New Agricultural Investment Models and Agrarian Change in South Africa

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Abstract:

“The end of the South African commercial farmer” is often proclaimed, mainly as a result of land reform and the lack of encouraging agricultural policy measures. This paper draws attention to a similar tendency, not related to South Africa's positive actions, however, but to a profound agrarian restructuring related to new agricultural investment models. These models, promoted by macro-actors such as banking corporations, investment funds, asset management companies and agricultural engineering companies, often foreign to the agricultural sector, integrate the primary agricultural production within well-connected, totally integrated, finance-value-chains. In these models, macro-actors oversee, control and own the entire process (supply of inputs, monitoring of the harvest, hedge and sale of the production) whereas independent farmers become ‘service-providers’ of these institutions, as they do not possess their harvest, nor do they engage in decision-making and in several cases do not even own the land. The paper describes and analyses the different agricultural production models being developed in the South African context and discusses their application and implications for the country’s agricultural development trajectories. As such, it poses significant questions regarding the “financiarisation and corporisation” of the agricultural sector, the concentration process on-going in the sector, the regulation of the sector by often foreign controlled non-agricultural entities and, probably most importantly, the status of the independent farmer in South Africa.

Keywords: South Africa, Investment, Corporisation, Transnationalisation, Agriculture.

JEL: F23, Q15, Q18.

1. Beyond land: the renewed interest in agricultural production

The past few years have been characterised by a "rediscovery" of agriculture as a sector for strategic activity. Until then, agriculture had been gradually relegated both in the public policy agenda, for whom the myths of an essentially urban growth and provision of agricultural produce at moderate cost contributed to the chronic indifference, as well as in private investors’ strategies who were discouraged by the low financial margins and the risks inherent to this activity (OECD, 2010).

In 2008, the food price crisis led to a renewed interest in agriculture on the part of these actors. On one hand, the national and international authorities recognised the urgency of the agricultural situation in developing countries. Although commitments have often not
realised (OCDE, 2009), significant progress has been made. As such, since 2008, in the framework of the Maputo agreement, eight countries are contributing at least ten percent of their national budget to agriculture (compared to only four between 2004 and 2008); 30 countries have ratified their CAADP national compacts; and the African Union (AU) was pro-active in signing the AU Land Policy. Also, in 2009, at Aquila, US$20 billion were promised by the G8 members for the fight against hunger, particularly through a focus on agricultural development (OXFAM, 2010). On the other hand, this crisis has resulted in an awakening of the private sector. The structural evolution and projections regarding the agricultural sector (population growth, pressure on natural resources, dietary changes and energy and environmental tendencies), coupled to the food price crisis of 2008 are questioning the myth of the permanent low cost of food commodities and are pushing investors towards agricultural activities (Anseeuw et al., 2012). Perceptions have changed: henceforth, this sector presents interesting financial returns from an investment perspective. The financial crisis of 2009 strengthened this dynamic. Confronted with uncertainties affecting financial assets (in particular those of the American treasury), investors view henceforth the farming sector as a safe refuge.

As such, a multiplication of investment projects and increased foreign direct investments (FDI) into agriculture on the African continent has been observed. In 2008, FDI into the African continent reached US$87.6 billion (i.e. 27 % higher than the previous year), of which a third (i.e. US$27 billion) has been directed towards the mining and agricultural industries in Sub-Saharan African countries (UNCTAD, 2009).

Regarding the nature of these investments, two categories can be distinguished. In the first instance, there are those aimed directly at natural resources, particularly land. This category, often referred to as “large-scale land investments”, is characterised by investors, public or private, national or foreign, acquiring land for agricultural and ecosystemic purposes, with investors endeavoring to develop their activities along the production chain, in particular focusing on primary production activities. This phenomenon is presently the object of extensive scientific analyses (Cotula et al., 2009; World Bank, 2010; Anseeuw et al., 2012b; Boche et al., 2012; etc.). According to Cotula and Vermeulen (2009), a reversal of the risk/profit relationship appears within the production chain: Whereas primary production constituted until now the main risk factor, with profits returning to downstream and particularly upstream actors, the increase in agricultural prices now tends to invert this relationship.

