



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

Ward Anseeuw





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

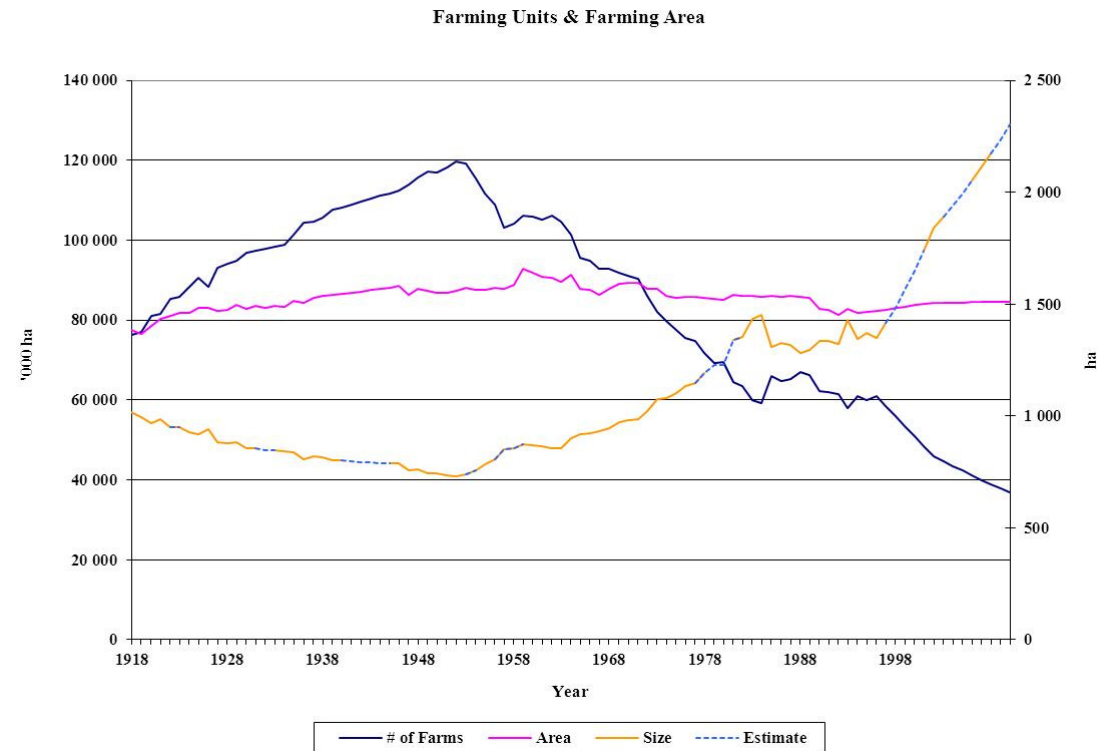


Introduction – A controversy related to lack of data

- 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

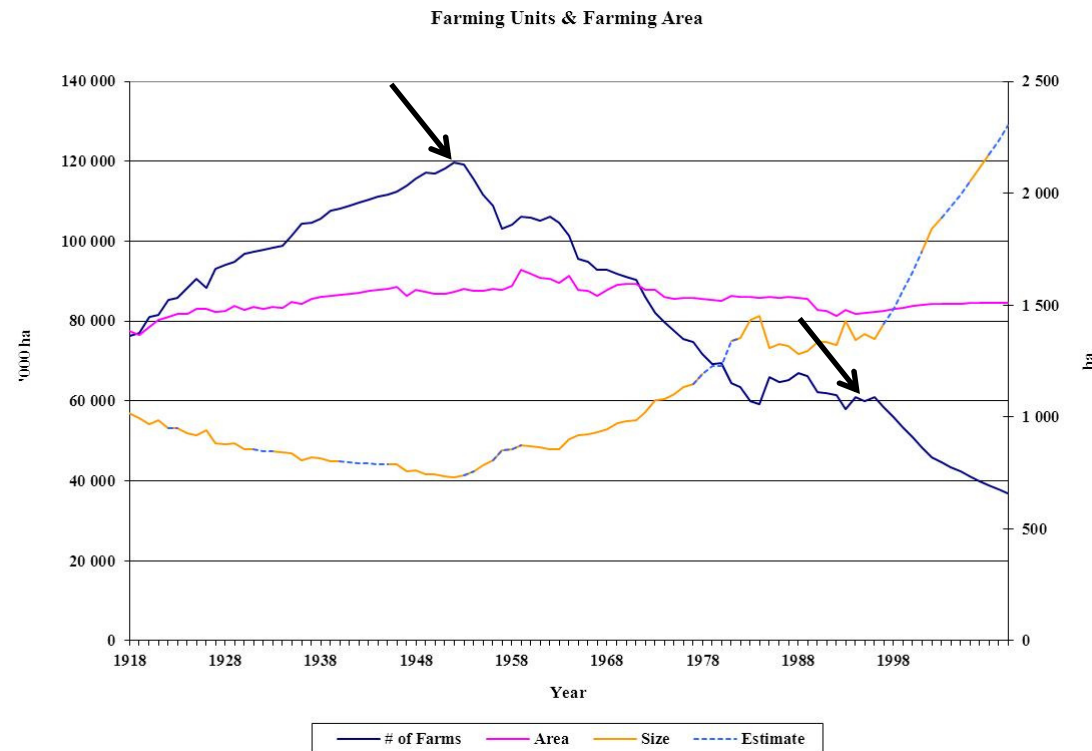


Source: Liebenberg, 2013.

