

# FEATURES



Thabo Mbeki and Mof Terreblanche Will government listen?

## LAND CLAIMS

# A practical survival plan

## A new report suggests a commercial focus for land claims

President Thabo Mbeki's favourable reception of the Renosterrivier land reform plan suggests a new pragmatism may be taking root in government's efforts to reverse SA's skewed land ownership patterns.

Almost a year ago a group of leading Afrikaner businessmen and academics — including FirstRand chairman G T Ferreira and former Afrikaanse Handelsinstituut head Mof Terreblanche — launched a pilot study in the Renosterrivier district in the Free State, aimed at breaking the vicious cycle of land reform failures. Similar initiatives have come and gone. What makes Renosterrivier different is that its key protagonists have the president's ear.

The study incorporated findings from a review of the agricultural potential in Renosterrivier conducted by Free State University, a review of 36 farms already

transferred, and recommendations for another 2 000 ha that government was in the process of buying.

The findings were presented to Mbeki and land affairs & agriculture minister Lulama Xingwana last month.

The study makes two key points. First, the current narrow focus on land delivery — rather than creating viable farming businesses — often results in failure. Second, government's efforts to deracialise commercial farming — essentially replacing a fair proportion of the 40 000-odd whites who still dominate the sector — are doomed to failure, given the typically low returns in an environment of limited state support. The report's main thrust is to offer practical proposals for turning land reform farms into viable businesses with private-sector support.

The business leaders pledged R1,5m over three years to fund the Renosterrivier support centre, expected to be operational by June. It will provide commercial guidance to the provincial department of land affairs, secure pro-

duction loans, help draft business plans, and set up partnerships to establish new farmers on the land. The main focus will be on integrating emerging farmers into mainstream markets.

A researcher who attended the presentation says Mbeki was "very positive" about its findings and hoped the model could be replicated nationally. He says the president's response was echoed by his minister, and was evidence of "pragmatism at the highest level".

The policy may have been welcome, but government will continue to view success in land reform first and foremost as a numbers

game. To date only 3m ha of the 82m ha owned by 60 000 white farmers has been transferred, well short of the 30% target set for 2004. So government has stepped up plans to aggressively buy land on the open market for redistribution. But it has also made it clear it will step up expropriation of claimed land when negotiations deadlock.

Many commercial farmers share the view that redistribution is essential for

**WHAT IT MEANS**  
Land transfer must be accompanied by commercial viability  
Subsistence farmers need other solutions

social and political stability. But they strongly reject land transfer at all costs.

Analysts have also pointed out that without the necessary skills, access to funding and above all a bankable business model, land reform farmers are destined to fail. The Renosterrivier report presents the same argument while highlighting institutional and policy flaws easily rectified.

A serious flaw is that land grants still encourage large numbers of prospective farmers rather than a smaller number of commercially viable black farmers. In Renosterrivier about 4 000 beneficiaries received R4 700 each to buy 36 cattle farms ranging from 14 ha to 500 ha. Each farm must sustain an average of 113 beneficiaries, which is impossible in an area that needs 4 ha-6 ha of veld per livestock unit.

Another key mistake by government was to assume land values could translate into returns. In the study area the price of land varies between R1 200 and R2 000/ha, which means a 500 ha farm would cost about R750 000. However, the productive value of the land is around 40%-45% of the selling price. This means new entrants will find it impossible to finance production costs if they have to pay off even a part of their farms — a key reason for widespread bankruptcies and dwindling production.

To rectify these deficiencies, the

Renosterrivier report recommends the state, or its special-purpose entity, should buy land and initially retain ownership. Potential beneficiaries must be screened for suitability before they are given land.

Suggested screening criteria include two years of formal training or two years' internship with a commercial farmer. Rights to start farming should be subject to strict mentorship, with emerging

odd hectares needed to meet targets comes to R60bn.

Another key recommendation is joining forces to add value to primary production and absorbing new farmers into mainstream marketing chains. The report also urges government to support partnerships. Development workers say many deals are torpedoed by officials suspicious of private-sector motives, and

there are widespread reports of bona fide offers from commercial farmers being snubbed.

But Glen Thomas, the director-general of land affairs, says these perceptions aren't fair. "We always welcome the involvement of the private sector," he says.

A gap in the report is its failure to address the needs of millions of subsistence farmers. "We aren't arguing about the bottom half of the sector," says researcher Stephen Hobson, who believes it's unrealistic to expect emerging farmers to solve rural poverty.

Terreblanche, the driving force behind the scheme, sees no contradiction in tackling both sectors. "There are many subsistence farmers with 80 head of cattle who can be turned into commercial operations. My father started farming that way, and he became successful," he says. "Land reform is an emotional issue, but we must take small steps and turn it into an operational issue."

**Stephan Hofstätter**

## RENOSTERRIVIER PROJECT

How the funding will work

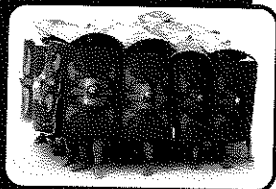
- 28% by government grants
- 22% privately financed with mortgage loans
- 24% cofinanced by government grants and mortgages
- 26% financed by private cash transactions

SOURCE: CDE

farmers sharing in profits and management according to performance. After five to six years those with the best aptitude to farm should obtain full ownership, 100% share in profits and sole management over land resources.

This represents a bold departure in two respects. First, agricultural experts such as commercial farmers provide hands-on support. Second, the taxpayer funds land purchase, leaving suitable beneficiaries to get on with the job of farming profitably.

In 2003 the average cost of agricultural land was around R1 500/ha. On the assumption that this has now doubled, the total cost for buying the 20m-



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