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# **Strategies for Sustainable Land Reform in the Karoo Hoogland**

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# Strategies for Sustainable Land Reform in the Karoo Hoogland

## Introduction

The Karoo Hoogland Municipality has been involved with land reform for at least six years through encouraging the Department of Land Affairs (DLA) to acquire land on their behalf; through managing such land acquired through the DLA; through seeking ways of supporting emerging farmers on land such as facilitating discussions between emerging farmers and commercial farmers regarding the acquisition of sheep and other support; through making “old” commonage available to emerging farmers.

This support has chiefly been without a comprehensive policy on land reform for the municipal area and on commonage (although the newly acquired commonage is generally managed in terms of the national DLA policy and the “old” commonage is generally managed in terms of the Cape Ordinance 20 of 1974). Moreover, land reform occurs in the area without clear role definition amongst the various players including the Municipality, the Departments of Land Affairs and Agriculture, the landless people and emerging farmers and other players such as non-government organisations.

This has resulted in the “old” commonage land being leased out on short-term contracts, a lack of clarity on the definitions of what and who a small-scale farmer and an emerging farmer is and what kind of support such farmers can expect from the state (national to local) and a lack of clarity on the role of the Municipality in particular.

Phuhlisani Solutions (PS) was appointed to work with the Municipality and the various other role-players involved with land reform, particularly landless people, small-scale and emerging farmers, commercial farmers and the various institutions linked to land reform (government departments and non-governmental organisations). The task given to PS was to develop a Strategic Plan for Sustainable Land Reform in the municipal area. The organisation went through the following process to arrive at this Strategic Plan:

- A series of workshops with the various groups of landless people, small-scale farmers and emerging farmers in each town;
- A series of interviews and information gathering with a spread of relevant government officials and other key informants and representatives (see Appendix 1 for a list of people consulted in this regard).
- The writing of a Status Quo report and the presentation of this to workshops of emerging, small-scale and commercial farmers, as well as municipal officials and NGOs in each town
- The development of an initial concept of the Land Reform Strategic Plan
- The presentation of this Strategic Plan to a combined workshop of emerging, small-scale and commercial farmers, state officials from various departments, municipal officials and local NGOs.
- The revision of the Plan after the combined workshop.

## 1. What is the aim of land reform in the Karoo Hoogland area

The vision for Land Reform in the Karoo Hoogland draws on the national and provincial targets but takes into account the current reality and the context of the Karoo Hoogland agricultural and land set up. Moreover, the vision for land reform in the Karoo Hoogland not only looks at the redistribution of land, but also addresses the various other components that make land reform sustainable – economically and ecologically.

The national targets for land reform are the redistribution of 30% of agricultural land. In the Karoo Hoogland, this would translate to the redistribution of 977 826 ha in the next 10 years. Taking the current, expressed demand for land into account, players in the area agree is that it is unlikely that the national targets will be achieved in the short term, given the current demand for land in the area<sup>1</sup>.

The vision for land reform included the following:

- Redistribution of land to emerging and small-scale farmers will be achieved through a spread of mechanisms including buying more commonage land, long-term lease of private land, joint ventures between white commercial farmers and black emerging farmers (including farm workers) and the buying of private farms by individuals and groups of black emerging farmers.
- There will be at least 9 new farms for land reform – one group proposed that at least 25% of the land should be redistributed by 2015 through a process insisting that all farms that are bought must be in a joint venture with black people;
- Land will be used for commercial and for food security purposes, and will include uses for agricultural and other purposes, particularly tourism.
- Farmers will be engaged in a spread of activities, both agricultural and non-agricultural, in order to be successful on the land.
- The “old” municipal commonage will be used for small-scale farming purposes for as many people as would like to but must also be used as a mechanism to build emerging farmers into commercial farmers;
- Women will be encouraged and will be a significant component of the emerging and small-scale farmers;
- The national and provincial state will be more directly involved – in the acquisition of land and in supporting emerging and small-scale farmers who acquire land. The Departments of Land Affairs and Agriculture are particularly necessary.
- The current owners (white commercial farmers) will be far more involved in land reform and development – particularly in making land available for land reform purposes and in supporting emerging and small-scale farmers.
- Through the involvement of emerging farmers, commercial farmers and the Department of Agriculture, the land will be farmed in an ecologically sustainable way;
- The municipal income, which it currently obtains from the lease of municipal commonage, will be obtained through the process of leasing the “old” commonage out to emerging farmers and through finding other sources of income to replace such income if there is a shortfall.

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<sup>1</sup> With an assumption that, each farmer obtains an individual farm, and that each farm would be 4000 hectares in size, the 977 000 to be redistributed would comprise 245 farms. There are currently only 60 sheep farmers (including potential farmers) and 50 people who want to farm with other products which require limited land – pigs, poultry, vegetables and medicinal plants.

## **2. Karoo Hoogland Municipal policy on land reform and commonage**

During the workshops with the local stakeholders, there were various impressions of what the Municipal Strategy on Land Reform should be addressing. Some understood that the policy should only be addressing the commonage land – what should be done with it and how it could contribute to land reform. Others saw this strategy development process addressing issues more broadly – how the Municipality should interact with achieving the land reform objectives of the state more broadly. The Strategy and policy below adopts this broader approach.

### **Approach to development of farmers**

There have been a number of community projects in the area (poultry, tomato tunnels) that have been initiated by various arms of the state. These have been fully funded, but participants have essentially become workers in the projects. The participants have not come to own the project, and therefore taken responsibility for its success. These have all failed to be sustainable.

A shift is therefore needed if land reform and enterprise development is going to be successful in the Karoo Hoogland and it is proposed that the Municipality can play a key role in this regard. Apart from land and infrastructure provision, therefore, it is envisaged that the Municipality take on a unique development role and responsibility. Such a role should not be that of a development agency per se but more of one that facilitates, secures and integrates support and service delivery as required by the community<sup>2</sup>.

The philosophy behind such a recommended approach is that it is essential that the subjects of development intervention (emergent farmers) have full understanding or 'ownership', and control of the nature, speed and direction of the intervention process. In this case then, land-based initiatives must come from the base – from small-scale and emerging farmers. The Municipality and other agencies then respond to and support these initiatives from the ground.

At the same time, the success of such projects and activities on the land needs to take into account that these enterprises are unlikely to provide *all* the required income that the participants require to sustain themselves and their households – these initiatives will be one of a variety of livelihood strategies that they will need to engage in. In this regard, it is notable that all the emerging or small-scale farmers and most of the commercial farmers in the area (and internationally) engage in a number of economic activities which may be related to agriculture or not. Planning for the sustainable development of farmers therefore needs to take this into account and seek ways in which a spread of incomes can be achieved.

### **Defining farmers in the Karoo Hoogland**

*“(a) farmer, irrespective of his/her race, gender or scale of production, is a land user who engages productively in agriculture, whether on a full-time basis and regardless of whether his/her principal source of income is agriculture”. White Paper on Agriculture (1995).*

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<sup>2</sup> See further discussion on the development role of the municipality below and in Appendix 8.

Many people in the Karoo Hoogland have spent much time trying to analyse and understand what or who is a small-scale farmer. PS initial research showed that there is such a broad spread of people engaging or wanting to engage in various forms of agriculture in the Karoo Hoogland that the term “small-scale farmer” does not help to distinguish the various levels within the broad category of “small-scale farmers”. It is important to unpack these various “grades” of farmer, as different strategies are necessary for different levels.

The range of “small-scale farmers” in the Karoo Hoogland is the following:

- a. Those who cultivate vegetables and other products or hold poultry and other small-stock in their backyards in town or on farm – these farmers tend to depend on state grants as their primary sources of income or on basic wages earned on farms;
- b. Farmers who own less than 10 sheep which they hold on the commonage or on commercial farms;
- c. Farmers who have increasing numbers of sheep which they hold on the commonage or on farms (farmworkers) where they continuously have to sell those sheep that are more than the 40-50 head allowed on the commonage (in terms of current policy) and others that have developed mechanisms where they are holding many more sheep than this – some have up to 250 sheep currently. As with the other farmers, these farmers have a spread of sources of income beyond their agricultural initiatives and state grants – such as wage labour (including farmworkers), other enterprises such as trading stores or shebeens and so forth.

PS therefore recommends that the following terms are used when referring to farmers in the Karoo Hoogland:

- *Black farmers* – *All black people involved in agriculture at any scale*
- *Small-scale farmers* – *Those farmers (primarily black) that are engaging in small-scale agriculture with crops or small stock for sale. This is not their primary source of livelihood and they do not intend it to be. This may be on leased land or it may be on privately owned land.*
- *Subsistence sheep farmers* - *They primarily farm for their own consumption but may produce surplus goods which they then give away, as part of reciprocal relations with others, or sell in local informal arrangements. It is assumed that none of these farmers will have more than 10 sheep. Such farmers can decide to move into the emerging farmers group, and their intention would then be to expand their flock. This takes place on leased land.*
- *Emerging farmers* – *Those farmers (primarily black) that are aiming to become commercial farmers in either sheep farming or in other forms of agriculture growing vegetables, other crops or other livestock farming such as pigs or poultry. Farming with these products will become their main source of income although they will also have other economic activities.*
- *Commercial farmers* - *All farmers whose main source of income comes from agricultural activities for sale. This may be on privately owned land or on leased land.*

- *Land owning, commercial farmers - Those farmers (primarily white) that own agricultural land and possibly also lease additional land and are engaged in full-time farming and they are likely to also have other sources of income such as tourism, or the manufacture and sale of other products.*

*(The difference between emerging farmers and commercial, landowning farmers is access to land – land is the key capital resource in sheep farming – especially given the recent escalation of land price.)*

## **The role of the Municipality**

The Municipal Systems Act provides clarity as to whether municipalities should be involved in land reform by saying, in terms of Integrated Development Planning, that the municipality must ensure that it

*“together with other organs of state contributes to the progressive realization of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution”(2000. Sec. 23.1.c)*

Section 25 of the Constitution is the Property Clause, the principle Constitutional clause governing land reform. The Property Clause is included in Appendix 2.

Importantly, the Department of Provincial and Local Government developed a set of guidelines and these indicate that, while no separate sector plan is necessarily required, the IDP must address land reform by:

- Supporting the land reform programme and its operations;
- Assisting in the land reform application process; and
- Addressing the need for municipal services and land use planning within existing land reform projects. (DPLG undated: 53-55<sup>3</sup>).

This approach encourages an involvement in land reform beyond the mere provision of access to land that the municipality owns. It encourages the municipality to enable a spread of opportunities and to facilitate the development of initiatives which would “give priority to the basic needs of the community, and to promote the social and economic development of the community<sup>4</sup>”.

The Karoo Hoogland Municipality’s current approach is in line with this – it plays a facilitative role, creating an enabling environment for development initiatives to emerge and mature. Specifically with regard to land reform as mentioned above, the Municipality has played a role of facilitating access to land (“old” and “new” commonage), through facilitating interaction between white commercial farmers and emerging and small-scale farmers, and seeking ways to initiate specific land-based projects.

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<sup>3</sup> “Land and Agrarian Reform in Integrated Development Plans”. Prepared for GTZ in collaboration with the Department of Provincial and Local Government, By Ruth Hall, Moenieba Isaacs and Munyaradzi Saruchera. Programme for Land and Agrarian Studies (PLAAS), School of Government, University of the Western Cape. December 2004

<sup>4</sup> Section 153, South Africa Constitution, Act 108, 1996.

It is proposed, however, the Municipality extends its role to facilitate access to land beyond the provision of *commonage* land, facilitating access to additional land using the land reform programme and other initiatives, in collaboration with other agencies and other spheres of government in particular (DLA - national, Department of Agriculture [DoA] – Provincial). This is discussed in detail below.

Moreover, to assist in the long-term sustainability of these initiatives from emerging farmers, the following support functions are identified as key additional areas which the Municipality should facilitate:

- Building trust and relationships (complete transparency essential).
- Community development (community mobilisation and motivation, including empowerment of representative associations for the different types of emergent farmer).
- Suggestions on enterprise nature and design as catalytic motivation.
- Feasibility studies and business plans (planning with affected parties/groups).
- Facilitating, securing, arranging, and integrating emergent farmer support services in accordance with farmer needs: Financing, Extension, Marketing, Training, Research, Inputs and Infrastructure.
- Monitoring and evaluation of programme.

The new Constitution of South Africa has introduced a development role for municipalities. The success of the land reform and development strategy in the Karoo Hoogland will depend in a large way on the success with which the Municipality is able to fulfil this role in the facilitative manner proposed. Fulfilling such a role will require funds so that it is not an “unfunded mandate” and it will require human capacity. It is hoped that the discussion below goes some way towards seeking ways to acquire the resources to support this new role.

### **Commonage policy:**

The municipality does not have a separate policy that specifically deals with commonage land as a whole in the Karoo Hoogland. However, there are components of policy in various parts of municipality, provincial and national documentation.

### **Current policy on “new commonage”**

National DLA policy indicates that through the provision of its grant, municipal commonage is for the following purpose:

*The grant is to enable primary local authorities to acquire land to extend or create a commonage for the purpose of establishing schemes involving the productive use of the land resources (for example, food gardens, arable, grazing, wood fuel and other veld products, eco-tourism) by or for the benefit of poor and disadvantaged residents. Ownership would be retained by the municipality which would lease the land to qualifying applicants. (White Paper, 1997: Section 4.24.1)*

The White Paper proceeds to expand on who the commonage acquired through this process should primarily benefit – in determining the level of grant, the Department will determine amongst others the level of need of residents and the number of residents to be affected - the White Paper principle is that those with the most need, and those where the most people will benefit will get priority.



The Municipality, drawing from this White Paper principle, adopted similar principles – that commonage should be for poor people and that it should benefit as many people as it can. The result of this approach was that a policy developed where any successful applicant for use of the “new commonage” was only allowed to graze a maximum of 40 head of sheep in order to provide the opportunity to the maximum number of people.

This has resulted in ten people using the Verjaagfontein farm, 10 and reducing to 7 people using the Klipfontein farm, and 13 people obtaining access to the Kuilenberg farm. However, as is expressed in the definition of farmers above, not everybody is farming at the same level and amongst the emerging farmers there are some farmers that are extremely frustrated with the ceiling of 40 sheep. This frustration led the farmers in Fraserberg to request an increase in numbers when some of their members gave up farming – and the Municipality agreed to increase the limit there to 50 sheep.

### **Current policy on “old commonage”**

The Municipal policy on “old” commonage land is based on the generation of income for Municipality to carry out its various responsibilities. The Policy therefore requires that a fair and public tender process be undertaken to lease the land out at the highest price. This approach draws from the Cape Ordinance 20 of 1974.

### **Proposed new policy for all commonage land in the Karoo Hoogland**

The DLA White Paper, the subsequent Grants and Services documents and the Commonage Programme policy document as well as the Commonage Manual are ambiguous as to who commonage land, which is acquired through DLA grants, is meant for. They all refer to the White Paper which indicates that Commonage is for the poor and *disadvantaged* people of the municipal area. Emerging farmers, some of who are not poor but who are certainly disadvantaged, would certainly fit within this concept and also within the government’s overall commitments within land reform which state that:

*The land reform programme's poverty focus is aimed at achieving a better quality of life for the most disadvantaged. Land reform aims to contribute to economic development, both by giving households the opportunity to engage in productive land use and by increasing employment opportunities through encouraging greater investment. We envisage a land reform which results in a rural landscape consisting of small, medium and large farms; one which promotes both equity and efficiency through a combined agrarian and industrial strategy in which land reform is a spark to the engine of growth<sup>5</sup>.*

Combining these two approaches, PS proposes that the Karoo Hoogland Policy on commonage stipulates that commonage land aims to serve three main purposes:

- The subsistence needs of small-scale and subsistence sheep farmers and the needs of the very poor such as firewood and other gathering of natural resources;
- The “incubation” needs of aspirant commercial or emerging farmers; and
- Some of the fiscal needs of the municipality.

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<sup>5</sup> White Paper on Land Policy, 1997, Section 2,1.

All three of these needs should be met through the use of “old” and “new” commonage in a way that does not necessarily distinguish the two types but addresses these needs in the most appropriate way possible.

Linked to this, it is proposed that the rights obtained by users are expanded taking into account that farmers are unlikely to obtain all their livelihood needs from one source. Currently farmers get individual rights to undertake a specific activity - grazing a certain number of sheep, for example. On all the “new commonage” farms there is also other arable land with at least some supply of water. However, this land tends not to be used in any specific way, and there appears to be a lack of clarity around the rights to use this land. Moreover, it would be possible for farmers to use the land for other activities, such as tourism and other livelihood activities. Rather than restricting farmers to a particular activity, it is proposed that farmers are encouraged to diversify their activities and use the land for many purposes, but always in a sustainable manner.

It is proposed that commonage land is leased to individuals, but taking into account that they are farming as part of a group. At the beginning of each contract period, the various needs of farmers in the group should be clarified and the rights to the different portions of land allocated, with their various obligations. The individual contracts would need to be drawn up in terms of the agreed-upon allocations. The group then is jointly responsible for the farm as a whole, and they have to produce a plan of how the land will be managed, in conjunction with the Municipality. The aim of this approach is to encourage the farmers to diversify their operations in order to use the land to its fullest within its capability and in a sustainable manner. This process would need to be managed by the Municipality and other suitably qualified agencies.

Finally, it is proposed that the lease fees that farmers pay increase as the farmers' flock sizes increase and the land size that they lease increases. In addition, there should be a distinction between those farmers that own land (currently white commercial farmers) and those that do not. This rate should adjust over time.

### **3. Strategies to achieve the Vision with the policies above**

The different levels of farmer need similar things, although at different scales – access to land, access to finance, access to other resources such as transport, infrastructural developments, access to mentoring and training support, and so forth. None of the small-scale or emerging farmers in the Karoo Hoogland is currently sufficiently capable of proceeding with farming without substantial support from elsewhere.

The strategies to achieve the Vision need to encompass a spread of components. In this section therefore, each “category of farmer” is dealt with separately and strategies in the following aspects are looked at:

- a. Access to land
- b. Infrastructure
- c. Credit and production needs
- d. Capacity Building
- e. Extension
- f. Training

Before we turn to these specific strategies however, there are two general factors that are applicable to all farmers – the fundamental problem of access to land in the area, and the general approach to the use of commonage

### **The fundamental problem of access to land in the Karoo.**

Sheep farming in the Karoo Hoogland is the key agricultural product in the use of the extensive rangeland. In the background research conducted for this Strategy, it was reported that most of the land is used to its optimum by commercial farmers – there is limited land available for use for land reform except through farms being bought for that purpose (there is limited land available for rent). At the same time, sheep farming is a very capital-intensive operation, primarily due to the increasing price of land but also the price of sheep. The government has a land reform programme which has various ways in which landless or land-hungry people can acquire land. Given the high price of land and the amount of land necessary in the Karoo, the grant options for acquiring private land within the Land Reform Programme are not sufficient for people who have limited capital of their own. Alternative mechanisms are therefore essential to enable landless people to acquire land in this extensive rangeland area and a number of strategies in this regard are developed below – although they are all fundamentally limited given the price of land. If no alternatives to the current grant mechanisms are found then the only option will be for land reform to continue on state owned land only or through the state acquiring land for land reform purposes through other mechanisms, paying lower than current market prices for land.

### **General approach to using commonage**

A key resource for land reform in the Karoo Hoogland municipal area is more than 40 000 hectares of municipal commonage land that the municipality currently owns. As is explained in the Status Quo Report (See Appendix 3), it is used by commercial farmers and by emerging farmers. It currently provides an important source of revenue for the Municipality which will need to be replaced if the land is made available solely for the purposes of small-scale and emerging farmers.

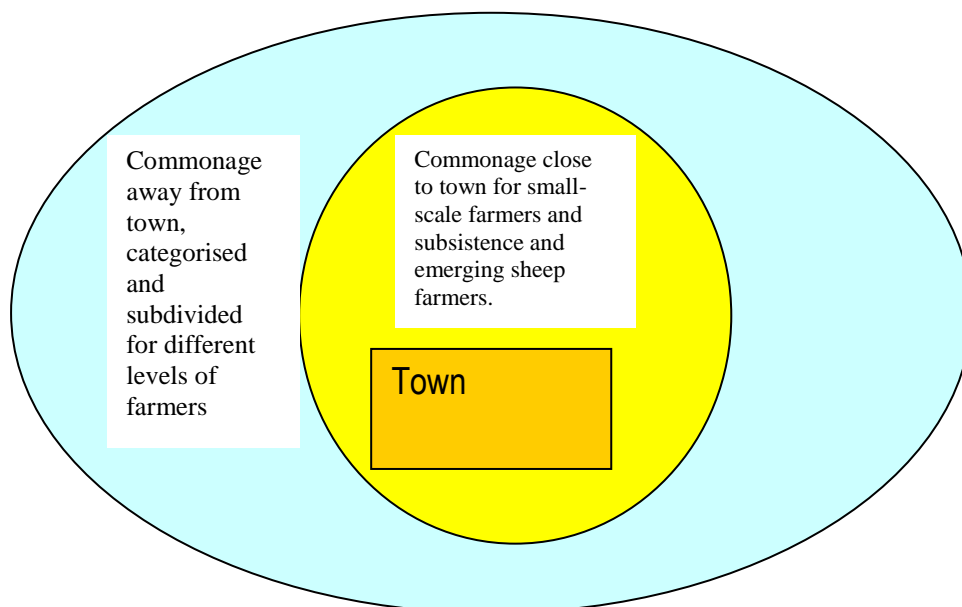
It is proposed that there are various purposes for which commonage land should be used in which people's food security and entrepreneurial interests can be met:

- a. Continuous small-scale production of vegetables and other arable food crops;
- b. Well-suited (climatically and with regard to water) crops which are grown for more commercial purposes – such as indigenous medicinal plants, tulips, and other crops;
- c. The holding of sheep for subsistence purposes by town residents;
- d. Poultry and other small-stock produced for local and broader markets;
- e. As a “stepping-stone” to undertaking sheep farming on a more commercial basis
- f. For a spread of other purposes which would bolster the agricultural activities of emerging and small-scale farmers.
- g. As a mechanism for the municipality to generate income for other purposes in the town.

There are a number of issues that need to be taken into account when discussing the allocation of commonage land amongst these various purposes:

- Many of the small-scale farmers that want access to land for categories a-d do not have access to transport or the funds to pay others to transport them to such land;
- The theft of vegetables and other arable goods is a real hazard on land close to towns;
- Many small-scale livestock farmers, located near to towns, lose much stock through theft and through attacks by dogs.

Given these issues, it is proposed that the commonage that the municipality owns is taken as a whole and is allocated in the most appropriate way given the needs, rather than in terms of whether it is “old” or “new” commonage. It is proposed that the commonage properties that are located close to the towns are allocated to small-scale farmers (of course taking into account the type of land that is required – for sheep, vegetables, pigs etc.) and those lands that are further out from the towns are allocated to emerging farmers who are more likely to have access to transport. (This would require a strategy to address theft on the land close to the towns and this is addressed below)



Moreover, the different camps on the commonage should be used in a way that enables farmers to upgrade as they grow larger – each time moving onto a portion which has less farmers per hectare and ending up in a situation where a single farmer is leasing in the order of 3500 hectares for three years. This would clearly require the Municipality to acquire additional farms and a planned acquisition of farms is proposed below.

The Municipality currently earns between R350 000 and R500 000 annually from the lease of the “old” commonage and these funds are used for the other development and service delivery expenses. If these funds are withdrawn as a result of the leasing of commonage to people who cannot pay the current fees it will be a loss to the municipality which will have to be met from elsewhere. The discussion below proposes that these funds are covered from the lease of increasing amounts of commonage land and from the introduction of the land tax, which is expected in 2006 (although it is unclear whether this would be allowable given that the land tax charges would need to be related to the service which rural land owners receive from the municipality).

### **Small-scale farmers in the towns. (Access to commonage and access to white farmers' land in close proximity to the towns)**

**a) Land:** It was discussed above that land close to the towns should be made available to small-scale farmers that are living in the towns. Currently, there are various initiatives in process in the different towns - in Sutherland, some farmers are using hospital land and the Venus Sisters<sup>6</sup> want to use some of the Kuilenberg farm for vegetable production to support their guest house; in Fraserberg, various members of the Karikama Boere Vereniging want to undertake pigs, essential oils and vegetables; and, in Williston a group of women want to undertake the cultivation of vegetables and medicinal plants. In addition, the Municipality has initiated a tulip production initiative on municipal land in Sutherland – the aim of this project is to expand it and produce bulbs for the international market.

