THE JOBS FUND

South Africa Siyasebenza

Learning Series

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Small-holder Farmer Support Programmes and Success:

The case of four Jobs Fund Agricultural Projects

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The Jobs Fund is a R9 billion fund established by the South African Government in 2011. It was established to encourage innovation and give greater impetus to initiatives with potential to generate sustainable employment. The Fund aims to catalyze innovation in job creation through structured partnerships with the private and public sectors as well as NPOs by awarding once-off grants to organisations through a competitive process. The Jobs Fund operates on challenge fund principles and aims to incentivise innovation and investment in new business approaches that directly contribute to long term sustainable employment creation.

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Abstract

This paper identifies and analyses the linkages between variables, the operating environments, project contexts and other elements needed to achieve the stated objectives of the Jobs Fund, namely job creation associated socio-economic development impacts. Comparative case-based and inductive approaches were used to analyse 35 cases, spread across four Jobs Fund projects, of which 19 were classified as good cases and 16 as bad cases. Semi-structured interviews, document reviews, literature reviews and on-site farm observations were used to collect the data. An evaluation matrix and a questionnaire guide were used as the tools to gather the data. The data was analyzed using content and correlation analyses. The results of the content analysis were triangulated with the results from the quantitative data from correlation analysis. This allowed the study to extract possible best practice from each of the four selected projects, which can be used to design various pathways to achieve ideal types of support models for smallholder farmer (SHF) development within the South African context.

1. INTRODUCTION

As part of its key focus and mandate of catalysing job creation, the Jobs Fund has an explicit learning and knowledge dissemination agenda, which is intended to encourage new thinking and new approaches to job creation across various economic sectors. This article evaluates and compares the four farmer support models deployed at the four Jobs Fund supported projects to identify and analyse the linkages between variables, the operating environments, project contexts and other elements needed to achieve the Jobs Fund's stated objectives of job creation and related socio-economic developmental outcomes.

An Impact Evaluation was conducted on the selected projects in order to extract best practice from each to help design an ideal model of support for agricultural projects.

2. METHODS

2.1 General Research Design and Approach

A multiple case evaluation design was used to fulfil the purpose of the evaluation. The assignment, which reviewed 35 cases (farms) from the four projects in the provinces of KwaZulu-Natal and Mpumalanga, were undertaken and completed over a five-month period from May 2017 to October 2017.

The study's aim was to identify the relationship between successful or good cases (successful farms) and the type of support received, as well as to identify the relationship between failed or bad cases (unsuccessful farms) and the type of support received. For this study, the differences in the models that were investigated are associated with seven main conditions or factors (and 38 sub-conditions or factors) that are generally associated with successful farmers – thus attempting to measure the extent to which the agricultural support interventions contributed to creating these conditions. The success conditions, or factors analysed at project and farm level, were the following:

1. General Management,
2. Human Resources,
3. Social Relations,
4. Access to Land,
5. Means of Production,
6. Access to Markets, and
7. Financial Support.

This evaluation sought to investigate the degree to which these factors or conditions for success were present, and/or absent, in the various farmer support models to determine the role they

played in the success of the projects and their operational context. Further detail on the seven conditions can be found in the Annexure.

2.2 Method of Data Collection

Data was primarily collected by means of a questionnaire used during semi-structured interviews with the Jobs Fund Partners (JFPs), farmer beneficiaries and other key stakeholders. The questionnaire guide was a mixed-methods survey design, which generated quantitative data from questions that followed a four-point Likert-type scaled measure, as well as qualitative data from a range of open-ended cause-and-effect questions. The information collected from the interviews held at the 35 farms and with the four JFPs, were further complemented with information gathered via three focus group discussions, on-site farm observations and a key document review.

