacter 1991). One of the most visible effects was the increase in informal marketing of farm products in the urban areas (e.g. Karaan and Myburgh 1993).

Deregulation and liberalization were, therefore, a fact of life in the agricultural sector during the 1980s. Yet isolation from the world market, accompanied by the increased isolation of the country in the social, cultural, political and intellectual spheres meant that the deregulation steps that did take place were aimed at the domestic market (Vink and Schirmer, 2002). Foreign trade still largely consisted of managing imports and exports in order to manipulate domestic prices (e.g. maize, wheat), or of monopoly export schemes (e.g. for fruit). This changed after the appointment of an ANC Minister of Agriculture in 1996.

The most important policy initiatives in the post-apartheid era included land reform; institutional restructuring in the public sector; the promulgation of new legislation, including the Marketing of Agricultural Products Act (no 47 of 1996); and trade policy and labour market policy reform (e.g. Vink and Kassier, 1991; and Vink, 1993). State spending on the farm sector, measured as the budgeted amounts for the national Department of Agriculture plus the agricultural budgets of the nine provinces, amounted to R2.8bn in 1998. In real terms, this was 46 per cent of the budget of the Department of Agriculture plus that of the budgets of the former homeland departments in 1988.

This decline in state support to agriculture is illustrated in Figure 1, which shows the rates of assistance to commercial agriculture in South Africa from the 1960s. The support reached its peak in the first half of the 1980s and declined after that.

By the time that the Control Boards were abolished in 1997, therefore, little remained of the farmer support infrastructure that had been set up in the decades after WWII.



Source: Kirsten *et al.*, 2008.

Figure 1: The nominal rate of assistance to agriculture in South Africa, 1960-2005

4. The thinking behind the Farmer Support Programme of DBSA

In 1987, DBSA staff responsible for rural and agricultural development projects and policy published an article where DBSA's philosophy on agricultural development was spelled out (Van Rooyen *et al.*, 1987). The origins of this article can be found in the identified need by the Development Bank to foster a balance between urban and rural development, and to enable income generation and food security in the poorest areas of South Africa. This was, in other words, DBSAs attempt to allow agriculture to play its proper role in the economic development of the country.

Agricultural development at that time was envisaged as a process of setting up large-scale projects (irrigation, dairy, etc.) on a 'build, operate, transfer' basis. This approach was justified on the

assumption that black farmers lacked the required capital and managerial expertise to farm efficiently. Thus, these scarce resources would be imported by means of projects, and local farmers would be trained until they had the expertise necessary to farm commercially. Capital was conventionally provided on an *ad hoc* basis.

With the advent of DBSA, however, the authorities (both the South African and the homeland governments) expected DBSA to provide soft loans to these projects as a means of addressing the shortage of capital. In this endeavour they had the experience of the World Bank to fall back on, as that institution had been funding such projects for decades. However, DBSA also kept the experience of the World Bank in mind, especially because there was a total lack of evidence that such projects could ever survive without subsidies.

DBSA reacted to these demands in two ways, namely by spelling out the rules whereby it would get involved with such projects, and by starting the search for an alternative way of supporting agricultural development. The original debate on both these issues was crude. DBSA economists, led by the CEO, Dr Simon Brand, tried to convince the powers that be that economic logic dictated that one should use fewer rather than more scarce (hence expensive) resources in any production process. In other words, if capital and management expertise were scarce, then the fewer large scale capital and management intensive projects that were built, the better. At the same time DBSA economists were trying to convince the authorities that small farmers were 'poor but efficient'.

In operational terms these debates resulted in a reorientation of DBSA involvement in large projects, and the acceptance of the Farmer Support Programme (FSP) paradigm as the main vehicle for DBSA funding of agricultural development.

DBSAs Rural and Agricultural Divisional Management Committees became the focus of many months of debate on how to structure DBSA's involvement in agriculture. The outcome was summarised as follows (Vink, 2001):

“The philosophy of the FSP was simple. People who lived in the homeland areas of South Africa faced many constraints that affected every part of their lives. One of the results was that it was almost impossible to farm successfully, as farmers did not have access to the kind of support services (infrastructure, research and extension, rural finance, farm inputs, etc.) that farmers all over the world needed. Thus, the aim of the FSP was to ensure that farmers had access to all these support services. Whether they would actually react by farming commercially was open to debate, but beside the point, which was that they couldn't farm commercially in the absence of these support elements. Whether this would lead to 'development' in the homeland areas was also left open, as there was sufficient recognition within DBSA of how artificial the homeland boundaries were...

