Between subsistence and corporate agriculture – The reinforcement of South Africa’s agricultural and territorial dualisms

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• Introduction – A controversy
• Large-scale sector - From large-scale commercial to corporate farming
• Smallholder sector - Stagnating or development based on the corporate model
• Conclusion
Introduction – A controversy related to lack of data

• Question: Since 1994 – Is SA engaged in a genuine restructuring of its agricultural sector?

• Conclusion: Little development of a diverse farming sector, which in addition is characterized by an increased dualisation
Introduction – A controversy related to lack of data

• Concentration in the long term

Source: Liebenberg, 2013.

• Lack of data – leading to opposing views
Introduction – A controversy related to lack of data

- 3 measurement phases – last one based on turn-over (R300,000)
- No information below R300,000

Source: Liebenberg, 2013.
From large-scale family farming
to corporate farming
From large-scale family farming to corporate farming

- Assessment not on number, but on broad trends
- Significant decrease in # farms after 1994

Source: Liebenberg, 2013.
From large-scale family farming to corporate farming

• Two major – complementary - trends:
  – Decrease in direct agricultural support related to liberalization and deregulation (subsidies, fixed prices, ...)
    • Least productive, smaller farms, ... collapsed, taken over by other entities
  – Corpororization of the farm structure
    • From 1990s onwards - Related to liberalization, new financial/market regulation instruments
    • Since 2008 – new interest in agriculture and the new (financial actors) engaging in agriculture
From large-scale family farming to corporate farming

New investment models in South Africa

- High cost of productive, competitive agricultural production (Increase of debt - Input prices increase - the land is not enough as collateral)

![Graph showing farm income and expenditure]

- Yearly Farm Debt Commitment
- Expenditure on Inputs
- Gross Producer Income
- Net Farm Income
- Value of Fixed Assets
- 50% margin

Source: Sagis, 2010
From large-scale family farming to corporate farming

New investment models in South Africa

- High cost of productive, competitive agricultural production (Increase of debt - Input prices increase - the land is not enough as collateral)
- Financing agriculture – BUT different from more orthodox financing instruments (loans, contract farming, etc.)
  - Integration of primary production / finance in an overall cycle
  - Internalisation - Finance value chain as new agricultural development paradigm
From large-scale family farming to corporate farming

Commercial banks engagement in primary agricultural production

Agricultural engineering/asset management companies

- No collateral
- Price risk - managed through hedging on futures markets (SAFEX)
- Production risk (flood, drought...) is covered by the multi-peril insurance & geographical/commodity diversity
- Lowering transactions costs
- Speculation

Source: Ducastel, 2010
From large-scale family farming to corporate farming

- Huge agricultural entities – going beyond the ‘traditional divide’ in the sector
  - Corporisation/financialisation of agriculture
  - Status of farmers is changing

- Medium farms are being swallowed by the system

- Land
  - Directly acquired
  - Without acquisition – lease basis – but full control over land rights and production rights

- South African based – SA as a pilote country for several renewed models
Smallholder sector
Stagnating or development based on the corporate model
Smallholder sector - Stagnating or development based on the corporate model

- **Questionable successes of SA’s land reform programmes**
  - Less than planned land transferred
    - Redistribution and restitution programmes
    - 6% of SA agricultural land
  - Some reforms not engaged in
    - Communal land reform not started yet (expect farm workers land rights)
    - Little development on communal lands
  - Few smallholders “developing into commercial farmers” (DRDLR, 2010)
Smallholder sector - Stagnating or development based on the corporate model

• A new paradigm – (C-)PPP – Strategic partners
• Newest land reform programme – RECAP
  – Recapitalisation of farms
  – Association with partner
    • Strategic partnership model (brings in funding, transfer of decision rights)
    • Mentorship – transfer of knowledge and capacity
• Similar trend – based on the corporate paradigm
  – Corporate businesses linking up with smallholder farmers
  – One business entity controlling several farms
  – Often transfer of decision rights to strategic partner

• LR projects but also SA’s communal lands
Some concluding thoughts...

• The reinforcement of South Africa’s agricultural dualism

• The maintenance of South Africa’s territorial dualism

• Beyond land, production concentration
  – Potato king, onion king, ...
  – Less visible than land concentration or land acquisitions
  – Certainly not less – probably even more – large-scale
  – Huge long-term consequences
    • Corporization/financiarisation
    • Concentration/dualisation
    • Foreign powers
    • Social implication – status of farmers

• SA lacks broad based assessment/reflection on different forms of agriculture
  – Is there a space for these other types of farming systems?
THANK YOU

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