Case Studies of Emerging Farmers and Agribusinesses in South Africa

Edited by Edward Mabaya, Krisztina Tihanyi, Mohammad Karaan and Johan van Rooyen
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The Editors

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Foreword

Nearly two decades after the first democratic elections in South Africa, the agriculture and agribusiness landscape of the country are still under transformation. A new group of historically disadvantaged individuals have and continue to enter this historically white- and male-dominated formal value chain. They are driven by their own ambitions and supported by several transformation initiatives. Two programs, Agricultural Broad-Based Black Economic Empowerment (AgriBEE) and the Comprehensive Agricultural Support Programme (CASP), initiated by my department are prime examples of such support by government that aim to mainstream emerging farmers and agribusinesses. The case studies profiled in this book are a timely illustration of the progress made to date and also the challenges remaining.

Indeed, much has been said in the media and various other political, business, academic, and development forums about the plight and prospects of South Africa’s emerging farmers. While opinions on the role and contributions of emerging farmers to the economy and the issues they face are diverse, just as often the group has been viewed as a homogenous entity and juxtaposed against established white commercial farmers. As the cases in this book illustrate, the truth is more nuanced and multi-faceted. First, there is great diversity within this group based on the type of enterprise, location, ownership, age of enterprise, management capacity, and other socio-economic factors. Second, there are many similarities in terms of opportunities and threats at the macro level between black-owned farms or agribusinesses and their white counterparts.

As the Director General of Department of Agriculture, Forestry and Fisheries, I regularly read reports on the challenges and opportunities facing emerging farmers and recommendations on the best ways to integrate them into mainstream agriculture. While these reports are important in giving a broad, “big picture” perspective to guide policy makers, they lose a lot of useful information in the process of aggregation. Specifically, the dynamic interplay of specific social, economic, political, and technological factors at micro level is lost in the “single lens” approach that is typical of analytical reports. Importantly, emerging farmers and agribusinesses lose their identity and voices as they are lumped into numbers, figures, and tables. A holistic understanding of emerging farmers and agribusinesses requires both the macro perspective provided by the analytical reports (“seeing the forest through the trees”) and the detailed, enterprise-level dynamics captured in these case studies (“understanding the trees that make up the forest”).
Last but not least, this book makes an important contribution as a teaching tool for academic and training programs in South Africa and around the world. In recent years case studies have become an invaluable tool of teaching in the fields of farm and enterprise management because of their applicability to real life, contemporary nature, and accessibility by a broad and general audience. As we train the next generation of emerging farm managers, agro-entrepreneurs and development practitioners, this book presents a unique teaching tool with which students can get their “hands dirty” and work on real life challenges that are not boxed into the typically narrow course focus.

It is impossible to understand the current state of South Africa’s agricultural sector without looking at the country’s history. Similarly, one cannot fully understand the opportunities and challenges facing emerging farmers and agribusinesses in South Africa without first walking in their shoes. This book is an excellent effort in giving the unfiltered perspectives of emerging farmers from an enterprise level. It is a “must read” for anyone working with agriculture and agribusiness transformation in South Africa.

Mr Langa Zita
Director-General of the Department of Agriculture, Forestry and Fisheries
Section A

Introduction
Chapter 1

SETTING THE SCENE

Krisztina Tihanyi, Kenneth Robinson

INTRODUCTION

“Emerging” (or “black”) farmers are often talked about as a group, which, to some extent, implies that they are a homogeneous bunch. While individual emerging farmers and agribusinesses share a common history, there are significant differences among them that are often hidden beneath the averaging and aggregation that is typical of most published reports and analytical research. Departing from other research publications, the aim of this volume is to document a set of case studies1 of emerging farmers and agribusinesses in order to paint a more detailed picture of this growing and important segment of South Africa’s agriculture and agribusiness sectors. Putting together a collection of case studies that are diverse in terms of geography and sub-sector allows for the presentation of a more nuanced picture of emerging farmers as a whole; at the same time, using the case study method provides in-depth accounts of individual farmers and agribusinesses in a way that brings to life the day-to-day realities and challenges of the enterprise. The specific objectives of this book are threefold:

1. To showcase the human stories behind the emerging farmers and agribusinesses in South Africa in a way that brings to light the rich diversity, historical backgrounds, current context, and future directions;

2. To highlight the best practices, opportunities, and challenges facing South Africa’s emerging farmers and agribusinesses; and

3. To create a new set of instruction and learning materials for academics and development practitioners interested in South Africa’s agriculture.