In other words there should be a common agri-support system for all farmers in South Africa...

5. The implementation of the FSP

The elements of the agri-support system that farmers required were originally identified as:

- The supply and funding of inputs and production assets;
- Mechanisation services;
- Marketing services;
- Extension services, demonstration and research;

- Training; and
- Policy formulation, including access to *de facto* production rights, and bulk infrastructure⁵.

Target areas were selected on the basis of priority to areas with a proven natural resource potential, a proven demand for support services and existing support services. The argument was that areas rating high in all three categories could be classified as immediate growth areas and should be accorded priority, while areas with a high agricultural potential but lacking in the latter two could be classified as future growth areas. They rate as a second priority and support activities should be directed towards upgrading such areas to immediate growth areas. Areas with low agricultural potential should not be target areas, with agricultural support efforts being restricted in the short term.

DBSA argued that a comprehensive farmer support programme had to be planned and implemented within the context of the broader agricultural milieu and appropriate development policy, implying that support should aim to alleviate both external (the natural risks of agriculture such as dependence on the weather and the high initial capital requirements) and internal (such as liquidity problems, labour shortages and a lack of skills, knowledge and education) constraints.

To assist in adequately addressing these constraints, the following elements were to be provided as part of a comprehensive farmer support programme for both crop and livestock production activities.

5.1 The supply and funding of inputs and production assets to farmers

The aim was to ensure that users had easy access to a complete package of inputs. DBSA argued that within a target area, the establishment of a depot or service centre could be an effective vehicle to ensure access. Regarding the supply of inputs and the establishment of service centres, the following guidelines were proposed:

- Inputs must be available in the right form, at the right time and place.
- The inputs should be suited to the particular environment.
- All inputs necessary for the types of crops grown or livestock held should be available.
- The planning and design of service centres (depots, etc.) must be sufficiently flexible to accommodate all present services and future development.
- Design standards should be appropriate and functional.
- The siting of the service centres should take cognizance of transport networks.
- In view of the potential for privatization, depots should be affordable and land tenure implications noted.
- In all cases, the capital requirements of facilities and infrastructure should be carefully analysed in respect of internal and cross-border duplication.
- The service centre should be integrated with other services or projects.
- The expansion and utilization of existing facilities (i.e. projects, settlement schemes and commercial facilities) should be considered.
- Where possible, local skills and materials should be used in the construction and management of depots.

⁵ *De facto* production rights was the ruling Bank-speak for land reform and access to other resources such as water rights, as well as access to production quotas, etc. under the Marketing Act.

5.2 Mechanization services

The major objective of the supply of mechanization services was to alleviate bottlenecks in the preparation of farm land and the transport of inputs and crops.

The following design criteria needed to be considered:

- The mechanization provided should be appropriate, with due regard being given to employment creation.
- The type of machinery used should allow for the participation of local contractors in respect of both cost and appropriateness.
- The viability of the mechanization services for the particular areas should be assessed.
- Effective service and maintenance support should be provided.
- The setting up of local contractors should have priority and these services should only be undertaken by the public sector in extreme circumstances on an interim basis and then not in competition with the private sector.
- The potential for non-agricultural service provision by contractors should be assessed.

5.3 Marketing services

In the context of FSP, marketing referred to all those activities that facilitate the removal of produce from the farm-gate to the point of sale. Adequate attention needed to be given to:

- The grading standards required and equipment needed
- The storage requirements in a particular target area i.e. associated with depots
- The opportunities for increased local marketing of produce
- The infrastructure required for local marketing i.e. roadside stalls and public markets
- Opportunities for marketing outside the target area
- Means of privatizing market functions, in particular transport and storage arrangements
- The timeliness of payment for produce delivered into the controlled marketing system
- The legal constraints that prohibit the sale of agricultural produce within a region.

