

# Profitable partners or partners facing painful problems?



By [Derick van der Walt](#)

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To share 50% of your worldly possessions with your farm workers, especially those who have been at your side for many years, seems a noble idea.

After all, they have been there for you through the droughts, the floods, that devastating frost, the unexpected failure of the harvest. And they shared the joy that day when the new John Deere arrived.



The idea seems a bit like "organic" or "free-range" farming and "back to nature" - those earthy values - and "liberty, equality and fraternity" - the creed that French philosophers advocated centuries ago.

But could this be the South African government's worst shot at land reform yet?

Not only is the proposed policy unconstitutional according to experts, it is simply impractical.

"In a nutshell, Gugile Nkwinti, minister of land reform and rural development, is proposing that commercial farmers retain only 50% of their farms. The other 50% should go to their farm workers. Ownership will be proportional to the number of years they have worked on the farm and the contribution they have made to the farm's development. Government will pay for the workers' half of the land, but farmers won't see a cent of that money. It is destined for a development and investment fund, jointly owned by the farmers and workers. This fund will be used for skills development and reinvestment in the farm," explains Agri SA's legal advisor and parliamentary representative, Annelize Crosby.

## **But what are the problem areas with this noble idea?**

"It is not really clear what exactly the minister means when he says that 50% of the farm must be allocated to farm workers who have been on the farm for more than ten years. Is it 50% of the farm land or is it 50% of the farm business?" asks Dr John Purchase, CEO of Agbiz.

"Does it mean that the worker shareholders will co-manage 50% of the business? What will happen if the worker shareholders want to farm cotton this season and the farmer has his or her eye on planting maize? Furthermore, there are existing bonds on many farms. Does the proposal entail that the worker shareholders will be responsible for 50% of the debt as well?"

Aggrey Mahanjana, secretary-general of the African Farmers' Association of South Africa (Afasa) and group managing director of the National Emergent Red Meat Producers' Organisation (Nerpo), says the philosophy that underlies minister Nkwinti's proposal cannot be faulted. "We agree that the South African rural economy should be deracialised. We also agree that the utilisation and allocation of land should be democratised.

## **Food security for South Africa should always be the aim**

"Afasa's main concern, however, is the way in which the policy will be implemented. While the sharing of land is undisputed, the identification of beneficiaries is a concern. It will be pointless to put people on the land who lack the necessary business skills. A farm worker is not necessarily a farm manager. To ensure food security, beneficiaries should be carefully identified. And food security for South Africa should always be the aim.

"Government says that, since 1994, nearly 5,000 farms, comprising 4,2 million hectares, have been transferred to black people, benefiting more than 200,000 families. The government also says that nearly 80,000 land claims, totalling 3.4 million hectares were settled, benefiting 1.8 million people. The question, however, is how much of this land has remained productive. Because the state was chasing numbers, unskilled people were given land that has lain fallow since.

"We are also concerned that the proposed scheme could be regarded as an infringement of an individual's property rights. What Minister Nkwinti is suggesting, could be interpreted in many ways. It could, for instance, mean that domestic workers, who have been living on the premises and working for property owners in the suburbs of Pretoria for more than ten years would now be entitled to half of that property. Could this be?

"The policy could also result in the mass eviction of farm workers by farmers who are trying to protect their interests. Between now and April next year, many farm workers who qualify, or will qualify soon as beneficiaries, may lose their jobs."

Crosby says there are various legal issues that will complicate the matter, among others, the sub-division of land. There are also many legal consequences with regard to the co-management of a farming business.

Purchase points out that such partnerships may pose many problems for Agbiz members who provide financing to the agricultural sector. "They may now look differently at a farmer and his partners' business proposal to obtain financing. Will the worker shareholders have sufficient security to guarantee a loan? This issue could pose a huge risk to those businesses that provide financing. I foresee that less money will be provided due to the huge risk involved. This may result in disinvestment in the sector."

Purchase also believes that many farm workers will have access to a lot of cash and many will look at other ventures outside agriculture - greener pastures, so to speak. "Farmers may lose many of their stalwarts," he says.