2.3 Method of Data Analysis

2.3.1 Triangulation of Method

The results were generated using qualitative data from content analysis and quantitative data from correlation analysis. From a qualitative perspective valuable insights were extracted at JF Partner level (what elements of a farmer support model works well, what not, and what elements should ideally be included in a smallholder farmer support model) and at farmer level (what distinguishes 'good' or successful farmers from 'bad' or less successful farmers). From a quantitative perspective very insightful correlation results were obtained between the prevalence and existence of the seven conditions of success (and the 35 sub-conditions), the goodness index and the support rendered to achieve such. A ***comparative*** analysis was also undertaken between the four projects and support programmes to see how each performed in terms of rendering support services and interventions related to each of the conditions and factors analysed.

3. RESULTS AND FINDINGS

3.1 Initial Results from the Correlation

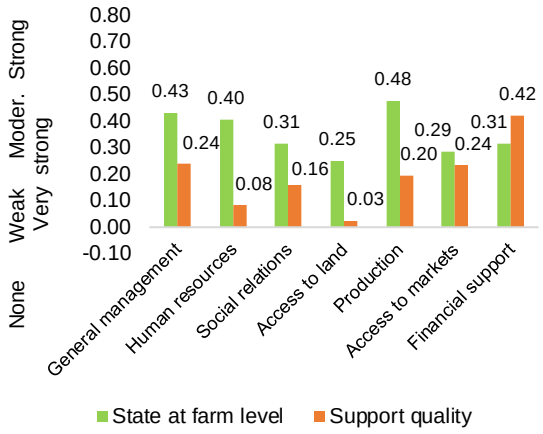
The correlation analysis indicates the strength of the relationship between being a successful farmer and the conditions and sub-conditions that this study assessed. It compares successful and less successful farmers in terms of these conditions directly with each other in an attempt to identify the conditions in which more successful farmers excel and less successful farmers struggle. Key findings and results from the correlation studies are reflected in Figure 1 below. The key findings are:

- Of the seven main conditions the three strongest success correlations are found between Production and success, General management and success, and Human resources and success (with all three conditions or factors showing a very strong correlation).
- A further breakdown of ***Production*** as a main factor or condition revealed that the sub-conditions with the strongest correlation to success are:
  - Adoption and implementation of agronomic best practices,
  - Consumable farm input procurement, and
  - Production related infrastructure.
- A further breakdown of ***General management*** as a main factor or condition revealed that the sub-conditions with the strongest correlation to success are:
  - Business management,
  - Leadership effectiveness, and
  - Years in business
- A further breakdown of ***Human resources*** as a main factor or condition revealed that

the sub-conditions with the strongest correlation to success are:

- Skill level,
- Recruitment, and
- Motivation.

Figure 1 - Graph reflecting correlation between 7 Main Conditions and Success



It is noteworthy that access to markets do not rank amongst the priorities (since it was not identified by beneficiaries as critical for success) – the reason for this could be that all four projects provided secure markets for their beneficiaries (with the JFPs acting as off-takers of their produce) and as such beneficiaries did not rate it as problematic.

3.2 Evaluation of the different Farmer Support Models Deployed

The results provide some useful insights regarding the three different smallholder farmer (SHF) support models deployed at the four projects that were analysed. Key findings are discussed below.

3.2.1 Land Lease Model

This model facilitates agricultural development where SHFs / beneficiaries have access to land but they do not own the land and/or do not have the capacity (knowledge, skills, experience, equipment and infrastructure, financial resources, etc.) needed to commence with farming; and where the JFP (or another implementing agency that will lease the land) has such resources at its disposal and is willing to make such available to cultivate and produce on the land. To ensure that the Lease Model maximises societal welfare (especially to local communities), and supports political objectives related to the transformation of the agricultural sector, the following should be in place:

- Ensure that local communities and traditional authorities are continuously consulted and that they buy into the project.
- Career development is key: Ensure that high potential farm workers are developed to realise the following opportunities on completion of the leasing contract:
  - Become independent, self-sustainable farmers towards the end of the project; or
  - Become contractors towards the end of the project; or
  - Advance within the farming entity or corporate ladder of the JF Partner.