5.4 Extension services, demonstration and research

The major objectives of extension are to transfer knowledge and information to the farmer. To facilitate this, attention should be given to:

- The utilization of and upgrading/supporting the existing extension facilities and services
- The most cost-effective method of providing a comprehensive extension programme
- The fact that it is generally accepted that the provision of extension programmes is a function of the public sector, although the private sector does provide valuable advice and services for which the farmer pays for indirectly
- Situations where both the public and private sector provide extension advice, to ensure that there is general consensus on the content and appropriateness of the knowledge transferred to the farmer
- Integrating aspects of farm systems research into the extension programme. Farmers and extension staff should be involved in the identification of problems and the testing of new technology to ensure that appropriate solutions and technology are developed, demonstrated and supplied.

5.5 Training

In the context of FSPs, training involves the transfer of skills to the farmer, extension staff, administrators/managers of farmer organizations (i.e. co-ops, depots, associations) and to local private entrepreneurs, e.g. contractors. Attention needed to be given to:

- The identification of management and skill deficiencies in the four groups above
- The most cost effective method of providing the necessary training to each group
- Existing training facilities which should be upgraded, supported or adapted
- The fact that practical, in-service training of short duration, is likely to be appropriate
- Farm systems research as set out in 5.4, which is also applicable.

5.6 Policy formulation

DBSA argued that policy formulation was required to address the various elements and appropriate institutional arrangements to facilitate the effective application of an FSP. Examples of such policies include:

- Appropriate pricing policies
- Marketing
- Regional cooperation
- Financing
- Privatization
- Technology.

Access to *de facto* production rights was seen as of special importance in this regard. This included:

- Increased mobility of land resources
- The acquisition of de facto production rights.

5.7 Guidelines for the economic assessment of FSPs

The following general guidelines applicable to the programme as a whole were to be utilized in the economic assessment of specific programmes:

- The provision of the support services should be comprehensive and all the elements should be provided in an integrated fashion.
- Attention should be paid to the effective and potential demand for the support services.
- Cognizance must be taken of the existing supply of support services, both within the locality and in the region as a whole.
- The sequential nature of agricultural development necessitates the timeous and co-ordinated establishment of support services within an appropriate time frame. This includes taking into account the sequential adoption of technology by farmers.
- As a general principle privatization of services should be encouraged and activated by the private sector. Training and extension are exceptions, although the private sector can assist in making these programmes more effective. It must be recognized that in certain circumstances public sector management may be necessary to ensure the adequate supply of services and to regulate the supply of services by the private sector.
- The socio-economic benefits should exceed the socio-economic costs of a project or

programme. Support by the public sector to farmers or contractors to enable them to participate on a profitable basis in a programme can thus only be justified by positive net socio-economic benefits of such a programme accruing to the economy.

In general a cost-benefit approach should be employed to assess the socio-economic profitability of FSPs. This approach should entail the quantification of all direct benefits and costs to a programme with a qualitative assessment of the potential spillovers and secondary effects.

5.8 Institutional framework

In DBSAs view, a variety of institutions and organizations would have to participate in the planning and implementation of an FSP. The relative contribution of each in providing the elements of the programme would depend on the nature of the particular element, the circumstances of a particular area and on the extent to which the programme could eventually be privatized.

5.8.1 Guidelines for institutional responsibilities

DBSA argued that four categories of institutions feature in FSPs, namely the public sector or government, quasi-government, private sector and non-governmental organizations (NGOs):

