Supporting South African Smallholders

Presentation to the 2nd Economy Strategy Conference,
29 September – 1 October

Outline

- Overview of the study
- Some rough figures
- Example case studies
- Main findings
- Preliminary recommendations
- Burning questions

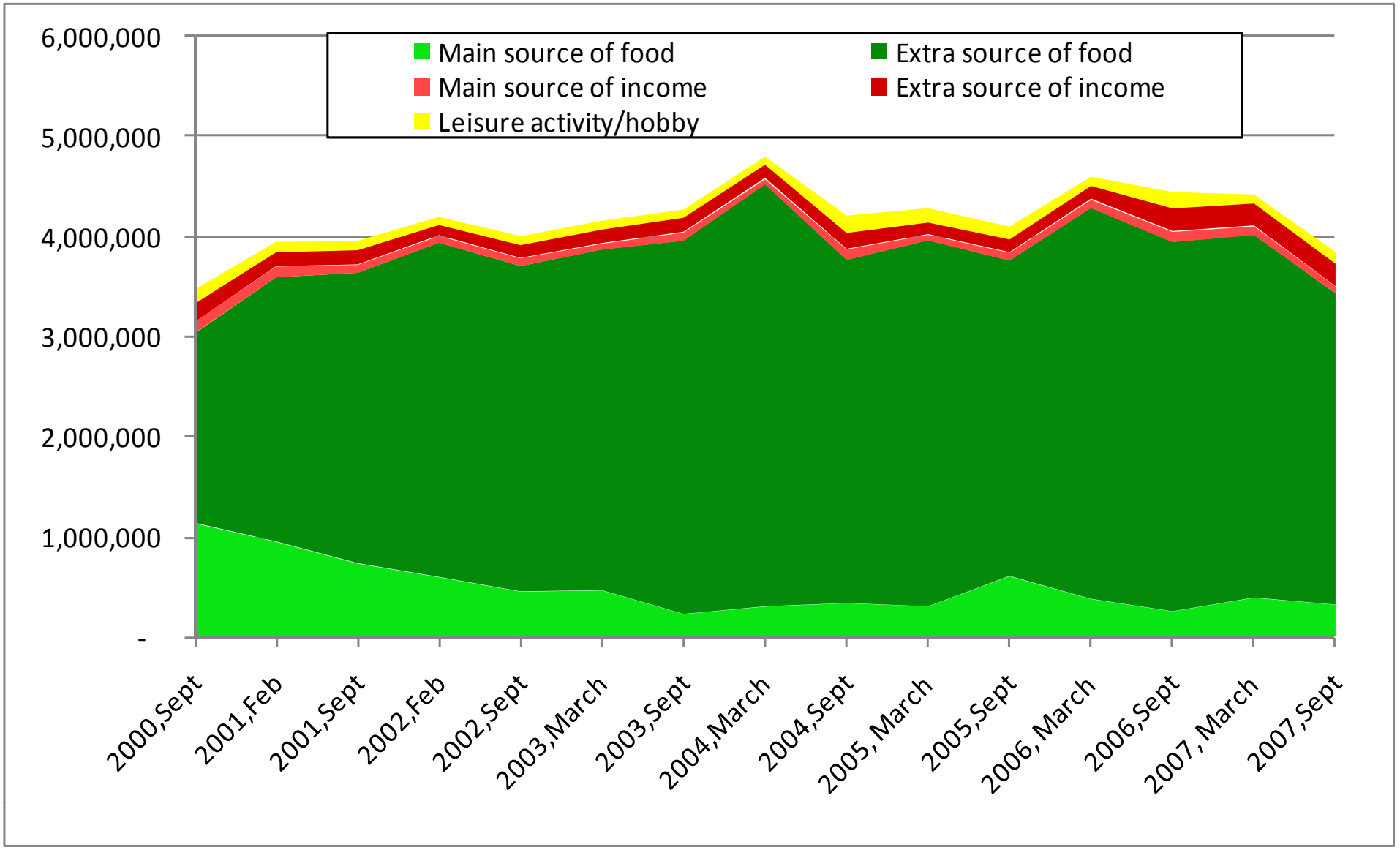
Overview of the study

- Purpose: help determine prospects for supporting smallholders on a large scale
  - What kinds of smallholders
  - How
- Approach: ‘best practice’ case studies (15), though in reality not all so good
- Deadline: flexible!