Commonage and other municipal land has been the focus for such initiatives and it is proposed that additional land ("old" commonage) is identified for these initiatives. These initiatives are varied in nature – some are aimed at producing only for additional household consumption and very small portions of land with a dedicated supply of water will be needed<sup>7</sup>. Other initiatives are aimed at production for markets (local, national or international) and greater portions of land will be required.

It is proposed that all black residents of the town are eligible to apply for such land rights but that the actual allocation of such rights will be in terms of the availability of land. These rights should be based on an annual renewal basis, depending on the use of the land – where the land is being used for annual crops, it should be on a strict annual application for renewal; where the land is being used for products which take a number of years to mature or harvest, longer term leases should be entered into.

The cost of land close to the towns in the Hoogland is very high (and increasing), and it is assumed that such small-scale farmers will not be able to buy land - farming of this nature will therefore continue to be on commonage and other municipal land for the foreseeable future.

Along with rights go responsibilities – it is proposed therefore that the Municipality develops contracts with the land users. These contracts would stipulate the rights and responsibilities of the land users – this is discussed further below but responsibilities would include the payment of lease fees; agreements on the maintenance of the land and infrastructure; agreements on access to other resources such as municipal vehicles, irrigation infrastructure and other capital goods; agreements about responsibilities towards other land users; and, importantly, an obligation to use the land or to lose the land right.

Given the risks of undertaking such initiatives on municipal land close to the towns, some of the small-scale farmers have begun negotiations with white commercial farmers who have land close to the towns to make land available. Similar lease agreements could be entered into with

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<sup>6</sup> The Venus Sisters is a group of women based in Sutherland who have developed an initiative to establish a catering business and a guesthouse on the commonage land acquired by the Municipality. With the Municipality's assistance they have obtained a grant from the National Development Agency to improve the buildings and buy the equipment necessary to establish the Guesthouse.

<sup>7</sup> The Municipality has indicated that such water is available except that in Sutherland funds will be needed to obtain the infrastructure to access the water.

such white farmers which, in all likelihood, would also include some agreement regarding mentoring, if the white farmer has expertise in the field that the small-scale farmers are farming. In this regard, the Land Reform Information Office in each town, as proposed below, could act as the link point for such initiatives.

*Expected numbers and trends of small-scale farmers on commonage:*

According to the information that PS has been able to gather there are currently in the order of 30 people who are or want to farm at a small-scale with vegetables, other livestock or crops. The table below develops a projection for the growth of the numbers of small-scale farmers over the next ten years.

There is an assumption that one-third of the total number of such farmers will fall away each year, resulting in a constant number after the first two years, although the actual people will change each year.

**Table 1: Estimated number of small scale miscellaneous enterprises**

Year	Projected no. of 'projects'		
	New entrants	Withdrawals	Participants/yr
2006	30	0	30
2007	15	15	30
2008	15	14	29
2009	15	13	28
2010	15	13	28
2011	15	13	28
2012	15	13	28
2013	15	13	28
2014	15	13	28
2015	15	13	28

On the assumption that each initiative would require one hectare, it is expected that a total of 30 hectares will be required for such access – 10 hectares per town.

**b) Infrastructure:** The allocation of land to such initiatives will need to go hand-in-hand with appropriate infrastructure. While the nature of the infrastructure required can only be identified once clarity exists on the initiatives that will be undertaken, it is safe to assume that the following will be necessary:

- The fencing of lands to reduce theft and to keep grazing stock out of the area.
- The laying on of water supply and some kind of irrigation infrastructure – this is likely to be limited as the amount of water for such activities is limited.
- The provision of electricity on those lands where there is no supply. This will be for security purposes, as well as for farming purposes – poultry houses, garages, and so forth. Once again this will be limited and, depending on the location and the type of activities to be undertaken, already existing resources could be used.
- The provision of space for the processing of products, for example the making of jam or the bottling of vegetables, as well as facilities for the marketing of products. In all three of the towns, already existing municipal properties could be used for these

purposes, or other agencies (such as the Williston Meat Cooperative) could be approached to make such resources available.

It is proposed that financial resources for such infrastructure could be obtained from a spread of sources – primarily the Department of Land Affairs (their Commonage Infrastructure Grant) and the Department of Agriculture's Land Care Grant.

**c) Credit:** Initiatives of this sort, especially those more large-scale initiatives that are aimed at producing for a market, will require access to credit – from a very small amount to much larger amounts where capital expenditure is required. The following options are some of the opportunities available for such entrepreneurs: Land Bank Step Up loans and other loans which do not require security up to the amount of R25 000 and the new Micro Agricultural Finance Schemes of South Africa (MAFISA) which is still in the process of being finalised; commercial banks where such potential clients are credit worthy; and “suppliers credit” such as suppliers of chicks where they will give 30 days or 60 days credit. Success in access to such credit will be on the basis of the business plan that accompanies the initiative and hence the importance of sound advice in the business plan formation.

Initial analysis by PS has shown that many of these credit opportunities are extremely expensive – the Land Bank loan for example charges 14% interest on the R25 000. Such high rates make most of these initiatives uneconomical. It is proposed therefore that the creation of a revolving credit fund is investigated where the Municipality can play a role of managing the funds obtained. PS has made initial investigations in this regard, using Rotary International and other funds, and information on this is attached in Appendix 4. The aim of such a credit fund would be to make credit available at a cheaper rate.

**d) Capacity building:** These farmers are currently either unorganised, such as in Sutherland, or are part of other groups, Karikama in Fraserberg and the Vroue Uitweg and the Williston EFA in Williston. This state of affairs has resulted in such farmers' interests either not being articulated or been subsumed under the interests of the stronger, emerging sheep farmers. It is proposed, therefore, that these farmers form their own *associations in each town*. The Surplus People Project has experience in the formation and support of such organisations and it is proposed that it is asked to assist in the formation of such associations.

At a different level, it is also proposed that forms of *co-operative or management organisations* are established amongst groups of people that are going to use land together. It was reported in the Status Quo Report that the lack of organisation amongst land users has meant that land is under-utilised, and little responsibility is taken for the land. Such organisations would need to stipulate rights of individuals and their responsibilities, indicate whether and what co-operative practices would take place and clarify the ways in which people would cooperate – marketing, ploughing, etc. The farmers would need assistance in the formation of such co-operatives or management structures and in their development. The Municipal Economic Development officials, in collaboration with sufficiently qualified external expertise would need to assist these farmers in establishing and consolidating these structures.

There have been a number of “projects” in the municipal area which have failed<sup>8</sup> and PS's analysis is that, amongst other things, there was insufficient business planning for such projects. Any new projects or initiatives need to be supported by thorough *business planning* so

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<sup>8</sup> Referred to in the Status Quo Report

that any investment (from the state or otherwise) results not just in the creation of jobs for the duration of that funding, but results in sustainable initiatives. Such business planning would focus on market analysis, clarifying the cost and income projections, and assisting in identifying the key stumbling blocks and solutions to these in each initiative. Importantly, the planning of these businesses would also need to take into account the spread of other initiatives which the participants undertake and which would feed into making these small-scale businesses a success – focusing only on the single initiative and expecting it to provide all the required income for the participants is likely to result in failure.

Having few resources, as well as the effect of Apartheid obstructing any initiative that black people took, has meant that often poor people have limited ability to take initiative beyond the immediate need to survive. This state of affairs requires the role of a “*motivator*” or “*animator*” – a person or persons that would encourage people to identify possible initiatives and who encourages people through the process of making such initiatives concrete. In this way the initiatives are more likely to succeed. Such motivators should be located in the municipality and it is proposed that the current municipal staff is trained in this regard and supported in this role by suitably qualified external service providers in the initial periods.

**e) Extension:** Extension support will be a further critical component for the success of such initiatives. Extension would be in the form of technical agricultural advice for the different agricultural products being produced.

Currently the Department of Agriculture does not have any extension officers appointed for the Karoo Hoogland area, although the other Departmental officials located in Calvinia have indicated a willingness to provide extension support to initiatives in the area. The Department is in the final stages of appointing a Food Security Officer who will be based in the Calvinia office. In addition, an Extension Officer is being appointed to operate from Fraserberg. These persons would service the Karoo Hoogland area. Finally, the Department is currently considering establishing an office of the Department in Sutherland to service the Karoo Hoogland. This will be dependent on the quality of staff that the Department obtains through the current appointment processes.

These additional staff should have a significant effect on the support to emerging farmers. It will be important to monitor the effect of it and the extent to which these officials cover all the components of sustainable land and agricultural development, and not just the technical, agricultural components of such developments.

**f) Training:** The Department of Labour is aiming to undertake an assessment of training needs and of locally based expertise to provide training in agriculture and other land-based aspects. This assessment should provide the basic idea of the needs amongst farmers but the real needs of farmers will only become apparent once their initiatives on land take off and they are faced with the challenges of making a success of them.

Two processes are therefore necessary. Firstly, the Municipality and the emerging and small-scale farmers should engage in the Department of Labour’s study and develop a plan to address the agricultural-related needs. This should be done in collaboration with the Department of Labour as various funds and other resources are available in the Department – including learnerships and resources for the development of specific training courses to address these needs.



Secondly, there needs to be an ongoing process of addressing training needs. The Municipality's Economic Development Directorate is ideally placed to accept requests, to draw the various requests into training programmes which address an assortment of needs and to find the resources for such training programmes – human and financial resources. Once again, close collaboration with the Department of Labour will be important in this regard.

**g) Further research:** There are currently various initiatives in the initial stages of development as discussed above and in the Status Quo Report. Some of these have the potential of generating significant income for the participants (such as the Tulips project) but there have been few detailed studies on the real feasibility of appropriate economic opportunities. Rough pre-feasibility economic analyses of various products that have been identified are included in Appendix 6 and these show that there is a necessity to further investigate the Tulips, medicinal plants and the essential oils options.

While the approach to development in the Policy section above asserts that initiatives need to come from people themselves, it is proposed that the Municipality undertakes a study to identify appropriate land-based economic opportunities in the area. Individuals and groups could then draw from this research to develop their own initiatives to take up on municipal land as a small-scale farmer with additional initiatives to bolster this activity.

### **Subsistence sheep farmers**

There are a number of farmers amongst the current emerging farmers on commonage land whose sheep flocks have not increased in size over the past two years. Moreover, there are other potential farmers who only want to farm at a subsistence level – providing an additional source of livelihood when the need arises, but this not being a significant part of their livelihood strategies. There are therefore two sub-categories within this category: those who have specifically decided not to pursue farming with sheep as their chief livelihood strategy; and those who do not have the resources to increase their stock and thus whose stock remain essentially at a constant or reducing level.

**a) Land:** While some may consider this an uneconomic use of valuable land, in an area where access to grazing land is increasingly scarce and expensive, such livelihood strategies provide a significant part of the total livelihood strategies of very poor people in this sheep farming area who obtain sheep as part of payment, a gift and so forth. Providing the wherewithal to hold and expand such resources would be a significant development role for the municipality and an appropriate use of commonage land.

As will be seen below, there are currently 30 *emerging farmers* with less than 25 sheep on commonage land or ready to go onto commonage land. It is assumed that half of these will decide that they will only produce as “subsistence sheep farmers” and will thus join the farmers on land allocated for this purpose. Once again there is an assumption that a number of the new entrants will fall away each year thus resulting in a slow increase in the number of farmers annually. With the assumption of a carrying capacity of 10 hectares per sheep, it is proposed that the relevant, increasing number of hectares per town is put aside for such use.

In trying to develop projections for the trends amongst such farmers, it is assumed that each of these farmers will have a maximum of 10 sheep.

The following projections are made:

**Table 2: Estimated number of subsistence sheep farmers**

Year	Projected no. farmers		
	Entrants	Withdrawals	Participants/yr
2006	21	0	21
2007	24	9	36
2008	11	9	38
2009	11	9	40
2010	11	9	42
2011	11	9	44
2012	11	9	46
2013	11	9	48
2014	11	9	50
2015	11	9	52

While these farmers are generally going to be the very poor, it is proposed that they should still pay a grazing fee – the current R2 per head per month is proposed. In this way the resource is not taken for granted and the person will use the right or will get off to make way for somebody else.

Central to this contract will be an agreement that the farmers will be part of a cooperative or other farm-based organisation, and that they will provide the labour component of the maintenance of infrastructure and other resources, while the municipality will provide the materials.

**b) Infrastructure:** Depending on the current camp arrangements of the land close to each of the towns, additional fencing is likely to be put in to ensure rotational grazing by the farmers.

It is proposed that the Department of Agriculture assists in clarifying what fencing and other infrastructure (such as water supply for watering the stock) is necessary to enable these farmers to use the land. It is expected that between the Landcare funds and the Commonage Infrastructure Grant the financial resources for such infrastructure would be obtained.

The ongoing maintenance needs of such infrastructure would occur in terms of the contract where the farmers provide the labour and the municipality provides the material.

**c) Credit:** It is expected that these farmers would not want access to large amounts of credit. However, it would be important for them to be aware of the options that are available. It is proposed that, through their participation in the Farmers Associations, information on such options and the ability to link into the access points for such credit would be obtained.

**d) Capacity building:** It is not expected that these farmers will become commercial farmers and their needs for capacity building are therefore different – the level of business planning required for example is much more limited. A key component for these farmers, however, is access to information and it is proposed that they form part of the Emerging Farmers Association even though it is recognised that they have taken the decision that they will not be expanding their flock in any great degree. Through their membership of the Association in each town, these farmers will obtain access to relevant information that impacts on sheep farmers

generally and will be informed on broader options available to them if they decide to expand their flocks.

It is expected that these farmers will be running their sheep together, tagged per owner. As suggested above, these farmers will be required to be part of a co-operative or other structure formed to manage that specific portion of land and that the responsibilities in the individual contracts are linked to joint responsibilities of land management. The groups that use land in this way would require significant assistance in the beginning phases of set up. Given the expected high turnover of farmers on these land portions, however it is likely that these institutions would also need ongoing assistance to function. This support will result in on-going better-managed land and infrastructure and more successful production by the farmers.

**e) Extension and animal health:** The appointment of an extension officer by the Department of Agriculture is likely to have a significant impact on these farmers, providing guidance in their farming albeit at a subsistence level. The Food Security officer will be a particularly important support for these farmers.

The Department of Agricultural veterinary and animal health sections are also understaffed in the area – there is supposed to be a doctor and support staff located in Calvinia, but these posts are currently unfilled. The Department is proposing to fill these during September and thus will be available from October 2005. There are two components to their service to such farmers – on the one level, guidance and support in improving the health of their stock would be important. On another level, because these farmers are less financially secure, it would be important to monitor the health of such stock to ensure that preventable diseases and so forth do not spread amongst such stock as a result of the inability of owners to pay.

Given the vast areas to be covered by such staff, it is proposed that the Municipality, the Emerging Farmers Associations and the commercial Farmers Unions in each town, jointly approach the Department of Agriculture to appoint additional staff to the area for the purposes of supporting all stock farmers, at whatever level they operate.

**f) Training:** It is proposed that such farmers form part of the Emerging Farmers Associations and obtain access to training opportunities through such Associations – this is addressed in more detail below under the emerging stock farmers section.

### **Farmworkers becoming emerging farmers**

Farmworkers are dealt with as a separate category although many of their broader needs are very similar to the emerging sheep farmers. Their location, their expertise and the greater likelihood of joint ventures with commercial farmers are very different however and so they are treated as a separate category.

**a) Land:** The current, verbalised demand for commonage land comes from those emerging farmers located in the towns. However, an unknown number of farmworkers, located on farms outside of the towns are also in need of access to such land. While PS has not been able to undertake detailed research on the current situation on farms, it is understood that while some farmworkers are given access to land to graze sheep on the farms where they work, most do not have such access to land and thus do not have any sheep. Part of the reason for this appears to be that commercial farmers have increasingly been farming their land to the fullest

within the carrying capacity of the land and thus do not make a provision for farmworkers to use some of the land.

At the same time, many of the commercial farmers consulted during this process indicated an interest in assisting the farmworkers with whom they have had a long association. Such proposed assistance has included agreements on the building up of their flocks and entering into joint venture agreements on newly acquired land.

PS has therefore identified two, possibly associated strategies through which farmworkers will be able to acquire land - access to commonage land and through the establishment of joint ventures on newly acquired farms.

*Access to commonage:* Currently there are farmworkers in all three EFAs in the Karoo Hoogland although it is only on Verjaagfontein and on Kuilenberg that these farmers are farming – in Fraserberg the farmworker members of the Association currently either have no stock or hold their stock on other commercial farmer's farms at a high lease rate. These farm workers are even further away from the farms than the town's farmers and thus have even more difficulty transporting themselves to the farms to carry out their farming activities. It is assumed that there are many other farmworkers that would like access to land but are not aware of the commonage option or are too far removed from the town areas to realistically access these farms.

It is proposed therefore that the municipality acquires additional commonage farms near each town. This acquisition would need to be through the Municipality utilising the DLA's Municipal Commonage Grant which, if approved, will provide all the funds for the acquisition of the farms. It is proposed that this takes place after further research on the level of expressed demand for such land. For the purposes of initial planning, however, it is assumed that the municipality will acquire two farms per town over the next ten years – before 2015.

As was indicated in the Status Quo report, insufficient information exists about farmworkers and their needs. Decisions on the location and the size of farms would need to be taken once research on current actual need for land is researched amongst farmworkers in the Municipal area<sup>9</sup>. The location of these farms, however, should be in close proximity to these workers and so they will necessarily be outside of the towns.

It is proposed that, as with other emerging farmers on commonage land, the farmworkers are charged a lease fee for the access to such land – a fee of R3 per head is proposed in the figures below. Moreover, these emerging farmers should be treated as the others are and be required to signed contracts as discussed below.

*Access to farmland through joint ventures:* The DLA has the Land redistribution for Agricultural Development (LRAD) grant, which can be used by potential land reform "beneficiaries" to acquire private land<sup>10</sup>. Given the current escalation in the price of land in the area and the carrying capacity of the land, however, this grant does not provide sufficient funds to acquire land enough land to farm on any scale large enough for farming to be the sole source of

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<sup>9</sup> This may be a complex undertaking as unscrupulous commercial farmers may attempt to use it as a mechanism to access cheap land to expand their flocks – through making an arrangement with a farmworker that they run the commercial farmer's sheep on the land.

<sup>10</sup> This LRAD grant provides for a minimum of R20 000 up to a maximum of R100 000 per individual dependent on the level of "own contribution" that the applicant makes to the project.

income for beneficiaries of the grant. Access to other sources of capital is therefore necessary and one option is joint ventures with commercial farmers.

A number of white farmers have indicated an interest in going into joint ventures with specific farmworkers, most often those who have worked on the farms owned by the farmers for many years. This approach was taken further by one of the Williston groups in the preparation workshops undertaken as part of this Strategy development. They proposed that government should introduce a law which prescribes that any new farm acquisition in South Africa must be bought as a joint venture between black and white partners (this approach is discussed further below).

This option of a joint venture is an important one and the practicalities of it are complex and very specific to each individual case. An example of such a possibility is suggested in Box 1 below.

This example shows that the fact that the farmworkers are going into such a venture in the absence of capital means that they will end up being saddled with a loan of R300 000 in total (R100 000 each), with the opportunity of gaining access to a farm on which they will each only be able to hold up to 47 sheep to begin with, as a result of their share. What these figures show also, however, is that it will not be possible for farmworkers to earn enough from the returns on sheep farming alone to pay off their loans – at the current estimated gross margin, the farmworkers will jointly only be able to earn R25 605 from the sheep and thus would not be able to service their loan repayments of R37 421 per year. With current land prices and the level of state subsidy for land acquisition, it will not be possible for farmworkers to obtain land and sheep in this way.

The LRAD grant would of course also be available for farmworkers that want to acquire land independently of a commercial farmer but, as discussed below, this appears to be equally unfeasible.

**Box 1: Example of Farmworkers in joint venture with farmer**

There are three farmworkers working on a 10 000 hectare sheep farm. They decide to go into a joint venture on a new 3500-hectare farm with the farmer. They plan to get a farm in close proximity to the current farm so that the workers would continue to work on the farmer's farm and also work on their jointly-owned farm. The price of the farm is R350 per hectare - R1 225 000 in total for the land. Sufficient sheep are also bought – 350 in total at a price of R450 per ewe – a total of R157 500.

- The farmworkers own no stock but each have R5000 in cash in savings.
- The spouses of two of the farmworkers will also be living and working on the new farm in various ways – neither of them has any savings.
- All workers and their spouses contribute the equivalent of R5000 labour to the project (in terms of the LRAD).
- Each worker is eligible for the LRAD grant from a minimum of R20 000 to a maximum of R100 000, depending on their "own" contribution.
- The Land Bank agrees to provide each worker with a R25000 loan at 14% on no security to acquire sheep.
- Each worker obtains a loan of R75 000 from the Land Bank, utilising the Khula LREF to buy the land.

Farm price	R 1,225,000.00				
Sheep (say 350 ewes@R450)	R 157,500.00				
<b>Capital requirements</b>	<b>R 1,382,500.00</b>				
<b>Funded by</b>	<b>Own - cash</b>	<b>Loan - sheep</b>	<b>Loan - Land</b>	<b>LRAD Grant</b>	<b>Total funding</b>
Worker 1	R 5,000.00	R 25,000.00	R 75,000.00	R 62,241.00	R 167,241.00
Worker 2	R 5,000.00	R 25,000.00	R 75,000.00	R 62,241.00	R 167,241.00
Worker 3	R 5,000.00	R 25,000.00	R 75,000.00	R 62,241.00	<u>R 167,241.00</u>
					R 501,723.00
Spouse 1				R 20,000.00	R 20,000.00
Spouse 2				R 20,000.00	<u>R 20,000.00</u>
					R 40,000.00
<b>TOTAL</b>	<b>R 15,000.00</b>	<b>R 75,000.00</b>	<b>R 225,000.00</b>	<b>R 226,723.00</b>	<b>R 541,723.00</b>
Farmer contribution					R 840,777.00
<b>Total capital</b>					<b>R 1,382,500.00</b>

		Share %
Worker 1 and spouse contribution	R 187,241.00	13.5
Worker 2 and spouse contribution	R 187,241.00	13.5
Worker 3 contribution	<u>R 167,241.00</u>	<u>12.1</u>
	<u>R 541,723.00</u>	<u>39.2</u>
Funding provided by farmer	R 840,777.00	60.8
<b>Total</b>	<b>R 1,382,500.00</b>	<b>100.0</b>

**Fundamental problem** Gross margin R 65,345.00

At 39.2% of equity, workers share of likely annual farm Gross Margin would be **R25 605**

But workers would have to/expect to repay the following:

	Interest rate		
	6% interest	7.5% interest	9% interest
R75000 loans for sheep (5 yrs)	R -17,804.73	R -18,537.35	R -19,281.93
R225000 loan (20 yr bond)	R -19,616.53	R -22,070.74	R -24,647.96
SUB-TOTAL (To be funded from Gross Margin of <b>R25605</b> )	R -37,421.26	R -40,608.10	R -43,929.89
R840777 20yr loan to buy out farmer	R -73,302.77	R -82,473.66	R -92,104.16
<b>TOTAL LOAN REPAYMENT (funded from Gross Margin of R65345)</b>	<b>R-110, 724.03</b>	<b>R -123,081.76</b>	<b>R -136,034.05</b>

**b) Infrastructure:** A number of the commonage farms bought by the DLA in the past were bought in a rush with insufficient assessment of the infrastructure. This resulted in the occupation of the farm by the emerging farmers being delayed. It is critical to ensure that the farms that are to be bought are in good condition. Once the farms are bought, an assessment should be made regarding what additional infrastructure may be necessary to adapt it to use by a number of farmers (as opposed to the single farmer when owned by a white commercial farmer). The Commonage Infrastructure and the Land Care Grants were discussed above and these grants will be applicable in these cases.

**c) Credit and access to other production resources:** The primary access to credit that farmworkers need will be to acquire land. It was intimated above that the Khula Enterprise Land Reform Empowerment Facility appears to be the only finance option which would enable farmworkers to obtain mortgage credit at price which may make it currently economically feasible to buy land. This facility is dealt with in detail below.

It was mentioned above that farmworkers generally do not own generally own many sheep and their income is limited in terms of acquiring additional sheep, or servicing loans. However, there are various ways in which white commercial farmers have indicated that they could assist emerging farmers and farmworkers in particular to acquire sheep<sup>11</sup>. There is a chance, however, that unscrupulous commercial farmers could use such arrangements for their own benefit entirely and this should be guarded against. Nevertheless, such joint ventures are encouraged, with the Municipality providing an advisory and monitoring role in ensuring that the farmworkers do not enter into unfavourable ventures.