- General responsibilities of government relate to policy formulation and the identification of the necessary instruments to support FSPs. Public sector participation in and management of various elements of FSPs has often been introduced for various reasons *inter alia* to provide important services regarded as unprofitable by private sector, to counter monopolistic tendencies and to plan and regulate the provision of services. Research, training and extension programmes over a broad front are generally accepted as public sector responsibilities. The private sector however could play a meaningful role in making these programmes more effective.
- In agriculture in general and specifically in developing agriculture the need often arises for quasi-governmental organizations such as development corporations, agricultural and development banks, etc. to assist in mobilizing resources and to initiate and manage programmes. This is necessary because corporative decision making is required, but risks and uncertainty reduce the incentives for private sector participation while profitability is marginal, especially over the short and medium terms.
- The basic rationale behind privatization is that private sector entrepreneurs and managers would respond more efficiently to market opportunities. However high remuneration is required in view of the increased uncertainty and risks associated with this entrepreneurial response. As to the privatization of support activities, basic criteria for private sector participation are therefore sufficient demand and profitability to remunerate risk and entrepreneurial effort, as well as to sustain investment and commitment over the long run. Commercial risk should also be assessed. In developing situations the degree of non-commercial risk complicates risk analyses. Certain measures may thus be required to alleviate non-commercial related risks (back-up guarantees etc.) in order to promote privatization of FSPs. An additional important prerequisite for successful privatization is effective competition amongst private sector institutions. Where this is lacking, for example with monopolies, private firms may not necessarily perform better than the public sector.
- Local community participation, including farmers as individuals or on group basis, is crucial in the planning, implementation and evaluation of the support programmes. Farmers, in particular, operate under private sector criteria.

5.8.2 Implementing agencies

Given the high cost involved in servicing a large number of farmers over a broad front and the comprehensive nature of FSPs, it would be essential that an agent be responsible for the overall planning and initial implementation of a particular programme.

In the Southern African context this was most likely to be a quasi-governmental organization such as a development corporation. However, this did not exclude the possibility of the government, a co-operative, existing project management, NGOs or the private sector undertaking the implementation of specific aspects in certain instances.

The co-ordinating implementing agency would have four main responsibilities:

- To ensure that all the elements of the programme are provided in an integrated and co-ordinated manner
- To establish and monitor functional responsibility in the provision of services and to ensure that there is no duplication of effort
- To facilitate private sector participation in support activities by *inter alia* creating the conditions for effective competition
- To implement an appropriate strategy that will promote the development of a local organizational structure that would be capable of eventually assuming managerial control of the FSPs at the local level. The development of farmer groups into viable farmers' organizations (e.g. cooperatives) was regarded as a possible means of achieving sustainable management organizations in the long term.

5.9 Financing farmer support programmes

Various institutions could be involved in providing financial assistance to FSPs. In situations where the public sector needs to provide affirmative action and private sector funds are inappropriate, DBSA, as the appropriate institution for financial assistance, developed operational guidelines for such funding. Fundamental to these guidelines are two principles:

- Purely commercial ventures should enjoy equal investment opportunities throughout Southern Africa, with comparable access to financial resources.
- The access to opportunities for farmers in Southern Africa should be on an equal basis.

In view of the significant constraints facing emerging farmers in the developing areas, the establishment and promotion of these farmers would require substantial support, protection and incentives, especially during the initial phase of development. Such affirmative action is clearly reflected in DBSA's funding actions. DBSA would in principle, depending on the economic development impact relating to the specific venture and the degree of farmer participation, consider partially financing some or all of the financial (input, capital, etc.) requirements of a specific FSP. The following guidelines apply:

- DBSA would consider the financing of all basic infrastructural elements in order to facilitate FSP activities.
- DBSA would consider loans to finance processing, marketing and farmer servicing facilities as well as production inputs, and medium and long term capital to farmers.
- DBSA would also consider the financing of any capital expenditure elements directly associated with the development agent performing agricultural functions to farmers on behalf

of Government.

- DBSA would in general promote financial contributions by the private sector *inter alia* by providing back-up guarantee facilities if so required.
- The public sector would be expected to provide for all the recurrent costs related to the above programme.

The implication was that an FSP could consist of multiple loans to different institutions and cognizance must therefore be taken of the need for proper coordination between the various implementing agencies.

6. Evaluating the Farmer Support Programme of DBSA

The FSP policy of the Bank was officially announced at an Agricultural Information and Media Systems (AIMS) conference at the Mpekwani Conference Centre in the Ciskei region in October 1986. The first “test” for this operational policy was the Kangwane Farmer Support Programme (March 1987), which aimed to establish access to the required support systems to enable small scale producers to supply sugar cane to the TSB Mill in the Onderberg region of the Lowveld. This FSP became one of the success stories of DBSA.