- 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



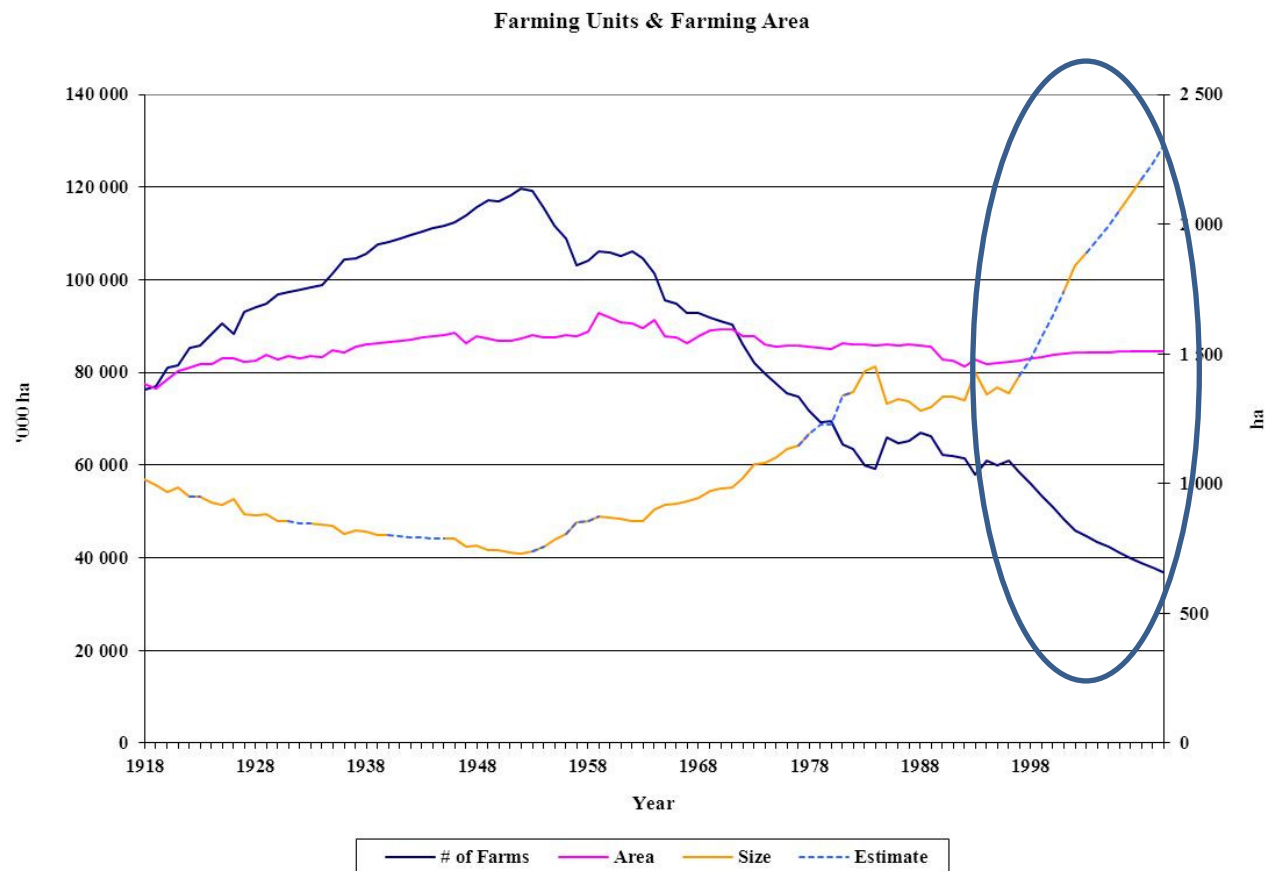
Source: Liebenberg, 2013.



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.