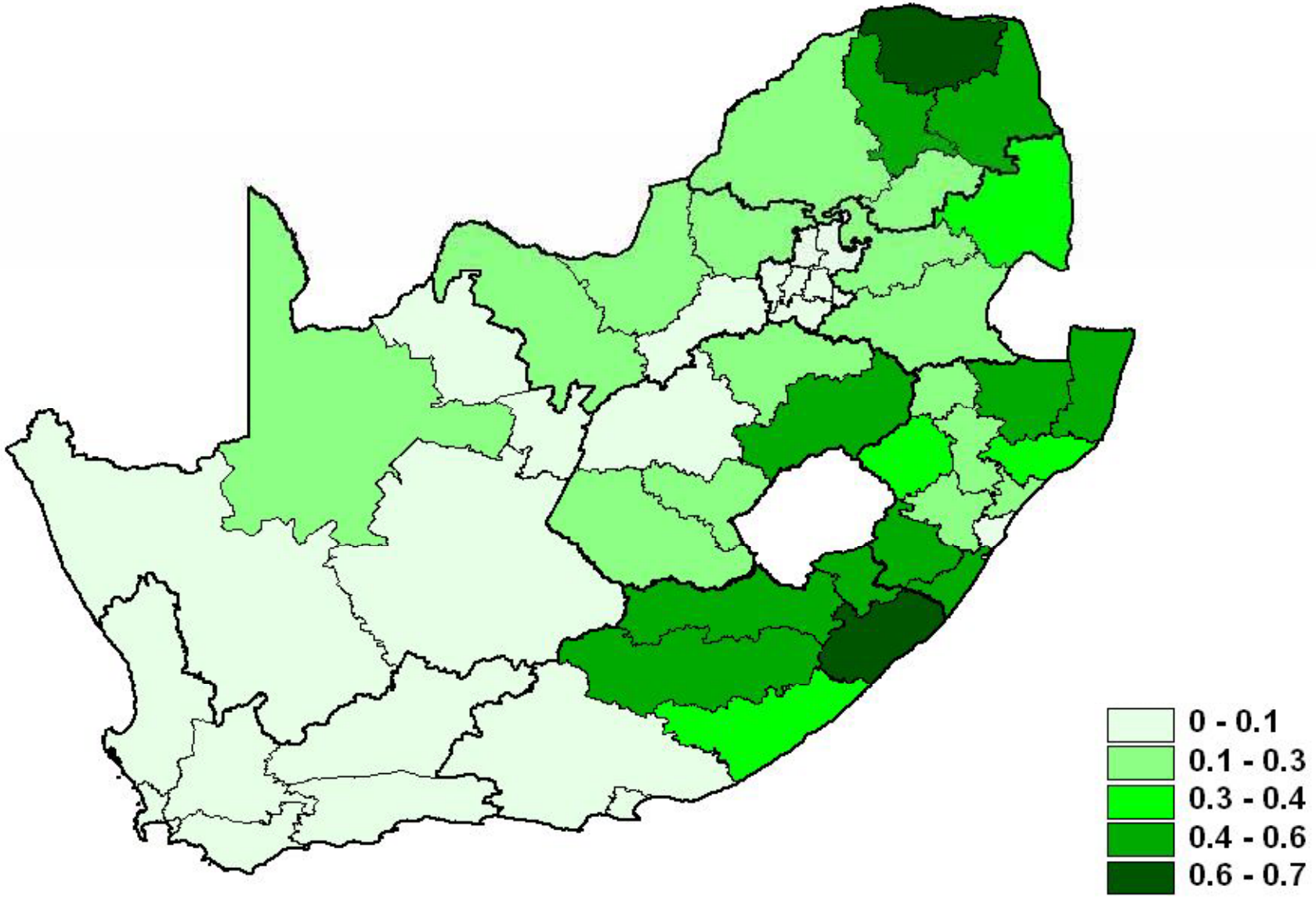
Some rough figures

- 4 million black individuals involved in agriculture at some scale, from 2 million households
- 92% subsistence-oriented
- 60% women
- Vast majority in former homelands
- Arable land in fmr HLs – approx 20% ploughed

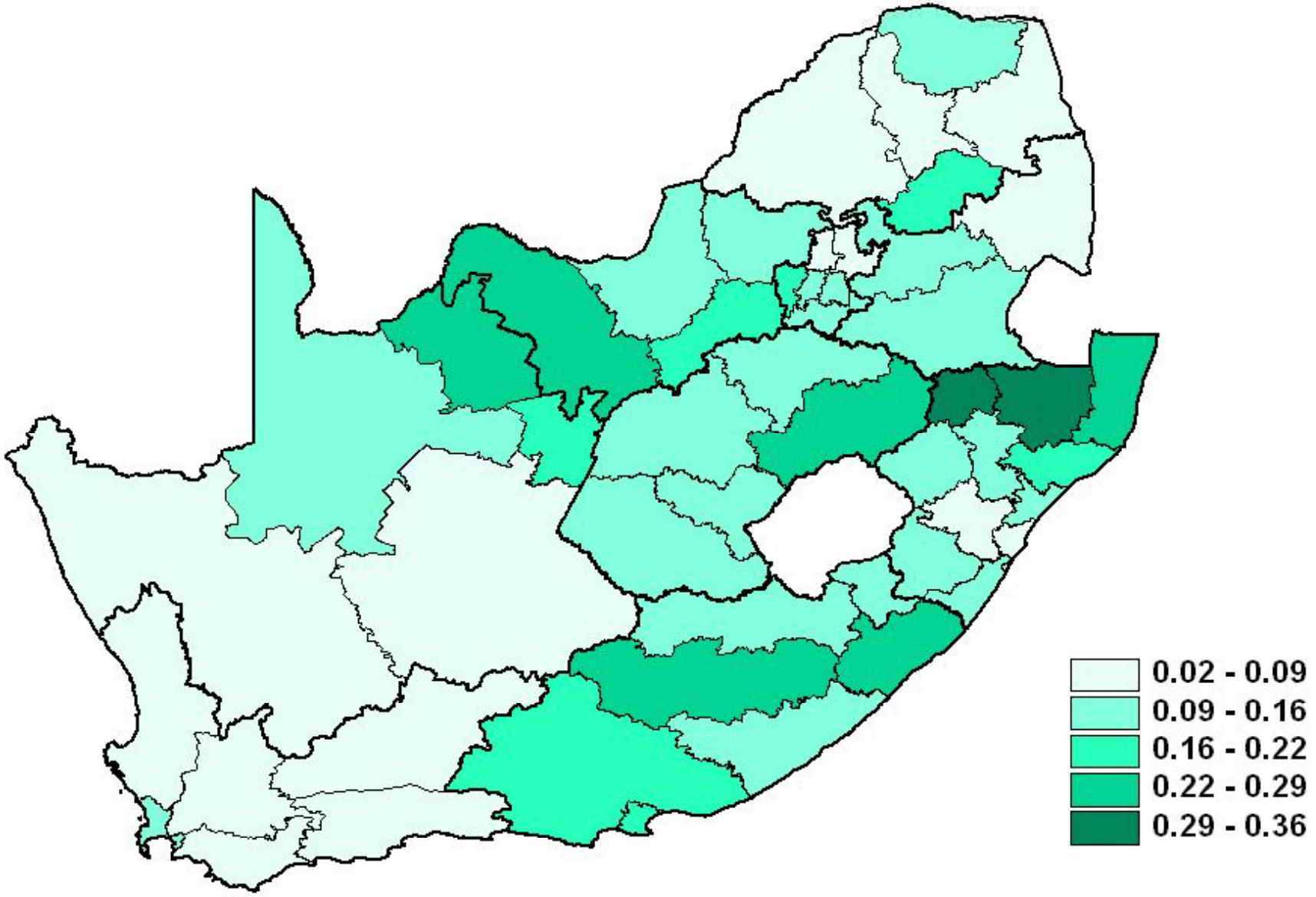
Involvement of blacks in agric by ‘main reason’