Whereas the first FSP focused on field crop production (sugar) the framework was soon extended to grain, livestock and urban/garden farming projects. One of the important manifestations of the approach was the success of the Pokwane FSP in the Lebowa area to maintain and even increase household food security levels during the drought period of 1991/2. The Bank successfully established the “small farmer” development approach in concept and operation with a broad-based application in all the regions served by the Bank including Mozambique, Swaziland, Lesotho and Namibia. Over the 1987-92 period, it was estimated that more than 350 000ha and 25 000 small holders were reached through DBSA supported FSPs. More than 30 000 new jobs were created over this period.

During the early 1990s, DBSA conducted an evaluation of the Farmer Support Programmes that it had financed, and the results were published in 1995 (Singini and Van Rooyen, 1995). This evaluation report consisted of two introductory Chapters on the FSP and on the design of the evaluation research, followed in Part 2 by six chapters on the FSP in different regions of the country. The first four of these were by economists: the only Chapter authored by a multidisciplinary team is Chapter 8 (Fischer and Vink, 1995). The title of this chapter (‘Sheds, schools and service centres’) refers to the different perceptions of the FSP among the ‘beneficiaries’. This was, in turn, a consequence of the way in which the officials in each area interpreted the programme.

Some of the main lessons that emerged from the evaluation of the DBSAs FSP experience were:

- a) That farmer support services had to be comprehensive, i.e. they had to be available and accessible for all farmers across the country;
- b) That the provision of farmer support services had to be coordinated, i.e. different government agencies and the private and non-profit sectors had to work together in order to provide farmer support services successfully; and
- c) That the sequencing of the provision of farmer support services had to be focussed on the needs of particular areas and groups of farmers.

7. Farmer support in South Africa: what have we learned?

These above listed lessons, together with a number of observations, contextualised by the dynamics in operation in South African agriculture policy and small farmer development since the early 1990s provides the basis to consider what lessons were learned from the design and implementation of small scale farmer support services. The “DBSA success story” sets strong pointers to direct the design and implementation of new interventions to serve small-scale farmers in South Africa.

7.1. A vacuum was left due to the demise of focussed, coordinated and comprehensive small farmer support service programmes.

The inability to set a pro-active system in place after 1994 to integrate South Africa’s “two agricultures” and notably the virtual falling away of effective small farmer support systems left a vacuum in most rural areas of the former homelands. Small-scale farmers from these environments often state that they are now much worse off and that the so-called government extension service contributes only marginally to get farming going. Despite dedicated government funding schemes such as CASP and MAFISA, few successful and progressive interventions can be shown (Van Niekerk *et al.*, 2011)

Notably in this regard, however are the many recent policy papers and statements that refer to the importance of a coherent set of support services, as promoted by the FSP, to assist small farmers in these areas. This is indeed promoted as a major national priority. A recent example is the National Development Plan of the National Planning Commission that pertinently includes smallholder farming in rural environments as a mechanism to sustain/create employment and promote food security. The introduction of all FSP elements, largely along the lines as listed in Section 6, is also promoted. The vacuum that the demise of such a programme left partly contributed to this new interest. The question now remains how to design and how to implement.

7.2. The importance of coherency and focus in farmer support policy frameworks, funding programmes and implementation processes.

The FSP was a good example of a coherent set of policies, funding programmes and governance processes; all focussed on small-farmer support programmes. The DBSA was also the most influential and biggest funding agency during the 1984 -1993 period for agriculture in the previous homeland areas. DBSA emphasised the provision of services to serve small-scale farmer development and employed clear principles and operationally structured “design criteria” and processes along the full project cycle to support FSPs. Agricultural development agencies also depended on the DBSA for funding as they had no or few alternatives to mobilise public funds for agricultural development initiatives. Historically most development agencies generally favoured the large scale, capital intensive settlement project approach (LSP) due to management and control considerations; DBSA however prioritised FSP type of interventions. This resulted in a noted change in agricultural development strategy towards serving small scale farmers.