However, it seems that this phenomenon represents only the tip of the iceberg in terms of wider land-related and agrarian dynamics. Indeed, the land acquisition phenomenon tends to divert attention from the dynamics of renewal of agricultural investment dynamics into agriculture and land-based activities (without necessarily acquiring the land, although – as will be detailed – direct land acquisition might still occur) (Ducastel and Anseeuw, 2011). These dynamics are characterized by certain dominant actors controlling the various segments of the value-chain, through contractual arrangements but more particularly through vertical integration and direct investments. Although similar processes have been described in Latin America in the banana subsector for example (Neveu, 2001; Rabobank, 2012), the motivations of the actors, the sectoral origins of the
investors and the geographical areas concerned, make it a peculiar trend particularly for South Africa and the African continent (Ducastel and Anseeuw, 2011). Although less visible than the direct large-scale land acquisitions, these new models are developing rapidly and are illustrative of far-reaching and profound agrarian transformations, with significant consequences for farmers and traditional land owners and users.

In order to better understand these restructurings, this article details several new production and investment models developed in South Africa. While this country distinguishes itself by specific land and rural structures, related to the previous era’s legacy, it seems to pioneer the previously mentioned dynamics. Indeed, increased liberalisation and deregulation of its economy and agricultural sector (Vink and Kirsten, 2000) and the presence of several well-structured instruments, in particular the futures market for agricultural commodities (SAFEX) as well as a range of risk management instruments to investors\(^1\), present a convenient base for financial innovations. The countries’ land resources and its role as a regional power also stimulate the interest of investors in this market. As such, South Africa, as laboratory of new agricultural and investment practices, constitutes a valuable case-study for illustrating the current international dynamics.

Section two of this paper presents the vector through which the current agricultural production and financial restructurings are taking place. The third section is dedicated to a detailed presentations and analysis of these new production and investment models, specific - at the moment - to South Africa. Before concluding, the paper provides in section four several reflections on the structural changes affecting agricultural economies and societies.

2. Financing agriculture and the process of vertical integration of the production

Discussions have been on-going on how to finance agriculture (Neveu, 2001). Besides more traditional agricultural financing, new instruments have been developed, such as contract farming and finance value-chains. These instruments "structure investments which are proposed throughout the value-chain. The financial services are often combined with marketing activities and possibly technical support" (Devêze, 2008). The latter is characterized by a system of contracts between agribusinesses or processors and large and small farmers, on the basis of which producers supply the company with a certain product. The integrating firm provides the farmer with the necessary labor and raw-material resources, consultation, etc.

The renewed interest into agriculture, however, goes along with a more advanced form of vertical integration, through the integration of the primary production. This increasing control over land-based productive cycles, primary agricultural production in particular, is established through a strengthened vertical integration (Swinnen and Maertens, 2007). Downstream (including financing) and upstream activities (processing and distribution) are undergoing an ever-increasing integration process, led by macro-actors. In comparison to partnerships, contractualisation etc. (which represent an externalisation

\(^1\) But also private norms, rules and instruments.
process), integration of these activities (representing an internalisation process) allows dominant actors to widen their control over the productive cycle in its entirety (Williamson, 1985; Reardon et al., 2009).

Through advanced vertical integration companies completely control production and establish not only a supply quota and the prices for agricultural production but also the size of that production and its technological level. As such, vertical integration is defined as the ownership of the production or the ownership of a production unit that previously had purchased the output. The act of ownership internalizes the exchange process (in opposition to the use of the external market to obtain an input or to exchange an output which may have been through the use of contract or a sport market). The failure of the external market creates profit and risk incentives for the firm to integrate vertically (Kilmer, 1986).

This integration process encompasses not only the farm itself, but also the entire chain of agriculture-related business, including seed supply, agrochemicals, processing, machinery, storage transport, marketing, … (Figure 1). The approach is not new, and several agricultural export sub-sectors (such as coffee, cotton, etc.) are already structured according to this model, particularly in Latin America (Rabobank, 2012). However, over the past few years, this financial strategy has been applied more widely, both geographically and at the level of the concerned value-chains (e.g. cereal).

![Figure 1: The finance value-chain and the advanced integration of value-chains](image)

This evolution must be seen in the context of the increased cost of inputs relative to land values. In general, the latter is not sufficient as collateral to cover the farmers’ expenses. As such, these micro-actors cover the necessary funds, in exchange for the rights over their future harvest. The financing of agriculture takes than the form of direct investment.

