





# INCLUSIVE BUSINESSES IN AGRICULTURE

**WHAT, HOW AND FOR WHOM?**

**Critical insights based on South African cases**

Wytse Chamberlain & Ward Anseeuw



*Inclusive Businesses in Agriculture – What, how and for whom? Critical insights based on South African cases*

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# Table of Contents

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List of Figures .....	ii
List of Tables .....	iii
List of Boxes .....	iv
List of Acronyms .....	v
<b>1</b> Introduction: Inclusive Businesses in Agriculture – South African case studies .....	1
<b>2</b> Mentorship's technical and managerial support for, in theory, independent emerging farmers – The case of the Benoni Farm .....	17
<b>3</b> An emerging farmer combining an outgrower scheme with diversified partnerships and a mentorship – Mphiwe Siyalima .....	29
<b>4</b> Collective and loose contracting, reinforced by equity, to consolidate diversified production models – Winterveld United Farmers Association .....	43
<b>5</b> Emerging farmers with ownership over packaging facilities mentored to produce for retail sponsor – TechnoServe and Massmart .....	65
<b>6</b> Employee equity share scheme – Blue Mountain Berries .....	81
<b>7</b> Employee-owned investment company taking equity in employer's farm – Katmakoe Boerdery .....	99
<b>8</b> Lease/management and corporate control over fragmented smallholders' cooperative land – Tongaat Hulett Sugar .....	113
<b>9</b> Community-owned land with commercially – owned forestry plantations – Mondi in Kranskop .....	137
<b>10</b> Land restitution community's joint venture engagement with large exporters – The cases of New Dawn, Dinaledi and Batau .....	151
<b>11</b> A community–private partnership centred on a lease agreement – Richmond Estate .....	179
<b>12</b> Multilevel landholder cooperative in a produce-share agreement and shared operational control without shared equity – Seven Stars Trust .....	191
<b>13</b> A community-owned business with informal support structures – Gxulu Berries ....	205
<b>14</b> Transversal analysis – Inclusive Businesses as complex combinations of instruments leading to more - but satisfactory? - inclusivity of smallholders .....	219
<b>15</b> Conclusion .....	257
<b>16</b> References .....	273

## List of Figures

Figure 2.1	Benoni farm mentorship model .....	24
Figure 3.1	Institutional set-up and financial support .....	33
Figure 4.1	Supply chain WUFA orange production .....	46
Figure 4.2	Supply chain vegetables .....	47
Figure 4.3	WUFA financial support .....	51
Figure 4.4	WCP deliveries to MCC including rejects, 2005-2015 (Kg) .....	53
Figure 5.1	Institutional set-up and financial support TechnoServe–Massmart .....	69
Figure 5.2	Recoverable grants fund functioning .....	71
Figure 6.1	Financial set-up BMB .....	85
Figure 6.2	Institutional set-up BMB .....	88
Figure 7.1	Institutional and financial structure Katmakoe Boerdery .....	103
Figure 7.2	Functional framework Katmakoe Boerdery .....	104
Figure 8.1	Institutional comparison Vuselela and Simamisa model .....	119
Figure 8.2	Financial structure Vuselela and Simamisa model .....	122
Figure 9.1	Institutional set-up Mondi and Kranskop communities .....	139
Figure 9.2	Financial structure Mondi and Kranskop communities .....	143
Figure 10.1	Map depicting consolidated farming units of the Moletele partnerships ...	157
Figure 10.2	Organisational and management structure Moletele CPA joint ventures .....	158
Figure 10.3	Financial structure MCPA joint ventures combined .....	160
Figure 11.1	Institutional set-up Richmond CPP .....	182
Figure 11.2	Financial structure of the Richmond CPP .....	184
Figure 12.1	Institutional set-up Seven Stars Trust .....	194
Figure 12.2	Financial flows for Seven Stars Trust .....	196
Figure 12.3	Coega Dairy shareholding structure .....	199
Figure 13.1	Institutional set-up and financial support structure Gxulu Berries .....	209
Figure 14.1	Benoni – sole mentorship .....	221
Figure 14.2	Mphiwe Siyalima – combining mentorship and contracts .....	222
Figure 14.3	Winterveld – farmers collective, contracts and equity .....	224
Figure 14.4	TechnoServe–Massmart – combining mentorship, contract and equity ....	226
Figure 14.5	Blue Mountain Berries – collective organisation and equity .....	228