During 1987 – 1992 the FSP became the major feature in DBSA’s rural and agricultural investment portfolio: investment in FSP’s amounted to 73% in 1991 and 41% in 1992; in LSP – around 80% in the early eighties, down to 22% in 1991 and only 5% in 1992. In this period around 25 000 smallholders were served by 34 FSPs at an average cost of R5000/farmer (1993 values) and around 30 000 jobs were created; LSPs settled 2 500 farmers at an average cost of R52 000 during this period (Singini and Van Rooyen, 1995). Significant production increases were generally recorded. Much of this was directly consumed by the household or informally traded. Commercially traded

produce however also increased significantly in most FSP project areas. During this period more than 350 000 ha in the homeland areas were brought into production through FSPs (Singini and Van Rooyen, 1995).

In addition to production increases, etc., an important worth of the FSP would also be found in the observation during the FSP Evaluation Workshop in 1993 by an implementation practitioner on a number of FSP projects, Johan Adendorf, that “FSP has restored self-image. This is the biggest achievement to date and the cycle of effects that it has produced. The FSP has reinstated value in the soil, value in culture and value in agriculture. It has been a catalyst to further development of the resource-poor and neglected small farmer” (Singini and Van Rooyen, 1995, p 251). This is sharply contrasted by a recent view by Eastern Cape smallholders that “we have lost our dignity as persons; good farming will again make us proud” (Van Niekerk, *et al.*, 2011)

From these statistics and views an important lesson for the effective implementation of a programme of this nature, emerges, namely that coherent policy and project design criteria, together with a consistent and focussed funding programme, will direct and enable implementing agencies to generate “tipping points”, resulting in a critical mass of action and outcomes. The current vacuum left in the supply of small farmer support systems and services, in particular in the previous homelands, clearly calls for such a substantive, coherent, pro-active and well implemented intervention.

7.3. The importance of structured participative processes in policy development and in programme/project design, monitoring and evaluation.

A third observation, relevant to structured design, monitoring and evaluation of such interventions as the FSP, emerges from the process followed to test/pilot the FSP approach; to monitor outcomes; and to evaluate the programme.

After a first round of FSP implementation of 24 FSPs and also in response to views and comments from FSP implementing agencies, an interim evaluation of the operational workings by commissioned experts, was initiated in 1989 by the DBSA. This led to some adjustments in the programme, notably in the “objective function” of the FSP to broaden its scope to include livestock and food garden production; and by making of FSPs more borrower friendly through participative planning and institutional capacity development (Singini and Van Rooyen, 1995). The DBSA’s Farmer Support Evaluation (referred to in section 6), was commissioned in 1992/3 by the independent DBSA Evaluation Unit, and built on this on-going participative monitoring and “interim internal” evaluation processes.

This formal evaluation process (well documented by Singini and Van Rooyen, 1995) was quite a unique occurrence for that time. It succeeded in mobilising a number of people who were to become important in the new post-1994 era as well as highly regarded local and international academics/researchers and those with “on the ground” FSP implementation experience, together with the top structure in the DBSA responsible for the Bank’s agricultural and rural development investment programme. Unfortunately participating farmers and beneficiary groups were absent - these were rather engaged during interim evaluation surveys and focus group discussions and a good record of their views was available. This however must be noted as unfortunate; it provides a lesson in its own right regarding the importance of participative processes.

The set-up of this evaluation process and the mobilisation of the many future influential opinion makers and bureaucrats, provides an interesting observation: Whereas the evaluation process often

resulted in diametrically opposing viewpoints, sufficient consensus could be reached on the way forward for the FSP in the “new South Africa” of the mid-nineties and onwards – refer to the concluding chapter in Singini and Van Rooyen (1995). Many of the disputes were ideologically motivated in nature; some reflected the struggle background of anti-apartheid activists; some the vested interests of homeland development agencies; and some were the logical result of the different enquiring paradigms of anthropological, social science, agricultural economics, agribusiness, agronomy, financial and legal disciplines. However all this added to the richness and scope of the evaluation process and enabled the reaching of some powerful conclusions on the way forward. The lack of farmer and beneficiary participation is therefore even more unfortunate.