3. New models of agricultural financing and production

While the first common characteristic is the total integration of the different segments of the agricultural sector, the second is the interest of new types of actors in primary production. Although instances of down and upstream integration by monopolistic
agribusinesses are well-known (cf Cargill, Monsanto, etc.), the present integration processes (which includes the agricultural production), are presently being initiated from outside the agricultural sector, in particular by financial actors and engineering companies.

Models vary according to the established organisation (contracts, part or full integration, etc.) and the actors involved (banks, intermediaries, investment funds, etc.). Without claiming to be exhaustive, three models are detailed in this article: bank integration, engineering companies and asset management companies, and investment funds².

* Bank integration within agricultural value-chains

Banks are traditional partners within the agricultural and agro-industrial sectors, which they finance through a “classic” form characterised by a loan granted and secured through collateral, generally land. Presently, however, in the context of greater prospects for financial returns, banks tend to strengthen their control and their participation along the agricultural value-chains, including in primary agricultural production. This banking integration is essentially established through the integration and contractualisation of the various parties, in particular the producers (Figure 2). Concerning their relationships with the production side, a new production and risk management strategy is occurring.

Firstly, the bank supplies the necessary liquidities in exchange for the rights over the future harvest: Instead of using the land as collateral, the agricultural production is traded and the ownership thereof is transferred to the bank. The farmer has in effect lost ownership over his/her production.

This evolution must be seen in the context of the increased cost of inputs relative to land values. In general, the latter is not sufficient as collateral to cover the farmers’ expenses. This contract is negotiated between both parties at the beginning of the productive cycle, in other words, even before seeds are sown. The contract stipulates the type, the volume and the quality of the production, defined according to farm characteristics (size, soil quality, etc.) and previous production patterns of the farm. The purchase price is calculated according to market projections. The producer thus has a fixed income defined in advance. In the event of a surplus or shortfall in the agreed upon volume and quality, the farmer is credited or debited to the corresponding amount. As such, the risk of production is transformed into performance risk, which is entirely born by the farmer.

At the same time, the bank covers itself against production and production risks. On one hand, a multi-risk insurance, facilitated by the bank, ensures the production against all natural risks inherent to the agricultural activity (flood, fire, etc.) but also against side-selling, theft, etc. In addition, since the bank contracts several geographically dispersed farmers, it contributes to production risks limitations and it benefits from important economies of scale with insurance companies. On the other hand, the bank also limits the risks associated with price fluctuations. Indeed, it takes care of the commercialisation

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management and price coverage through hedging on futures markets (i.e. mainly SAFEX’s futures market in the case of South African). The latter can be done before the bank effectively decides to engage in the primary production cycle.

During the productive cycle, the bank and the insurance company monitor the production (mainly through agricultural engineers employed by the banks, but also through the use of satellite imagery). At the end of the harvest, the farmer delivers the production to a SAFEX certified silo, which guarantees the ownership of a certain volume at a specific quality to the bank. Commercialisation, which is undertaken by the bank, is organised mainly through the financial market, SAFEX.

![Figure 2: Direct bank integration into agricultural value-chains](Source: Ducastel (2010)).

Compared to contract farming models, this more integrated approach transfers all decision-making processes to the bank. The latter not only provides finance and insurance, it also controls the commercial aspects through hedging as well as input
provision and technical aspects via service delivery integration. In more extreme cases, certain banks have even acquired the land directly.

It is estimated that around 30% to 40% of South Africa’s annual cereal production is controlled through the framework of these models. Indeed, the three main commercial banks engaged in such models (ABSA, Standard Chartered and RMB) each declare controlling approximately 13% of the production (rarely more in order to limit risk). These banks presently diversify their agricultural activities towards horticulture, animal production and other agricultural sub-sectors.

*The agricultural engineering and asset management company model*

Sector integration can also take place through (financial or technical) intermediaries, mainly agricultural engineering companies and asset management companies. The aim of these companies is to centralise all the farmer-oriented services (input supply, technical support, commercialisation, etc.) within the very same entity.