1 The case study research method is an empirical inquiry that investigates a contemporary phenomenon within its real-life context; where the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 1984).
Importantly, the case study format also allows for a close-up view of the entrepreneurs at the heart of the businesses and find out what motivates them, what ‘makes them tick’. As such, this volume asks question such as: Just who are the emerging farmers and entrepreneurs? What challenges do they face and what opportunities do they have in South Africa today? Is the current policy environment helping them succeed? If it is, could/should it do more? And, having looked at the cases, and perhaps as an outlook for those contemplating starting their own business, what can be said about the future of emerging agribusinesses in the country?

While emerging farmers and agribusinesses may present a diverse picture, what they all have in common, at least in broad measures, is the natural and socio-political landscape in which they find themselves in South Africa. This landscape is complex and filled with legacies of a racially and economically divided past and challenges of the present. Therefore, before delving into the case studies, this introductory chapter will outline, in broad strokes, the landscape surrounding South African agribusinesses today, looking at the agroecological conditions, the history of the agriculture sector, including the important issue of land tenure reform and other post-Apartheid policies such as AgriBEE that are relevant to emerging farmers and agribusinesses. Since the focus of this book is not the history, this background chapter is limited in detail and it assumes some prior familiarity with South Africa on the part of the reader. The second part of the chapter turns to the present and employs a political, economic, social, and technological/environmental (PEST) analysis, an analytical tool that allows for the survey of the present economic and social landscape through the eyes of an emerging farmer: In other words, it asks what opportunities and threats (challenges) emerging farmers and agribusinesses face in South Africa today.

The third and final section of the chapter looks at case studies as a tool of research and learning. This method, which has been commonly used in business and legal environments, is relatively new to other academic fields, including agribusiness management. It is sometimes criticised for its lack of generalisability. Anticipating such criticism, this section outlines the merits of case studies and (it is hoped) makes a compelling case as to why case studies make an excellent teaching and research tool in undergraduate, graduate, and professional education.

DEFINING EMERGING FARMERS AND AGRIBUSINESSES

First the terms “emerging farmer” and “emerging agribusiness” need to be defined. This is an important point as it explains one of the key criteria used to select the businesses profiled in this volume. It is important to note that neither term has one standard and widely used definition in
South Africa today. Moreover, they are often used interchangeably with the term “black farmer/entrepreneur”, which, strictly speaking, is incorrect, as not all emerging entrepreneurs are black (nor, for that matter, are all black farmers emerging). While some of this is semantics, having a clear definition is important because if policy-makers are interested in developing programmes that target emerging farmers (whether they be training programmes, financing mechanisms, or other policy measures) identifying the correct target group is crucial. If the definition is too wide (as the term “black farmer” may very well be), we run the risk of programmes and policies failing, seemingly because they do not work, but in fact because the beneficiaries were not well defined and selected.

In coming up with a definition, the categorisation developed by the Land Bank is useful (Figure 1), although it applies only to farmers, not to agribusiness entrepreneurs. The figure puts farmers on a continuum from subsistence farming to established commercial farmer. The group focused on in this volume is “emerging commercial” farmers, although, as will become apparent, even in this volume the range is quite wide encompassing farmers who export their products overseas and small farms or projects that serve their immediate community. (At the end of this chapter we provide a list of the companies featured in this volume indicating their sub-sector and main products.) Thus variation clearly exists and the categories are not always clear-cut, but what appears clear is that in South Africa’s dualistic agriculture (Ortmann & Machethe, 2003), characterised by commercial farming on the one end and subsistence farming on the other, emerging commercial farmers sit at the nexus of the dualistic agriculture system, with one foot in small-scale agriculture and the other in commercial agriculture.

Figure 1. Classification of South Africa’s farming sector.

In defining emerging agribusinesses this volume relies on existing definitions of what an agribusiness and its owner—a historically disadvantaged individual (HDI)—are. The term agribusiness refers to commercialisation and value addition in the agricultural sector with a focus on pre- and post-production enterprises and building linkages among enterprises (FAO, 2007). An HDI is defined as a South African citizen (1) who, due to the apartheid policies, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993 of the interim Constitution); and/or (2) who is a female; and/or (3) who has a disability; with the exception that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution is deemed not to be an HDI. Loosely stated, the definition of “emerging agribusiness” is a micro- to medium-sized agribusiness owned by an HDI.