Figure 14.6	Katmakoe Boerdery – collective organisation, equity and supply contract .....	230
Figure 14.7	Tongaat Hulett – landholders collective, lease and management contract .....	232
Figure 14.8	Mondi–Kranskop – collective organisation, lease, mentorship, contract ...	234
Figure 14.9	New Dawn and Dinaledi – landholders collective and ownership combined with lease and management contract .....	237
Figure 14.10	Richmond – landholders collective and lease agreement .....	238
Figure 14.11	Seven Stars Trust – Landholder cooperative with produce-share agreement and ownership .....	240
Figure 14.12	Gxulu Berries – Collective organisation, lease, equity, mentorship and informal contracts .....	242
Figure 14.13	Level of ownership .....	245
Figure 14.14	Level of voice .....	247
Figure 14.15	Level of risk .....	250
Figure 14.16	Level of rewards .....	252
Figure 14.17	Overall inclusiveness of all cases (implementation) .....	255

## List of Tables

Table 1.1	Individual inclusive instruments for smallholder integration in commercial value chains .....	9
Table 1.2	List of case studies presented in this book .....	14
Table 2.1	Farm structure, production and assets .....	18
Table 2.2	Funds received in the framework of the mentorship programme (2012-13) .....	22
Table 4.1	Contractual arrangements WUFA member farmers .....	47
Table 4.2	Average quantity of produce sold per market channel (2009/10) .....	48
Table 4.3	Average produce price per market channel, 2009/10 season (rounded to nearest Rand) .....	59
Table 7.1	Expected viability Katmakoe Boerdery (per annum) .....	107
Table 9.1	Rental and stumpage fees received by community trusts, 2009-2014 .....	138
Table 10.1	Overview key characteristics per partnership .....	153
Table 10.2	Employment by MCPA membership (April 2014, all MCPA-owned farms) .....	162

Table 10.3	Strategic partnership observations per inclusivity dimension for New Dawn and Dinaledi .....	171
Table 14.1	Benoni case – assessment of inclusive instrument .....	221
Table 14.2	Mphiwe Siyalima – assessment of combination of inclusive instruments .....	223
Table 14.3	Winterveld – assessment of combination of inclusive instruments .....	225
Table 14.4	TechnoServe–Massmart – assessment of combination of inclusive instruments .....	227
Table 14.5	Blue Mountain Berries – assessment of combination of inclusive instruments .....	228
Table 14.6	Katmakoeop Boerdery – assessment of combination of inclusive instruments .....	230
Table 14.7	Tongaat Hulett – assessment of combination of inclusive instruments .....	232
Table 14.8	Mondi–Kranskop – assessment of combination of inclusive instruments .....	235
Table 14.9	New Dawn and Dinaledi – assessment of combination of inclusive instruments .....	237
Table 14.10	Richmond – assessment of combination of inclusive instruments .....	239
Table 14.11	Seven Stars Trust – assessment of combination of inclusive instruments .....	241
Table 14.12	Gxulu Berries – assessment of combination of inclusive instruments .....	243
Table 14.13	Impact of instrument on ownership .....	246
Table 14.14	Impact of instrument on voice .....	248
Table 14.15	Impact of instrument on risk .....	250
Table 14.16	Impact of instrument on rewards .....	253

## Lists of Boxes

Box 1.1	Inclusive Business defined in the literature .....	3
Box 1.2	The term ‘Smallholder’ .....	8
Box 1.3	Policy measures to stimulate transformation in South African agriculture	12
Box 2.1	The Recapitalisation and Development programme .....	20
Box 14.1	Graphical presentation of the different inclusive instruments .....	220
Box 14.2	Methodological note on the calculation of the theoretical, institutional and achieved inclusiveness of IBs .....	246



## List of Acronyms

AGM	Annual General Meeting
AMPIC	Amadlelo Milk Producers Investment Company
(B-B)BEE	(Broad-Based) Black Economic Empowerment
BCtA	Business Call to Action
BMB	Blue Mountain Berries
BWT	Bessieplaas Werkers Trust
CASP	Comprehensive Agricultural Support Programme
CET	Coega Empowerment Trust
CPA	Communal Property Association
CPI	Consumer Price Index
CPAC	Commodity Project Allocation Committee
CPP	Community Private Partnership
CRDP	Comprehensive Rural Development Programme
CSR	Corporate Social Responsibility
DAFF	Department of Agriculture, Forestry and Fisheries
DBSA	Development Bank of South Africa
DEDT	Department of Economic Development and Tourism
DFI	Development Finance Institute
DLA	Department of Land Affairs
DoA	Department of Agriculture
DRDLR	Department of Rural Development and Land Reform
DTI	Department of Trade and Industry
ECDC	Eastern Cape Development Corporation
ECF	Employment Creation Fund
EIA	Environmental Impact Assessment
FAO	Food and Agriculture Organisation of the United Nations
FIETA	Forestry Industry Education and Training Authority
GAP	Good Agricultural Practice
GFC	Golden Frontier Citrus
GSSC	Gauteng Shared Service Centre
HACCP	Hazard Analysis Critical Control Points
HDP	Historically Disadvantaged People
IB	Inclusive Business
IDC	Industrial Development Corporation
IFC	International Finance Corporation
KZN	KwaZulu-Natal