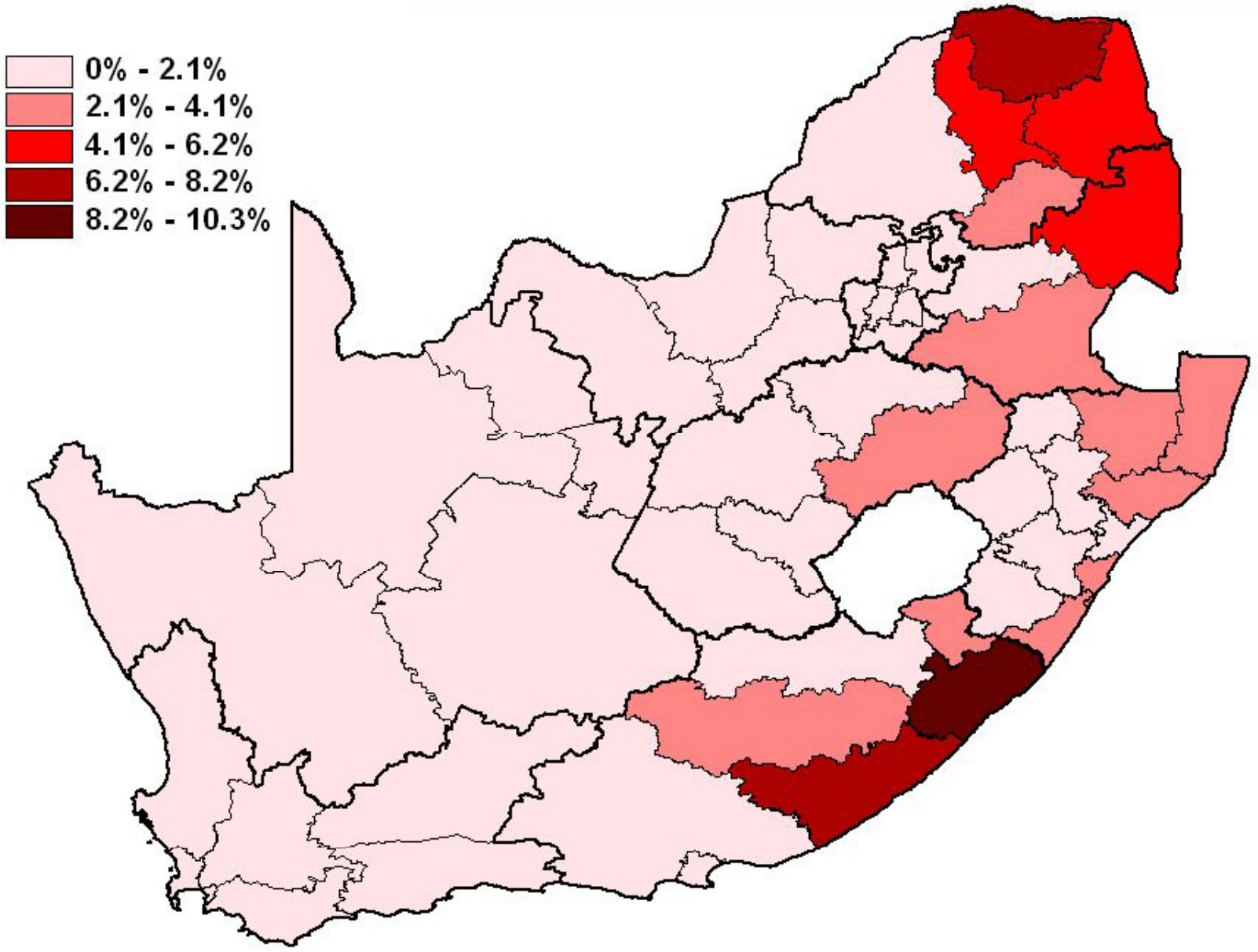
Share of black households per DM involved in agric