Any future intervention of this nature should endeavour to mobilise a group of well-educated and knowledgeable opinion leaders to participate in future small farmer development policy development, design, monitoring and evaluation processes. Beneficiary groups should be included in such processes: farmers, community leaders, and business people. Women participants should be accommodated as they are by far the majority of small farmers. Local societies such as saving clubs and stokvels will also be important, together with all relevant community stakeholders. Planning and facilitation processes will have to be both structured and informal. This will require the application of methods such as logical framework/objective oriented planning and rapid rural appraisal and monitoring.

7.4. Expanding the farmer support concept: what type of farming development model and support schemes for today?

There are two main farming models in operation: the household and the business mode of production and resource use (Dillon and Hardaker, 1980). Farming types with household production objectives will be less concerned to maximise farm profits and more directed towards optimising returns to family labour resources and household food security status through risk adverse strategies. Farming and non-farming activities will compete for scarce resources and finance will be applied to the most pressing household needs, and not necessarily to farming. Farming for business purposes will, on the other hand, be much more directed to profits, markets, growth and expansion. The content of the required support services will also differ between these two modes of farming. The choice of farming model will thus be fundamental to the nature of the required farmer support services.

Since the 1990's a range of development models have emerged in South Africa and elsewhere to link smallholders/emerging/new farmers through business mode models – contracting, out growers, equity and shareholding - into the general commercial agricultural support system. Where the required support services and elements, as defined, were provided effectively, successes were recorded (Van Rooyen *et al.*, 2010; Mabaya *et al.*, 2011).

Smallholders in die former homeland areas are generally not included in such recent “commercialisation” development models and remain largely neglected as extension services, funding support and infrastructure have effectively broken down (Van Niekerk, *et al.*, 2011). The FSP's of the late 1980's and early 1990's were primarily directed towards assisting such smallholders in these areas to achieve greater farming efficiency through access to resources, technology and support services. The accent was on broad based programmes directed by demand from smallholders to increase their farm production for commercial purposes and also to improve aspects such as household level food security. This focus remains relevant for many in remote rural environments. New initiatives along the FSP model therefore need to be considered for both commercial production and household food security purposes.

Agribusiness enterprises are also increasingly involved as strategic partners in land reform projects i.e. through the Proactive Acquisition of Land Scheme (PLAS) (Van Rooyen, *et al.*, 2010; Mabaya, *et al.*, 2011). Such settlement project type interventions can readily be designed, with little adjustment, along the principles and criteria of the FSP. New services such as quality control and traceability measures, supply chain management and product insurance schemes may be required. The funding package may also differ and co-funding for such initiatives would be most likely. The funding mechanism therefore will need adjustment.

The concept of “integrated rural development”, as currently implemented by municipalities through their Integrated Development Plans (IDP’s), will also require some revision to situate farmer support in the context of a broader development initiative and investment programme.

Expanding the scope of FSP to accommodate a range of development models and “objective functions” to include modes such as profit maximisation and commercialisation; improving rural livelihoods and food security; stabilising and expanding employment; etc. will thus become necessary – the FSP support elements will remain, however the content and mix thereof will have to be adjusted to accommodate the appropriate typology and type. The choice of farming model and type therefore becomes important – now more so than in the DBSA period.

7.5. Making FSP’s more user friendly.

An important bottleneck experienced with DBSA’s FSPs was the perceived rigidity of project descriptions as per the contracting agreement and the corresponding financial disbursement procedures. This complicated the type of adjustments, necessary in farming practise due to changing weather patterns and related seasonal differences. Market and price fluctuations, especially in the free market environment as we experience it today and business dealings also need flexibility in funding and compliance arrangements.

More flexible design criteria and funding arrangements, combined with clear accountability and governance procedures and accurate farm information and business intelligence and supported by monitoring systems will be required in future initiatives. This will also apply to accommodate the many “new” farmer support models.

7.6. Access to farm land and property rights.

Access to farm land remains a problem, despite the changes in land ownership arrangements since the 1990s. Lack of production rights to land restricted productive farming in areas served by FSPs. Land purchase is currently still not possible under communal tenure systems and the lack of land ownership constrains the ability of farmers to mobilise loans, to invest in land improvements and to expand growing businesses. Smallholders are therefore generally trapped on too small landholdings with too little development capital. Land reform transfers also do not provide sufficient access to black farmers.