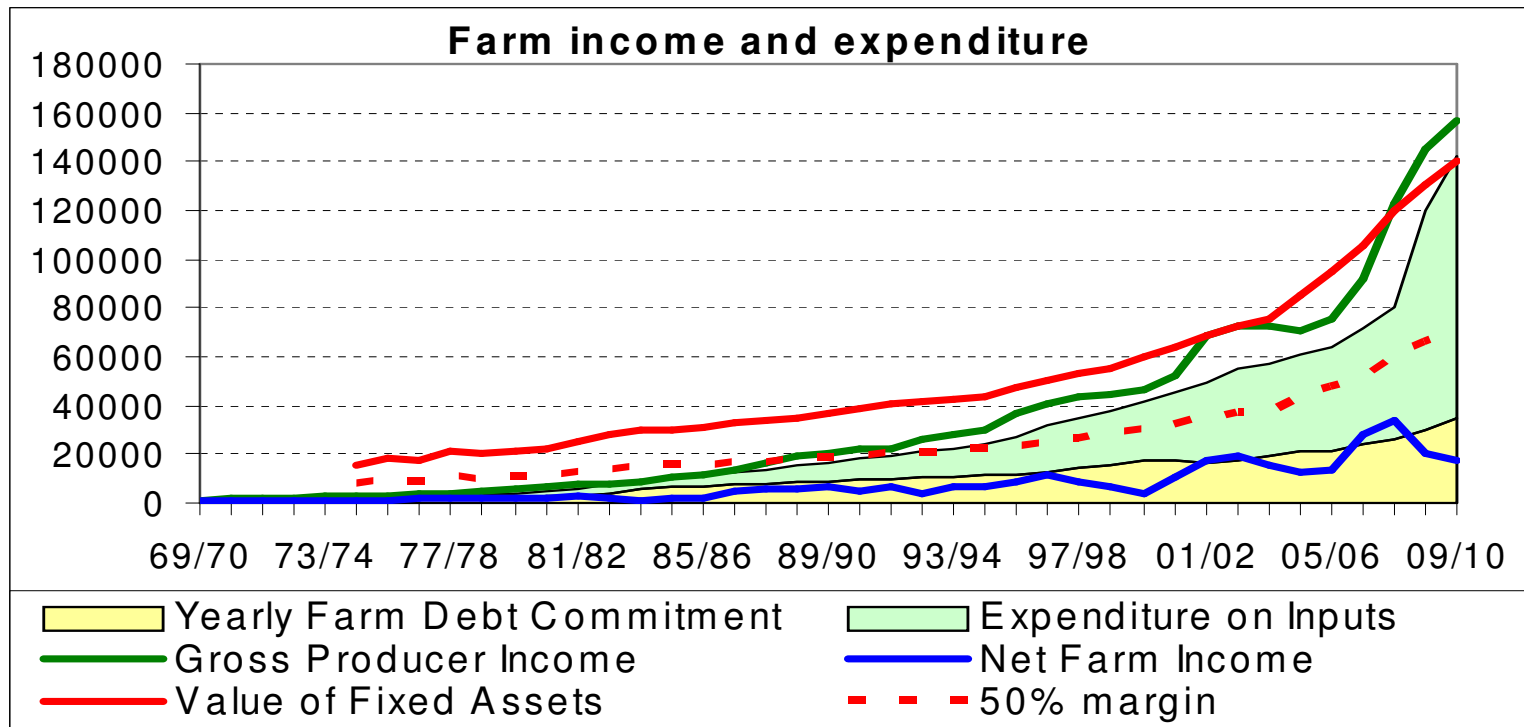
From large-scale family farming to corporate farming

- 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
 - Corporization 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)