**d) Capacity building:** The DLA and the SPP have previously run “road shows” in the area informing landless and “land-hungry” people about the various options for land reform. In all these “road shows” farmworkers were generally not included as the meetings took place in the towns, in the evenings during the week. Farmworkers are therefore generally uninformed about the various land reform opportunities. Moreover, commercial farmers, who are often the main way in which farmworkers currently obtain information about such issues, are also ill informed about the opportunities. The commercial Farmers Unions in each of the three towns have expressed a willingness to assist in organising well-located meetings for both the farmworkers and the farmers to be informed about land reform. It is proposed therefore that the Municipality, the DLA, the Department of Agriculture and SPP organise “road shows” to inform farmworkers and farmers about this. Given the nature of the relationships between farmers and farmworkers on many farms, these meetings should be separate meetings to ensure that the information provision is pitched at the correct level, and to enhance the ability of farmworkers to ask questions which are relevant to them.

Once this initial information programme has been undertaken, a brief survey of land needs amongst farmworkers should be undertaken. This should attempt to draw out in more detail the level of interest amongst farmworkers in acquiring land and the nature of the land they would like to acquire (taking into account that these interests may change over time). In addition, this survey should attempt to clarify the extent of interest in possible joint ventures – of both farmworkers and farmers. The initiatives to establish joint ventures most often comes from

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<sup>11</sup> An example of which are the agreement between Mr. Symington and the Latelle sheep farmers on the Kuilenberg farm and the manner in which the Fraserberg emerging farmers were able to access sheep at lower than prevailing market prices. In comparing the progress of expanding the flock size of emerging farmers that have entered into such agreement with commercial farmers and those that have relied entirely on Land Bank loans, it clearly provides emerging farmers with a boost.

commercial farmers – this survey process would attempt to enable farmworkers to be the ones who are able to initiate such options, through a facilitated negotiation with commercial farmers.

Farmworkers are not organised in their own organisations and given the small number of farmworkers on each farm, and the enormous distances between each farm in the Karoo Hoogland area, it is unlikely that organisation amongst farmworkers will be sustainable on its own. Information provision to farmworkers will therefore remain an ongoing challenge, as most are isolated on the various farms where they work. An ongoing system of information provision, on land reform and other economic, social and government information is necessary and the Municipality, having set up the initial process will be well placed to facilitate this ongoing task of keeping farmworkers informed, with the assistance of other informed players.

In both the commonage options and the joint venture options, the importance of thorough and realistic business planning cannot be emphasised enough. Many joint ventures have failed, in parts of agriculture where a much higher return on capital is expected. Many of these failures have been as a result of bad planning. If the LRAD grant is utilised, it is possible for the farmworkers to employ skilled agents to assist them in this planning. It is proposed that the Municipality develop a resource listing of appropriately skilled people and agencies which could provide such support and provides a monitoring role of the projects that are developed. This would be part of the “information role “ that is proposed for the Municipality and is discussed below. The DLA Municipal Commonage grant does not currently provide resources for planning, therefore the farmworkers will need to obtain such expertise from other avenues. It is proposed that the Municipality improves its expertise in this regard, in association with DoA.

When commonage land has been identified and acquired, the farmworkers who are given the opportunity to farm on that land will need various levels of capacity building. As proposed with the small-scale farmers above, the farmworkers will need to be assisted in the establishment and consolidation of forms of co-operative to manage the land and resources that they acquire in this way, even if they are going to farm individually. As proposed above, the Municipality and suitably skilled agencies need to assist in the formation of these organisations.

The joint venture arrangement is complex as it has a number of components in the relationship that emerges between the farmworkers and the farmer. The original relationship continues on the original farm – the relationship between a farmer/landowner and farmworkers. The new relationship is one of partners in a business – even though this partnership may not be equal in terms of shares and in terms of expertise. In one situation, the commercial farmer is absolute boss; in the new situation, joint agreement has to happen. These changes are complex and can be very difficult to sort out. Support in developing these changed circumstances is necessary and the farmworker partners, in particular, need an agency to support them as the venture proceeds. The Municipality, in association with the DoA can provide this role but other suitably skilled agencies (that understand the complex nature of the new relationship) may also be required.

**e) Extension:** The proposals regarding the appointment of new extension officers by the DoA are equally applicable to farmworkers who, while they have many of the skills of farming with sheep, need support in management and business aspects of farming.

In this regard, the close relationships (albeit sometimes fraught with tension) that farmworkers and commercial farmers have form the basis of a different kind of relationship that could be built – a mentoring arrangement. It is proposed that the Municipality facilitates a discussion with



the farmworkers on the newly acquired piece of *commonage* during which they identify a commercial farmer in the area that could be approached to provide mentoring capacity to enhance the extension support that is expected from the DoA. The aim would be to obtain such support from the farmer as part of his/her commitment to agriculture and transformation in the area. Where this is not possible, funds through the Department of Labour, through donors and through drawing in other NGOs into the area can be sought to support such initiatives.

The success of farmworkers as emerging entrepreneurs is going to be dependent on the development of their business acumen and skills. Many of the commercial farmers in the area may not themselves be very competent regarding business skills. It will be necessary to seek specific expertise once the survey by the Department of Labour mentioned above is complete, and when specific requests are made by farmworkers. Such expertise is discussed further below.

**f) Training:** Training for farmworker emerging farmers is very similar to emerging sheep farmers and is discussed below.

**g) Legal support:** Farmworkers entering into joint ventures or into contracts with the Municipality generally do so without legal support – the appointed DLA planner or service provider may not necessarily or specifically serve the interests of the farmworkers of the venture and it would be important for farmworkers to have independent access to such support. There are a number of independent legal NGOs, which could perform such a service, and the Legal Resources Centre and the UWC Law Clinic have indicated their availability in supporting farmworkers and emerging farmers in this way. It is proposed that these various organisations are approached regarding an ongoing relationship of support to farmworkers and emerging farmers in the area.

## Emerging farmers

**a) Land:** Currently the emerging farmers on commonage land range from those who have 8 sheep to those who have more than 250. The primary source of land for these farmers in the municipal area is the commonage (old and new) that the Municipality currently owns and can acquire. There are other mechanisms of acquiring access to land and these include leasing land owned by other farmers and landowners and buying private land through the state land reform programme and other resources. These strategies of accessing land are clearly linked and the approach here is to use the leasing of commonage and other landowners land as both a long term strategy of accessing land as well as a mechanism through which to build up stock and funds to buy land.

*Commonage land:* It is proposed that the different size farmers be dealt with in different ways as they have different needs - in terms of proximity to their place of residence, size of land required, their expertise – and capacity in terms of their ability to pay for or lease land. As was explained above, one of the aims of the use of commonage is to enable emerging farmers to build up their flock sizes over a period of time. It is therefore proposed that the commonage is divided up into different camps which are allocated to the different graduating farmers and that these graduations happen on a yearly basis and on each graduation the emerging farmer either moves up into the higher bracket or remains on the farm where they have been, depending on how the flock size has grown.

A certain amount of flexibility is required in this regard. The following table elaborates on this –:

<p>A. 1000 hectares 4 farmers with up to 15 ewes. They pay a lease of R2 per head per month.</p> <p>Assume that 2 farmers are able to build up stock, 2 remain with 15 ewes (remain small-scale farmers)</p>	<p>B – 1000 hectares 4 farmers with up to 15 ewes. They pay a lease of R2 per head per month.</p> <p>Assume that 2 farmers are able to build up stock, 2 remain with 15 ewes (remain small-scale farmers)</p>	<p>C – 1000 hectares 2 farmers with up to 30 ewes each. They pay a lease of R2.50 per head per month.</p> <p>Assume both build up to 60 head in two years.</p>	<p>D – 1000 hectares. 2 farmers with up to 30 ewes each. They pay a lease of R2.50 per head per month</p> <p>Assume that 1 succeeds at building up to 60 head in two years. Other is slower and remains on the farm sharing with a new graduate.</p>
<p>E – 2000 ha 2 farmers with up to 60 ewes.</p> <p>They pay a lease of R3.00 per head per month.</p>	<p>F- 2000 ha 2 farmers with up to 60 ewes.</p> <p>They pay a lease of R3.00 per head per month.</p>	<p>G – 2000 ha 1 farmer with 120 ewes.</p> <p>He/she pays a lease of R3.50-R4.00 per head per month.</p>	<p>H – 2000 ha 1 farmer with 120 ewes.</p> <p>He/she pays a lease of R3.50-R4.00 per head per month.</p>
<p>I. 3500 ha – likely to be one of the newly acquired farms outside of town.</p> <p>1 farmer with 200 ewes. Expands up to 350 ewes</p> <p>He/she pays a lease of R4.00-R7.00 per head per month.</p>	<p>J. 3500 ha – likely to be one of the newly acquired farms outside of town.</p> <p>1 farmer with 200 ewes. Expands up to 350 ewes</p> <p>He/she pays a lease of - R4.00-R7.00 per head per month.</p>		

*Short-term proposals for all commonage land:* All the “old” commonage would not be needed immediately for emerging farmers located in the towns, as their total current stock numbers are insufficient for the extent of land – in particular in Fraserberg. It is proposed that the emerging farmers are therefore specifically divided in the following way:

- *Williston farms:* The Blaauw family are given sole access to Verjaagfontein at a lease of R7 per head. The remaining farmers, already with 300 sheep, plus the additional members of the Association who do not yet have rights to land, are given access to the “old” commonage at a varying rate depending on their flock size. It is assumed that the total of the 6000ha should be made available to allow for immediate expansion and the farmers should be divided up in terms of forming cooperative units (those that have additional linkages to each other should farm together). These farmers are divided into camps as proposed above. 1000ha of the “old” commonage is allocated to small-scale farmers for non-sheep small stock and for the cultivation of vegetables and other arable crops at a small-scale level as well as for subsistence sheep farmers. This means that all the commonage land will be leased to emerging farmers from mid-2006. The implications for this are discussed below.
- *Fraserberg Farms:* Four of the seven farmers at Klipfontein are given access to the 5187 hectares at Klipfontein (it is proposed that these are Frieslander, Haas, Cloete and Vlok). This should be at a rate of R3 per head as per the system below. An amount of 2000 hectares of “old” commonage is made available to other emerging farmers – the three remaining farmers from Klipfontein and the additional new farmers who are not yet on the land. This will be at a varying rate depending on the number of

stock. In addition 1000 ha is available for subsistence sheep farmers and small-scale stock and crop farmers of the town for small-scale purposes. The remaining “old” commonage, approximately 10600 hectares, is leased to commercial farmers in a way that encourages joint ventures on these farms (see below).

- *Sutherland farms*: It is proposed that 1000 hectares of the “old” commonage is made available for subsistence and small-scale farmers in the town. Included in this group will be some of the current farmers on Kuilenberg who are operating at a very low level (under 10 sheep) and who have not increased the flock size in the last two years. In addition, it is proposed that the dorper farmers that are currently on Kuilenberg are relocated and allocated land on the “old” commonage and new farmers who are not currently part of Rebelskop Vereniging are also allocated to the “old” commonage. This will require a total of at least 2000 hectares (depending on how many sheep the current non-members of the Rebelskop Vereniging are able to obtain once they have access to land). These 2000 hectares will include land for those that want arable for planting various crops. A remainder of 1300 hectares will therefore be left for lease to a commercial farmer in the next two years.

It is then proposed that the remaining farmers at Kuilenberg, the Latelle sheep farmers are given access to the whole of Kuilenberg and an agreement is facilitated between them, by an external party such as SPP and the DoA, through which it is agreed who will have what rights to which grazing camps, and which arable land and in what manner. Moreover, this agreement will indicate how the land in its entirety will be managed. While the allocation of the whole of Kuilenberg to these farmers will mean that is temporarily under utilised, it will enable the farmers to expand their flocks into the future. In addition, the Venus Sisters, who will be using the guesthouse at Kuilenberg, should also be part of the group which has access to the land and be allocated sufficient land for their purposes of vegetable production. Finally, there have been the beginnings of Tulip bulb production in Sutherland – it is proposed that the conditions at Kuilenberg are investigated, with the option of locating the proposed expanded Tulip initiative on the farm. The farmers who end up producing these would therefore also need to be part of the group/cooperative/management committee at Kuilenberg.

There will be a significant amount of additional land available at Fraserberg and it is proposed that, in order to further extend land reform options, this land is leased out to joint ventures between emerging and commercial farmers in the following manner. The various camps are advertised and a call for tenders for a three-year contract is issued. The advert would stipulate that only joint ventures between emerging farmers or farmworkers and commercial farmers might apply. The application must stipulate how the joint venture will operate and how the venture will build the emerging farmer in terms of sheep flock sizes and in terms of the capacity of the emerging farmers to run their own farm. In addition, the proposal must explain how the commercial farmer will be bought out and withdraw from the venture over that period. The adjudication committee would award the tender to the proposal which appears to guarantee the most likely success for the emerging farmer/farmworker partners.

#### *Long-term proposals for commonage*

PS proposes that the Municipality acquires significant amounts of additional commonage to enable emerging farmers to build their flocks and to build their capital. It will be noted from the table below, that when the farmers reach the flock size of 350 ewes, they remain on the

commonage for an additional period of 3 years. This will clearly have implications for the number of hectares that the Municipality holds.

There is currently a high demand for land as there are many farmers on commonage land who have been kept at the 40 sheep per person level and now want to expand their flocks significantly. It is expected that this large group will expand their flocks over the next few years as shown in the table below. An assumption is made, however, that half the current group of emerging farmers with 25 sheep and less, will decide to farm only as subsistence farmers – these farmers then join that group in 2007 as seen in Table 2.

**Table 3: Expected number of emerging farmers from 2006 onwards**

		Projected no. of farmers by flock size (on Municipal land)									
No. of ewes		25	50	100	150	200	250	300	350	350	350
Year	2006	30	13	7	2	0	0	1	0	0	0
	2007	6	15	13	7	2	0	0	1	0	0
	2008	6	4	15	13	7	2	0	0	1	0
	2009	6	4	4	15	13	7	2	0	0	1
	2010	6	4	4	4	15	13	7	2	0	0
	2011	6	4	4	4	4	15	13	7	2	0
	2012	6	4	4	4	4	4	15	13	7	2
	2013	6	4	4	4	4	4	4	15	13	7
	2014	6	4	4	4	4	4	4	4	15	13
	2015	6	4	4	4	4	4	4	4	4	15

On the basis of the above predictions, and including the hectares required for small-scale farmers and subsistence sheep farmers discussed above, the total number of hectares that the Municipality will require and then manage is the following – on the basis of a carrying capacity of 10 hectares per productive ewe:

**Table 4: Municipal land required for new farmers (ha.)**

Year	Small-scale misc.	Subsistent sheep farmers	Emerging sheep farmers	Emerging farmers (farmworkers)	Total land area required
2006	30	2100	27000	4000	33130
2007	30	3600	40000	12000	55630
2008	29	3800	60500	20000	84329
2009	28	4000	83000	24000	111028
2010	28	4200	104000	24000	132228
2011	28	4400	129500	24000	157928
2012	28	4600	153500	24000	182128
2013	28	4800	166000	24000	194828
2014	28	5000	155500	24000	184528
2015	28	5200	124000	24000	153228

The Municipality currently owns 42 900 hectares of commonage of which just more than 40 000 is leased out to the various types of farmers currently (the remainder is utilised in other ways currently).

The additional number of hectares necessary for this proposed development process is substantial and is detailed in Table 5 below.

**Table 5: Additional land required – municipality currently leases 40 000 ha.**

	<b>Municipal Land Surplus /-Deficit (ha.)</b>	<b>Net land required / year (ha)</b>
Year 2006	7006	
2007	-15494	15494
2008	-44193	28699
2009	-70892	26699
2010	-92092	21200
2011	-117792	25700
2012	-141992	24200
2013	-154692	12700
2014	-144392	
2015	-113092	
<b>TOTAL</b>		<b>154692</b>

Clearly the acquisition of this additional land will have significant implications for the extent of management required where eventually the municipality would own a total of 194 828 ha - adding an additional 154 692ha upon what it currently has. Moreover, this will have significant implications for the income and for expenditure by the Municipality and this is discussed further below.

It is proposed that this land is acquired through the DLA Commonage programme and is bought in conjunction with the local emerging farmers associations and the Land Reform and Development Co-ordinating Committee discussed below. This is a significant component of the DLA's budget and thus the Department will need to be in agreement with this planned process of land acquisition before this strategy is finalised.

*Rental arrangements with absentee and other landowners:* It was mentioned in the Status Quo Report that there are a number of new landowners from outside of the area – primarily from the Boland and the Mpumalanga, North West and Gauteng “Highveld”. There is insufficient detail on these farmers and what they do, but there is a strong impression amongst some commercial farmers that a number of these farms are not optimally used – the farms being bought primarily for weekend getaways or other more recreational uses where the bulk of the land is not used.

A strong suggestion from various participants in the Status Quo Report workshops was that this land could be targeted for land reform purposes – for the establishment of long-term leases on the farms between emerging farmers and these, essentially, absent owners. Such lease arrangements would clearly need to cover all costs related to the use of it, would need to be used in a way that does not interfere with the land owner's use of the land, and the land owner would need to feel that the emerging farmer had the expertise and backup to farm the land competently. It is proposed therefore that this arrangement only occurs between the larger, and more experienced emerging farmers and only in a single farmer/landowner arrangement – not in group arrangements.

A number of associated processes are required for this strategy to be developed:

- i. Research undertaken to identify all absentee or weekend farmers: There is limited understanding of the extent of absentee or weekend farmers in the Karoo Hoogland and this strategy would require information on these – which farms are owned in this way, what kind of activities are being undertaken on these farms and to what extent such land owners use their land, what the attitudes of such farmers to these suggestions are and what kind of leases (in general) such land owners would be prepared to consider.
- ii. While the research will obtain a broad understanding of the attitude of these farmers to leasing their land, the Municipality and Dept. Agric should take on the role to approach these farmers to discuss the option of leasing these farms on a long-term basis. Through such negotiations, it will be clear to the landowner that there is broader support in such arrangements and that it is part of a broader programme.
- iii. The lease agreement would need to be between the emerging farmer and the absentee landowners. It is proposed, however, that the Municipality and DoA discusses the possibilities with those emerging farmers that have graduated to being on a farm on an individual basis in the discussion above and facilitates this negotiation about a long-term lease between the emerging farmer and the landowner.

*Buying private land:* It was mentioned above that the LRAD land reform grant for acquiring privately held land is insufficient to address the land need in this extensive rangeland area given the market price of land, the lack of capital that emerging farmers have and the extent of land needed for sustainable sheep farming. Alternatives, using the LRAD grant as well, are therefore necessary. A number of mechanisms and opportunities are address below.

**Land Reform for Agricultural Development (LRAD):** This is the primary grant that government has introduced for the acquisition of private land for land reform purposes. It is based on a system of own contribution where the more the applicant contributes, the greater the grant from the DLA. The lowest grant amount is R20 000 per individual and is based on an assumption that the individual will be contributing their labour to the initiative – the individual’s labour contribution is assumed to be worth R5000. The highest amount of grant an applicant can get is R100 000 but in this situation the individual would need to contribute a total “own contribution” of R400 000. This “own contribution” would include animals, machinery, loans, cash and other resources – that is it would be capital in general and not need to be in the form of money to acquire the land. The following gives an indication of the spread of amounts obtainable through LRAD:

**Table 6: LRAD grants in relation to own contribution** (Drawn from DLA detailed table)

Own contribution R	Matching grant R	Proportion of total cost %	
		Own contribution	Grant
5 000	20 000	20	80
35 000	40 871	46	54
145 000	68 888	68	32
400 000	100 000	80	20

In the Karoo Hoogland scenario, a farm of 3500 ha, at a current price of R350/ha, will cost R1 225 000. The full LRAD contribution of R100 000 is thus not even 10% of the total cost of the land and very few if any of the emerging farmers would currently be able to muster R400 000 of “own contribution” from already existing resources – a large loan or access to other capital would be a prerequisite.

**Land Bank loans:** With security provided elsewhere – from white farmers or an alternative bulk of money, the Land Bank has, until recently, been prepared to provide loans to the total of 80% of the productive value of the land for emerging farmers to acquire land. The Bank’s Calvinia office indicates that they consider the current productive value of the land in the Karoo Hoogland area as approximately R140 per hectare. The interest rate that they would offer is 10%. For the acquisition of a 3500ha farm (at R350 per hectare), therefore, the Bank would be willing to provide a total loan of R392 000. The current market price of such a property would be R1 225 000 if the price was R350 per hectare – the loan would be less than a third of the total land price and the interest rate would be at a rate higher than the gross margin earned from sheep farming on the land. Obtaining a loan from the Land Bank to buy land in the area would thus be uneconomical.

**Khula Finance Land Reform Empowerment Facility:** The Land Reform Empowerment Facility (LREF) is administered by Khula Enterprise Finance Ltd. on behalf of the DLA and is co-financed by the DLA, the European Commission and Denmark-DANIDA. The LREF is a wholesale loan facility established by the DLA to assist in the establishment of *commercially viable* land transfer projects. Commercial banks obtain wholesale credit from Khula and on-lend this money to emerging small, medium and micro-enterprise borrowers. The LREF is not able to conclude financial agreements with entrepreneurs directly, but works through intermediaries in the form of banks.

The LREF is prepared to finance projects that fall within the land reform programme and outside of it. Loans may be used to complement the LRAD grant or may be used independently of it. LREF loans are not guaranteed by the Facility and therefore banks that use the Facility need to apply sound business criteria when appraising projects, as they will bear the full risk of their financing decisions.

This facility provides two opportunities to emerging entrepreneurs:

- It provides for the establishment of a wholesale revolving credit facility from which loans with *deferred repayments* will be made to reputable lenders for the purpose of financing farm land and/or equity purchased by farm workers and emerging farmers in commercial farming and agri-business ventures.
- LREF interest rates will range from between one and three percentage points below the three-month 'Bankers Acceptance' or 'BA' rate. Bank-borrowers from the LRCF are free to negotiate interest rates with their clients, but the period and terms of deferment extended to clients must equal those granted by the LRCF.

The implication of the above summary is that the LREF is only really applicable to commercially viable land transfer projects, and specifically to those projects which can project a real increase in net revenues beyond the initial period of cash-flow difficulty. Otherwise, any deferment of loan repayments by the project will simply exacerbate the farmers’ cash flow difficulties once the deferment period expires.

Given these various financing options, PS developed a scenario of one of the farmers which would have leased the commonage land for the three years, once they had reached the 350 sheep level. The following table shows the various components of the financing arrangements:

**Table 7: A single family buying a farm using LRAD and Khula after three years with 350 sheep on commonage**

<b>Farm price (R)</b>	R 1,225,000	R350/ha
<b>Farm size</b>	3500 ha.	
<b>Stocking rate</b>	10ha: 1 ewe	
<b>Flock size</b>	350 ewe flock	
<b>1 family purchases farm</b>		

<b>Funded by</b>	Sale of sheep	Cash savings <sup>12</sup>	Total grants	Total cash available	Land Bank Bond required	Total financing
Farmer 1	R 0.00	R 107,835.00	R 100,000.00	R 207,835.00		
Farmer 1 spouse			R 36,120.00 <sup>13</sup>	R 36,120.00		
Farmer adult child			R 33,278.00 <sup>14</sup>	R 33,278.00		
<b>Total</b>	<b>R 0.00</b>	<b>R 107,835.00</b>	<b>R 169,398.00</b>	<b>R 277,233.00</b>	<b>R 947,767.00</b>	<b>R 1,225,000.00</b>

<b>Annual Land Bank repayments</b>	@ 6% p.a.	-R 82,631
R947767 loan over 20 years	@ 7.5% p.a.	-R 92,969
	@9% p.a.	-R 103,825

<b>Probable annual Gross Margin</b> (350 ewe flock)	Municipal land	Own land
	R 35,945.00	R 65,345.00

Different scenarios, where two families buy a farm and where a farm is acquired at a lower price are included below and in Appendix 5.

With the kind of unchecked market prices for land that are currently emerging in the Karoo Hoogland, the extent of land needed for sheep farming, the adherence to the willing-buyer willing-seller approach to land acquisition, and the level of state subsidy for the buying of private land, it is clear from the above figures that land reform for individual, emerging commercial farmers is not possible within this extensive grazing area – the best rate of interest would mean that, with the income receive from the sheep farming alone, the family would have R17 286 too little per year to service the loan.