The first farming project evaluated is essentially a planting intervention that uses a leasehold model to develop 12,000 hectares of sugarcane on unutilised or underutilised communal lands in KwaZulu-Natal. The service provider found this support model to be very effective and efficient within the above stated project context and current phase of the project. As a result, the model and its farmer support interventions rated very well on almost all aspects. Overall the support model was found to be useful and many of the interventions (e.g. the e-wallet payment system; the approach to land mapping and analysis; the community facilitation and buy-in process; the production best practice implementation model; etc.) could serve as best practices for replication in other SHF support models.

3.2.2 Entrepreneurial Model

This support model aims to develop independent farmers into stronger, more commercially competitive farmers. This is a useful model for job creation and small farmer empowerment where farms are large enough. It requires that farmers have an entrepreneurial spirit and drive to improve and expand (have the talent and growth potential). To maximise the probability that the Entrepreneurial Model will work well, it is essential to assist talented individuals to grow and expand through assisting them to buy or lease land from less successful farmers in their area.

The second farming project implemented an entrepreneurial model. Viewed from the perspective of how Jobs Fund grant funding was used, the entrepreneurial smallholder support model was essentially an intervention project aimed at upgrading infrastructure and facilitating access to finance (upgrading irrigation infrastructure and providing small-scale sugarcane farmers with access to funding at relatively low interest rates). The service provider found this support model to be very effective and efficient within the above stated project context. As a result, the model and its farmer support interventions rated well on almost all factors. Overall the support model must be complemented and a number of the interventions (e.g. its unique approach to infrastructure loan offerings; its retention saving scheme; its good technical support services rendered; etc.) serve as best practices for replication in other SHF support models.

The third farming project evaluated also used an entrepreneurial model. This project aims to facilitate the establishment of a new agricultural industry in South Africa. This project aims to determine the viability of establishing a new industry in South Africa by researching, growing, processing and marketing this new high-value niche crop in South Africa. Due to the wide and differing range of activities undertaken on the project (and the need to solve numerous teething problems), the service provider found that the actual smallholder support services were not as comprehensive as the other farmer support models and the JFP did not provide holistic support to its new beneficiary farmers throughout the crop production cycle. The main reason for this is that most project activities were focused on product and market research, establishing markets, establishing a brand and refining processing options. As a result, the overall project model and its farmer support interventions received a varied but relatively poor rating.

3.2.3 Communal Production Model

When compared to Lease and Entrepreneurial Models, this Communal Productions Model did not rate as highly. This is largely due to relatively low productivity and a higher than the norm failure rate, which does not result in substantial job creation and broad-based empowerment. If it is decided to implement the Communal Production Model, the following measures should be in place to minimise risk of failure:

- Assist the cooperative or similar entity to develop a fair constitution, and put in place measures that ensure the constitution is strictly enforced.
- Benefits should be distributed fairly, and those working harder should receive proportionally more benefits, therefore an efficient and individualised incentive system should be in place.

- Decision making and all aspects of management, including and especially financial management, should be completely transparent.
- All beneficiaries, including lower ranking beneficiaries, should be made aware of their rights, and should be empowered through training to help make informed decisions and to recognise poor management.
- General education and portable skills training of beneficiaries and their families is very important because the only growth prospect for most beneficiaries will be to grow out of the cooperative into other occupations through off-farm employment, non-farm income or out-migration seeking better opportunities elsewhere.
- However, beneficiaries in core positions should receive extensive training in agriculture and management so that they can manage their farming operation optimally, and so that they can expand their farming business through agricultural intensification if such potential exists.