Share of HHs experiencing adults hunger, by DM



Share of all RSA HHs involved in agric per DM



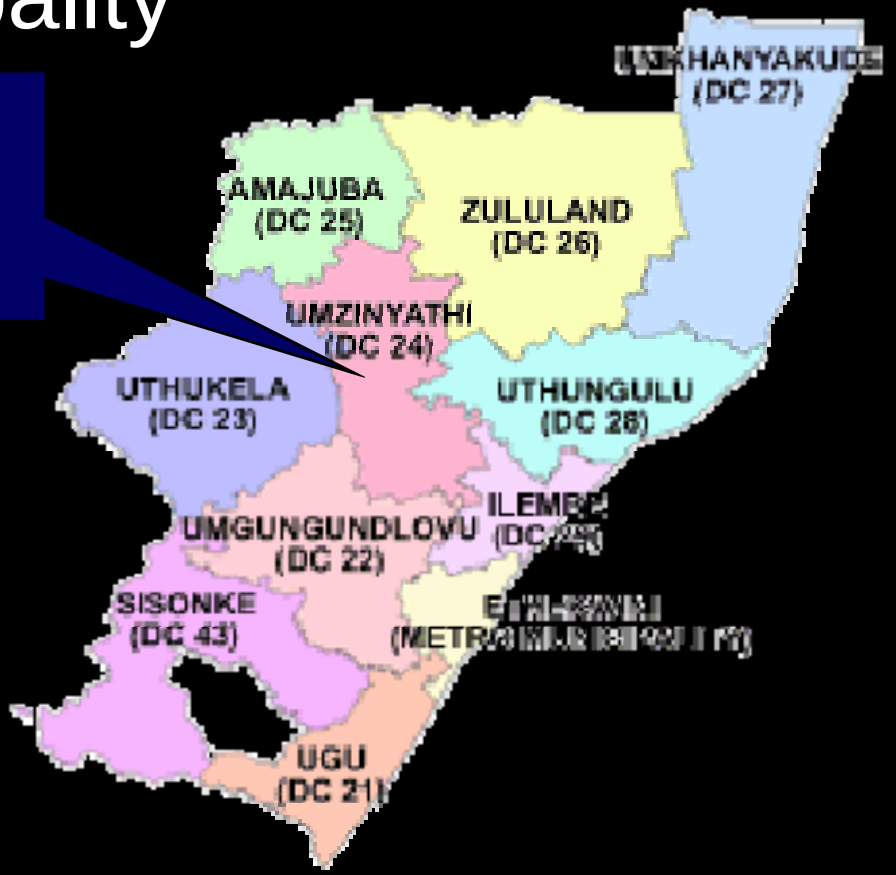
Case studies

1. Msinga (KZN) – successful independent smallholder entrepreneurs
2. Smallscale broiler producers in Vhembe (Limpopo) – individuals vs groups
3. Mulati/Berlyn (Limpopo) – unsupported HH subsistence vs group-based exotics
4. Munzhedzi (Limpopo) – land demand for low-input subsistence production and homesteads
5. Thaba ‘Nchu (Free State) – quasi-formalisation of land ownership

Case Study 1:
Msinga Irrigation Scheme

- Located along Thukela River,
- Msinga Local Municipality

Umzinyathi District,
Natal Midlands KZN



- ISRDP poverty node

Profile

- 500 - 1000 farmers (estimate).
  - Exact figure is difficult to determine due to constantly changing pattern of plot use and users. There is use of multiple plots, shared use of plots and existence of unused plots.
- Land is under Ingonyama Trust
- Land is allocated by izinduna (chiefs) and the chairperson of the irrigation scheme committee.
- Land is also sourced from neighbours and relatives through informal leasing and inheritance.
- Scheme is divided into FIVE ‘blocks’
- It would seem that some parts of the scheme have a much longer history than others.
- The oldest blocks are over 100 years old; Block 5 was established in 1960.
- 1980s: ZG reorganized plots, developed infrastructure and introduced furrow irrigation
- Mid-1980s – 1990s: many farmers shifted from subsistence to commercially-orientated farming
- This shift coincided with return of many men from Kimberley and Gauteng mines during era of hostel-based violence.

Production System

- Mostly horticulture (green mielies and vegetables e.g. tomato, butternut, green pepper, sweet potato, spinach, cabbage, mustard greens, beetroot, beans and peas).
- Each farmer works individually on small plots (“beds”) ranging from 0.4 to 1.3ha.
- Many farmers work fulltime on the scheme, using low cost inputs. Many have diversified livelihoods.
- Some farmers have access to more than one plot (one farmer had access to 12 plots).
- Inputs from Mgungundlovu (PMB), Greytown & Msinga.
- Produce marketed in Ladysmith, Durban, PMB, Mooi River, Dundee etc. (Mielies collected by buyers)
- Attempts to participate in other areas of value chain (e.g. jam tomato project) failed.