Alternatives in acquiring the land are necessary and these include the following amongst others:

- *Curtailment of land prices* – The land prices are increasing to the extent that only the very rich farmers in the area or rich people from outside of the area are able to buy farms that come on to the market – many of the local commercial farmers are

<sup>12</sup> This is from the sale of sheep over three years, once the farmers have reached a flock of 350 on the commonage.

<sup>13</sup> This is the LRAD grant assuming that the spouse has an “own contribution” of R25 000 including R5000 labour and sheep.

<sup>14</sup> This is the LRAD grant assuming that the child has an “own contribution” of R20 000 including R5000 labour and sheep.



themselves unable to buy farms at such prices. Curtailment of land prices for land reform can happen through state intervention such as in the form of expropriation and the payment of lower than market prices.

- *The packing of the land* – The example above refers to an individual family aiming at a reasonable income from the land for the family. It would be possible for more people to buy land together, sharing the returns from the land amongst a larger group of people. In this way the group would be able to mobilise more of the LRAD grants, and may have additional cash savings. An example of this is shown below:

**Table 8: Group of two farming families buying land together**

Farm price (R)	1225000	R350/ha
Farm size	3500 ha.	
Stocking rate	10ha: 1 ewe	
Flock size	350 ewe flock	

**Funded by**

	Sale of sheep	Cash savings	Total grants	Total cash available	Land Bank Bond required	Total financing
Farmer 1	R 89,600.00	R 107,835.00	R 100,000.00	R 297,435.00		
Farmer 1 spouse			R 36,120.00	R 36,120.00		
Farmer adult child			R 33,278.00	R 33,278.00		
Sub-total	R 89,600.00	R 107,835.00	R 169,398.00	R 366,833.00	R 245,667.00	R 612,500.00
Farmer 2	R 89,600.00	R 107,835.00	R 100,000.00	R 297,435.00		
Farmer 2 spouse			R 33,278.00	R 33,278.00		
Sub-total	R 89,600.00	R 107,835.00	R 133,278.00	R 330,713.00	R 281,787.00	R 612,500.00
<b>Total</b>	<b>R 179,200.00</b>	<b>R 215,670.00</b>	<b>R 302,676.00</b>	<b>R 697,546.00</b>	<b>R 527,454.00</b>	<b>R 1,225,000.00</b>

<b>Annual Land Bank repayments</b>	@ 6% p.a.	-R 45,985.84
R527 454 loan over 20 years	@ 7.5% p.a.	-R 51,739.12
	@9% p.a.	-R 57,780.73

<b>Probable annual Gross Margin</b> (350 ewe flock)	Municipal land	Own land
	R 35,945.00	R 65,345.00

In this example, the two farming families would need to sell their additional sheep<sup>15</sup> that they had built up on the commonage land, as they would need to share the newly acquired farm. In this situation, if the price per sheep were R400 they would earn a total of R 179 200 for the sheep sold. In the process however they would have half their breeding stock. As seen in the figures above, they would have a total loan of R527 454 which, if they were able to obtain a loan with Khula Facility interest rates, would mean a current annual cost of between R45, 986 and R57, 781 from a gross margin of R65 345. It makes the acquisition of land possible but other sources of livelihood would also be necessary in order for the families to survive.

- *Sell local, at decent prices*: The farmers in the Williston workshop suggested the introduction of a law to force farmers to go into joint ventures in each new farm bought. This would be difficult and it was proposed above that an alternative to this would be the development of a code of conduct which local farmers would sign where

<sup>15</sup> Assuming they were part of the emerging farmers that had grown their flocks to 350 ewes on commonage land.

they commit themselves to buying in this way. Using a similar approach, the commercial farmers in the area could develop a commitment to only sell at specific prices which would contain the prices of land. While this would be contrary to the common approach which aims to get as much from the sale of one's land as possible, the current prices are not only keeping potential land reform beneficiaries out but they are also keeping white commercial farmers out of buying land. In addition to this commitment, there would need to be an agreement to only sell to local buyers as there is already increasing interest from outside buyers given the relative low price of land compared to other areas in the country. This approach would therefore be a commitment to the region as well as to themselves in that it would mean all local farmers would be able to afford the prices. The Municipality could initiate such the development of such a commitment but it would really be the Farmers Unions which would need to drive such a different approach to the sale of land.

In discussion with a number of commercial land-owning farmers in the area, however, it appears that current land owners see their land as their pension and would thus want to get as much from the sale of the land as possible. The fact that the expected income from the sale of the land has more than doubled in the last three years notwithstanding, it is unlikely that land owners would willingly sell at prices below the current market values obtainable.

- The recent national Land Summit raised many problems with the State's land reform programme and it is envisaged that various changes will be introduced to address the price and availability of land in the near future. These alternatives, in particular the changing of the willing-buyer willing-seller approach, will have a direct impact on the Strategies discussed here and thus this strategic approach would need to be adjusted in the future. For further information on the Land Summit and the resolutions emerging from it visit the Department of Land Affairs site at [http://land.pwv.gov.za/Land\\_Summit/](http://land.pwv.gov.za/Land_Summit/)

The proposals on increased access to commonage as discussed above anticipate access to private land after a period on the commonage. However it is seen above that there are currently limited options in this regard. To reduce these expectations, and to encourage emerging farmers to look at alternative options as they progress, it is thus important that emerging farmers are informed that there are few options for them for long term acquisition of private land with state land reform mechanisms that are used currently.

**b) Infrastructure:** There are various state support mechanisms to assist emerging farmers in improving the infrastructure on land that they use – on both private and leased land. As discussed above the DLA has a Commonage Infrastructure Grant which can be used on newly acquired commonage land as well as on old commonage in certain circumstances. In the light of the extent of land that it is envisaged will be bought during the forthcoming period (as proposed) the use of the Commonage Infrastructure Grant will be an important resource to ensure that the land that is acquired can be used to its fullest potential.

The Land Care facility of the DoA is also such an important fund and the coordination between the two Departments and the Municipality with regard to the improvements on commonage would be essential so that there was not duplicate funding. Unlike the Commonage Infrastructure Grant, the Land Care fund can also be used by emerging farmers on private land to improve the quality of the land and resources.

**c) Credit:** Credit for the acquisition of land is discussed above. With regard to other aspects, emerging farmers, especially those that are starting out, require funds for the acquisition of sheep. As discussed above, the Land Bank provides unsecured loans to farmers up to an amount of R25 000. Various farmers in the Karoo Hoogland area have already obtained such loans and, depending on the other debt that the farmers acquire, it appears that the farmers are able to handle such debt from the returns on the farming.

In addition, the emerging farmers who obtain access to land outside of town will need transport to get there – a current problem for many of the farmers is lack of transport. Some of these problems will be ameliorated through providing access to commonage closer to the towns but it will remain an area where individual farmers will want to obtain access to credit to acquire transport.

It appears that the Micro-Agricultural Finance Schemes of South Africa (MAFISA) facility and the Land Bank will be able to assist farmers who are reasonably credit-worthy in obtaining loans.

The MAFISA draft document from the Department of Agriculture provides some pointers to what the loan scheme will address and it appears that the focus will be on agricultural initiatives for people who already have access to land (up to R100 000), and not for acquiring land itself. It may be that these loans could be used for the development of land once people have acquired land. While the Minister and the Department have indicated that there is R1bn to begin the process, at this stage, the new MAFISA loan scheme for poor entrepreneurs is not going to be considered as there is insufficient clarity on the various terms of the loans and at this stage it is being piloted in the Mpumalanga province.

In addition to the Land Bank, as discussed above, there is the possibility of the Municipality facilitating the setting up of a revolving credit fund with funds acquired from elsewhere – such as the Rotary International, or other sources of funding. The advantages of a revolving credit fund is that it can provide credit to borrowers who might not be able to obtain credit from commercial lending institutions and it can generally provide credit at a lower rate than commercial lending institutions. The mechanisms of a revolving credit fund do, however, need commitment from the borrowers, a management structure that has enough authority and legitimacy from borrowers and the broader community to maintain a high level of repayment.

The Municipal Systems Act provides for the establishment of a municipal entity and it is proposed that the Municipality establishes such an entity whose task it would be to raise and hold funds for emerging farmers, and then to manage these funds as a revolving credit fund on their behalf. This is a complex arrangement and therefore would need much clarity before such an entity was established. Appendix 4 provides some detail on Revolving Credit Funds which could be used if the decision was made to set up such a fund.

Besides credit, there are a number of sources of funds which emerging farmers can use to acquire production related resources. Coordinated by the DoA, the Comprehensive Agricultural Support Programme requires that the farmers either own the land or have long-term tenure security on the land. Depending what the farmers are intending to do therefore, such a fund can also be used by farmers on commonage land and on private leased land, as long as their lease is within the limits set by the Department.

**d) Capacity building:** There are a number of different levels at which capacity building is necessary for emerging farmers. The farmers will be using land together and will be jointly responsible for the land – the maintenance, the internal land-use practices and so forth. For this reason it will be important to develop some form of management structure located on each of the farms which will be charged with the responsibility of managing the land that they jointly have access to, in conjunction with the municipal official responsible for that farm. This is discussed further below.

These management organisations would need to be established, but would also need to be trained in the running of the organisations and be supported in the decisions that they have to make as time goes on. There are no agencies operating in the area with expertise in this particular area and so such resources would need to be drawn in from elsewhere. The funds to train farmers in this manner could be sourced from the Department of Labour.

As discussed above under small-scale farmers, the planning of businesses is a key area of support that is most often lacking in the development of emerging or small-scale farmers. Moreover there is a lack of such expertise in the area more generally. It should not be assumed that all commercial farmers have good business acumen and skills. Moreover, many of the Department of Agriculture officials are not skilled in the business side of farming – they are more focused on the technical side of agriculture. It will be important, therefore, to develop a mechanism which emerging farmers can draw on in their attempts to develop their businesses. It is proposed that the municipality assists in establishing a facility to support emerging farmers in this way through mobilising specific commercial farmers who have such expertise, through drawing in expertise from outside of the area including NGOs which provide such services such as Triple Trust Organisation, the South African Institute for Entrepreneurship (business support organisations based in Cape Town) and other resource persons.

Finally, commercial farmers in the area have indicated their willingness to support emerging farmers – in particular sheep farmers. This support can be in various forms from being on call for specific questions, to a more formal mentoring arrangement. It is proposed that the municipality facilitates meetings between the emerging farmers' and the commercial farmers' organisations in each town to discuss how this support should happen. Through this discussion it is hoped that relations will be developed which will enable emerging farmers to call on commercial farmers as and when they wish, and that emerging farmers could develop structured ways in which this relationships could proceed.

**e) Extension:** While some of the emerging farmers have a deep understanding of sheep farming, being ex-farmworkers, many of these farmers need further skills development in this field. It was raised above that the Department of Agriculture intends appointing such staff shortly and such support will be very welcome – there was a strong call in all of the workshops conducted for the Department to appoint such staff.

Given that extension and support in decisions regarding business planning, marketing and related services is often not provided by the DoA, it would need to be developed in conjunction with other agencies referred to in the discussion above.

**f) Training:** In addition, these are emerging farmers and, by definition then, are in the process of becoming business people. Many farmers do not have business skills of various sorts including marketing, financial management, financial planning and it would be important for the success of their businesses to assist them in training with these skills – beyond the support in

the decisions which the extension would provide above. There are various other institutions and individuals that provide such support in the area. The Department of Labour, as is discussed in more detail below, has various ways in which to support training and capacity building. It is proposed that the specific training institutions are approached to use Department of Labour funds to conduct such training.

## 4. Implications of these strategies

### Acquisition of land

*Commonage:*

In terms of the amount of land to be acquired, the emerging sheep farmers are really the most significant factor. The proposals above result in the following area of land, and the likely cost of the land, that would need to be bought by the Municipality (through DLA funds) as additional commonage land over the next ten years:

**Table 9: Land required for commonage programme and cost**

	Net land required/year (ha)	Land purchase @R350/ha	Land purchase @R500/ha
Year 2006		R 0.00	R 0.00
2007	15494	R 5,422,900.00	R 7,747,000.00
2008	28699	R 10,044,650.00	R 14,349,500.00
2009	26699	R 9,344,650.00	R 13,349,500.00
2010	21200	R 7,419,965.00	R 10,599,950.00
2011	25700	R 8,994,989.50	R 12,849,985.00
2012	24200	R 8,469,996.85	R 12,099,995.50
2013	12700	R 4,444,999.06	R 6,349,998.65
2014		R 0.00	R 0.00
2015		R 0.00	R 0.00
<b>TOTAL</b>	<b>154692</b>	<b>R 54,142,150.41</b>	<b>R 77,345,929.15</b>

It will be seen in Table 5 that during 2006, there will be surplus land available which could be leased out to commercial farmers for the year. It is expected that the emerging farmers will expand their flocks significantly, given access to additional land and the ability to expand their flocks (rather than having to sell them in order to keep them within the limits of the 40 or 50 sheep per person ceiling). While in practice that actual amount of land will depend on the expansion of flocks (of current farmers and new farmers who are not yet on the land) these predictions are based on a reasonable expansion of flocks, taking into account that the farmers will also need to earn some of their income from the sale of stock.

The Municipality would have acquired sufficient land to accommodate all farmers by 2013 and after that would have a surplus of land, assuming that the emerging farmers were all able to move off commonage onto privately owned land once they had got to the 350 ewes level as proposed above. At this point the Municipality could decide to lease the land to commercial farmers (of all races), or it could decide to sell the land to emerging farmers – in terms of the Municipal Commonage Policy, the Municipality would require the consent of the Premier before the land could be sold.

*Private land:*

In the proposals above, it is expected that by 2015 there will be 23 commercial farmers emerging from the "commonage system" (after leasing for 3 years @ 350 ewes). The land reform programme provides them with a maximum of R100 000 currently, if they are able to provide the equivalent of R400 000 in "own contribution". For the DLA, the cost of those farmers is the total of a maximum R100 000 per person regardless of where else that they might obtain the remaining capital. In Table 9 below, the same assumptions are made per family as in Table 7 above. The cost to DLA is therefore the total number of LRAD grants as shown:

**Table 10: Expected number of farms for private acquisition and LRAD grant amounts**

Year	Number of farms	LRAD Grant Amount
2010	1	R 169 398
2011	0	R 0
2012	0	R 0
2013	2	R 338 796
2014	7	R1 185 786
2015	13	R2 202 174

In addition, it is expected that there will be two joint ventures between farmworkers and white, commercial farmers per year in the first two years and then three per year in the years following. If there is an assumption that each joint venture will require the kind of LRAD grants as reflected in the example above then the following is the likely expenditure required by the DLA in farmworker equity schemes:

**Table 11: Expected joint ventures between farmworkers and commercial farmers**

Year	Number of Schemes	Farmworker equities LRAD
2006	2	R 452,546.00
2007	2	R 452,546.00
2008	3	R 678,819.00
2009	3	R 678,819.00
2010	3	R 678,819.00
2011	3	R 678,819.00
2012	3	R 678,819.00
2013	3	R 678,819.00
2014	3	R 678,819.00
2015	3	R 678,819.00

In total, therefore, the strategy proposed would have the following expected expenditure for the DLA if it were possible for emerging farmers to acquire additional capital from elsewhere to buy land using LRAD:

**Table 12: Totals required from DLA for land reform**

(This excludes amounts needed from other sources such as own cash, bank loans, joint ventures partners, etc.)

Year	Farmworker equities LRAD	Commonage	Emerging farmers LRAD	Total
2006	R 452,546.00	R 0.00		R 452,546.00
2007	R 452,546.00	R 2,970,800.00		R 3,423,346.00
2008	R 678,819.00	R 10,044,650.00		R 10,723,469.00
2009	R 678,819.00	R 9,344,650.00		R 10,023,469.00
2010	R 678,819.00	R 7,419,965.00	R 169,398.00	R 8,268,182.00
2011	R 678,819.00	R 8,994,990.00		R 9,673,809.00
2012	R 678,819.00	R 8,469,997.00		R 9,148,816.00
2013	R 678,819.00	R 4,444,999.00	R 338,796.00	R 5,462,614.00
2014	R 678,819.00	R 0.00	R 1,185,786.00	R 1,864,605.00
2015	R 678,819.00	R 0.00	R 2,202,174.00	R 2,880,993.00
<b>Total</b>	<b>R 6,335,644.00</b>	<b>R 51,690,050.00</b>	<b>R 3,896,154.00</b>	<b>R 61,921,849.00</b>

Given an assumption of the price of land at R350 per hectare for this period, the total amount required from the DLA would be R 64 373 948.41 over the ten years. This amount does not include the cash inputs that each emerging farmer would make towards the acquisition of private land, the financial input that any partner in any scheme would make, the loans that emerging farmers may take and any other additional financial expense in the acquisition of the land.

The current allocation to the whole Karoo area by the DLA is in the order of R3m per annum – it is clear from the above that a significant increase in funds will be necessary from 2007 onwards. This increase in funds is expected once the restitution processes are complete.

### **Addressing the income required from the “old” commonage:**

Providing emerging and small-scale farmers access to all the commonage, “old” and “new”, will mean that the Municipality would lose a source of income upon which it currently relies.

In the 2004/2005 financial year, the Municipality obtained in the order of R460 000 from the lease of all the commonage. In the same year, it spent a total of R180 000 on the maintenance of the commonage – this included the material for any maintenance on the “new” commonage, any costs related to the commonage committees meetings, the costs related to the “Meentwagters” that monitor commonage use on the “old” commonage and any other salary related costs. This amount does not equate to the total maintenance costs as the ongoing, normal maintenance of the “old” commonage is paid for and undertaken by the lessees in terms of their contracts (as opposed to the maintenance of the “new” commonage where the municipality pays for costs of all materials). A total of R280 000 was therefore available to the

Municipality for use on other expenses and it is this amount that needs to be sourced from elsewhere in order to cover the expenditure on these other factors. The Municipality has budgeted an income of R450 000 for 2005/2006 and an amount of R472 000 for the following year. The budgeted expenditure is R129 010 for the 2005/2006 year and R136 527 in the following year. The surplus that the Municipality expects from the leasing of commonage is therefore in the order of R300 000.

The escalating number of hectares acquired by the Municipality will require an increasing amount of expenditure on maintenance, however it is assumed that the *meent wagters* will be able to manage the monitoring of the increased amount of commonage, in association with the co-operative/management committees on each farm. It is also assumed that the cost of the Land Reform and Development Coordinating Committee (LRDCC) discussed below would essentially absorb the current Commonage Committee costs. The cost per hectare currently is in the order of R 22 500 for about 17000 hectares, excluding the salary costs. The increasing costs of maintenance (including the additional costs of the 23 000 ha of “old” commonage) are therefore as follows:

**Table 13: Maintenance costs of additional commonage acquired**

Year	Total land area required	Maintenance costs - at R2 per hectare plus escalating salaries
2006	33130	R 181,760.00
2007	55630	R 234,271.00
2008	84329	R 299,049.66
2009	111028	R 360,271.16
2010	132228	R 410,963.87
2011	157928	R 471,154.29
2012	182128	R 528,872.19
2013	194828	R 564,149.17
2014	184528	R 554,018.78
2015	153228	R 502,516.56

If the proposed new farms are acquired, and they are divided up between different size emerging farmers in the proportions as proposed above, then a total income from the increasing numbers of hectares leased out in the proposed manner is as follows.

**Table 14: Expected income from leasing commonage**

Year	Annual rental	Monthly rental per ewe									Farmworker	Total rental income
		10	25	50	100	150	200	250	300	350		
	480.00	2.00	2.00	2.50	3.00	3.50	4.00	5.00	6.00	7.00	3.00	
2006	14400	5040	18000	19500	25200	12600	0	0	21600	0	14400	R 130,740
2007	14400	8640	3600	22500	46800	44100	19200	0	0	29400	43200	R 231,840
2008	13920	9120	3600	6000	54000	81900	67200	30000	0	29400	72000	R 367,140
2009	13440	9600	3600	6000	14400	94500	124800	105000	43200	29400	86400	R 530,340
2010	13392	10080	3600	6000	14400	25200	144000	195000	151200	58800	86400	R 708,072
2011	13378	10560	3600	6000	14400	25200	38400	225000	280800	264600	86400	R 968,338
2012	13373	11040	3600	6000	14400	25200	38400	60000	324000	646800	86400	R 1,229,213
2013	13372	11520	3600	6000	14400	25200	38400	60000	86400	1029000	86400	R 1,374,292
2014	13372	12000	3600	6000	14400	25200	38400	60000	86400	940800	86400	R 1,286,572
2015	13371	12480	3600	6000	14400	25200	38400	60000	86400	676200	86400	R 1,022,451



The table above shows that the initial period after all the commonage is leased out to the emerging farmers will result in a reduction in the surplus that the municipality generates from the commonage. From the year 2009, however, the Municipality begins to generate a significant surplus. This will cover the additional expenditure that the Municipality incurs.

It is proposed that the loss of income that the Municipality suffers during the initial three years could be covered through a variety of ways:

- The Land Tax will be introduced in 2006, once the municipal valuation of farmland has been completed. Some of this could be allocated to cover this shortfall in the revenue.
- The Municipality could seek an increase in grant funding from provincial or national government as it is taking on additional responsibilities which could be considered national government's responsibilities, and it is losing a source of income because of its commitment to land reform.
- A loan could be sought which would be paid back once the lease fees from the commonage increase in the later years.

Some DoA officials have raised concern that the DLA Commonage Policy may prohibit the charging of lease fees which would result in substantial profit for the Municipality given that the focus of the Commonage Programme is to make land available for the sustainable development of emerging farmers. An excerpt from the Commonage Manual in Appendix 8 shows that this is subject to negotiation and thus it may be necessary to adjust the proposed lease fees to be less onerous for emerging farmers.

## Capacity building

Drawing from the various strategies above, there are three broad areas where capacity building and support<sup>16</sup> is needed:

- *Planning for farming*: most small-scale and emerging farmers do not engage in sufficient planning for the initiatives they want to undertake. Moreover, the nature of support they may get from DLA or DoA is limited to the expertise that there may be within those two Departments, and the capacity in those Departments is limited.
- *Technical aspects of farming*: This includes farming with sheep, pigs, vegetables and other products such as medicinal plants and essential oils. It also includes the technical aspects of farm maintenance – wind pumps, fencing, vehicle maintenance and so forth.
- *Business aspects of farming – at whatever scale*. Many farmers (from small-scale through to commercial white farmers) do not have extensive expertise regarding the

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<sup>16</sup> There are various ways in which the capacity of small-scale and emerging farmers can be built – two key mechanisms are training and mentoring. Training occurs when there is a specific set of skills or knowledge that needs to be explained or taught to learners. Mentoring is an ongoing relationship between a person who has greater knowledge and a person who has lesser knowledge in a particular field more broadly. Both these are needed in the development of farmers. Training is an organised event which a group of people attend and at which a course is delivered. In a mentoring arrangement, it is most appropriate where the mentor and the mentored choose each other and develop a relationship of learning over a period of time.

business side of farming, sometimes undertaking initiatives which essentially drain their resources. Building this side of the capacity of small-scale and emerging farmers will be very important if the land is to be used sustainably and if the farmers are going to be successful.

The current situation is that there are no extension officers of DoA within 400–500 km, although this is due to change in the near future. Moreover, there is only one NGO that operates on a permanent basis in the area – SPP – and this organisation focuses more on organisational issues regarding the associations of emerging farmers. There are other organisations in the area which focus on capacity building but few focus on agricultural issues. Commercial farmers generally have significant expertise in the technical aspects of sheep farming in particular – some also have expertise in other products such as poultry and vegetables. However, not all commercial farmers have extensive expertise in the business aspects of farming. Given this situation, it is likely that expertise existing in the area will need to be bolstered by external service providers with specific skills.