The fourth project, which is essentially a vegetable growing and processing intervention, used both the communal and land lease SHF support models. The project focused on the rehabilitation of commercial farming on the farms of land reform beneficiaries to enable the surrounding communities in Vryheid to farm vegetables for processing on an off-take and mentorship agreement basis. Overall, the service provider found this support model to be sufficient to good in some aspects whilst poor and lacking in others. As a result, the model and its farmer support interventions received a varied rating. Whilst some components could be considered as sufficiently good for consideration and replication in other SHF support models (e.g. the mentoring programme for shadow farmer managers and the scheme that facilitates farm beneficiaries to obtain shares in the business), overall the first and second farming projects (land lease and entrepreneurial models) offered better smallholder support services.

4. CONCLUSIONS AND RECOMMENDATIONS

The results from these four farming projects show that Land Lease Models and Entrepreneurial Models tend to be more successful for the following reasons:

Land lease models -

- Production risks are carried by the project implementer while the beneficiaries are guaranteed their income while they are still learning.
- As the project implementer is responsible for its own production, it can reduce its supply risk significantly and take full advantage of economies of scale in terms of production.
- The project implementer can reduce supplier transaction cost significantly, as they deal with a smaller number of farmers.
- The Land Lease model allows agricultural development in cases where SHFs / beneficiaries have access to land but they do not have the capacity (knowledge, skills, experience, equipment and infrastructure, financial resources, etc.) to commence with farming and cultivate the land. The smallholder farmer receives skills via skills-transfer should they wish to learn, an income for leasing the land and income from a wage (should he/she also work on the land).
- This model has the potential to transform fallow and/or under-utilised land, especially in communal areas, into productive and income generating land – thus creating an improved perception and understanding amongst communities regarding the commercial value of land and the opportunity cost of *not* utilising available land under their control.

Entrepreneurial models -

- The entrepreneurial model has proved itself to be successful and the overwhelming majority of large, successful commercial farms in South Africa are examples of this farming model.
- The model is based on principles such as a free market system, business autonomy and independence. The success of the farming venture is largely influenced by the entrepreneurial ability and business orientation of its owner and management.
- However, since many SHFs do not have good entrepreneurship experience and/or lack the resources to farm at a commercial level, the entrepreneurial model, requires considerable investment in both infrastructure and long-term support and training. In this regard, this model is most successful with smallholders when a large number of small family farms are consolidated in order to become economically viable and competitive when pitted against a commercial farm.

It should be noted that these results cannot be generalised to all agricultural projects and do *not* necessarily mean that Communal Production Models cannot work. Overall, regardless of the model implemented, it is recommended that a SHF support programme should focus on, and be built around, the needs of the farmer beneficiaries and not the needs of the implementer of the support programme. Where implementers have a vested interest in a project however, it bodes well for its longevity and sustainability and it is recommended as an important consideration when selecting projects to be supported by the Jobs Fund.

Other recommendations of a policy / regulatory nature that could enhance the design and effective implementation of SHF support programmes include:

- The need for agricultural support programmes to be of longer duration (usually in excess of 5 years' duration).
- The smallholder environment demands a range or basket of support services from which the farmer can select those most suited to his/her needs as and when needed.
- Policy adjustments to address the constraints of SHFs in communal areas related to land ownership and tenure security issues – an urgent need exists to provide such farmers with a form of land ownership (e.g. title deeds) that could be used as collateral for obtaining loans, etc., and therefore being able to scale their operations.
- Policy adjustments and regulations that will ensure timely access to required production inputs (of the right quantity and quality, at the right price, when and where needed).

Support must be provided as and when needed and must be present at each milestone along the journey map or development path that a SHF will follow in his/her business or career: from taking a decision to become a farmer and/or the initial step of land acquisition; through the crucial first season when the foundation must be laid; to subsequent career or farming business growth; and his/her eventual exit from farming (succession planning).

5. ANNEXURE

The following section provides further detail on the seven conditions for success.

Main condition 1: General Management

General management as a factor refers to a collection of business management processes that are required for planning and implementing the core business area of a farm and which will influence and impact on the farm's ability to meet its goals (and indirectly that of the small-holder support intervention). Some of the most important elements are: Management & Governance,

Record keeping, Internal leadership structure and Overall operating experience. These elements should be linked together to form a single system, with common objectives.