In this case, there is either acquisition of land or, at least, full transfer of the right of use of the land. In both cases, the engineering or management company employs a farm manager, which can be the (previous – in the case of direct acquisition) land owner. The decision-making power of the manager, whether the land owner or not, is limited as becoming part of the company’s strategy. The company takes over the agricultural venture, is in charge of the inputs, guarantees the sale price through the acquisition of positions on the futures market, etc. Adjoining activities, such as input provision, technical expertise, marketing, etc., are provided by the company itself, as part of its vertically integrated structure. During the production cycle, the company monitors closely the operations. Engineers are sent out, operations are overseen through satellite systems and the production accounts are kept under close observation. After the harvest, the company is in charge of the marketing of the production over which it retains sole ownership. Once the production is sold, the management company reimburses the loan granted by a financial institution (Figure 3).

Within the framework of this model, the financial relationships are restructured or may even be non-existent for the producer/land owner. The relationship is between the bank and the associated company and is defined within the framework of a contract which stipulates that the intermediate company is both the guarantor of the seasonal loan and the party responsible for the production. The bank supplies thus the necessary liquidities and multi-peril insurances not to the farmer/land owner but to the intermediary.

The added-value of such a model compared to the previous model seems to be the agricultural specialisation of the management company and the proximity in the relationship between the latter and the main actors of the sector. The company makes its profit through its technologically advanced contribution to the agricultural operations, the economies of scale related to input purchases, insurances, etc. and through advanced risk management. As such, the relevant delegates the risks, price as well as production risks, to the intermediate company. This company in turn employs several risk management
instruments. Firstly, it uses agricultural futures markets (SAFEX as well as Chicago) to guarantee the sales price and covers production risks through natural risks insurances. Secondly, besides the selection of producers according to their experience, previous results and farm characteristics, the company - through its direct presence in the field - tends to reduce the risks related to the volume and to the quality of the production. Finally, these companies tend to follow a double strategy of diversification. On the one hand, as in the previous model, they contract with geographically dispersed farmers/land owners; on the other hand, they develop their activities within several agricultural subsectors. If cereal production represents their primary target, they do not hesitate to commit to fresh produce production, biofuels or livestock.

Figure 3: The agricultural engineering model
Source: Ducastel (2010).

It is at this stage difficult to estimate the extent of this model. The best established agricultural engineering company in South Africa is Farmsecure – a company without previous experience in productive agricultural activities. Created in 2004 with the objective of engulfing small and medium-sized enterprises, it controls approximately 700 farming entities in South Africa, representing about 8% of the nation’s annual cereal production (on cit.). Other companies seem to structure and establish themselves rapidly.
The South African farming sector has since 2008 furthermore been characterised by the proliferation of investment funds specifically dedicated to agriculture. The profile of these funds and the investors who contribute to them vary: commercial banks, institutional investors (pension funds), public actors (development agencies), etc. For the greater part, it concerns actors external to the sector. The management of these funds is generally entrusted to agricultural companies which have local experience and networks.

According to the expectations of these investors (profitability, the funds’ cycle) and of their forecasts, these funds adopt various strategies. Not all target the same assets, nor adopt the same management of these assets. As such, certain funds specialise in land acquisition as, for example, Emvest and African/South African Agricultural Fund. In this case, these structures aim at acquiring, under purchase or long term lease agreement, farmlands with agricultural potential. Within this category of investment funds focused on land, one can distinguish those that undertake directly the production on these farms from those that are outsourcing it. The first category focuses on an increase in productivity, through the use of high technology in particular, and on a rise in food commodity prices. The second group that focuses on leasing out land to farmers who are in charge of its development and production, speculate on the rise in land prices, and thus on the rent they’ll receive. Two types of speculation thus support this dynamic: the one directly related to land prices, the other one related to agricultural commodity prices.

Certain actors looking to invest in the agricultural sector consider the direct land acquisition strategy, with or without control over the production, as too risky. In that case, equity funds constitute an alternative. The objective of the latter is to acquire equity shares into an agricultural or agro-industrial company. The risk is limited as capital is not placed in less rigid and less socially sensitive assets such as land. The agricultural company receiving these funds enjoys significant capital inflows which enable it to develop its activities. Although this financing model is less costly for the receiving agricultural company, compared to the loan-based system, it cedes in turn part of its autonomy to the investor.