Amalgamating the various proposals above, it is proposed therefore that the following capacity building initiatives are developed:

- The Emerging Farmers Associations, Women's groups and other groups of farmers, should be drawn together and taken through a process to honestly assess their current skills and to clarify what skills are needed to improve their ability to farm. This assessment should be correlated with the current skills audit and needs analysis being undertaken by the Department of Labour. Through this process, clarity should emerge as to what skills are needed and what expertise can be obtained in the area.
- Many of the commercial farmers that were consulted during this strategy development process indicated a willingness to assist emerging farmers in the development of their capacity to farm. Some farmers indicated that this support would be part of their commitment to the development of local people, while others indicated that this support would need to be paid for. The commercial farmers are generally well organised in the area – approximately 70% of the farmers are members of the Unions in the three towns. It is proposed that the Unions engage their members to put forward their names to be mentors and then to co-ordinate the support that could be given - obtaining from their members their willingness to support, in what area and under what terms.
- The Municipal officials involved with Economic Development should facilitate meetings between the Emerging Farmers Associations, Women's groups and the Commercial Farmers' unions in each town to discuss how such capacity-building and mentoring arrangements can be developed on an ongoing basis.
- The Department of Labour has a "learnership" programme. Once it has been clarified which commercial farmers are willing to offer support, the Municipality and DoA should call events in each town where commercial farmers and emerging farmers will be invited to attend. At this occasion, the detail of the learnership programme will be explained and then the two sets of farmers will be given the chance of identifying each other for a learnership programme over a period of 6 months. The emerging or small-scale farmers will be required to work on the farm of the commercial farmer for particular phases of the six month cycle during which particular aspects of farming are taught.
- The Department of Labour has funds for particular training programmes. Once the skills audit and needs analysis has been complete, specific training sessions need to be developed which will address these needs in particular. Key areas of training will be

financial management (for those with existing numeric capacity), business development skills, specific training around sheep farming, and so forth. Local expertise should be used for this where available and external expertise can be drawn in where necessary.

- Where a group of farmers is farming communally on commonage land, it is proposed below that a clear management/co-ordination structure is developed amongst them. With regard to capacity building, it is proposed that mentors for particular purposes (preferably one person) are appointed to support this group of farmers at the broader institutional level. Non-profit Institutions such as SPP (which is currently expanding its support to include support to local level commonage management structures) and Environmental Monitoring Group can be brought in to assist such structures. Additional expertise may also need to be drawn in where these organisations are lacking.
- The training of municipal officials for land reform will be crucial to the success of land reform in the area, given the increased responsibilities proposed in this document. This should include a number of components – a training session on the various land reform products and options and the sources and contact people involved in these; an exposure and mentoring programme on the farms in the area to get a more detailed understanding of what farming in the area entails; a course through one of the universities on land reform and rural development; a course on cooperatives and other institutions for both profit and non-profit purposes.

The resources to pay for such capacity building would come from various sources:

- The Department of Labour has various funds for training of people;
- The non-profit organisations have their own funds for such training initiatives but are also well-placed to raise funds for joint initiatives with Municipalities;
- The Local Government SETA has resources for the training of municipal employees – it is proposed that these resources are sought for the training of the municipal officials who will be allocated to land reform issues in the Municipality.

### **Institutional issues for municipal land reform**

The three key players in land reform in the Karoo Hoogland are the emerging and small-scale farmers, the Municipality and the commercial farmers. Other role-players, such as DLA, DoA and SPP are also extremely important, but need to be drawn in to support initiatives that emerge from the ground. The development of the relationship between the three key players and the scope of what they deal with is central to the success of land reform and related development in the Hoogland.

### **For land reform and agricultural (and other productive use) coordination**

*Land Reform and Development Coordination Committee:* Currently, in the Karoo Hoogland, there are three Commonage Committees – one in each town. These Committees are sub-committees of the Council and have the express purpose to be the governance structure for the newly acquired commonage land. The DLA requires such a Committee to be established when it buys commonage land for municipalities. The terms of reference of these Committees are therefore very narrow.

The Emerging Farmers Associations are all part of the Hantam District Emerging Farmers Association which aims to look at the development of emerging farmers more generally and plays a more general lobbying role for their interests.

There is therefore no broader, co-ordinating structure which is set up to look at all aspects of land reform and development, which draws together the different role-players to support and enhance land reform more broadly, and which aims to mobilise resources and expertise for the development of the land acquired or utilised through the land reform that happens in the area.

It is proposed therefore that a “*Land Reform and Development Coordinating Committee*”, based and driven by Karoo Hoogland people, is established. This Committee should be closely linked to the Municipal Council either as a sub-committee of the Council (but with relative independence within a broad mandate with a set budget) or as a municipal entity in terms of the Municipal Systems Act no. 32 of 2000 with its amendment in Act no. 44 of 2003. The members of this Committee or Entity should include the Municipality (the head of the Economic Development directorate, who should also chair it, as well as the economic development officials in each town), representatives of the organised emerging farmers and the small-scale farmers in each town, representatives of the organised commercial farmers in each town, representatives of organised business in each town (in particular the co-operatives) the DLA and DoA officials responsible for the area, the Department of Labour officials responsible for training, the Surplus People Project and the Land Bank.

This Committee should have the following responsibilities:

- Be charged with the responsibility to carry the Strategy through to fruition;
- Be the body that seeks land for land reform, matching need and sourcing a supply – commonage land, private land for leasing and private land for buying through DLA and other financial support;
- Be the body that coordinates additional financial support to initiatives on land – mobilising funds, partners and other resources for the successful use and development of land;
- Be the body that matches capacity building needs (as discussed above) and the potential supporters to address those needs from local and broader people and agencies.

*Municipal officials supporting land reform and development:* The Land Reform and Development Committee will need to have person-power to carry out the various tasks that it agrees on. While the various delegates in the Committee will be encouraged to contribute to the tasks that are agreed upon, additional human resources will be necessary. It is proposed that the officials in the Economic Development directorate in the Municipality provide additional support in this regard. This will mean that at least one of the staff of the Directorate will need to have agricultural and business understanding and be capable of seeking and mobilising other resources more generally.

The Municipality currently has only one Economic Development official appointed. It is likely that the additional tasks ascribed to the Economic Development directorate will require an additional staff member to fill the proposed members in terms of the current organogram – in particular a person with the relevant skills as described above.

The “old commonage” currently has “meent wagtters” who monitor the use of the land, check the infrastructure, and monitor dogs and other unwanted predators on the land. The “new commonage” does not have such “wagtters” and such monitoring is left up to the users of the land. It is proposed that the current meent wagtters also take responsibility for the “new commonage” but that this is done in collaboration with the local co-op structures proposed

below so that the current wagers will be sufficient, even though additional land is to be monitored.

If there are additional costs for these additional human resources and the operational costs, which are not covered through the budget discussed above, these could initially be covered by the proposed land tax which will be introduced in the next 12 months, once land valuation has been undertaken in the municipal area – expected by end December 2005. It is unclear yet what the income from such a land tax will be and would thus need to be addressed once these figures are clear.

*Information on land reform and development:* A key problem in land reform and the development of the land in the Karoo Hoogland and elsewhere is the lack of information on all aspects and a lack of a local central point which focuses on land reform and land development. It is proposed that the Municipality becomes a centre of information on land reform, expanding the role it currently performs in this regard. This 'centre' would be a place where small-scale and emerging farmers would lodge their interest in accessing land, where they would be able to obtain assistance in linking up with other players in land reform and development and where they would be able to get information on land reform, agricultural and other development opportunities. It would also be a centre where commercial farmers and other landowners (absentee landowners) could make links with land reform and agricultural development initiatives. Such an office would also be the place through which national and provincial developmental officials would link up with the Municipality and with small-scale and emerging farmers and through which their joint activities would be coordinated. The Municipal offices in each town, with the local Economic and Development official would be the location of this.

*Monitoring commonage and addressing the dog/theft problem:* A key problem on land that is located close to town is the losses that result from theft (both stock and arable products) and the killing of stock by dogs. In the proposal that the land adjacent to the towns be made available to small-scale and emerging farmers, this problem will have to be addressed.

It is proposed that this is addressed in two ways. Firstly, with the change of allocation, from commercial farmer to emerging or small-scale farmer, it is likely that the DLA will be willing to provide certain funds to the improving or adjusting the commonage infrastructure. The DLA's commonage infrastructure grant is primarily for use on newly acquired land but the DLA will entertain applications for use on "old commonage" if it is clearly in favour of land reform.

Secondly, the emerging and small-scale farmers will need to organise themselves in order to defend their stock and other products from theft. This would entail conducting meetings within the community to make them aware of the problem more broadly; and, developing security mechanisms amongst themselves, in conjunction with the South African Police and the Police Forums in each town.

*Developing a code of conduct for commercial farmers and other landowners:* It was proposed by one of the groups in the earlier workshops that a law be introduced to enforce all new acquisitions of agricultural land to either be bought by black people or, primarily, be joint ventures between black and white farmers. While the development of such national legislation could emerge from initiatives at the municipal level (especially if a concerted effort was agreed to by all parties at a municipal level, utilising their provincial and national structures – government and non-government) it is proposed that, in the interim, the three Farmers Unions from the three towns develop a code of conduct which farmer members subscribe to. This code

of conduct would specifically commit farmers to go into joint ventures in each and every new land acquisition that they went into.

It is understood that the power of such a code is only as strong as the commitment of each farmer to abide by it; there is no power to formally sanction a farmer if he/she breaks the Code. The strength of such a Code is the public nature of it, so it would be important for the commitment to such a Code to be of a public nature. The Unions would therefore need to initially target specific farmers, who are influential in the area, who would lead by example in signing the Code, and through entering into such joint ventures.

In addition, it is known that many of the new landowners in the area are from outside of the area and therefore would not know about these arrangements. It would be important to mobilise the estate agents operating in the area to also subscribe to the Code. In their case it would be a commitment to informing all prospective buyers of the Code, being aware of the current progress in land reform and the current needs in terms of those emerging farmers that may be capable and in the position to go into a joint venture with a prospective buyer.

It would be important that this remains a voluntary initiative – if it is to be a Code rather than a law. The co-ordination of this Code, and monitoring the commitment to it, should therefore be achieved by the Unions themselves as it is an initiative that emerges from commercial farmers.

A key stumbling block in making such a code a reality is the availability of funds for the acquisition of land by emerging farmers. If it is assumed that the turnover of land is 5% per annum, in the Karoo Hoogland that translates to about 166 000ha per year (the amount proposed to be transferred in commonage in ten years above). If the average land price is R300 per ha and the land reform participants in such joint ventures take on 25% of the venture, on average, then this would cost in the order of R12,5m per year – this is more than a third of the budget for land acquisition for the entire province currently. If this Code is to be brought into effect for each and every acquisition then additional funds from other sources will need to be used.

### **For successful farming on communally held land**

*Cooperatives on commonage land:* The Status Quo Report highlighted that there was a lack of coordination and management on the newly acquired farms – individual farmers concentrated only on their specific interests, and did not involve themselves in the rest of the farm. This resulted in limited responsibility being taken for the farm as a whole and many of the resources either being underused or being degraded.

It is proposed that the individuals that are allocated land, which they must share, be required to be part of a cooperative or some other co-ordination or management structure. The agreement between the individuals in the cooperative must indicate what the rights of each individual are and what they are required to do (in particular with regard to the maintenance of the land and its infrastructure in particular). In addition, the structure will need to clarify who has what responsibilities within the structure. These structures amongst emerging farmers would be transitional in that, according to the proposals for commonage land above, it is expected that farmers would graduate every one or two years and thus move into a smaller and different group of farmers who would then need to set up a new agreement and structure between them.

Each of these cooperative structures would need to report to the Land Reform and Development Committee on regular intervals in terms of progress with the development on the farm. It is proposed therefore that there is a requirement of the local cooperative to present a report to the Committee on a quarterly basis. The municipal official would be required to support the local co-op in preparing and presenting this report.

*Contracts on commonage land:* The current contracts between individual farmers and the municipality are entirely individual in nature and this ends up developing an individual response to the responsibilities on the farm. The proposed agreement and local co-op structure above will address some of this. It is proposed however that the contracts remain individual, while requiring participation in the local co-op.

These contracts would stipulate the rights and responsibilities of the land users including the responsibility to pay lease fees; agreements on the maintenance of the land and infrastructure; agreements on access to other resources such as municipal vehicles, irrigation infrastructure and other capital goods; agreements about responsibilities towards other land users; and, importantly, an obligation to use the land or to lose the land right. Legal Resources Centre has much experience in these matters and can assist in developing these and all aspects of such contract development.

The contract is a management tool but it also asserts the policy of the municipality. In this regard, there are a number of issues that need to be highlighted:

- *The use it or lose it principle:* While eligibility to commonage land is open to all, only few will get access to it. The contract needs to show that it is a privilege in many respects. If one is given the right to use a portion of commonage, whether it is for grazing sheep or for some arable purpose, then the person should be required to use it. If they do not use it within 6 months of the allocation, they would need to present an argument to the Committee as to why the right should not be taken away from them. In the event that the Committee feels that the reason is insufficient for the right to continue, then the person should lose that right.
- *Payment of lease fees:* Once again, in order to stress the importance of land and the scarcity of its supply, each person should be required to pay a fee for the use of land – whether it is for grazing, arable or any other purpose. While this fee should be on a sliding scale as proposed, if the user does not pay the fee, they should lose the right unless there is a very good reason.
- *Stick to the rules or lose the right:* The sustainability of the land (ecologically and economically) is dependent on people using the land with appropriate management techniques. Many of these techniques are embodied in rules and regulations which will need to be developed by the DoA and others for each land portion – such as carrying capacity; maintenance of infrastructure, maintenance of weeds and other alien vegetation and so forth. If users do not abide by these rules there should be penalties and consequences, including losing the rights to use the commonage.

Developing good contracts is only part of the task of managing the commonage; applying and ensuring adherence to the contracts is crucial if the contracts are to be respected. It will be important therefore for the Municipality to ensure that farmers adhere to these contracts and thus a close relationship between the municipal official responsible for this and the cooperative leadership on each of the farms will be necessary.

## 5. Conclusion

Successful land reform depends on the ongoing sustainable use of the land – economically and environmentally. Accessing the land is thus merely the first step in a complex development process. Given the increasing price of land, and the current adherence to the willing-buyer willing-seller principle, however, access to land is the fundamental first step. For this reason, this Strategy has focused significantly on the processes of accessing and managing land acquisition.

According to the Constitution, the Municipality has a responsibility to address the developmental needs of the citizens in its area and in the Karoo Hoogland, where farming is such a fundamental part of the economy and of people's lives more generally, involvement in land reform forms a key part of this development role.

Land reform and associated developments on the land, however, are complicated and the involvement in the business component of the developments is not part of the municipality's role. Mobilising other players to engage and take on these roles is a key role that the Municipality needs to play to support these developments. This Strategy has sought ways in which the Municipality could play a central role in drawing together the various local, provincial and national role-players to ensure greater likelihood of success in the land reform and development that will take place in the area.

This strategy involves the redistribution of substantial portions of land (albeit far below the national target of 30% of agricultural land). Given the distance from other government support agencies and departments, the Municipality has a central role to play. The success of this redistribution and development of the land so acquired will therefore depend on the ability of the Municipality to mobilise these Departments and other resourced institutions to become involved and support the initiatives at the local level.



## Appendices

### Appendix 1 – List of local key informants consulted

Interviews were conducted with the following local people:

- Members of the Unemployment Forums – Ms. Joelien Klein (Fraserberg), Ms. Jessie Louw (Williston)
- Chairpersons of Farmers' Unions – Mr. Braam Vlok (Sutherland), MR. Faan Theron and Mr. W. Olivier (Fraserberg), Mr. Hannes van Wyk (Williston).
- Chairpersons and other members of the emerging farmers associations - Mr. Chadow (councillor and also chairperson of Rebelskop emerging farmers association – Sutherland), Mr. Haas and Mr. Friedlander (Chair and vice chair of Karikama Boerevereniging in Fraserberg)
- Mayor – Mr. Symington.
- Municipal manager – Ms. Alletta van Sittert.
- Surplus People Project – Ms. Margaret Cloete and Charles Williams
- Land Bank – Mr. Joost van der Merwe and Mr. Henk Visagie
- Department of Agriculture – Mr. Gert Steenkamp
- Department of Labour – Mr. Deon Leukes
- Manager of the Williston Meat Cooperative – Mr. Faan Laubscher.

## Appendix 2 – The Property Clause

25. (1) No one may be deprived of property except in terms of law of general application, and no law may permit arbitrary deprivation of property.

(2) Property may be expropriated only in terms of law of general application

- a. for a public purpose or in the public interest; and
- b. subject to compensation, the amount of which and the time and manner of payment of which have either been agreed to by those affected or decided or approved by a court.

(3) The amount of the compensation and the time and manner of payment must be just and equitable, reflecting an equitable balance between the public interest and the interests of those affected, having regard to all relevant circumstances, including

- a. the current use of the property;
- b. the history of the acquisition and use of the property;
- c. the market value of the property;
- d. the extent of direct state investment and subsidy in the acquisition and beneficial capital improvement of the property; and
- e. the purpose of the expropriation.

(4) For the purposes of this section

- a. the public interest includes the nation's commitment to land reform, and to reforms to bring about equitable access to all South Africa's natural resources; and
- b. property is not limited to land.

(5) The state must take reasonable legislative and other measures, within its available resources, to foster conditions which enable citizens to gain access to land on an equitable basis.

(6) A person or community whose tenure of land is legally insecure as a result of past racially discriminatory laws or practices is entitled, to the extent provided by an Act of Parliament, either to tenure which is legally secure or to comparable redress.

(7) A person or community dispossessed of property after 19 June 1913 as a result of past racially discriminatory laws or practices is entitled, to the extent provided by an Act of Parliament, either to restitution of that property or to equitable redress.

(8) No provision of this section may impede the state from taking legislative and other measures to achieve land, water and related reform, in order to redress the results of past racial discrimination, provided that any departure from the provisions of this section is in accordance with the provisions of section 36(1).

(9) Parliament must enact the legislation referred to in subsection (6).

## **Appendix 3 – The Status Quo Report**

### **Status quo of land reform and agriculture in the Karoo Hoogland**

#### **Introduction**

The Karoo Hoogland Municipality has been interested in supporting land reform since the last 1990s when it first acquired additional land through the Department of Land Affairs' Municipal Commonage programme. Since then the Municipality has acquired three additional farms in total. As part of this process, the Municipality has encouraged good relations between emerging and commercial farmers and this has resulted in some emerging farmers obtaining access to sheep at preferential rates. Finally, the Municipality has been increasingly making it "old" commonage available to emerging farmers.

This involvement in land reform has been in the absence of a comprehensive strategy for land reform with related municipal policy. This lack of comprehensive strategy and policy has resulted in a lack of clarity on the roles of different players in the municipal areas, has meant that the "old" commonage was only leased out for short terms and a lack of clarity about who are emerging farmers and what their needs are.

The Municipality, through funds obtained from the Northern Cape Government, therefore embarked on a process to develop a land reform strategy, based on the realities of the area, and in close consultation with the local role players – in particular the landless people (who want access to land), emerging farmers and commercial farmers.

Phuhlisani Solutions CC was appointed to undertake this task and, given that the Strategy was to be based on the current reality, research was undertaken and this report provides an understanding of the current status quo of land reform and agriculture in the Karoo Hoogland.

#### **National and provincial government priorities**

##### **National land reform programme**

The negotiations in the early 1990s resulted in agreement on a constitutionally mandated process of land reform that would aim to redistribute land to black South Africans. The important clause in the Constitution is the Property Clause which does two things. Firstly, it secures property by saying that people cannot be dispossessed of property unless it is through a law. But it also recognizes the history and requires the state to undertake land reform. The three clauses that are important in the 1996 Constitution are the following:

*The state must take reasonable legislative and other measures, within its available resources, to foster conditions which enable citizens to gain access to land on an equitable basis (Section 25(5)).*

*A person or community whose tenure of land is legally insecure as a result of past racially discriminatory laws or practices is entitled, to the extent provided by an Act of Parliament, either to tenure which is legally secure or to comparable redress (Section 25(6)).*

*A person or community dispossessed of property after 19 June 1913 as a result of past racially discriminatory laws or practices is entitled, to the extent provided by an Act of Parliament, either to restitution of that property or to equitable redress (Section 25(7)).*

In line with the Constitution, the government developed a programme which has three legs

- A *land redistribution* programme to broaden access to land among the country's black people to address the racially-skewed pattern of land ownership.
- A *land restitution* programme to restore land or provide alternative compensation to those dispossessed as a result of racially discriminatory laws and practices since 1913.
- A *tenure reform* programme to secure the rights of people living under insecure arrangements on land owned by others, including the state and private landowners.

In the Reconstruction and Development Programme of the mid-1990s, the initial national targets for land reform were set – the aim was to redistribute 30% of the agricultural land in 5 years. At the same time, it was agreed that a willing buyer – willing seller approach to land reform would be adopted. Land for land reform would therefore be obtained at normal market prices. Given the prices, the 30% target was totally unrealistic, given the allocation of funds to the land reform programme.

After six years, in 2000, a new programme within the redistribution programme was developed (the Land Redistribution for Agricultural Development – LRAD) and adjusted targets were introduced – 30% of the agricultural land in 15 years, that is by 2015. The table below shows the various figures the various important figures. It is important to note the following: commercial agricultural land comprises 70% of the land surface of South Africa and this is owned by about 50 000 farmers and company. Importantly, in the 10 years to the end of 2004, only 2,9% on the commercial agricultural land was redistributed. Importantly, at current rates, it will take 94 years to achieve the 30% target. Alternatives are necessary if we are going to address this situation.

**Table 1: Land areas and progress with land reform<sup>17</sup>**

LAND AREA				
Land area of South Africa	122 320 100 ha			
<i>Land area of former "homelands"</i>	<i>17 112 800 ha</i>		<i>13.9% of total</i>	
<i>Land area of former "white" SA</i>	<i>105 267 300 ha</i>		<i>86.1% of total</i>	
<i>Land area of commercial agricultural land</i>	<i>86 186 026 ha</i>		<i>70.4% of total</i>	
<i>30% of commercial agricultural land</i>	<i>25 855 808 ha</i>			Derived from above
<i>Market value of commercial agricultural land</i>	<i>R57.394 billion</i>	<i>2002 (preliminary figure)</i>	<i>Includes value of land and fixed improvements</i>	National Department of Agriculture (2004): Abstract of Agricultural Statistics. NDA. Pretoria: p 84.
<i>Market value of 30% of commercial agricultural land</i>	<i>R17.218 billion</i>	<i>2002 (preliminary figure)</i>	<i>Includes value of land and fixed improvements</i>	Derived from NDA (2004) above
DELIVERY AND TARGETS				
Land reform delivery	2,493,566 (about 2.5 million) hectares	29 February 2004	This is 2.9% of commercial agricultural land (excluding the former homelands). Of this land, 810,292 ha were transferred through restitution and 1.7 million ha was transferred through redistribution and tenure reform.	Department of Land Affairs (2004): Excel data obtained from the Monitoring and Evaluation Directorate, DLA. Pretoria. Obtained 5 April 2004.
Remainder to 30% target	23,362,242 ha	29 February 2004		Derived from above
Required rate to meet target of 30% by 2015	2,123,840 ha per annum	29 February 2004	Above figure divided by 11 years to Feb 2015.	Derived from above
Number of years to meet target at current rate	94 years	29 February 2004	Current rate = average of 2.5 million ha over 10 years	Derived from above

<sup>17</sup> Unpublished research from Programme for Land and Agrarian Studies research unit, University of the Western Cape

**Table 2: Land Area and progress with land reform in the Karoo Hoogland**

<b>Land Area</b>		
Land area of Karoo Hoogland	3 317 900 ha	
Commonage land	42 900 ha	% of total
Commercial agricultural land	3 317 400 ha	All land larger than 10ha
30% of commercial agricultural land	995 218 ha	
<b>Delivery and targets</b>		
Land Reform delivery	17 393 ha	This is 0.52% of commercial agricultural land.
Remainder to 30% target	977 826ha	
Necessary rate to achieve 30% target in 2015	97 782 ha per year	
Number of years to achieve target at current rate	629 years	Current rate = 1 581ha per year over 11 years

## **Agricultural BEE**

In line with the broader thinking of transforming the ownership of the productive resources in South Africa, from white to black people, the government introduced the AgriBEE framework as a step to the establishment of a sector charter in terms of Broad Based Black Economic Empowerment Act of 2003. While the actual targets set in the Framework are not clear, the government has proposed the following different ways in which current owners of land can contribute to Black Economic Empowerment:

- Making agricultural land available to black South Africans through the following:
  - Making high quality land available to black South Africans through lease arrangements and through the sale of land
  - Working out ways to make agricultural land available to farmworkers for grazing and planting opportunities
  - Looking at ways in which the tenure security of farm workers and other farm dwellers can be increased.
- Assist in the mentoring of new black entrants into the sector in order to transfer skills required for successful farming;
- To look at increasingly involving black people in various levels of management of enterprises
- To look at the increasing ownership of all enterprises and economic ventures by black people in joint ventures and other ways;
- To increasingly provide preferential procurement opportunities to black companies for any services and supplies required
- To seek ways in which access to finance, infrastructure, information and knowledge system are made available to new, black entrants into agriculture.