Main condition 2: Human Resources

Human resources are the people who make up the workforce of a farm. Lack of human capital has been found to be a serious constraint for SHFs. SHFs/workers are often illiterate with poor technological skills, which can be a barrier to accessing useful formal institutions that disseminate technological knowledge. The majority of SHFs are not capacitated with financial and marketing skills and are unable to meet the quality standards that are set by fresh produce markets and food processors. A lack of production knowledge leads to lower quality produce. Therefore, to ensure the success of SHF support interventions, the human resources that are needed by the farms must be adequately planned for and organised to ensure that the right competency of human resources are developed or acquired so as to be available at the right time. This will enable the farms to meet the goals of the small-holder support interventions.

Main condition 3: Social Relations

"Social relations" refers to the relationship that exists between the farm, its local community, and the other stakeholders or interested parties. Positive social relations are crucial for the success of small-holder support interventions, especially in communal farming settings. Important elements include: Community leadership and support, Social facilitation and trust building, Realistic expectations, Community buy-in, Beneficiary group size, Conflict management, Benefit sharing amongst beneficiaries and the broader community, and Succession planning.

Main condition 4: Access to Land

Secure access to land of sufficient size and agricultural potential is essential to attain efficiencies of scale to facilitate longer term investments on farms which will result in higher farm productivity. Land ownership structure, type of tenure and other factors such as water availability, climate, soil, irrigation, type of crop, etc., will also influence success. Those that operate on privately owned land are the most likely to succeed, followed by those that operate on communal or commonage land under longer lease periods (e.g. a 99-year lease). Those that operate under communal or commonage land, under short/or less secure lease periods are the least likely to succeed, particularly where these is insufficient support offered to farmers.

Main condition 5: Production

Means of production refers to goods and services that are used by farmers for their farm operation. In other words, it is what it takes to produce goods and services, e.g. land, labour, machinery, tools etc. Production efficiency and access to means of production is essential for sustained farm project success. This includes Equipment and machinery, Farming inputs, Quality contractor services, Technology, Water and water management, and Adoption of agronomic best practice.

Main condition 6: Access to Markets

Access to markets refers to the ability of farm produce to reach markets. This includes the ability to consistently provide produce of the required volumes and quality at the best prices. Efficient marketing is also essential for sustainable agricultural project success. Technical barriers to market, however, are often the greatest challenge faced by SHFs. These constrains are also exacerbated when farmers find it difficult to consistently produce products that are of the right volumes of the right quality. Other barriers to access are related to logistical arrangements (i.e. the ability to transport produce to markets and storage facilities where produce could be aggregated to meet volume requirements). Lastly, SHFs often struggle to negotiate reasonable prices for their produce. Farmers that do not have secure off-take in place must have excellent marketing skills and

understand the particular marketing channels for specific commodities. Value chain integration or at least out grower schemes may be essential for SHFs or less experienced farmers. Upskilling in order to overcome these barriers is usually associated with successful small-holder support interventions.

Main condition 7: Financial Support

Financial planning refers to realistic forecasting and preparation of accurate budgets to plan for income and expenditure, taking into account asset depreciation (loss of value and future replacement cost), inflation (general and gradual rise in prices of farm input and other expenses), price fluctuation risk (probability that input prices may rise or produce prices may fall unexpectedly due to demand and supply fluctuations in the economy) and to budget for unforeseen expenses or emergencies (contingency planning). Firstly, a farming operation needs to know how much finance is needed and from which source of income. These should be planned for in a realistic manner. A common challenge that SHF support projects face, is that financial forecasting often does not account for depreciation. Therefore, by the end of the productive lifetime of an asset such as a tractor, implement, item of equipment or irrigation infrastructure, there is no budget to replace the asset. Similarly, inflation is often not accounted for, therefore after a few years, beneficiaries and farm project managers are suddenly “surprised” by the rising costs.

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