As is the case with the funds dedicated to land acquisitions, these investment funds in shares lead to various strategies guided by the forecasts to which they adhere, and by the expectations of their investors in particular. For example, "fixed-term funds", those that have a life expectancy of between 10 to 15 years (although it may in some instances be shorter), guarantee high returns in the short-term to their customers. They favor initiatives and activities offering fast and high returns for a minimal investment. On the other hand, the funds with no closing date adopt strategies based on the longer (sometimes longest) term with guaranteed and regular returns.

It has been observed that on-going investment funds presently tend towards a preference for shares within already profitable and competitive companies. The latter companies benefit from additional capital inflows to strengthen their position. As a result, the
increased and massive interventions of investment funds are strengthening the positions of already dominant actors in the agricultural sector, to the detriment of others. According to the amount of shares acquired, which allows for a majority or minority position, the investment fund will have different rights regarding the management of the company’s activities. Again, different strategies occur here. Zeder for example, in order to reduce risk and as it does not want to get involved in the production strategy and management, aims only at minority positions (between 20 and 34 % of the shares). On the contrary, Agri-Vie – an apparently more aggressive investor - tends to control all the activities of its subsidiaries by imposing its own management model (cf. Table 1).
<table>
<thead>
<tr>
<th>Investment fund (date of establishment)</th>
<th>Fond owner</th>
<th>Origin of capital</th>
<th>Capitalisation amount</th>
<th>Investment capital</th>
<th>Activity area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emvest (2008)</td>
<td>Emergent Asset Management (UK-based investment fund, specialised in emergent markets) &amp; Russel Stone Group (SA agro-business)</td>
<td>-</td>
<td>-</td>
<td>-Land acquisition with direct engagement in production, transformation and commercialisation -Several agricultural sub-sectors</td>
<td>Southern Africa</td>
</tr>
<tr>
<td>Zeder (2006)</td>
<td>PSG (SA group dedicated to financial services)</td>
<td>-</td>
<td>-</td>
<td>-Minority position (between 20 et 34%) with agri-businesses -No direct implications regarding production but with managerial inference -Downstream and upstream activities</td>
<td>South Africa</td>
</tr>
<tr>
<td>Agri-Vie (2008)</td>
<td>Sanlam (SA insurance company)</td>
<td>Pension funds, Private foundations (Kellogs), Public institutions (Industrial Development Corporation)</td>
<td>R700 million (70 million Euros)</td>
<td>-Majority position in agri-businesses (cereals, livestock, horticulture…) -Direct control over production Priority given primary production</td>
<td>Africa</td>
</tr>
<tr>
<td>African Agricultural fund (2009)</td>
<td>French development Agency (AFD) (?)</td>
<td>AFD, AIIB, AGRA, IFAD, West African Dev Bank</td>
<td>US$150 million</td>
<td>-Intégralité de la chaîne de production agricole primary (production, transformation, infrastructures…) -Towards commercial agriculture (80% of capital) and family-based agriculture (20%)</td>
<td>Africa</td>
</tr>
<tr>
<td>TransFarm Africa (2011)</td>
<td>NEPAD business foundation</td>
<td>Private foundations (Hewlett)</td>
<td>US$20 million</td>
<td>Strategy not developed yet</td>
<td>Africa</td>
</tr>
<tr>
<td>Fund of the Rand Merchant Bank (RMB – SA commercial bank)</td>
<td>RMB</td>
<td>Own funds</td>
<td>-</td>
<td>-Priority to transformation and commercialisation agri-businesses - Shares of minimum 25% -Land acquisition (30 000ha in SA) -Management and direct implications for the company’s activities -Cereal and sugar cane</td>
<td>Africa</td>
</tr>
</tbody>
</table>

Source: Ducastel (2010).
Public institutions such as national or international/inter-governmental development agencies, as well as foundations dedicated to development often form part of these investor groups. It thus often occurs that the same entity is simultaneously guided by a commercial as well as a development orientation, alluding to the increased confusion between the promotion of development and the promotion of private investment.

The extent of these investments is unknown, especially since several funds were only recently established and have yet to develop their implementation strategy (as in the case of the TransFarm Africa fund).