While this is required of current owners, Government is also required to respond through seeking further ways which to buy land that comes onto the market, use sequestered land in its hands and develop alternative ways such as leasehold arrangements through which land can be made available to black people. In addition, Government is required to develop ways to promote the sustainable use and management of land.

With regard to human resources development, the Framework requires government to work with various players to develop a new curriculum for agricultural study to promote agriculture as a career.

The Framework requires emerging farmers and other black entrepreneurs to ensure that the land they acquire through the programs and initiatives emerging through AgriBEE is farmed sustainably. Overall, the Framework demands of black participants that they take initiative and take responsibility in the opportunities that emerges through these processes.

The AgriBEE framework was submitted to the public for comment by the Minister – a revised document after the various role-players have submitted comment has not yet been released. But the principles and aims of the Framework have an overarching impact on the kind of strategies that may be developed in the Karoo Hoogland.

## **The Provincial development agenda**

The Northern Cape provincial government developed a Growth and Development Strategy for the province. In this Strategy, it highlighted that the most significant challenge it faces in growth and development is poverty and that the “only effective means” to reduce poverty in through long-term sustainable economic growth and development. It identifies the following sectors as key:

- Agriculture and agro-processing
- Fishing and Mariculture
- Mining and Mineral Processing
- Transport
- Manufacturing

- Tourism.

The Strategy then established the following targets which are relevant for the Karoo Hoogland Land Reform strategy:

- To maintain an average annual economic growth rate of between 4% and 6%
- To halve the unemployment rate by 2014 (it reports the provincial rate as 33.4% in 2001)
- To reduce the number of households living in poverty by 5% per year
- To redistribute 30% of productive agricultural land to PDIs by 2015
- To conserve and protect 6,5% of our valuable biodiversity by 2014
- To provide adequate infrastructure for economic growth and development by 2014.

### **The Provincial government 's agricultural development agenda**

The provincial department of Agriculture has five keys strategic goals:

1. To contribute towards improving provincial economy through agri business, wildlife industry, agricultural production and export of agricultural products
2. To plan, develop and implement land reform projects
3. To implement integrated food security programmes in order to achieve household food security and secure livelihoods
4. To ensure that natural resources are efficiently used and in accordance with the applicable legislation
5. To improve services to all clients in line with the Batho Pele principles

In order to achieve these goals it has the following six programmes and sub programmes:

1. Administration (Total budget for 2005-2006 is R28, 8m)
  - a. Office of the MEC
  - b. Senior Management
  - c. Corporate Services
  - d. Financial Management
2. Sustainable Resource Management (Total budget for 2005-2006 is R 10.3m)
  - a. Engineering services
  - b. Land Care
3. Farmer support and development (Total budget for 2005-2006 is R 44.1m)
  - a. Farmer Settlement
  - b. Farmers support services
  - c. Food Security
4. Veterinary Services (Total budget for 2005-2006 is R 16,8m)
  - a. Animal health
  - b. Export control
  - c. Veterinary public health
  - d. Veterinary Laboratory Services
5. Technology research and Development Services (Total budget for 2005-2006 is R 13,3m)
  - a. Research
  - b. Information Services
  - c. Infrastructure Support Services
6. Agriculture Economics (Total budget for 2005-2006 is R2.090m)
  - a. Marketing Services
  - b. Macroeconomics and statistics



In all of these programmes, the Department has a focus on supporting and enhancing the initiatives of emerging farmers. However a recurrent theme in the strategic plan is a lack of skilled personnel and a limitation on the resources needed to undertake the programmes.

At a local level, the Karoo Hoogland municipality does not currently have an extension officer resident in the municipal area. The closest support from the Department is located in Calvinia but there is no Extension officer there. The staff in that office have indicated, however, that they will provide any extension service that may be needed in the Karoo Hoogland area.

The Provincial Department has indicated that it is currently in the process of appointing an extension officer in Fraserberg and a Food Security Officer in Calvinia. These two officials will provide a welcome support to emerging and small-scale farmers.

## 1) Agricultural Status

### Importance of agriculture to Hoogland Karoo

#### Agricultural output

Agriculture is the very backbone to this 35000 km<sup>2</sup> area's economy. Although very limited irrigation potential enables some minor production of speciality enterprises such as Lucerne, garlic, onions and tulips (irrigation is severely limited by water and water quality availability). Moreover it is only one type of agriculture, extensive sheep production, which is possible in a landscape that is essentially semi-desert by nature. As a result, the vagaries of climatic and market forces which continuously influence the area's farming, in turn affect the whole region's economy.

The Statistics SA occasional Agricultural Census has not been sufficiently detailed to provide for an up to date basis of comprehensive regional analysis. However, in 1994 the Department of Agriculture (national level) estimated that Hoogland Karoo farm output was some R27m. of which livestock gross income was 94%.

**Table 1: Agricultural output by magisterial district R'000 (1994)**

	Williston	Sutherland	Fraserburg	Hoogland Karoo Total
Field crops	157.2	351.9	422.1	931.2
Horticulture	0.0	549.6	2.7	552.3
Livestock	8067.0	8179.9	9172.8	25419.7
GROSS INCOME	8224.2	9081.4	9597.6	26903.2

*Source: DOA Agricultural Statistics (based on 1992 Statistics SA Agric. Census).*

Agriculture's contribution to Hoogland Karoo gross geographic product in the same year was estimated to be much higher at R90.8m. (mainly due to annual changes in livestock value). Furthermore R20.4m. (76% of farm income) was spent on annual farm input costs (the bulk of which would have been spent within the district).

It is probable that the Hoogland Karoo current value of agricultural output is in excess of R85m. (based on producer price indices). If that is so at least R65m. of direct agricultural expenditure is being incurred within the region.

#### Agriculture as an employer

According to the 2001 Census results, the population of the Karoo Hoogland Municipal area was 10512 (compared to 12116 in 1996). Significant to a demographic profile of the region is the fact that the apparent 'labour supply' (all males between the ages of 16 and 65; 50% of females between the ages of

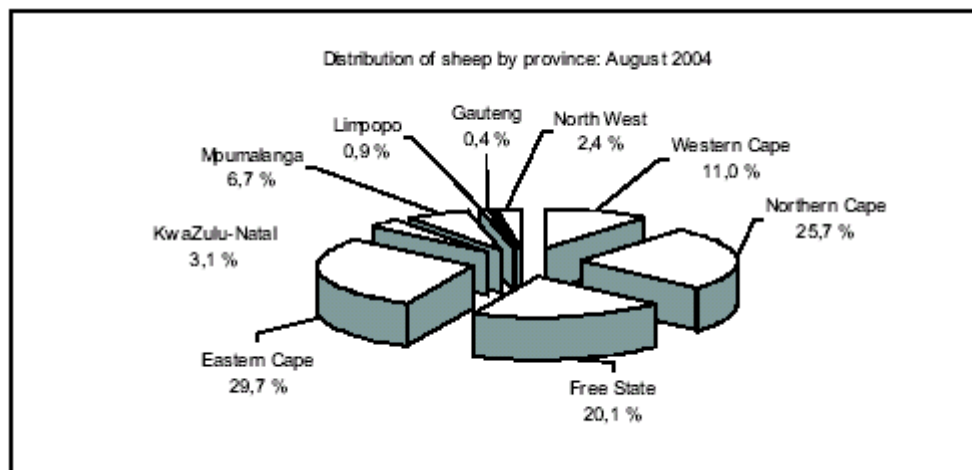
16 and 65) was 4747 in 2001. 2933 people were in employment during that year, implying that real unemployment of the area is in the region of 38%.

Of the people employed in 2001, 1330 people (45% of employment) were directly employed by the farming sector. Undoubtedly much of the other employment was in sectors that depended upon agricultural output. What is of concern is that there is evidence of decreasing regional agricultural employment (a drop-off of 28% in farm employment between 1996 and 2001). Such a decrease is thought to be due to farmer worry over newer labour legislation as well as general economic pressures on farming capacity.

It is this unemployment situation, and the area's reliance on farming, that places particularly importance on increasing access to the farming sector.

### Mutton Production

Sheep farming is conducted in all provinces of SA, but is particularly concentrated in the more arid parts of the country. The largest number of sheep is found in the Eastern Cape (29,7 %), Northern Cape (25,7 %), Free State (20,1 %) and Western Cape (11,0 %) provinces. Sheep flock sizes vary between 125 and 1 800 head. Sheep flocks in the Eastern, Western and Northern Cape provinces tend to be much



larger than those in the other provinces.  
Source: DOA Agricultural Statistics

The industry is represented by organisations from the mutton as well as the wool industry, as well various breeders' associations, with the Dorper Sheep Breeders' Society of South Africa and Merino SA being the most prominent.

The total number of sheep in South Africa at the end of August 2004 is estimated at 25,4 million - approximately 1,79 % lower than the estimated 25,8 million as at the end of August 2003.

The number of sheep in the various provinces since 2000 is estimated to be as follows:

Province	2000	2001	2002	2003	2004
	'000 head (August)				
Western Cape	2 887	2 767	2 817	2 867	2 798
Northern Cape	6 680	6 676	6 727	6 841	6 517
Free State	5 559	5 355	5 078	5 090	5 093
Eastern Cape	7 917	7 787	7 517	7 628	7 536
KwaZulu-Natal	875	776	782	783	782
Mpumalanga	1 743	1 694	1 773	1 703	1 706
Limpopo	206	229	204	212	223
Gauteng	91	91	90	94	95
North West	762	725	739	602	609
<b>Total</b>	<b>26 720</b>	<b>26 100</b>	<b>25 727</b>	<b>25 820</b>	<b>25 359</b>

Source: DOA Agricultural Statistics

The numbers of sheep held within the Hoogland Karoo municipal area are as follows:

	2003	2004
Sutherland	130312	122846
Williston	209849	197827
Fraserburg	262559	247517
<b>Karoo Hoogland</b>	<b>602720</b>	<b>568190</b>
% of N.Cape sheep	7.7%	7.7%

Source: DOA Agricultural Statistics

### Red meat

The red meat industry is one of the most important and growing industries in the agricultural sector and contributes approximately 13 % to the gross value of agricultural production in the RSA. While sheep farming is mainly extensive, beef cattle are predominantly feedlot animals.

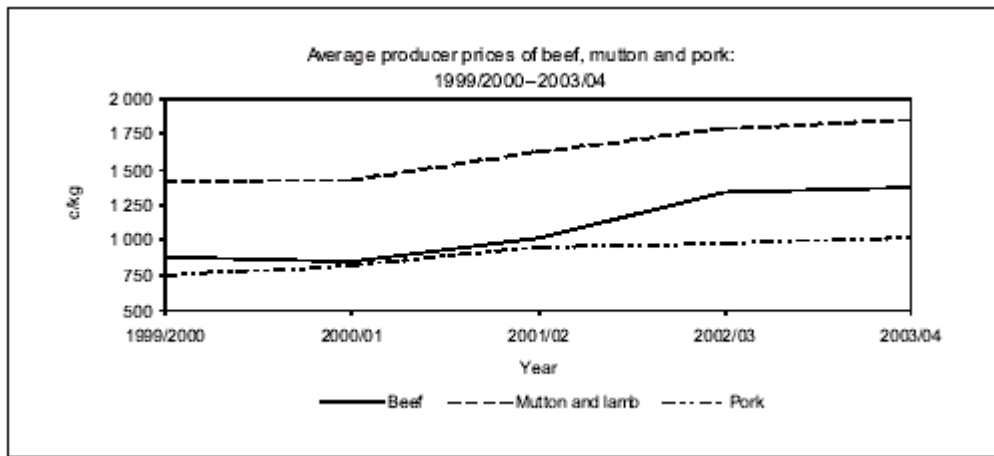
### Slaughtering

It is estimated that the total number of cattle slaughtered increased by 1,4 % between 2002/03 and 2003/04 and that the number of sheep and pigs slaughtered increased by 1,7 and 1,0 %, respectively. Commercial slaughtering of red meat producing livestock types over the past five years is as follows:

Year	1999/2000	2000/01	2001/02	2002/03	2003/04
Cattle	2 121 988	1 735 102	1 933 610	1 958 447	1 985 107
Sheep and lambs	4 872 077	4 588 079	4 848 182	4 891 866	4 973 532
Pigs	1 941 423	1 629 786	1 752 192	1 765 122	1 782 612

Source: DOA Agricultural Statistics

## Auction prices

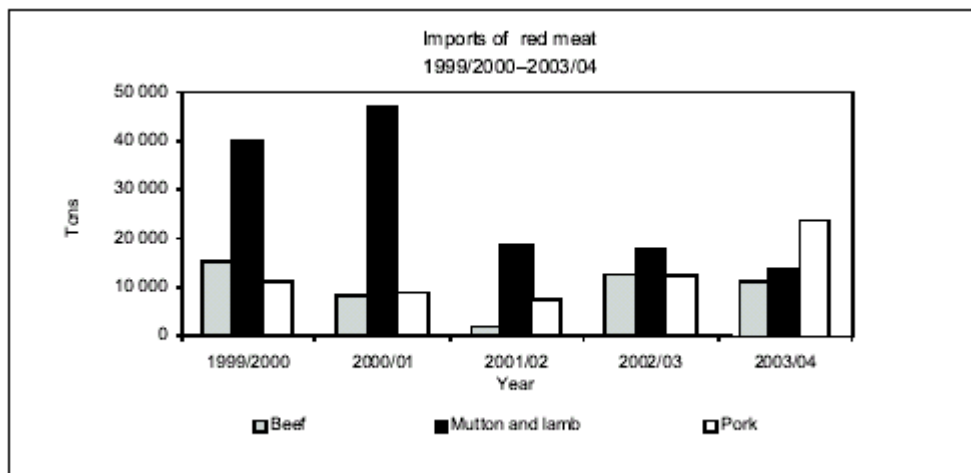


Source: DOA Agricultural Statistics

In view of the ever-stronger influence of international trade on the local mutton industry, both the cyclical and seasonal price patterns for mutton are influenced by imports. The average producer price for mutton and lamb increased by 3,3 % to R18,57/kg during 2003/04, compared to the average price of R17,97/kg for 2002/03.

## Imports

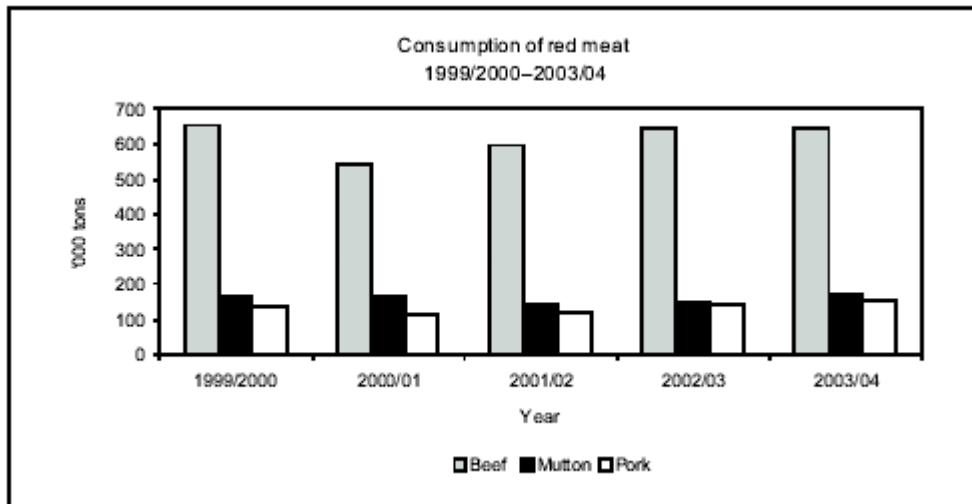
Imports of red meat accounted for 12,7 % of red meat consumed locally during 2002/03. Imports of beef accounted for 8,1% of beef consumed for 2002/03 and imports of pork accounted for 6,7 % of pork consumed for 2002/03. Imports of mutton represent 34,2 % of mutton consumed during 2002/03.



Source: DOA Agricultural Statistics

## Consumption

Consumption of beef and veal increased by 0,2 %, from 642 000 tons in 2002/03 to 643 000 tons in 2003/04, that of mutton by 17,0 %, from 147 000 tons in 2002/03 to 172 000 tons in 2003/04 and consumption of pork increased by 7,7 %, from 142 000 tons in 2002/03 to 153 000 tons in 2003/04.



Source: DOA Agricultural Statistics

### Prospects

The current low producer prices of grain could spill over to the meat industry later on in 2005 and could result in a downward movement of meat producer prices. If grain producers feed grain to their cattle and expand their cattle operations, or sell their maize as feed in order to reduce financial losses as a result of low maize prices, supply of red meat would increase in the short to medium term. Of concern to the mutton producer is purchase prices of beef weaners could increase owing to the increased demand for weaners from feedlots. However, by the time the weaners are ready for slaughter, there could be an oversupply of beef on the market, which might result in the red meat sector facing the same crisis as the grain industry currently does.

### Apparent features of Hoogland Karoo farming

#### Land Prices

##### Index of prices of farm land (1995=100)

	1995	1996	1997	1998	1999
Northern Cape	100,0	70,2	100,3	50,8	87,8
South Africa	100,0	98,3	97,1	101,0	103,8

Source: DOA Agricultural Statistics

The bulk of Northern Cape farmland, being of low carrying capacity and having very limited irrigation, has historically been low-priced, reflecting low agricultural productivity per unit area. Moreover, with a high incidence of disaster droughts, the Karoo area in general has never historically enjoyed the general inflationary trends of farmland prices (see above). However, such was the case until about 3 years ago, when despite droughts, land prices suddenly took off. Anecdotal evidence received by Phuhlisani Solutions from interviewing commercial farmers indicates that land prices have at least doubled to over R300/ha. in recent years. These increases are verified by informal local Land Bank monitoring of farm prices.

Further anecdotal evidence reveals that new farm buyers are not the overseas type of buyer that is dominant in the recent firming of RSA prices. The Hoogland Karoo buyer tends to be more the Boland or Highveld farmer (or businessman who becomes a "weekend farmer") for whom the relatively low-priced local land and labour extensive farming system has investment attractions. It is likely that this trend will continue, which doesn't augur well for any emergent farmer wanting access to land.

### Farm production capacity

Typically, Hoogland Karoo farms lie in the 4500-7000 ha. size range. With carrying capacity ranging from 4.5 ha. to 5.5 ha. per SSU, such means that the predominant farming system has an income ceiling, and that farms are increasingly operating at full capacity. Further anecdotal evidence revealed that farmers' ages were increasing, while church congregations and certain services such as private doctors are shrinking. The case of absentee farm owners explains some of this phenomenon. But it is also thought to be a breakdown in the traditional practice of a commercial farmer's son and family coming onto the farm for a few years prior to taking over the farm completely (income potential of farm units just does not provide for sufficient income for two families).

### Sheep farming economics

In order to gain understanding of extensive mutton production economics, Phuhlisani Solutions arbitrarily took the Williston municipal farm Verjaagsfontein (4639 ha. at a carrying capacity of 32 ha: 1 LSU) as a representative model. The expected performance of the farm was examined from a point of 2 scenarios i.e. one commercial unit, and 6 "smallfarmer" production units.

<b>Commercial flock</b>		<b>Smallfarmer flock</b>	
Type	Av/month	Type	Av/month
Breeding rams	18	Breeding rams	3
Breeding ewes	666	Breeding ewes	111
Young ewes	158	Young ewes	26
Young lamels	77	Young lamels	13
Lambs	188	Lambs	31
<b>Total</b>	<b>1108</b>	<b>Total</b>	<b>185</b>
<b>Total LSU</b>	<b>145</b>	<b>Total LSU</b>	<b>24</b>
<b>Total SSU</b>	<b>870</b>	<b>Total SSU</b>	<b>145</b>
(approx.)		(approx.)	
	R.		R.
<b>Income</b>	<b>136220</b>	<b>Income</b>	<b>22703</b>
<b>Direct costs</b>	<b>35030</b>	<b>Direct costs</b>	<b>6215</b>
<b>Annual gross margin</b>	<b>101190</b>	<b>Annual gross margin</b>	<b>16488</b>

While the 6 small farmer units were arbitrarily selected (they could be any feasible size) the important thing to remember is that the gross margin/ewe is unlikely to exceed R150. The ultimate size of small farmer units will therefore depend on income aspirations, capital availability, ability to repay any funds borrowed, land availability, management capacity, etc.

### Capital costs of sheep farming

The capital requirements for sheep farming would relate to land, animals, infrastructure and movable assets. Although farming in the region is generally tagged as being "extensive", it is actually very capital intensive. To illustrate this point, and assuming that land is traded for R300/ha, the capital required to set up the 4600 ha. farm used in the model above would be at least R1.39m. The breeding flock would probably cost the farmer a further R0.39m., implying that the total capital requirements would be at least R 1.78m. or R380/ha.

What is of concern to expectations of land reform in the region is that the indications are that mutton production will probably not generate a larger return on capital than 6% per year. Using crude analysis, such would show that no farmer would survive by having to borrow 100% of capital requirements, unless that capital cost less than 6% per year, or was a grant.

### Farmer attitudes to land reform

A significant impression gained from situational research in the area was that commercial farmers were generally very keen to facilitate the successful establishment of emergent farmers. Specific mention was continuously made of commercial "mentoring" and even selecting emergent farmer candidates from farm labourer categories. The necessary technical aspects of sheep farming were also stressed as being important for success.

Amongst emergent and aspirant farmers (who are not only farm labourers) there was a general attitude that access to land would automatically open up opportunity to become commercial farmers. While the sentiment behind this is understandable, what was very evident from the community workshops was that aspirant farmers had little understanding about the business aspects of farming, and indeed how much farmland they would require to succeed.

Thus while there is a willingness for each group to work together, there is an attitudinal distance between the two groups of farmers, and this should be addressed in land reform policy. The dangers are that if this issue is left alone, current expectations from either group will not probably be met.

## **2) Land market Status**

According to the Surplus People Project, in the period from 1998-2002 there were the following trends in land transactions in the Calvinia registration Division more generally:

- There were an increasing number of transactions of land but the amount of land was less. This meant that farmers were increasingly selling off portions of their land, not the whole farm
- About 35% of the land that was transacted was not transacted in the open market – it was through estates, consolidation or partition of properties, or through expropriation by government;
- About 71% of the buyers of new properties already own land that is under that title deed meaning that owners of portions of farms are buying out others who also own some land under that title deed – farmers are consolidating farms into bigger units.
- Banks were only involved in the buying of 35% of the farms which means that most buyers of land can do so without the help of banks.

In the SPP research, the estate agents indicated that they were not involved in many transactions in each year, but when SPP analysed the number of transactions, it found that there were in the order of 80 transactions per year in the whole Calvinia district. This means that there is a market in land which excludes estate agents, and could be called an “internal market”. In discussions with farmers, it became clear that there was often a commitment amongst farmers to sell to their neighbours first, and then to advertise more broadly in informal networks. Farmers indicated that they often only hear about land that was for sale, after it is sold. For agencies such as SPP and the emerging farmers associations, which are not currently part of these networks, it is even more difficult to find land for land reform purposes, as they do not hear about land sales until after the fact.

With regard to land prices, the SPP research found that the average price per hectare during that period was R150. As discussed above, however, in a brief and informal survey of land sales in the Sutherland area during the 2002-2005 period the Land Bank found that the average price per hectare was R272 with a range from R120 to the most recent sale of R788 per hectare for a 1777-hectare farm.

## **3) Water Status**

The Karoo Hoogland municipal area falls within the Sak-Hartbees sub-catchment of the Lower Orange River catchment area. The municipal area is almost entirely dependent on ground water with only Fraserberg receiving some water from the Nuwe Dam. The Department of Water Affairs and Forestry (DWAF) has limited information on the water availability in the area but it does identify that the three towns of Sutherland, Fraserberg and Williston do not have an immediate problem regarding supply of water to the town's population.

In its Internal Strategic Perspective for the Lower Orange Catchment area, the DWAF only has two focuses: the use of surface water drawn from the different rivers that are part of the Orange River system and 2) the supply of domestic water through municipalities in those areas that are entirely

dependent on groundwater. DWAF encourages municipalities to undertake assessments of their ground water supplies and offers its help to do so.

With regard to the use of ground water for agriculture purposes, it identifies that most farmers are dependent on groundwater, and lack of water results in the use of water only being for domestic purposes, watering stock and in certain very limited situations, cultivation. As is known by all in the area, therefore, lack of water is the major constraint on any agricultural development.

The Karoo Hoogland Municipality undertook a "Preliminary assessment of Groundwater resources and production boreholes at Sutherland" in October 2004. The conclusion of the study was that there is a significant amount of water that can be obtained from existing borehole capacity, more than three times the amount, but that various infrastructural adjustments are needed to improve the quality of the water – the aerator, settling tanks and so forth. The study also identified further sites for boreholes for future use. Indications are therefore that there is sufficient water for the proposed small-scale agricultural activities proposed in each town.