Income

Crop	Profit (in Rands)
Green maize	2000 – 2500 per bed
Tomato	5000 – 8000 per bed
Green pepper	6000 – 9000 per bed
Sweet potato	1290 per bed

Success Criteria

- Economic viability: incomes
- Technical efficiency: 84 -96% (Mkhabela 2005)
- Livelihood generation
- Social values
- Institutional organization
- Human assets: skills, labour
- Future plans

Success Criteria

From local perspectives:

- Number of plots used or owned
- Use of plots (productive or non-productive)
- Number of crops planted per year
- Involvement in contract farming
- Land ownership versus leasing
- Ownership of production system

Challenges

- Institutional weaknesses in coordination and capacity
- Water losses from leaking canal
- Aged fence
- Lack of funding for O & M functions
- No access to e.g. subsidies from DWAF Financial Assistance to RPIFs
- Water shortage
- Violent crime
- Incidents of violent conflict

Conclusion

Msinga case demonstrates need for:

- Flexibility in the definition of ‘viability’;
- A shift away from a one-size-fits-all approach;
- A move away from narrow definitions of ‘commercial’ and ‘subsistence’ farming.
- Question: How replicable is the Msinga case? Answer: Perhaps not a wholesale export but an extrapolation of specific lessons.

Case-study 2: Small-scale broiler producers in Vhembe

…Case-study 2: Small-scale broiler production

Fieldwork

July & August 2008 survey of 16 broiler enterprises

- 9 individually owned/run
- 7 group projects

Production system

Highly standardized:

- Purchase of broiler chicks (mostly Ross breed from Gauteng)
- Three-phase feeding (starter, grower, finisher) purchased from commercial outlets
- Health management (vaccines, vitamins, hygiene)
- Live sales (occasional dressed carcass) to individuals and hawkers

…Case-study 2: Small-scale broiler production

Technical support

- Dedicated poultry expert in PDA's municipal office
- Ordering of chicks through the PDA (quality control)
- Extension staff (village)
- Farmers' days presentations by national experts
- Full production training at Agricultural College
- Veterinary support
- Free advertising on radio

Collaboration

- Very limited pooling for purchase of inputs and transport despite the availability of discounts


2 10:48


1 16:07

…Case-study 2: Small-scale broiler production

Summary of economic variables (all projects)

Average cost of production per bird:	R23.59
Average sale price per bird:	R28.39
Average profit per bird:	R4.80

Most striking finding

Difference between **group** projects versus **individual** projects

…Case-study 2: Small-scale broiler production

Individual enterprise (average)

- Own investment (infrastructure, start-up capital), mostly residential land
- Investment of R26 000 in infrastructure with capacity of 2 560 birds (R10 per bird)
- Annual production: 12 411 birds
- Enterprise grows as confidence improves
- Annual net income by owner: R53 682 (R5.71 per bird)

Group projects (average)

- Started by 17 participants with 8 remaining after a few years
- Own initiative (pooling of the poor) but grant funding for infrastructure on tribal farmland
- Investment of R187 782 in infrastructure with capacity of 1 586 birds (R118 per bird)
- Annual production: 4 386 birds
- Annual net income: R14 738 (R3.36 per bird); per participant: R1842
- Annual income *received* per participant: R29

…Case-study 2: Small-scale broiler production

- Individual enterprises:
  - Appeared to be sustainable and provided substantial benefits to the entrepreneurs
  - Several individual owners of broiler enterprises wanted to move onto farmland, professionalize their enterprises and diversify or innovate marketing or production
- Group projects:
  - lack sustainability and largely fail to provide benefits to participants
  - operated well below capacity but participants considered expansion and opening an abattoir as the solution to their problems
- State intervention has had mixed effects
  - Extension services technically competent and available – great help
  - However, investment in infrastructure for group projects has not been successful and has tended to distort the local market

Case study 3: Mulati/Berlyn

- Semi-Arid/Arid area in Mopane District
- PDA reaches <32 out of 800 HHs by supporting 2 communal garden projects
- Agricultural practices differ
- Projects rely on infrastructure and external inputs
- HH gardens rely on local resources and limited external inputs – no support
- Rainfed – only summer production