4. Reflections on agriculture and the farmer

This description of the state of macro-actor engagement in South African agriculture, based on the investment and production models currently being established, highlights several trends and brings to the fore a number of questions:

* Financiarisation and corporisation of agriculture

First of all, the models show that new actors are appearing on the South African agricultural scene. Indeed, originating from industrial or financial sectors, engaging as entrepreneurs, investors or even as pure speculators, the suppliers of capital seem more and more exogenous to the agricultural sector. Besides financing, these actors bring along renewed business logics, modes of actions and regulations, stemming from other sectors. As such, through the increased role of banks and investment funds, for example, a “financiarisation” of the sector is taking place which is redefining the borders of the agricultural sector. Related to the latter, the last couple of years have seen an unprecedented boom in agricultural speculation. Whereas speculation has in the past been limited to an internal and short-term phenomenon, it has been evolving towards long-term strategies, led by actors external to the sector. As such, within the framework of the futures markets exchanges (SAFEX in South Africa), a decreasing number of contracts result in an effective delivery. This trend is similar to speculative mechanisms in other sectors, real estate in particular.

The South African agricultural sector is currently also characterised by an industrialisation process, or rather a "corporisation" process (according to Reardon and Barrett (2000)). This dynamic is not related to mechanisation per se but rather to a transformation of the production structures and their interactions. Increasingly, the agricultural value-chain tends to be controlled by one dominant actor. The control over various segments along these chains is established either through direct acquisition, or through contractualisation of the actors. While in South Africa the dominant actors include banks and certain former cooperatives, elsewhere other models engaging different macro-actors are emerging (e.g. Uruguay (FAO, 2009)). The organisation of agricultural production tends towards a strongly integrated structure, comparable to industrial chains.
This dual process of – “financiarisation and corporisation” of the agricultural sector is leading to a new regime: The global agricultural sector is presently undergoing a profound restructuring. The agricultural exception, as debated upon the inclusion of the sector in the WTO negotiations, has been buried once and for all. New actors, carriers of references and outside experiences, have entered the sector. Their interactions and inputs have been altering the sector’s "traditional" modes of action, investment and production. As such, a new agricultural development paradigm has been emerging (De Janvry, 2009), manifesting itself both at the national and international levels.

*Concentration and dualisation within the sector*

The evolution of the primary production segment seems to follow or getting integrated into downstream (fertilizers, seeds, inputs) as well as upstream (processing, marketing, etc.) tendencies, i.e. segments which are already characterised by a limited number of actors controlling these markets at national (Greenberg, 2010) or international (Reardon et al., 2009) level. Two groups of actors seem to benefit in particular from the agricultural restructuring. First of all, the financial actors become the regulators of the sector, by directly controlling an increasingly large portion of primary production and by imposing their model on producers. By integrating the entire value-chain and by centralising the information flows, they anticipate the evolution of these markets, in particular the prices and act as arbitrators of these markets. The second group to benefit from the evolution of the production structures is the agricultural intermediaries. Indeed, the financial institutions which intend investing in the agricultural sector increasingly depend on the services of agricultural engineering and asset management companies. As managers of both the field operations as well as the financial transactions, these companies are capturing an increasingly large portion of the margins generated by the agricultural activity.

This dual process of – “financiarisation and corporisation” of the agricultural sector is leading to a new regime which is characterised by the dominion of a few large (international) food-business groups (Huggins, 2011) and could lead to the marginalisation of the majority of African farmers due to biased power relations and confrontation with models of significantly higher productivity (Losch et al., 2010). In South Africa, these evolutions tend to strengthen the dualism within the agricultural sector. Whereas the macro-actors of the food-processing industry see their dominant positions strengthened, entire fractions of the (rural) South African society are excluded from these dynamics. On one hand, the smaller and medium size farms (including South Africa’s traditional commercial farmers, the bigger ones being able to sustain by themselves) are being swallowed by corporates; on the other hand, family farming and in particular the small-scale farmers are stagnating in inert sub-sectors. Both parties have diverse financial, social and cultural resources leading to biased relationships (Borras et al., 2008), which seem to extend beyond the traditional cleavages within the South African agricultural sector.

*Speculation and foreign powers*

ABS Bank is the « cleaning house » on SAFEX.
The category of investors is foreign to the traditional farming sector: it concerns, between others, financial actors, commercial banks and investment funds, aiming to diversify their portfolios. As a result of the widely held predictions, they perceive the agricultural sector as an investment for the future.