#### 4) Commonage status

Commonage land is a special kind of land that is held by municipalities for the use of the residents. This land was obtained in different ways over time and these different ways prescribe different conditions to the use of the land.

There are three types of commonage in the Karoo Hoogland area:

- A. *Commonage that was received as a gift from the earlier governments (Old commonage):* In this type of commonage, the municipality must provide the land for use by residents in the area and can only lease it for the amount that it costs to maintain the land. This was determined by Section 10 of the Disposal of Crown Lands Act no.15 of 1887.
- B. *Commonage bought by the municipality from its own funds:* While the municipality has more independent control over this land, and it can be leased out at market rates, the Cape Ordinance of 20 of 1974 asserts that the leasing of this land has to be done in a public and fair way – essentially through a public auction process. Importantly, it can be leased out at a rate below the highest tender but, if so the reasons for this need to be clearly minuted.
- C. *Commonage that has been acquired through the current Department of Land Affairs' Municipal Commonage Programme (New Commonage):* The Department of Land Affairs has a Municipal Commonage Grant through which a municipality can buy land which it holds for the use of poor people in the town. The land is leased to poor residents for various purposes and the lease that is charged must be reasonable and the Department favours a rate that must not be more than what is required to maintain the land and infrastructure. Importantly, the Department does not stipulate that it must be leased at this rate.

The Karoo Hoogland municipality owns a total of 42 900 hectares of commonage. This land was acquired in the following manner<sup>18</sup>:

- **Sutherland:** The town acquired one portion of commonage land in 1971 from the Dutch Reform Church for the use of residents in the town. The size of this land was originally 3343 ha but over the years portions of this land were sold and currently an amount of 3121 is leased out. It is not totally clear whether this is Category A or B commonage land. This land is currently leased out to one farmer and the lease comes to an end in December 2005.

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<sup>18</sup> This information was obtained from SPP research conducted during the early 2002s. The research was not finalised and thus there may be inaccuracies in the information provided.



In 2002, the Municipality obtained an additional 7567 ha through the DLA Commonage Programme – the farm Kuilenberg. This farm is leased to a group of 13 farmers. The lease is ongoing as long as the farmers continue to pay their dues.

- **Fraserberg:** Fraserberg has a large portion of old commonage which it obtained in 1959. Some of this land was sold over time and it currently comprises 14 829 ha. Again, it is not clear whether this is Category A or B land. This land is leased to a total of six farmers and all these contracts come to an end on the 31 December 2005.

The Municipality obtained an additional piece of land of 5187 ha in 2000 through the DLA Commonage programme – Klipfontein. This farm is leased to seven emerging farmers.

- **Williston:** Williston obtained its “old commonage” through a grant in 1917. It was specifically granted as commonage land and therefore has the special commonage character. Over the years, portions of the land were sold and it now comprises 6500 ha in total. It seems that this is Category A land, but this has not been conclusively established. This land is currently leased to two farmers – a commercial farmer (6000 ha) whose contract comes to an end on 31 December 2005, and an emerging farmer (500 ha) whose contract does not stipulate when it comes to an end.

As with the other towns, an additional piece of land was acquired through the DLA programme in 2000. This land is a total of 4639 ha – the farm Verjaagfontein. It is leased to 10 farmers.

As with most other towns that hold “old commonage” land, over the years the condition in the Cape Ordinance 20 of 1974 came to be applied to all commonage – that they should be leased out in an open and transparent manner. In the process the original condition, that such land should not be leased out for more than the cost to maintain the land, fell away. Each of the three portions of “old commonage” is leased out through an open auction arrangement where the Municipality attempts to obtain the highest price possible. The revenue drawn from this ranges from R380 000 to R500 000 per year and contributes about 3% to the Municipality’s total operational budget - it is therefore dependent on this for the running of the towns.

As part of the agreement, the lessee is responsible for the maintenance of the infrastructure of the farm including the fences and any other improvements.

The contracts with the emerging farmers are very different where the rate has been set at a level which the municipality feels the emerging farmers can afford. In this situation, the maintenance of the infrastructure on the farm is done through an agreement where the municipality will provide the material, and the farmers will provide the labour to maintain the infrastructure on the farm.

#### **Current status of the land**

Each of the farmers on commonage land, regardless of whether this is on “old” or “new” commonage, is required to keep to a grazing regime that is determined by the Department of Agriculture on behalf of the Municipality. Reports from the Municipality officials indicate that this grazing regime is generally stuck to and the land is not overgrazed.

The emerging farmers in each town raised concerns about the stipulated number of stock for each of the farms that they are using. In each the farmer felt that the carrying capacity of the land allowed for many more stock than they had been allowed to keep. Besides the limitation of 40 head per person, which is stipulated in their lease agreement, this constrained their development unnecessarily as the farms could manage more than the total number currently on the farms. This state of affairs, however, has meant that the land is not generally overgrazed on these farms.

On the Category C farms, especially in Sutherland and Williston, there has been a lack of maintenance of the infrastructure on the farms. The water infrastructure, such as the dams, the canals and the

windmills were in a bad condition and there were no resources with which to fix these, due to the extent of disrepair. It is unclear whether this current state is due to neglect over the years since the land was bought by the municipality or whether it was in a bad state of repair when the farms were acquired. The Department of Agriculture has indicated that the infrastructure was in good condition when the farms were bought and that it has been neglected over the years.

The management of farming on the old commonage is undertaken by each individual commercial farmer lessee who also has the sole responsibility to maintain the infrastructure on the farm. On the new commonage farms, each farm is farmed by a group of farmers. These farmers are sub-divided in groups who then farm together on portions of the farm. While the grazing regime appears to be adhered to, there appears to be less clarity amongst farmers as to who has the responsibility to ensure that the infrastructure is maintained – there appears to be a lack of clarity on the over-arching management within each of the groups. This may be the reason that some of the resources have degraded to the extent that they currently are – such as the water infrastructure at Verjaagfontein.

The lack of management on these farms appears to also have an impact in some of the resources on the farm not being used to their fullest potential. On some of the farms, for example, there are portions of land with some available water that could be used for cultivation. While on some of these the fact that the infrastructure is in very bad condition has constrained the use of the natural resources, on others these lands have been lying fallow for some years as the persons to which they have been allocated do not have the various resources or the inclination, to utilise it. The lack of organisation and management within the group has meant that the reason for this non-use has not been discussed and the possibility of others obtaining access to this land is not proposed - and the land remains unused.

#### **The Municipal commonage management systems and structures**

The municipality has two systems in dealing with the different types of commonage land. With the “old commonage”, the municipality employs commonage monitors who monitor the status of the veld and the infrastructure. On the “new commonage”, there are no such monitors – on the farm monitoring happens at a distance through the commonage committee. Each of the three “new commonage” farms has a commonage committee which comprises representatives of the Council, of the emerging farmers association and of the commercial farmers union. The Committee has the responsibility to monitor progress on the commonage, to make recommendations to the Council and to address any problems that may emerge.

The rates paid per head of sheep differ between the emerging farmers and the commercial farmers. The emerging farmers pay a rate of R2 per head of sheep per month. One of the emerging farmers who is leasing a portion of “old commonage” is currently paying R7 per head. The rates for the different commercial farmer’s leases are different because they are obtained through the auction. These range from R11 per sheep per month through to R17.76 per sheep per month.

### **5) Status of the Emerging farmers**

#### **Who are the landless and land-hungry?**

The landless and land-hungry are emerging farmers, small-scale farmers and other landless people interested in obtaining land and include people with a spread of income and ability. In a brief survey amongst all the farmers who are currently on commonage land, the range of sheep herd size is between 8 and 250. There are a total of 1363 sheep with the average number of sheep, amongst the 29 farmers who have rights to the “new commonage” in the municipal area and that were part of the survey, of 47.

Not all people that are interested in land are interested in sheep farming specifically or stock farming more generally. In Williston, there is an organised group of women who have obtained initial rights from the Municipality to grow vegetables on a one-hectare portion of land using water from the main town water supply. In Fraserberg, there is a group of people who want to acquire access to land for a piggery and others for small-scale vegetable production. In Sutherland, there is a group of nine women who have successfully obtained funding to transform one of the houses on the Kuilenberg farm into a

guesthouse. There is also a small group that are currently farming on land where the hospital is situated and the Municipality has a tulip project which it envisages will be taken over by interested people in 2006. The interest in land is thus varied.

Phuhlisani Solutions (PS) conducted workshops with various groups of landless or land hungry people<sup>19</sup> in the three towns – a total of 66 people participated in the workshops. Of these people, many were unemployed; others were dependent on a government grant for their main income, while others were fulltime employed either in the towns or as farmworkers on the farms. Most participants, who also included the farmers who are farming on the “new commonage”, earned incomes far below R800 per month. Those with permanent jobs, especially within the town (i.e. not farmworkers), however, had regular incomes over R1000 per month.

As part of these workshops, exercises were undertaken to ascertain what vision participants had for themselves in the future. It was abundantly clear that all farmers that were on the “new commonage” saw themselves owning their own farms in the future. However, the municipal commonage policy regarding new commonage stipulates that, given the land size and the numbers of farmers, each farmer can only have a maximum of 40 head (this has changed in Fraserberg with the withdrawal of some farmers). All the farmers on these farms voiced immense frustration as this ceiling stunts their ability to grow and keeps them as small-scale farmers.

At the other end, those farmers who had been able to grow their herd sizes, were unable to obtain access to other land as the government programme (LRAD) does not easily adapt to the conditions of extensive grazing where farms are very large and much additional capital is needed to buy these farms. Farms of 3500 to 5000 hectares were identified as the sizes that would be needed for such farmers.

It can be seen from the above that, given the numbers of stock, the differing interests in land and the spread of incomes that people have, the landless and land-hungry in the municipal area must not be seen as a group with a single purpose in all aspects. There are those who are primarily interested in land for subsistence purposes (initially) while others are already tending towards commercial farmers where the main purpose is to make the sale of stock their main source of income.

Importantly, besides a few members of the farmers’ groups on the commonage land, farmworkers were not part of the workshops that PS held. Many people who used to be on farms are now located in towns as a result of the reduction in the number of farmworkers on each farm in recent years – one farmer indicated that when he was young his father employed 9 workers whereas he now employed only 3 workers on the same farm. But it is farmworkers who have a good understanding of the work required for farming in the region and often have the keenest interest in obtaining their own access to land. Their location, often in isolated places, has meant that they are not aware of the possibilities and options available in land reform and agricultural development. The lack of information amongst farmworkers and their lack of participation in any process on land reform was an important observation in this research process and an issue that appeared to be important to be addressed in the strategy development.

### **Key problems facing emerging farmers**

Emerging farmers face myriad problems in trying to engage in farming. A number of these were addressed in the workshops conducted by PS and included the following:

- Lack of access to land – While some farmers have been able to get access to land for grazing, these have been few and the land that they have been able to acquire has been too little. Those that are seeking land for other purposes have not been as successful. Some successes have been referred to above (for the guesthouse and for vegetables) but there remain many people who after many years of waiting have not yet been able to access land. The lack of progress in obtaining land through the DLA programmes (for what ever reason) has been a frustrating process for farmers. Meetings have been held, land has been identified, but still they

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<sup>19</sup> People who might have access to land but which access is limited for their needs.

remain landless or with little access to land. In addition, there are concerns raised about the leasing of “old commonage” land to commercial farmers when the emerging farmers have no access to any land. The demand for land at different levels is still high.

- Distance of farms from the town – This remains a difficult problem to solve with regard to the land that emerging farmers acquire. If farms are located too close to the town, they suffer from stock theft and dogs attacking their sheep. If there are vegetables planted, there is a great likelihood that these will be stolen. For this reason, the farms were acquired have tended to be away from the towns to reduce such losses. But, this has then meant that many of the farmers are not easily able to get to the farms to tend their sheep and their cultivated land, due to a lack of transport. This fact may have a result that some of the farms suffer from neglect, as the farmers are not engaged in their farming practices everyday.
- Lack of access to affordable finance – Many of the farmers are unemployed, or have limited incomes. In this situation, either financial institutions have been unwilling to lend them money, or the interest has been very high for any loans that are made available. Those farmers that have been able to access loans are faced with high repayments which they generally appear to be coping with but which place a drain on any expansion that they may want to achieve. Linked to this, is a concern that the rate charged for the lease of commonage land is too high for emerging farmers – this rate is R2 per head in comparison with R11- R17 per head paid by commercial farmers. The lack of access to finance remains a key constraint on the expansion of emerging farmers.
- The lack of skills, in particular management and marketing skills – It was recognised amongst the emerging farmers that their capacity needed to be built regarding a number of areas of farming – in particular management and marketing skills. There may be expertise in the municipal area, within the Department of Agriculture and within the commercial farmers but this is limited. The Department of Agriculture does not have a locally based extension officer – the closest person which could be of assistance is in Calvinia and the closest extension officer is in Springbok – a hopeless situation if ongoing support is to be provided (The Department has indicated that it is in the process of appointing new staff). With regard to commercial farmers, it is only in Fraserberg that the gap between the emerging farmers and the commercial farmers has being bridged. In both Sutherland and Williston, besides one specific individual farmer’s involvement in the Sutherland emerging farmer development, there has been limited communication between the two organised farming groups. The potential for linkages between farmers, and specifically mentoring support, has therefore not developed for many reasons and continues to be a significant constraint on emerging farmer growth. This lack of interaction is the result of the racial past where there is a lack of communication and a lack of trust between white and black people. This lack of communication has been identified as a key problem on a number of occasions and seems to continue to stop any successful collaboration between the farmers of different races except in Fraserberg. It remains an important area to address in the strategies in the future.
- Lack of organisation – Emerging farmers in the three towns are organised into Emerging Farmers Associations. Each Association has a constitution and generally works according to the constitution. The Associations in Fraserberg and Williston include people who currently have access to land on the commonage as well as those that do not yet have access to any land or stock, if they are to be stock farmers. In Sutherland, the Association only includes those that currently farm on Kuilenberg – those that do not have access to land do not currently have an organised voice to assert their interests.

The Williston Opkomende Boere Vereniging currently has 19 members (10 on the Verjaagfontein farm), the Fraserberg’s Karikama Opkomende Boere Vereniging has 22 members (7 on Klipfontein) and the Sutherland Rebelskop Opkomende Boere Vereniging has 13 members, all of whom have access to Kuilenberg. These farmers’ associations are all part of the Hantam Karoo Regional Emerging Farmers Association. However, this regional association is not currently part of any other broader association.

While the farmers are organised in this way, in each town there are divisions within the Associations – of different intensity in each Association. These divisions are partly due to the fact that different size farmers with different interests are in the same organisation, some jealousy and some family and other feuds. It is unclear whether, and to what extent, the frustration of lack of access to sufficient land also plays on the divisions within farmers' associations.

It is important to note that there is little organisation around actual farming processes – very informal arrangements for farming and management of activities on the actual farms appears to exist. Each individual farmer, or small group of farmers generally does as he or she pleases without any major negotiation or collaboration with the other farming members – there appears to be little co-operative approaches amongst the farmers which use commonage land. This results in practices on the farms which have a negative impact on the natural and other resources on the farms. For example, PS visited one of the farms during its study trip and found that the windmill supplying a reservoir was wastefully continuing to pump water into the reservoir even though it was overflowing onto uncultivated land. The PS members raised this with a shepherd who was tasked with looking after one of the farmer's sheep. His response was that it was not his responsibility to deal with the windmill and he did not want to get into trouble. The lack of organisation for farming purposes has a negative impact on the success of farming by the group.

In Williston and Sutherland, there are organisations amongst the women – for vegetable gardening in Williston and for the guesthouse in Sutherland. These groups appear to be quite strong and committed to making a success of their projects even though they are faced with many problems. While neither of these projects has actually started yet, and therefore it is not clear yet how they will operate in practice, the approach of both these groups appears to be more co-operative in nature.

## **6) Other key role players:**

### **White commercial farmers:**

There are three main farmers unions amongst the commercial farmers and these are based in each town. The Sutherland union has 65 members, the Fraserberg union 75 members and the Williston union 80 members. It is estimated that 70% of the farmers in each area are members of the unions.

Each of these town unions is made up of local associations, such as the farmers association, the Vroue vorum and the local commodity organisations. These associations join together to support each other on a town level. Each of these town level unions is eventually part of the national AgriSA.

Currently, in each town some individual commercial farmers are working with specific emerging farmers but, except in Fraserberg, there is no organised relationship between the emerging farmers associations and the farmers unions. In Fraserberg, the relationship between the two organisations has developed to the extent that the Karikama Farmers Association has now joined the Fraserberg Farmers Union as a member. In the other towns much more work needs to be undertaken to overcome these barriers between them.

PS undertook interviews with the chairpersons of each of the three farmers' unions. It is clear that the members of these unions would like to assist in supporting the development of emerging farmers however they are not clear how best to do this. The major concerns raised by the commercial farmers unions were the following:

- Who would their neighbours be, what their farming practices would be and whether they would be able to maintain fencing and other infrastructure so that it would not have an impact on their farms;

- The processes of land reform, and of land acquisition in particular took such a long time that the members were reluctant to make their land available for sale to land reform beneficiaries;
- Having observed the apparent lack of organisation on the newly acquired commonage farms, the members of the unions had raised concerns as to whether it was worth their while providing support to emerging farmers and their associations –would it not be time wasted?

### **Department of Land Affairs:**

The Department of Land Affairs in the Northern Cape has been party to the acquisition of a substantial amount of land, primarily for commonage and mostly in the Namaqualand area. Concerns have been raised about the management of this land and the Department has therefore taken a more cautious approach to the acquisition of commonage. It nevertheless still forms part of its programme.

The Department has three programmes of relevance in the Karoo Hoogland area:

- The Municipal Commonage Programme provides funds to municipalities for the acquisition of commonage which is then held by the municipality for use by poorer members of the town. The grant pays all the costs for the land. The municipality has to inter alia enter an agreement with the Department, develop a management plan and set up a commonage management structure.
- The LRAD programme provides a grant for the acquisition of land to be held privately by individuals or groups. The grant is provided on a sliding scale depending on the applicants' own contribution, from R20 000 (with only the person's labour as their contribution) to R100 000 (with an "own contribution" of R400 000).
- The Extension of Security of Tenure Act regulates the way in which farmworkers and other dwellers tenure rights on farms are terminated. The Act also provides for a grant which households may access in order to acquire alternative, secure tenure. This grant is currently set at R16 000 per household and is linked to the national housing register so that if a household obtains this grant they will not be able to also obtain the housing subsidy.

The Department allocated a sum of R33m to the Northern Cape for the 2005/2006 year for the acquisition of land in these three programmes (i.e. not restitution). The amount allocated by the provincial office to the Karoo area as a whole, from De Aar to Nieuwoudtville is R8,4m for the year.

The provincial office of the DLA is located in Kimberley and all land reform projects are managed from that office – there are no district level offices in the province. Kimberley is located 550km from Williston. One person is allocated to the Karoo Hoogland area.

### **Department of Agriculture:**

The key areas of the Department of Agriculture's involvement in land reform are at the level of extension services and through the provision of certain subsidies.

With regard to extension, the Department has committed itself to provide the following:

- Comprehensive support to new entrants into farming and land reform beneficiaries
- Capacity Building and training of emerging and commercial farmers as well as farm workers
- Coordinate and implement rural agricultural projects
- Promote youth and women participation in agriculture
- Implement customised commodity strategies and agro-processing
- Arrange farmers and information days
- Promoting sustainable resource planning and utilization.

While these are its aims, the Department has noted that there are a number of constraints in achieving these, primarily a staffing problem. In this regard, the closest Department extension officer to the Karoo Hoogland is in Springbok, although the Department officials in Calvinia have indicated that they do provide extension support to the area. Emerging farmers complain that this is insufficient. Importantly, the Department is currently in the

process of appointing an Extension Officer to be based in Fraserberg and a Food Security officer to be based in Calvinia.

With regard to subsidies and support, the Department has three key support mechanisms for emerging farmers – the Comprehensive Agricultural Support Programme, the Land Care support and Drought relief. The CASP grant can be used for production costs as well as the acquisition of machinery and other equipment needed for farming. The province has allocated a total of R13,2m but all of this has already been allocated in the current year. Importantly, the grant is only available to individuals on private land although in other provinces this grant has been made available to farmers who have long-term lease agreements.

The Land Care funds are available for use by farmers on all land – private or leased land. The grant is available primarily to improve the infrastructure on the land and to ensure the land is farmed in a more sustainable manner. The Department has allocated a total of R2m for the current financial year but this has already been allocated.

The Drought Relief assistance has been introduced to assist all farmers in the current extreme drought situation. Individual farmers can obtain a maximum total of R2800 per month.

### **Land Bank:**

The Land Bank has attempted to develop its products to provide for small-scale and emerging farmers. It has a number of products in this regard:

- An unsecured loan of up to R25 000 which is payable over a five-year period. The interest charged on this is high – currently 14%. Farmers in the area have used this loan to acquire sheep.
- The Step-up loans which start at R250 and each time it is paid back the applicant is eligible for double the amount.
- For the acquisition of land, the Bank provides loans of up to 50% of the reasonable market price for commercial farmers and up to 80% of the reasonable market price for emerging farmers. The “reasonable” market rate is determined by the Bank and appears to be substantially below the current market prices being obtained – the Bank has indicated that it would consider a rate of R250 per hectare as a reasonable rate whereas recent farm sales have been above R500 per hectare. The productive value of land is estimated to be in the order of R150 per hectare.

### **Department of Labour:**

The Department of Labour is concerned about the level of unemployment in the area – which it unofficially estimates at 60-80% in the Karoo Hoogland. In order to alleviate some of the hardship caused by this and to provide a possible alternative for unemployed people to follow, the Department supports entrepreneurial initiatives which would result in the gainful employment of people. In this regard it provides funds to support job-creation activities, and provides funds for individuals to obtain training in skills development initiatives.

The training initiatives must be during working hours and it is currently involved in training to support the other initiatives in the area such as screen-printing. The Department has indicated that they are willing to support the land reform initiatives with capacity building and would want to look at both training courses and learnerships, where individuals get placed in a working environment and get coached through the processes while working in that environment. This would have tax benefits for employers.

In total the Department has indicated that it has allocated R550 000 for capacity building and other initiatives in the Karoo Hoogland in this financial year.

### **Department of Water Affairs:**

The Department of Water Affairs and Forestry has indicated that they are very interested in supporting the land reform developments in the area. The Department has a “resource poor farmer strategy” through which it provides various forms of support to emerging and other “resource poor farmers”.

The resource poor strategy provides the following subsidies:

- For capital costs for the upgrading or constructing of irrigation projects
- For the costs of maintenance or operation of waterworks – primarily irrigation projects
- In order to obtain water rights or licensing
- To undertake socio-economic and other studies related to access to water
- For training courses for management structures which manage water resources
- For rainwater tanks for small-scale production.

The provincial office of the Department has indicated that the Department would be very in favour of supporting initiatives in the Karoo Hoogland but, because of the lack of water and irrigation schemes in the area, it was likely that it would only be possible to obtain subsidies for the rainwater tanks.

### **Conclusion**

The key land-based economic activity in the Karoo Hoogland area is sheep farming and, in terms of land reform, it is the primary activity for which people will be demanding land. The economics of sheep farming show however that it is not an activity that generates high returns and that the capital intensity of it means that sheep farmers need to have access to capital – and at very cheap rates for such ventures to be viable. Such capital either comes from inheritance or could come from the state, as the banks appear to require exorbitant interest rates. Any land reform strategy needs to take the local conditions into account and needs to find a spread of alternatives to bolster initiatives around sheep farming, if they are going to be sustainable.

Given this situation, the use of commonage to enable emerging and small-scale farmers to build their capital needs to be investigated as a viable alternative to the buying of land in the short – especially given the increasing price of land above the productive value of land.

Finally, it appears that the current state of support to emerging and small-scale farmers is bad – in that the Department of Agriculture does not have a local extension officer, the relations between the commercial and emerging farmers is generally not good and there are limited external agencies operating in the area. The Strategy for Land reform in the Karoo Hoogland will therefore need to address this lack of available capacity.

Three areas of intervention appear therefore to be necessary for the Land Reform Strategy:

- Mechanisms to acquire access to land – whether leased or bought – for activities that will jointly be sustainable;
- Mechanisms to access capital for the development of that land – infrastructural and productive components
- Mechanisms to build the skills and expertise of emerging and small-scale farmers to enable them to make a success of their initiatives.