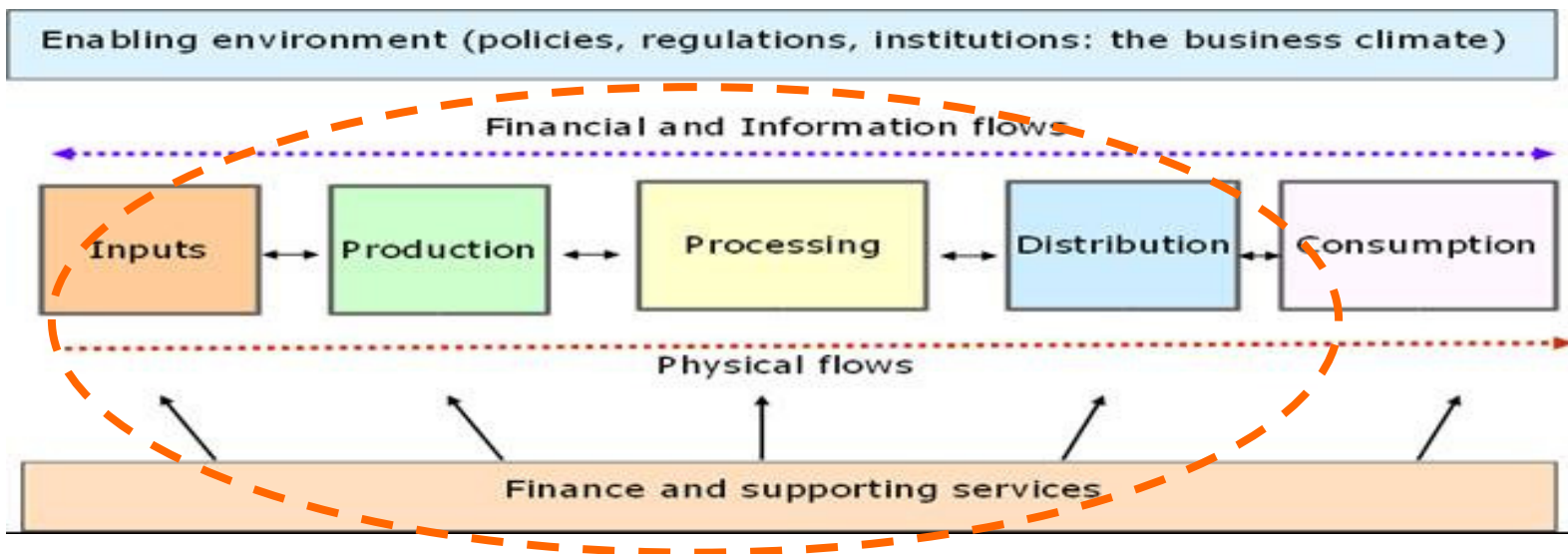


Source: Sagis, 2010

From large-scale family farming to corporate farming

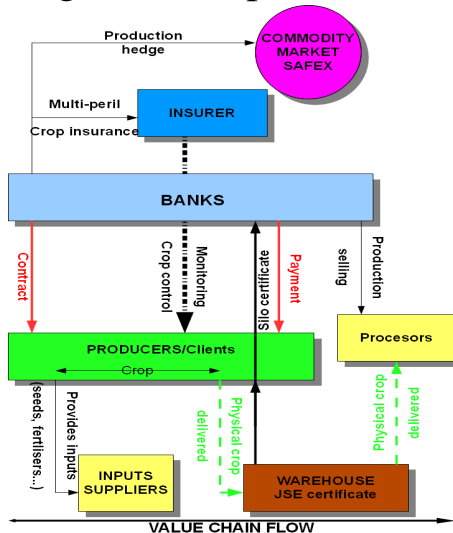
New investment models in South Africa

- 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

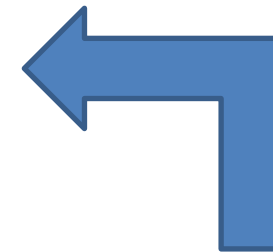
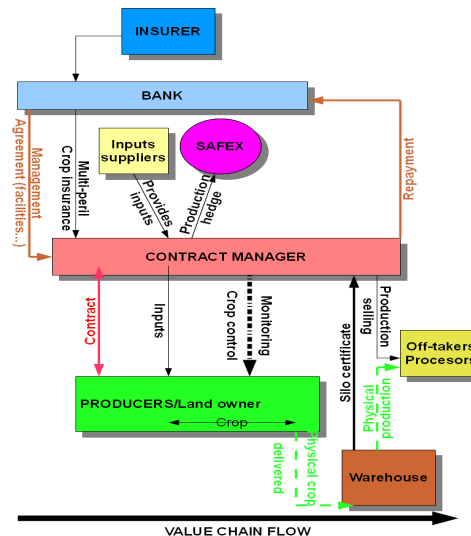
Commercial banks
engagement in primary
agricultural production



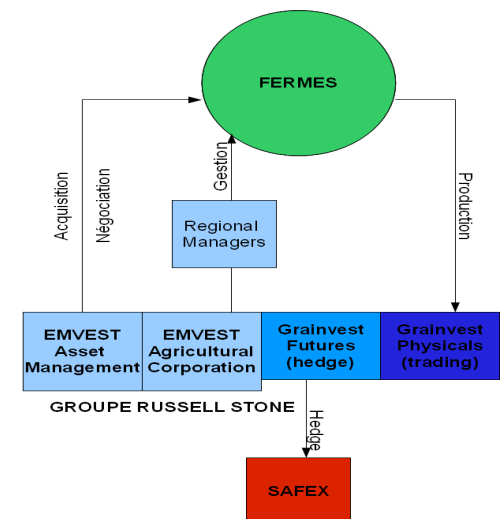
Source: Ducastel, 2010

- 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

Agricultural
engineering/asset
management companies



Investment/equity funds





From large-scale family farming to corporate farming

- Huge agricultural entities – going beyond the ‘traditional divide’ in the sector
 - Corporatisation/financialisation of agriculture
 - Status of farmers is changing
- Medium farms are being swallowed by the system
- Land
 - Directly acquired
 - ➔ **LAND CONCENTRATION**
 - Without acquisition – lease basis – but full control over land rights and production rights
 - ➔ **PRODUCTION CONCENTRATION**
- 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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