As such, the control of agricultural production by a small number of macro-actors, representing in many cases foreign capital, raises not only the problem of concentration and dualisation of the sector, it also draws the attention to the need to analyse this phenomenon within the framework of the strategies of these actors. Indeed, the strong volatility of agricultural prices, strengthened by the removal of stabilisation mechanisms in the context of market regulation, facilitates economic agents’ direct involvement and control over agricultural regulation mechanisms. On one hand, speculation strengthens profit-oriented strategies, to the detriment of food safety concerns in the countries where the effective production takes place. On the other hand, as foreign economic powers control an increasingly large part of the production, it also emphasises food sovereignty issues within these countries in a context of amplified liberalisation. Producing countries’ food safety and sovereignty are thus at stake.

Indeed, as noted by the special Rapporteur on the right to food (De Schutter, 2010), a significant part of the volatility and the rise in prices can be explained by the emergence of speculation and an essential role is attributed to the participation of powerful institutional investors (investment funds, pension funds, commercial banks, etc.). These entities are often foreign owned with limited or no interest in the objectives of stabilisation, food safety and food sovereignty (Oakland Institute, 2011). While the price volatility of agricultural commodities and the strategies of speculation raise problems related to the implementation of development programs, they also emphasise questions regarding the regulation of the agricultural and financial sectors and regulatory frameworks in a large number of domains including the functioning of the futures markets and foreign trade. It also leads to consideration related to national policies, the development of sector-based and financial strategies and regional integration.

* Proletarisation of the agricultural society

While the emergence of these new production models generates numerous economic related transformations, the social impact should also be highlighted. Indeed, one of the common characteristics of these innovations seems to be the significant change in the statuses of the farmers.

The incorporation process of family-based producers by macro-actors and corporates impacts their relationships with the sector. Framers find themselves incorporated into production chains in which they are isolated actors with no decision-making or orientation power. Generally, the technical capital used, characterised by ever-increasing costs, does not belong to them but is made available, owned and managed by the management company. Although in some cases they remain the owners of the land, their

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situation is increasingly similar to that of proletarian agricultural employees, service providers or even just rent-seekers.

These transformations not only impact the producer as economic agent, but in particular also as social actor. This "corporisation" perturbs social relationships and traditional features characterising South Africa's agricultural and rural environments. The family unit constituted until now the basic structure around which agricultural production was organised, both in the former-homelands as well as on the commercial farms. The incorporation of autonomous family enterprises into corporate structures necessarily modifies the relationships with the agricultural sector. Is it the end of the family farmer?

5. Conclusion

The South African farming sector is presently undergoing important restructurings, related to the “financiarisation” and "corporisation" of agriculture. Linked to the evolution of farm financing and investment instruments, the present tendency is characterised by an advanced engagement of corporates, willing to finance agriculture in return of ownership of the latter by integrating primary production into their portfolios. In comparison to other finance instruments (loans, contract farming, ...), these transformations seem to represent a new “tipping-point” in the country’s agrarian structure, characterized by the concentration of agricultural activities in the hands of a few traditionally non-agricultural macro-actors. In parallel, these transformations imply an "agricultural proletarisation" process, transforming family farmers into rent-seekers and/or service providers even on their own lands.

In the absence of alternative successful investment and production models, agricultural development centered around macro-actors has become the reigning paradigm. It is, presently, being supported by the South African government, through diverse strategic partnerships, as a response to the many failing land reform projects. Also, the model appears to be spreading across the continent. It has, indeed, been adopted by the public development agencies (NEPAD\(^5\), AFDB\(^6\), etc.) and exported by these macro-actors within the framework of their economic expansion. As such, they tend to import their models and their vision of agricultural development.

These transformations lie at the foundation of the present agricultural development tensions: the debate between family agriculture and corporate operations, the opposition between speculative investment and food security and the questions related to the promotion of foreign investment and food sovereignty (Bosc and Losch, 2002). They particularly underline the lack of reflections and debates around the implications of these transformations regarding national and international development policies and trajectories, whether agricultural or not, for these developing and emerging countries in search of alternatives.

\(^5\) New Economic Partnership for African Development.
\(^6\) African Development Bank.
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