Land ownership is the preferred option, but is not a necessary condition for the commercialisation of agriculture; alternative arrangements such as rental agreements of sufficiently long duration to justify investment could also be viewed as an alternative mechanism. Urban land development plans should also provide for smallholder production.

7.7. (Re)structuring the institutional support framework

The evaluation of the FSP noted that the institutional framework to support the implementation of FSPs was underdeveloped in certain areas, primarily as regards to the quality and choice of implementing agents. Farming communities served by a FSP had to accept development corporations to perform the implementation function; government departments and NGO's were seldom used due to the accountancy and compliance requirements and politics of the time.

Interesting contractual link-ups with commercial agribusinesses and cooperatives to act as implementing agents were however explored during that era. The Sheila-Mooifontein FSP in Bophuthatswana was successfully implemented by NWK, a large agricultural cooperative, under an agency agreement with the local development corporation Agrikor (Van Rooyen, *et al.*, 2010). A number of sugar FSPs were also implemented by sugar milling companies acting as agents of the KwaZulu Government Service.

The current agri-support service environment differs largely from that of 1985-1994. The free market dictates production activity and locality, agribusiness firms have consolidated and provisions such as the AgriBEE Codes and Scorecard (currently still aligned to the generic BBEE Scorecard) establish a clear rationale and incentive to engage actively in economic development activity related to transformation, preferential procurement and black farmer development (Mabaya, *et al.*, 2011; Van Rooyen *et al.*, 2010).

At government level provincial governments have agricultural development responsibilities. Municipalities are also positioned to play an active role at ground level to structure services serving small scale agriculture. However, some of the major constraints of the FSPs were the weakness at local, community level institutions to mobilise and participate in programme design and implementation. This often created ownership and accountability problems. Currently, institutional weakness at provincial and local level jeopardise the ability to implement FSP successfully.

An institutional structure linking government functions at national, provincial and municipal levels to agribusiness support will be necessary to reach more with FSPs. Improved policy and coordination, together with appropriate funding arrangements and capacity development to strengthen local institutions such as farmer associations and primary cooperatives, inter alia through mentorship and coaching structures, will be required. This will necessitate a substantial restructuring of the current institutional support framework. As argued above institutions such as land ownership and tenure should also be revised to become more farmer friendly.

7.8. Planning frameworks and assessment methodologies: creating a useful tool kit.

The FSP strategy was strongly methodology orientated. This assisted management through the various stages of the project cycle – identification, design, appraisal, and implementation, and various techniques were employed during the different phases of the cycle.

Economic Cost-Benefit Analysis (CBA) was positioned as the dominating framework for design and decision making by the DBSA. “Shadow pricing” and economic analysis to complement financial assessment was necessary due to the distorted nature of the South African agricultural economy at that time, in particular the opportunity cost issue (Van Rooyen, 1986).

The CBA framework, advanced by influential international institutions such as the World Bank, IMF and the OECD, provided a valuable platform to deal with various contentious issues in an

operational manner (Gittinger, 1984). Examples are the comparison of various options in irrigation development; user charges for project services rendered (e.g. water, extension); project scale and size differences; the inclusion of labour and “sweat equity” in project costing; the treatment of sunken costs; etc. CBA also set the indicators for monitoring and evaluation processes. Whereas the “shadow pricing” component is seldom required nowadays because there are few distortions left in agricultural markets, all the other issues still feature in project design and appraisal and CBA will have to be integrated as a major decision making support tool.

The emphasis on participation will require the application of user friendly methods and techniques such as logical framework planning/objective oriented intervention planning and multi criteria analysis, together with rapid rural appraisal techniques. The need to understand and accommodate diversity in planning will also necessitate the application of typology analysis.

The opportunistic use of such supporting techniques, as was experienced during the early stages of DBSA’s agricultural funding programme, could lead to erroneous design and decision making as well as manipulated monitoring and evaluation findings. The DBSA provided a central point where methods and conventions could be calibrated. A similar central capacity will have to be established to develop a generally accepted set of methods and generally applied tool kits to support the various project cycle processes.

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