In an article, published in the Financial Mail on 3 July 2014, Claire Bissek reported that academics at three universities had panned the proposal. "Not only is the draft policy not affordable and possibly unconstitutional, its proposed model of sharing equity ownership is not even something that farm workers really want - judging from meetings held in April by the

University of the Western Cape with farm worker organisations and trade unions to discuss the proposal."

## **Equity share schemes have a chequered history on South African farms**

Frikkie Liebenberg, Senior Lecturer in the Department of Agricultural Economics, Extension and Rural Development at the University of Pretoria, estimates that if commercial farmers were to hand over 50% of their land, they would suffer a capital loss of R86,9bn, excluding the value of equipment and livestock. This provides a conservative idea of the price tag this expropriation carries, Bissekter says.

"If farmers were limited to farming half their present area, Liebenberg estimates that South Africa's agricultural production would most likely be halved to around R91bn/year. Enormous increases in food prices would be the result of this, even if the new entrants succeeded in producing only half as much as the previous owners did on the halves they were given, Liebenberg says," Bissekter wrote.

"The adverse effect on agricultural suppliers and service providers, on the processing industry, and on trade and banks, would also be huge. For instance, at present, the total farming debt stands at R102,5bn and Liebenberg fears the financial sector could face a default on loans of at least R51,2bn - given the fact that farmers would effectively be signing over half their collateral.

"No economy in the world can afford the kind of experiments government is now dreaming up. Investment levels in agriculture are already lower than what we would have seen in the absence of any of the uncertainty, resulting from irresponsible political debate," Bissekter quotes Liebenberg.

She also quotes Prof Michael Aliber from the department of agricultural economics and extension at the University of Fort Hare, who agrees that equity share schemes have a chequered history on South African farms.

"Shotgun weddings, such as those suggested by the proposal, are especially unlikely to result in stable, productive partnerships," Aliber warns.

The opinions of associate professor Ruth Hall and Prof Andries du Toit from the University of the Western Cape's Institute for Poverty, Land and Agrarian Studies (Plaas), were also mentioned in Bissekter's article. According to Hall and du Toit, at worst, the policy is likely to pit workers against each other, since the fewer workers there are on a farm, the more there is for the ones who remain.

"Given the difference between 10% equity on a commercial farm and the current minimum wage, one would expect that all long-serving workers will immediately resign and leave the farm, quickly depleting this fund. But unless workers are able to sell their shares or outvote the farmer, the policy does not offer them any useful benefits. Instead of pursuing his own model, the minister should listen to farm workers' demands.

## **What farm workers really want**

"According to meetings held in June 2013 by organisations such as Plaas and the People's Land Assembly, farm workers mainly want tenure security, decent living conditions, improved wages and access to land for their own use - none of which they feel they are getting at this stage in time."

Mahanjana, Crosby and Purchase believe that there are already better schemes in place to empower farm workers, such as the Farm Equity Scheme (FES), implemented by the department of rural development and land reform, which is mainly aimed at the fruit industry in the Western Cape. The minister, however, has placed this successful project on hold.

"Via the FES, workers acquire a significant shareholding in a farming operation, including land as an asset," says Mahanjana.

"It is a pity that government chooses to turn its back on existing policies that fail due to poor implementation, and keep on experimenting with new, more radical policies, which may have serious unintended consequences for the country," says Crosby.

"It is important to understand why the implementation of the existing policies and laws has been so poor. Therefore, any weaknesses need to be identified and addressed," she says.

"Agri SA is committed to assisting in improving the living conditions, skills and working conditions of farm workers who form an integral part of the sector. We are also committed to keep on participating in the ongoing consultations on tenure security in the commercial farming areas. The solution to this emotive and complex issue most likely does not lie in any quick fix, one-size-fits-all solution, but rather in a range of options to secure a better future for farm workers."

But all is not lost, she says. "Minister Nkwinti plans to discuss the matter extensively with stakeholders until April 2015, and we believe that fairness and rational thought will eventually prevail and influence government's decision about this proposed policy. In the end, food security and the important role of agriculture in creating jobs are at stake."

"Whatever happens, agricultural productivity must be protected at all times," Mahanjana adds.

## ABOUT DERICK VAN DER WALT

Derick van der Walt is the owner of Greenpepper Communication in Pretoria. His company specialises in the production of corporate publications - printed and electronic. Among others, the company has a number of clients in the agricultural field.

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