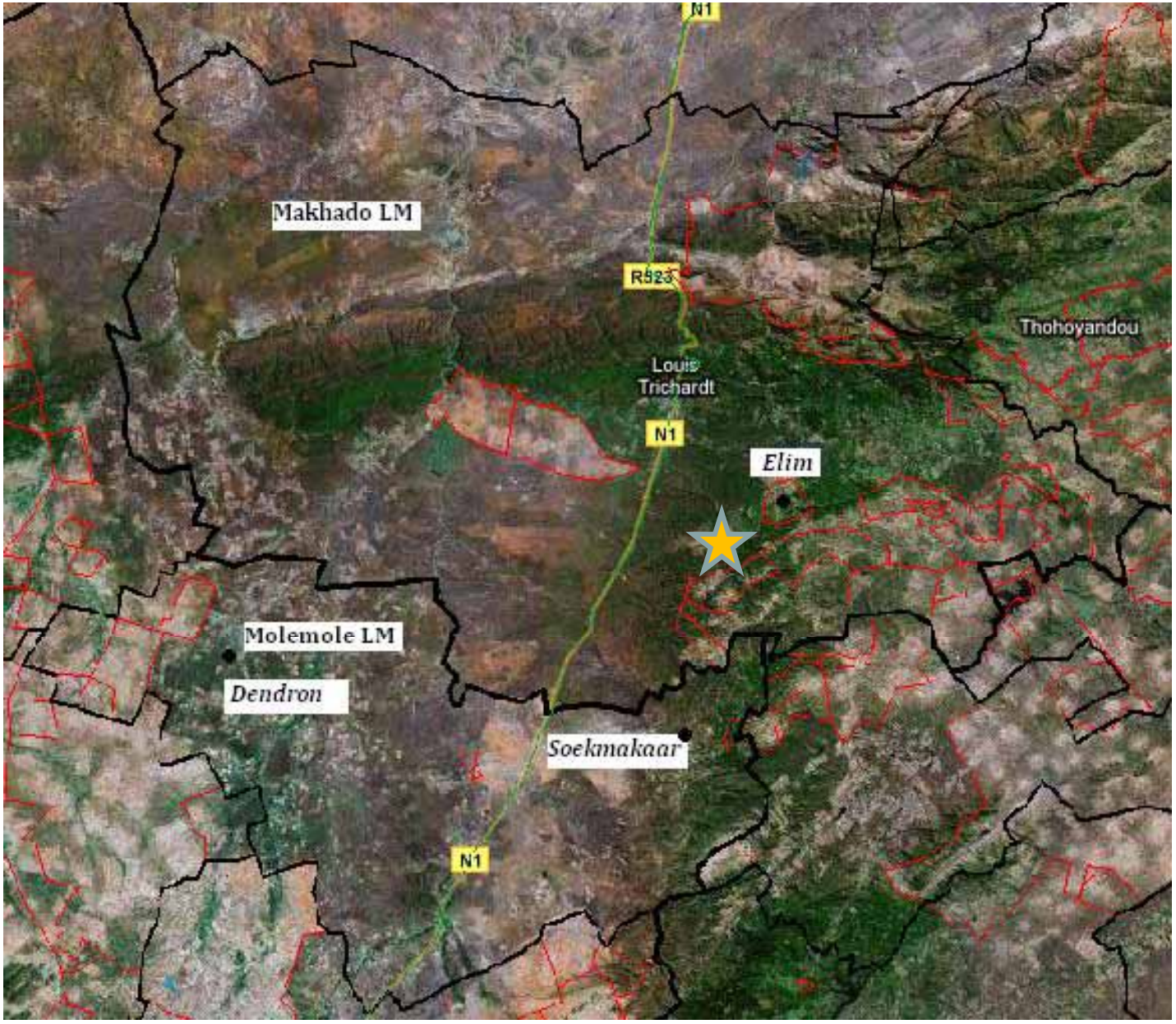
…Case study 3: Mulati/Berlyn

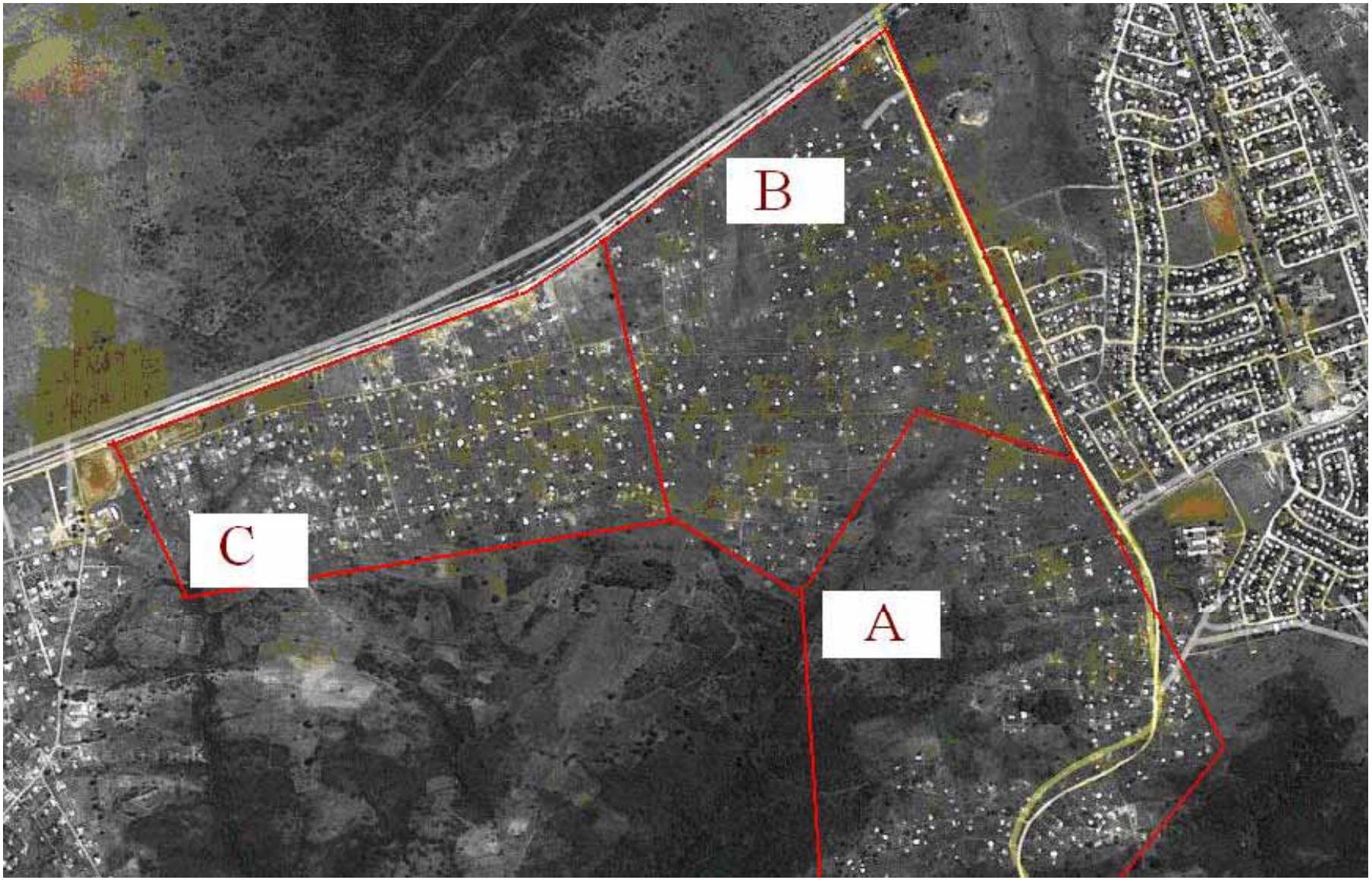
- Household cultivation responsibility of women
- Maize and traditional crops-some exotics in wealthier/better resourced HHs
- Exotics at projects – infrastructure and skills
- African vegetables (95%)
- “Traditional practices” – little labour and external inputs
- Indiginisation of hardy exotics
- 72% HHs consume twice a day
- Dried – main source of winter vegetables (94%)