LARP	Land and Agrarian Reform Project
LORWUA	Lower Orange River Water User Association
LRAD	Land Redistribution for Agricultural Development
MABEDI	Maruleng and Bushbuckridge Economic Development Initiative
MALA	Ministry of Agriculture and Land Affairs
MCC	Magaliesberg Citrus Company
MCPA	Moletele Communal Property Association
NDA	National Development Agency
NEF	National Empowerment Fund
NGO	Non-Governmental Organisation
NPO	Not-for-Profit Organisation
NQF	National Qualifications Framework
OECD	Organisation for Economic Cooperation and Development
PLAS	Proactive Land Acquisition Strategy
PtO	Permission-to-Occupy
RADP	Recapitalisation and Development Programme
RCF	Risk Capital Facility
RECAP	Recapitalisation and Development Programme
RLCC	Regional Land Claims Commission
RV	Recoverable Value
SASA	South African Sugar Association
SDP	Supplier Development Programme
SDT	Social Development Trust
SHE	Safety, Health, Environment
SLAG	Settlement/Land Acquisition Grant
SPF	Supplementary Payment Fund
TFFPM	Tshwane Fresh Produce Market
THS	Tongaat Hulett Sugar
UNDP	United Nations Development Programme
WBCSD	World Business Council for Sustainable Development
WCP	Winterveld Citrus Programme
WUFA	Winterveld United Farmers Association

# **INCLUSIVE BUSINESSES IN AGRICULTURE**

“ More than ever, companies realise that it is good business to share benefits with the communities in the developing countries in which they operate. Enabling small, local firms to supply or distribute goods and services to larger enterprises creates more efficient supply chains. At the same time, it maximises development benefits by helping local companies to grow and create jobs.”

**Lars H. Thunell,**  
Executive Vice President and CEO,  
International Finance Corporation (IFC)

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## Introduction: Inclusive Businesses in Agriculture – South African case studies

This book positions itself at the crossroads of three restructuring processes within the South African agricultural sector:

1. land reform, and the necessity to integrate smallholder and emerging farmers within commercial agriculture;
2. broad market restructuring in the agricultural sector overall; and
3. the need to go beyond the more basic inclusive instruments, such as contract farming.

Firstly, almost 20 years after the inception of land and agrarian reform measures, the racial configuration of the land and agricultural sector still persists. This mainly results from the status quo of the agricultural activities of a large majority of the previously disadvantaged farmers and the high rate of failure of many of the land reform projects (Kirsten & Machethe, 2005; Binswanger-Mkhize, 2014). Although policy and governance are often highlighted as major challenges, the failure to develop a vibrant smallholder sector is also recognised to be associated particularly with market-related (lack of access to markets), managerial (financial management of commercial enterprises), and institutional aspects (non-recognised ownership structures and lack of access to credit) (Anseeuw & Mathebula, 2005).

Secondly, following the dismantling of international commodity agreements and the liberalisation of agricultural and agri-food markets, agricultural markets have become increasingly consumer-driven and vertically integrated (Reardon, Timmer, Barret & Berdegue, 2003). The modernisation of markets results in, besides other things, the rise of supermarkets and closed value chains in developing countries (Swinnen, 2007). Due to the industrialisation and globalisation trends world-wide, in particular in North America and parts of Europe, supply chains have become tighter aligned, and fewer, larger farms and agribusinesses have emerged. South African agribusiness firms are following these developments (Reardon *et al.*, 2003). This trend has the potential to exclude small-scale and emerging farmers from mainstream agrofood markets, including those in South Africa (Louw, Chikazunga, Jordaan & Biénabe, 2007). Smallholder and emerging farmers often do not have access to technology and the economies of scale that are required to be competitive in these restructured agricultural markets and agrarian economies.

Thirdly, experiences on the ground, as well as studies in extensive academic literature, have shown that the more basic inclusive instruments, such as cooperatives or contract farming (see hereafter in this chapter), are not a panacea (Fréguin-Gresh & Anseeuw, 2014). Analyses of these instruments emphasise potentially encouraging results from the smallholders' perspective: for example, contractual arrangements can improve agricultural production, access to services (such as training, capacity building and technical assistance), access to resources (production factors, inputs, credit and information), and the development of new opportunities to participate in competitive markets, subject to strict standards