

# Integrating Smallholders into the Global Economy

Agri-businesses, Contracts  
and Public Policy in South Africa

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# Introduction

- ▶ South Africa (SA) is still characterized by a highly unequal agricultural sector
- ▶ The end of apartheid and liberalization offered hopes to overcome this duality
- ▶ Contract farming (CF) = powerful tool to integrate (black) farmers into the mainstream agricultural economy

# Introduction

- ▶ *CF= agreement between a farmer and a buyer, ranging from simple oral arrangements to formal written documents, in which parties commit to sell and buy specific volumes or acreages under pre-established conditions*
  - (Glover, 1984; Minot, 1986)
- ▶ The buyer can be a national or a transnational agribusiness, a private plantation, a parastatal with its own production, or local merchants
  - Agribusinesses = processors, supermarkets, exporters, co-operatives...

# Introduction



- ▶ What are the prospects of contract farming for SA smallholders?
- ▶ Project: “*Assessment of contractual agreements for agricultural market access in South Africa: A smallholders' perspective*”
  - Core team from CIRAD, University of Pretoria
  - Further collaboration with the Department of Agriculture of Western Cape and Ghent University
- ▶ Qualitative study
  - Bibliography + semi-structured questionnaire + semi-direct interviews with farmers and agribusinesses (2009–2010)

# Outline of the presentation

1. The SA citrus sector: from public regulation to private standardization of a dual, liberalized, export-oriented sector
2. Questioning the effectiveness of contracts for small-scale citrus growers
3. Factors affecting the likelihood of establishing and sustaining contracts
4. Some concluding thoughts

# The SA citrus sector

- ▶ Citrus production spreads across SA
  - 86 million tons yearly, 58,000 ha, 60% exported, (=10% of world trade)
  - SA is the 12<sup>th</sup> largest producer in the world
- ▶ Major evolutions over the last 20 years
  - Liberalization and deregulation
  - New regulatory environment (standards)
  - Production and marketing restructuring
    - Land reform
    - Agribusiness “revolution”

# Questioning the effectiveness of contracts for small-scale farmers

- ▶ Production and markets restructuring = new opportunities for small-scale farmers (SSF):
  - Better access to land, input and output markets
  - Better access to infrastructures and quality control systems
  - Better bargain power in a context of increasing competition and entry barriers
  - Means to comply with inevitable private norms and standards of high value chains

# Questioning the effectiveness of contracts for small-scale citrus growers

- ▶ Enhancing production capacity
- ▶ Competing with large-scale growers
- ▶ Transferring decision-rights over production and resources?
  - ‘Strategic partnerships’ based on cost- and productivity-effectiveness models
- ▶ Inclusiveness?

# Factors affecting the likelihood of establishing and sustaining contracts

- ▶ “Traditional” internal factors
  - the product characteristics
  - the farmers’ and agribusinesses’ characteristics
  
- ▶ External factors
  - Public Incentives
  - Agrarian structures
  - Collective action
  - Multi-stakeholder Initiatives

# Some concluding thoughts

- ▶ Although it can bring some positive results, CF is not a *panacea* for the SSF
  - SSF remain overall excluded and only a few can benefit from CF to be better access input and output markets
  - CF reinforce existing biased power and negotiation relations between the different ‘partners’
  - Government support enabling CF seems to mainly profit to better-off farmers (directly) and to agribusiness (directly and indirectly)
    - Is CF really a “private” partnership?
    - Based on major public supports, can it be sustainable?

Thank you  
for your attention