…Case study 3: Mulati/Berlyn

- Knowledge breaking down
- Environmental degradation
- Need to build upon existing knowledge and not replace it
- Support needs to be relevant
- Low cost simple technologies available
- But initially labour intensive
- More people farm for food security than commercial purposes
- Need appropriate support – appropriate policy!

Case study 4: Munzhedzi




B
C
A

…Case study 4: Munzhedzi

- 931 inhabited sites
- 60% of inhabited sites have active gardens
  - Rainfed maize (100%) and vegetables (46%)
  - Land prep: 54% hire tractor, 45% ‘by hand’, 1% animal traction
  - 11% use fertiliser
- Small number of households (29) have additional fields on southern part of land
- 28% of HHs keep livestock on land, mainly cattle and poultry
- Some HHs carrying on with production on ‘old land’
- Two NGO-supported group projects (pigs and broilers), not working well

…Case study 4: Munzhedzi

- ‘Average HH’ with active garden:
  - Produces 3 months’ supply of mealie meal
  - Avoids shop purchases of mealie meal of R490
  - Spends approx R330 on inputs
  - However, imperfect comparison: inputs used on other crops as well
  - Also, 2007/08 not a good year
  - Note: avg expenses vs savings varies –
    - Tractor users: expenses = R426; savings = R470
    - By hand: expenses = R134; savings = R507

…Case study 4: Munzhedzi

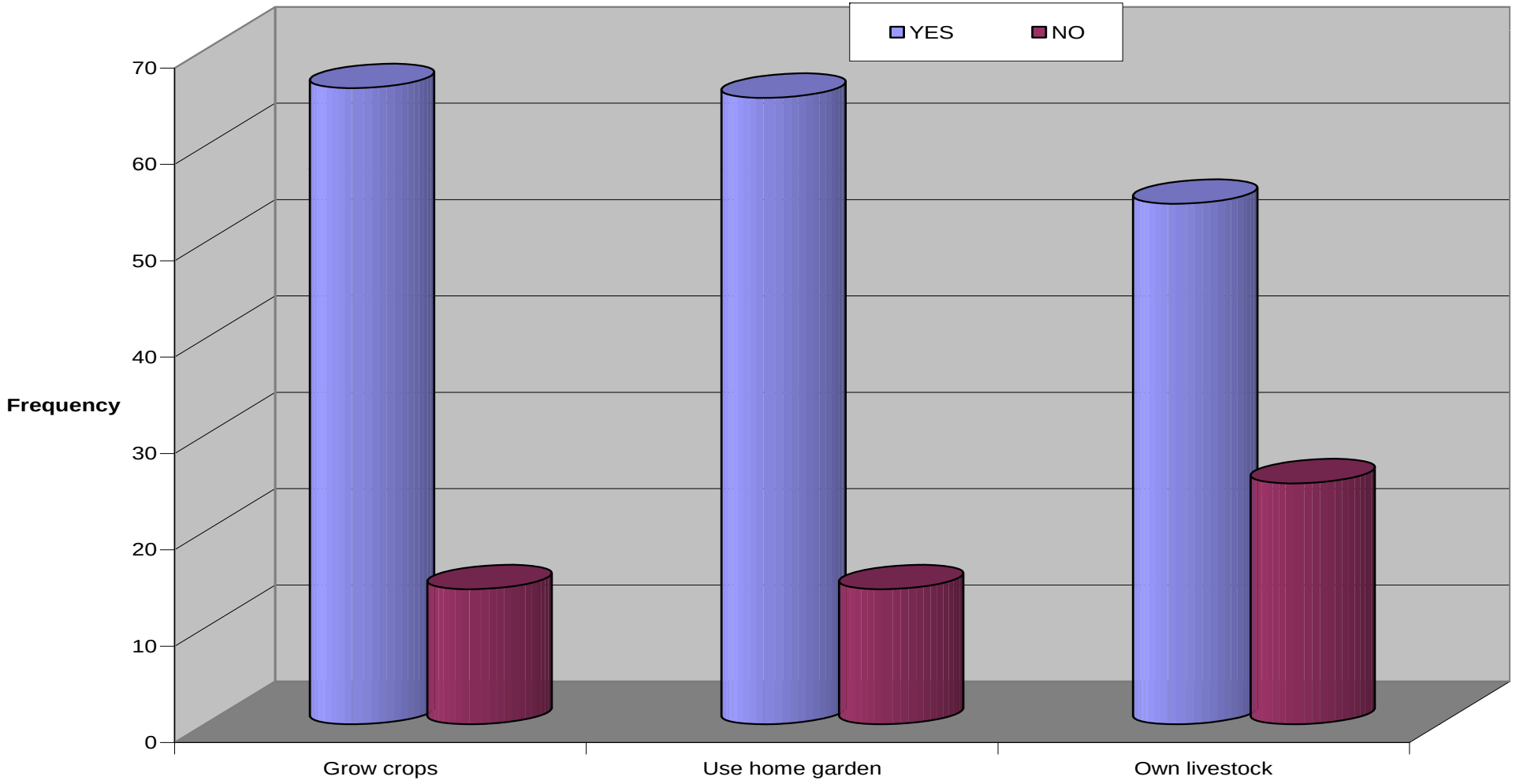
Agric income (garden maize only)	
- cash	0
- imputed	341 875
Agric expenditure	180 510
Net agric income	161 365
Imputed net ‘income’ of residential	1 117 200
Net total income	1 278 565
Net agric income per HH	295
Net total income per HH	1 373