## Interviewees

Interviews were conducted with the following people:

- Members of the Unemployment Forums – Ms. Joelien Klein (Fraserberg), Ms. Jessie Louw (Williston)
- Chairpersons of Farmers' Unions – Mr. Braam Vlok (Sutherland), MR. Faan Theron and Mr. W. Olivier (Fraserberg), Mr. Hannes van Wyk (Williston).
- Council members – Mr. Chadow (also chairperson of Rebelskop emerging farmers association – Sutherland)
- Mayor – Mr. Symington.
- Municipal manager – Ms. Alletta van Sittert.
- Surplus People Project – Ms. Margaret Cloete
- Land Bank – Mr. Joost van der Merwe and Henk Visagie
- Department of Agriculture – Mr. Gert Steenkamp
- Department of Labour – Mr. Deon Leukes
- Manager of the Williston Meat Cooperative – Mr. Faan Laubscher.

## Workshop participants

### Sutherland

1. P Klaaste
2. J Isaacs
3. S de Bruyn
4. J van Wyk
5. C Miethas
6. A van Wyk
7. M Skiffers
8. H Smit
9. M Chadow
10. M Mhlengane
11. J Huisies
12. J Jacobs
13. Jan van Wyk
14. Leslie Roode
15. A Chadow.

### Fraserberg

1. M Jooste
2. T Cloete
3. P Frieslaar
4. J Klein
5. W Blazer
6. J Hendricks
7. H Andreas
8. H Vlok
9. M Cloete
10. J Constable
11. J Haas
12. W Steyn
13. W Haas
14. M Malgas

15. F Blaauw
16. E Bosman
17. M Hugo
18. M Mentoer.

### **Williston**

1. J Beukes
2. N Louw
3. F Beukes
4. J Louw
5. L Skippers
6. F Louw
7. J Louw
8. C Swartz
9. G van Wyk
10. M Blaauw
11. K Blaauw
12. K Jonkers
13. R van Wyk
14. M Sass
15. G Draai
16. A Sass.
17. G Willemse
18. C Wildkut
19. H Moos
20. S Louw
21. C Leukes
22. A Floors
23. M Pietersen
24. R Waterboer.

## Appendix 4 – Revolving credit schemes.

### Revolving credit funds

A revolving credit fund (RCF) provides small business loans to people who may have no credit history or access to commercial bank loans. In general, borrowers tend to be small producers and may include small-scale farmers, women producers and other community members who wish to engage in some form of production activity but who do not have access to credit and who may not be able to repay loans within a specified time-frame and at high interest rates. RCFs usually provide initial loans at low interest rates to start up an enterprise and to expand over time. Ultimately, the idea is that these borrowers will gradually become more financially independent so as to enable them to access larger loans from commercial banks should they need additional finance.

Payments to an RCF are generally returned directly to the Fund and are used to make new loans – hence the term *revolving credit*.

According to Rotary International, which supports the creation of revolving credit funds (see their contact details below) there are five reasons why a revolving loan fund works:

1. Many borrowers belong to membership groups that make collective decisions on loan applications and provide support to each other.
2. Delinquent loans become the responsibility of the group, so the group has a vested interest in the repayment of individual loans.
3. First-time loans are small. New, larger loans depend on the repayment of earlier loans.
4. Borrowers have access to training and group support.
5. Success is measured by payback rates, not by the number of loans.

Key lessons from international experiences of setting up RCFs highlight the following important aspects:

- Before setting up a Fund, study the target community to determine the economic, political and cultural issues in relation to micro-credit and the concept of an RCF.
- What is the community's current economic situation?
- What are the existing financial services, regulations and policies?
- Are women allowed to borrow money?
- Do local customs discourage borrowing in general?
- Will the lack of literacy and numeracy skills impede the loan process?
- Will local banks and other organizations collaborate in any way?
- Are there sufficient funds? Interested individuals? Time?

In the experience of Rotary International, the diverse rural and urban settings of RCF programs influence not only the group dynamics and characteristics of the businesses, but also the potential for growth. Rural areas often have fewer economic opportunities and their loan cycles are usually longer due to agricultural seasons. Although urban areas have greater access to markets, supplies and services, resulting in faster growth for the fund, they may pose greater difficulty in building trust and solidarity among the group members.

There are a number of different kinds of RCFs and different models have been developed in different countries. For the purposes of illustrating a possible model that might be applicable to the context of the Karoo Hoogland, the experience and model of Rotary International is drawn on:

#### *Forming a Group of Participants*

Once general interest in an RCF has been established in the target community, the emerging farmers' forum or municipality can begin encouraging the formation of a group of people interested in receiving loans to start or expand their initiatives. The Solidarity Group Model, recommended by The Rotary

Foundation Trustees, is a revolving loan program model currently used by many non-profit organizations.

In the Solidarity Group Model, self-employed individuals come together to pursue their own micro-enterprises using loan funds. It is essential that the group selects its own members because the Solidarity Group Model is dependent on self-regulation. Members should all have a business that will earn enough to pay back the loans, and they must be willing to act as joint guarantors for each other's loans. As peers, they represent an effective tool for loan security because an individual's reputation in the community is often more valuable than material collateral. The group must decide how often to meet, how to create ways of working and rules, how to elect group officers (i.e., group leader, treasurer and secretary), and how to maintain membership and financial records.

The successful Solidarity Group Model follows these general guidelines:

- Groups should include 5-15 members, though in rural areas with participants well known to each other the size could grow to a maximum of 50. If more show interest in the program, several smaller groups may be formed.
- Only one member per household may be in the same group.
- Members elect their own officers and assign specific duties.
- Offices may rotate if desired.
- Groups create their own rules, including policies on who may join the group, how members are removed, collecting current and late loan payments, and electing officers.
- No one may receive a new loan until the entire group is up to date on all loan payments.
- All members of the group agree to guarantee the loan. In the event a loan payment is late or is not repaid, the group repays the loan on behalf of the member. If a member fails to repay the loan, they are not allowed to reapply for another.
- If a group member wants to drop out of the program, they may do so once their loan is completely repaid. The remaining members may select a new person for their group, as long as all participants agree on the person.
- Because a group's credit is "frozen" until everyone has made his or her loan instalment, members persuade each other to repay loans on time.
- Before the group approves a loan, the individual's business plan is discussed and critiqued by the group, providing an objective outside review and a low-cost feasibility study.
- Groups reduce the cost of delivering credit because they perform many of the administrative duties related to loan management.
- Groups working together develop personal relationships over time and members offer each other support and advice.

### *Training*

Some organizations use the RCF structure as a vehicle to combine credit and savings with education in financial management, farming skills, health, nutrition, environmental issues, and community development. This kind of training allows members to make commitments toward improving their lives and the lives of their families.

### *Size of the loan*

The amount of the loan approved depends on the condition of the economy and on the kind of activity being financed. In setting the terms of the loan, allow for the group member's income to increase enough so that repayment can occur without the borrower suffering hardship. In developing countries most initial loans are small. Small, short-term loans test the member's repayment commitment and the loan's impact on the member's business. After the successful repayment of the first loan, larger loans may be made. In many funds, prompt repayment makes borrowers eligible for another loan of the same amount or larger. Ideally, within about three years, or six loan cycles, the borrower will qualify for credit from a commercial bank. It is important to match loan sizes and cycles to economic conditions. Three-, four- and six-month cycles are most common, but the repayment schedule should be realistic. With an agricultural loan, for example, the bank must take the crop cycle into account, usually six months to one year or even longer.

### *Interest Rates*

Setting interest rates is an integral part of the loan process. The group members should agree on the rate of interest to be charged. Accruing interest to the RCF will allow the fund to grow, providing increased loan amounts and a sense of self-reliance for the members.

### *Savings plan*

Members can be encouraged to establish a savings plan. In some funds, after borrowers have repaid a loan, they are eligible for another of the same amount, plus the sum they have saved. A "Group Fund" consists of individual savings. The group fund belongs to the group and is managed by it. It functions like another small bank from which members can borrow, usually without any interest, to meet their personal needs. The savings earn interest and are refundable when a borrower leaves the group. Savings have a positive impact on clients by providing funds for emergencies.

Rotary International contact details are as follows:

[http://www.rotary.org/programs/rev\\_loan/index.html](http://www.rotary.org/programs/rev_loan/index.html)

## Appendix 5 – Scenarios of farmers using LRAD to acquire land.

### Scenario 1 2 families purchase farm

Farm price (R)	1225000	R350/ha
Farm size	3500 ha.	
Stocking rate	10ha:1 ewe	
Flock size	350 ewe flock	

#### Funded by

	Sale of sheep	Cash savings	Total grants	Total cash available	Land Bank Bond required	Total financing
Farmer 1	R 89,600.00	R 107,835.00	R 100,000.00	R 297,435.00		
Farmer 1 spouse			R 36,120.00	R 36,120.00		
Farmer adult child			R 33,278.00	R 33,278.00		
Sub-total	R 89,600.00	R 107,835.00	R 169,398.00	R 366,833.00	R 245,667.00	R 612,500.00
Farmer 2	R 89,600.00	R 107,835.00	R 100,000.00	R 297,435.00		
Farmer 2 spouse			R 33,278.00	R 33,278.00		
Sub-total	R 89,600.00	R 107,835.00	R 133,278.00	R 330,713.00	R 281,787.00	R 612,500.00
<b>Total</b>	<b>R 179,200.00</b>	<b>R 215,670.00</b>	<b>R 302,676.00</b>	<b>R 697,546.00</b>	<b>R 527,454.00</b>	<b>R 1,225,000.00</b>

Annual Land Bank repayments	@ 6% p.a.	-R 45,985.84
R527454 loan over 20 years	@ 7.5% p.a.	-R 51,739.12
	@9% p.a.	-R 57,780.73

Probable annual Gross Margin (350 ewe flock)	Municipal land	Own land
	R 35,945.00	R 65,345.00

### Scenario 2 1 family purchases farm

Farm price (R)	R 1,225,000	R350/ha
Farm size	3500 ha.	
Stocking rate	10ha: 1 ewe	
Flock size	350 ewe flock	
<b>1 family purchases farm</b>		

Funded by	Sale of sheep	Cash savings	Total grants	Total cash available	Land Bank Bond required	Total financing
Farmer 1	R 0.00	R 107,835.00	R 100,000.00	R 207,835.00		
Farmer 1 spouse			R 36,120.00	R 36,120.00		
Farmer adult child			R 33,278.00	R 33,278.00		
<b>Total</b>	<b>R 0.00</b>	<b>R 107,835.00</b>	<b>R 169,398.00</b>	<b>R 277,233.00</b>	<b>R 947,767.00</b>	<b>R 1,225,000.00</b>

Annual Land Bank repayments	@ 6% p.a.	-R 82,631
R947767 loan over 20 years	@ 7.5% p.a.	-R 92,969
	@9% p.a.	-R 103,825

Probable annual Gross Margin (350 ewe flock)	Municipal land	Own land
	R 35,945.00	R 65,345.00

**Scenario 3      1 family purchases farm at lower price**

<b>Farm price (R)</b>	R 875,000.00	R250/ha
<b>Farm size</b>	3500 ha.	
<b>Stocking rate</b>	10ha: 1 ewe	
<b>Flock size</b>	350 ewe flock	

<b>Funded by</b>	Sale of sheep	Cash savings	Total grants	Total cash available	Land Bank Bond required	Total financing
Farmer 1	R 0.00	R 107,835.00	R 100,000.00	R 207,835.00		
Farmer 1 spouse			R 36,120.00	R 36,120.00		
Farmer adult child			R 33,278.00	R 33,278.00		
<b>Total</b>	<b>R 0.00</b>	<b>R 107,835.00</b>	<b>R 169,398.00</b>	<b>R 277,233.00</b>	<b>R 597,767.00</b>	<b>R 875,000.00</b>

<b>Annual Land Bank repayments</b>	@ 6% p.a.	-R 52,116
R597767 loan over 20 years	@ 7.5% p.a.	-R 58,636
	@9% p.a.	-R 65,483

<b>Probable annual Gross Margin</b> (350 ewe flock)	Municipal land	Own land
	R 35,945.00	R 65,345.00

## Appendix 6 – Economic predictions of various small-scale farming products

<p><b>Concept:</b> Small-scale, appropriately sized enterprises to be developed on the <i>meentgronde</i> of the 3 main towns. Such enterprises would be situated on land immediately adjacent to town centres (ease of access and marketing).</p>													
<p><b>Examples of enterprises:</b> Examples of envisaged possible small-scale enterprises could include Vegetable production “co-operatives” Small-scale broiler production Garlic production Essential oils Indigenous medicinal plants Indigenous plant nurseries Bulb production Small-scale pig production Dyeing of local wool (using indigenous plants for dye source) and sale of woven products Production and sale of Karoo food delicacies</p>													
<p><b>Examples of enterprise economic potential:</b></p>													
<p><b>a. Vegetable production</b></p>													
<p>Cabbages: 23000 heads @ R1.40 Onions: 4500 bags (10kg) @ R9.50 <b>Gross income</b></p>	<table border="1"> <thead> <tr> <th>(Summer) ONIONS</th> <th>(Winter) CABBAGE</th> </tr> </thead> <tbody> <tr> <td>42750</td> <td>32200</td> </tr> <tr> <td><b>42750</b></td> <td><b>32200</b></td> </tr> <tr> <td><b>27135</b></td> <td><b>26905</b></td> </tr> <tr> <td><b>15615</b></td> <td><b>5295</b></td> </tr> </tbody> </table>	(Summer) ONIONS	(Winter) CABBAGE	42750	32200	<b>42750</b>	<b>32200</b>	<b>27135</b>	<b>26905</b>	<b>15615</b>	<b>5295</b>		
(Summer) ONIONS	(Winter) CABBAGE												
42750	32200												
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<b>27135</b>	<b>26905</b>												
<b>15615</b>	<b>5295</b>												
<p><b>Direct costs</b></p>	<p>NOTE: Production costs include R6950 labour (summer onions) and R8600 (winter cabbages). Therefore 1 ha. has the additional benefit of providing a potential 311 labour days employment opportunity.</p>												
<p><b>Gross margin</b></p>													
<p><b>b. Essential oils (based on lavender)</b></p>													
<p>(Oil sold in bulk @ R400/kg) 1st Year 3500 kg. flowers @ 1.5% oil 2<sup>nd</sup> Year onwards 5000kg. Oil @ 1.75% oil <b>Income</b></p>	<table border="1"> <thead> <tr> <th>Year 1 R./ha.</th> <th>Year 2 R./ha.</th> <th>Year 3 R./ha.</th> </tr> </thead> <tbody> <tr> <td>28800</td> <td>72000</td> <td>72000</td> </tr> <tr> <td><b>55105</b></td> <td><b>16665</b></td> <td><b>16665</b></td> </tr> <tr> <td><b>-26305</b></td> <td><b>55335</b></td> <td><b>55335</b></td> </tr> </tbody> </table>	Year 1 R./ha.	Year 2 R./ha.	Year 3 R./ha.	28800	72000	72000	<b>55105</b>	<b>16665</b>	<b>16665</b>	<b>-26305</b>	<b>55335</b>	<b>55335</b>
Year 1 R./ha.	Year 2 R./ha.	Year 3 R./ha.											
28800	72000	72000											
<b>55105</b>	<b>16665</b>	<b>16665</b>											
<b>-26305</b>	<b>55335</b>	<b>55335</b>											
<p><b>Direct costs</b></p>	<p>NOTE: Production costs include R10420 labour costs per year. Therefore 1 ha. has the additional benefit of providing a potential 208 labour days employment opportunity.</p>												
<p><b>Gross margin</b></p>													
<p><b>c. Small-scale broiler chickens</b></p>													
<p><b>Income (per 100 broiler cycle)</b> 100 broilers @ R16</p>	<table border="1"> <thead> <tr> <th>(R)</th> </tr> </thead> <tbody> <tr> <td><b>1600</b></td> </tr> </tbody> </table>	(R)	<b>1600</b>										
(R)													
<b>1600</b>													
<p><b>Costs (per 100 broiler cycle)</b> 100 day-old Chicks @ R2.10 Chick transport @ R0.50 Mortality (5%) @ R15 Broiler mash (@ 3.5kg/chicken @ R136/50kg) Paraffin (heating) Consumables <b>Total direct costs</b></p>	<table border="1"> <tbody> <tr> <td>210</td> </tr> <tr> <td>50</td> </tr> <tr> <td>75</td> </tr> <tr> <td>952</td> </tr> <tr> <td>40</td> </tr> <tr> <td>15</td> </tr> <tr> <td><b>1342</b></td> </tr> </tbody> </table>	210	50	75	952	40	15	<b>1342</b>					
210													
50													
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15													
<b>1342</b>													
<p><b>Gross margin (per 100 broiler cycle)</b></p>	<p>Advantages of broiler chickens</p> <ul style="list-style-type: none"> <li>• Can be marketed live (no sophisticated abattoir or freezing facilities required)</li> <li>• Readily accessible local market</li> <li>• Low capital cost set-up (intermediate technology could be used e.g. heater unit out of a half 44 gal. drum and a hurricane lantern).</li> <li>• Small production area (4.5 sq.m. per 100 chickens for the first 4 weeks; 9 sq.m. for 2<sup>nd</sup> 4 weeks).</li> <li>• Potential for significant contribution to livelihoods</li> </ul>												
<p><b>Annual net profit (5 chicken crops per year)</b></p>	<table border="1"> <tbody> <tr> <td><b>258</b></td> </tr> <tr> <td><b>R1290</b></td> </tr> </tbody> </table>	<b>258</b>	<b>R1290</b>										
<b>258</b>													
<b>R1290</b>													



#### d. Indigenous plants

A number of species (for example the Karoo succulents) are indigenous to the Hoogland Karoo areas. These plants could be collected sustainably, or propagated, for a no. of end uses (indigenous plants nursery to facilitate tourism, dye plants, medicinal, cosmetic, food, etc.). The following example based on SA and international demand for “Kankerbos” (*Lissertia frutescens*) indicates the magnitude of economic potential:

*Kankerbos: Possibly 5000 plants per ha; 0.25kg 'wet' leaf per plant = 1250kg 'wet' leaf/ha.*

*Leaves are sun-dried (80% moisture, therefore 'dry' leaf yield = 250kg./ha.).*

*'Dry' leaf purchased at price of R120/kg = Per ha. income potential of R30000.*

NOTE: There is considerable knowledge of indigenous plants amongst the wider community, particularly in the Williston area.

#### e. Bulb production

The emergent community bulb project operated by the Municipality in Sutherland deserves further support and possible expansion to other areas. Perhaps consideration should be given to the production of indigenous bulbs too (to supplement the tourist industry and its buying potential).

### Karoo Hoogland: Small-scale agricultural opportunities

<b>Outstanding issues</b>	<b>Assumptions made at this stage</b>	<b>Implications</b>	<b>Recommendations</b>
<b>1. Agricultural land</b>	Sufficient suitable quality land exists within each “dorp meentgrond” to accommodate the envisaged potential scale of small-scale enterprise establishment. The quantity of land required is likely to range between 28 ha. and 30 ha. per year (a provision of 1 ha. per entrepreneur).	Land for small-scale enterprises should be situated as close to participants in this sector as possible.  Careful site selection might help to overcome current dog and theft problems experienced in Hoogland <i>meentgronde</i> , close to towns.  If relevant (e.g. if participants have transport) suitable land on municipal farms could also be considered.	Department of Agriculture to assist the Municipality in the identification and planning of required land.
<b>2. Irrigation availability</b>	Sufficient irrigation exists. This could be from old boreholes requiring maintenance, new boreholes or even town water (where the value of production and small water demand merits this consideration).	Without irrigation, intensive small-scale farming would not be viable on the small unit areas contemplated.	Department of Agriculture to assist the Municipality in the identification and planning of required land.
<b>3. Climatic restrictions</b>	The harsh Karoo climate will present a constraint for certain enterprises.	Climate control (e.g. shade structures, horticultural tunnels) might be necessary for some enterprises.	Department of Agriculture to assist the members of the community interested in such small-scale enterprises (appraising feasibility and advice).

## Appendix 7: Excerpt from DLA Commonage Policy

### 14a. Notes on lease agreements

Lease agreements are legal contracts and have legal implications. It is important that both parties must agree to the conditions set out in the agreements, as it can have numerous repercussions if the agreements are to find void, because of legal technicalities. Assurance that specific legal requirements are met may require the services of a lawyer.

Lease agreements should be negotiated and both parties should understand and willingly agree to the terms and conditions set out in the lease agreement. Determining and agreeing on rental rates as well as who will be responsible for maintenance (both financially and technically) will in most situations, be the difficult aspects of negotiating and agreeing to the lease agreement.

In most situations it is not viable to determine market related rental rates, as the users are generally from the poorer residents and unemployed. It should also not be an opportunity for the TLC to make profit on the income generated from the leases. The agreed rental rates should rather be seen in the light of opportunity costs. Rather forsake making profit from rental rates, to achieve viable commonage projects. However, the TLC should be able to recover some costs of owning the land. This might be expenses for maintenance i.e. Fence repairs and water supplies. Thus, one way of setting the rental rates are to determine what costs will be involved in the maintenance of the farm.

Determining and agreeing on rental rates will also depend on whether the user accesses the commonage for household purposes or whether the user access the commonage through the emergent farmer program. Consideration should be given as to how much the users can contribute, taking into account their financial status. Rental rates for the emergent farmer can initially be low, but should be revised annually as this user should be able to pay more market related rental rates the longer he/she has access to the land. In such instances, aspects such as the need for the user to consider his/her profit potential from the use of the commonage can be used to determine rental rates.

As a lease is a contract, the essential elements of a contract must be present i.e. Names and signatures of the parties, date of beginning and ending of lease, reservation of rent, description of property. The following is a checklist of items, to be included in lease agreements. Items 1 – 7 & 12 – 17 are essential elements for both grazing and production agreements. Items 8 – 11 depend on whether it is a grazing or production lease.

1. Names, addresses and interest of the parties (the lessor and the lessee) involved
2. Legal description of property
3. Lease period
4. Date when lease become effective
5. Date of termination
6. Amount of rent on how it is to be calculated

7. When rent is payable

Grazing agreements

8. Limitation on number of animals allowed
9. Details of agreement concerning health requirements
10. Provisions concerning breachy animals
11. Agreement concerning identification

Production agreements

12. Limitation on crops to be planted
13. Provisions concerning water rights
14. Agreements on the use of irrigation/crop plots
15. Details of irrigation periods and change of periods
  
16. Renewal provisions
17. Provision for right of entry
18. Provisions concerning subleasing
19. Stated responsibilities of both parties relative to maintenance, improvements etc.
20. General rights and obligations of both parties
21. Provision for settling disagreements (breaches and disputes)
22. Domicilium

## Appendix 8 – Development role of Karoo Hoogland Municipality

<p><b>Municipal role</b></p>	<p>Apart from land and infrastructure provision, it is envisaged that the Municipality take on a unique development role and responsibility. Such a role should not be that of a development agency per se but more of one that facilitates, secures and integrates support service delivery as required by the target community.</p> <p>The philosophy behind such a recommended approach is that it is essential that the subjects of development intervention (emergent farmers) have full understanding, 'buy-in' or 'ownership', and control of the nature, speed and direction of the intervention process</p>
<p><b>Essential emergent farmer support functions to be facilitated by Municipality (in addition to access to farm land)</b></p>	<ul style="list-style-type: none"> <li>• Building trust and relationship (complete transparency essential).</li> <li>• Community development (community mobilisation and motivation, including empowerment of representative associations for the different types of emergent farmer).</li> <li>• Suggestions on enterprise nature and design as catalytic motivation.</li> <li>• Feasibility studies and business plans (planning with affected parties/groups).</li> <li>• Facilitating, securing, arranging, integrating emergent farmer support services in accordance with farmer needs:             <ul style="list-style-type: none"> <li>○ Financing (Land bank, CASP, Mafisa, LRAD, private sector input suppliers, Khula, etc).</li> <li>○ Extension (Department of Agriculture).</li> <li>○ Marketing (Co-ops, Transport companies, Private sector outlets, etc).</li> <li>○ Training (Department of Agriculture, Department of Land Affairs, Department of Labour, Farmers Union, Co-ops, Private sector, etc).</li> <li>○ Research (Agricultural Research Council, Department of Agriculture, Input supply companies, Universities, etc).</li> <li>○ Inputs (Co-ops, Private sector, etc.).</li> <li>○ Infrastructure (Karoo Hoogland Municipality).</li> </ul> </li> </ul> <p>Monitoring and evaluation of programme.</p>