Case study 5: quasi-formalisation of land ownership in Thaba ‘Nchu

- Objectives
  - Develop a land register for all high potential arable land in the villages of Potsane, Feloane and Gladstone
  - Provide accurate information and clarity on land sizes, land rights on all arable fields
  - To provide a tool that will be understood by community members in support of local land administration systems

…Case study 5: Thaba ‘Nchu

Land utilization



…Case study 5: Thaba ‘Nchu

- Methodology/processes
  - Initial consultation with statutory bodies
  - Initial consultation with the community
  - Tache Survey and creation of a land register
  - Final consultation and development of rules

…Case study 5: Thaba ‘Nchu

…Case study 5: Thaba ‘Nchu

	Frequency (N)	**Percentage (%)**
1. In support of land exchange agreements	**54**	**68**
Not interested in arable production.	1	2
Too old to work the fields.	8	19
Household unable to cultivate fields.	25	60
Assist those without arable fields.	8	19
Total	**42**	**100**
2. Against Land exchange agreements	**25**	**32**
Interested to use the field	21	95
Afraid to lose rights to arable land	1	5
Total	**22**	**100**

…Case study 5: Thaba ‘Nchu

- General willingness to extend cultivation to arable fields
- 70% of the land rights holders will participate in land exchange arrangements
  - “*Outright sale*” (3%)
  - lease arrangement (6%)
  - share-cropping (46%)
  - free loan (15%)
- Therefore scope for viable land market
- Development of rules and regulations to effect the innovation

Main findings

- ‘Successful commercial smallholders’…
  - Are independent individual (or HH) entrepreneurs
  - But often within communities of such
  - Receive limited gov’t/other support, esp capital
  - Control their own marketing (various strategies)
  - May be leaders *or* followers
- ‘Successful subsistence smallholders’…
  - Defray the grocery bill, contribution to HH nutrition
  - Invest little (money or labour, deps which more scarce)
  - Can reap benefits of homestead lifestyle beyond agric
  - Reflects predominant land demand

…Main findings

- Projects…
  - Are a means of getting support to poor
  - And/or means of assisting smallholders into niche markets or up the value chain
  - But generally payoff is low and/or costs are high
  - Potential to distort the market, ie from perspective of independent entrepreneurs
  - But have their role? But not production units per se…

…Main findings

- Main constraints…
  - Land
  - Water
    - Role of schemes
    - Role of HH-based water harvesting
  - Authority – protect the weak, keep order
  - Capital? Not clear
  - Marketing infrastructure? Difficult to tell….

…Main findings

- Potential for smallholder sector
  - Subsistence smallholders will remain majority
    - Need to protect and support appropriately
    - Avoid to temptation to neglect in favour of commercial smallholders
    - Need to address land constraints – how?
  - Commercial smallholders – more and bigger
    - Where will they start and grow?
    - What do they need?

Preliminary recommendations

- Clarify government priorities
  - Land administration in former homelands
  - Water – different approaches
  - Subsistence-revalevent R&D
  - Extension – yes, it helps; yes, it's worth fixing
    - General principle: start with what's there; others can mimic
  - Investment in marketing infrastructure – yes, but if you build it, will they come? Ensure not passive
  - Focus on smallholder-dense areas?
  - Sandyesque pref. procurement-based measures? Yes!

…Preliminary recommendations

- Clarify the role of land reform
- But first note:
  - outstanding claims > 10 mn HA?? (Versus < 4 million transferred so far)
  - our track record is poor – reasons highly contested
  - issue of distance and services
  - for redistribution, strong commercial-bias, default preference for labour-saving technology, lack of spatial thinking, disregard of residential needs

…Preliminary recommendations

- Clarify the role of land reform
  - Proximate to densely settled areas – focus on land availability for homesteads and mixed subsistence/commercial smallholders
  - Commercial smallholder ‘schemes’? Ok, but understand (and accept) attrition
  - Further away – focus on established black commercial farmers (opportunity to expand) and farm dwellers
  - Role of commonage in provinces without former homelands
  - Restitution: fewer options

Burning questions

- The age issue – all this effort for a geri-agriculture? Mixed evidence
- Input subsidies, eg fertiliser