Reality and sustainability: dryland land-reform grower challenges in a changing sugar industry

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Abstract Since 1994, the South African government has led a process of agrarian reform and the sugar industry has seen 24% of its area being transferred to previously disadvantaged persons. The success of these growers remains critical to the long-term sustainability of the entire industry. This paper presents the realities and challenges of land-reform growers (LRGs) in dryland KwaZulu-Natal. The findings were derived using a combination of industrial statistics and results from a comprehensive LRG Survey covering responses from 43% of growers. Declining yields for LRGs at a rate of -3.3% year-on-year mean that there has been limited reinvestment on-farm. Results from the survey and specialist insight from South African Cane Growers’ Association (CANEGROWERS) Regional Economic Advisors (REAs) point to funding, agronomic and financial planning as being the root challenges for LRGs. Addressing the issue of land-reform sustainability in the context of an industry that is bound for constant change requires a number of industry stakeholders and widespread support. The grower needs to take responsibility for the agronomic and economic farm management of his/her farm and together with extension staff and other industry stakeholders, grow their business to long-term sustainability.

Key words Land reform, sugarcane, sustainability, sugar industry, farm management

INTRODUCTION

The South African sugarcane industry is on the brink of a new era. This long-standing industry has been grappling with tighter profit margins, stagnant and, in some regions, declining yields and rising input costs over the past decade. Given this reality, how then does an industry under stress sustain itself and ensure its long-term viability? Change is inevitable and adaptation and diversification are necessary. Growers need to sharpen their farm-management skills and entrepreneurial spirit in order to sustain their businesses. This paper addresses the concept of sustainability in the South African sugarcane industry through the analysis of land-reform sugarcane growers (LRGs) in the highly volatile regions of the dryland production areas of KwaZulu-Natal. With limited working capital, little capital equipment and narrow experience with the agronomic and financial aspects of the farming business, land-reform farmers are sensitive to even the smallest of economic shocks (Department of Agriculture, Forestry and Fisheries 2011).

The concept of sustainability has garnered support from the agricultural industry as well as other sectors in recent decades. Due to the popularity of the concept, the notion of sustainability has been so variously and loosely applied that the term has been thought to have lost all meaning (Byrch et al. 2009). Given this, sustainability needs to be clearly defined and viewed in terms of achievable, long-term viability. The theory of sustainability is directly linked to a person’s or an entity’s reduction in vulnerability and resilience against shocks and system disturbance (Allison and Ellis 2001). This research addresses the notion of sustainability in terms of ensuring that on-farm production is maintained and enhanced through increasing LRGs resilience against economic, environmental and social perturbation.

Addressing the issue of land-reform sustainability and success factors requires a number of industry stakeholders and widespread support. It is important that, in the evolution of the South African sugar industry, LRGs are not left behind. Rather, their needs and challenges need to be understood in order for the environment to develop as one that enables their sustainability and cushions the impact of shocks and change. The LRG needs to be considered and prioritised in industry planning and strategy because, given the political climate and the fact that redistribution continues under land-reform policies, their success is critical to the sustainability of the entire sugar industry (Gina and Nothard 2014). The grower needs to take responsibility for the agronomic and economic farm management of his/her farm and together with extension staff and other industry stakeholders, grow the business to long-term sustainability.
LAND REFORM IN SOUTH AFRICA AND THE SUGAR INDUSTRY

The injustices of past colonial and apartheid regimes are well documented for South Africa, as well as other developing countries. These administrations have been characterised by a legacy of widespread rural poverty, dispossession and gross inequities. Given the nature of the legacy of those regimes, it has been essential to attempt to redress the wrongs of the past in order to move towards sustainable and equitable reform. In 1994, the South African government, led by the African National Congress (ANC), commenced an agrarian and land-reform programme to correct and redress the injustices of the country’s colonial and apartheid legacy by redistributing land back to the previously disenfranchised black South Africans. This was done with every effort to transform and renovate the structural basis of racial inequality (Thomson and Gillitt 2007; Hall 2004).

In 1994 South Africa had approximately 82 Mha of agricultural land owned by white farmers. The newly elected government promised to redistribute 30% (24.5 Mha) of this land to the previously disadvantaged South African citizens by 2014 (Binswanger-Mkhize 2014). This land and agrarian reform program was based on three pillars: restitution, tenure reform and redistribution. Restitution primarily deals with previously disadvantaged people’s historical right to land. Tenure reform deals with the form of land holding as in many cases the black population were subjected to insecure tenure arrangements as well as the traditional communal land-tenure systems. Redistribution of land is focussed on transforming land ownership along racial lines. Redistribution was also seen as having the greatest potential to contribute to rural economic development and improve livelihoods (Jacobs et al. 2003). This paper focusses on land redistribution through the following policies and mechanisms.

The South African Constitution and policy framework, as Binswanger-Mkhize (2014) argue, is conducive for land reform as the Constitution provides a mandate for these programs. The agricultural policy reforms which occurred in the 1990s removed all the subsidies and benefits afforded to the white farmers under apartheid and created a level playing field for all types of farmers. To embark on this land-reform program the government engaged in significant consultation with stakeholders as well as international advisors such as the World Bank and the ‘willing buyer, willing seller’, market-based approach was adopted. The approach has been through three major implementation strategies since 1994. The first phase between 1994 and 1999 of the land-reform program of the Department of Land Affairs provided previously disadvantaged black South Africans a Settlement/Land Acquisition Grant (SLAG). This assisted the beneficiaries to buy land on the open market (Stickler 2010).

Due to the low level of grants afforded to the beneficiaries many had to pool their grants together to accumulate enough funds to buy farms on the open market. Although successfully targeting the poor, there were significant implementation issues which have been well documented such as dumping groups of poor, previously disadvantaged people onto large commercial farms without the necessary skills, training or support to allow them to succeed (Lahiff 2007; Stickler 2010). In recognition of these weaknesses a new program was implemented in February 2000 which built on the then President Mbeki’s drive of black economic empowerment. The objective was to develop new black commercial farmers (Lahiff 2001).

Land Redistribution for Agricultural Development (LRAD) was a policy statement finalised in 2001 which aimed to promote black commercial farming. The grant received was determined by the cash or personal labour that the beneficiary was willing to offer. This change allowed for the participation of wealthier black business people or agricultural entrepreneurs. Thus a complete shift in policy from SLAG where only the poor qualified for assistance. The LRAD program allowed individuals, smaller family groups to buy farms as well as workers on commercial farms to pool their grant together to purchase equity shares in the farm. Grants received under LRAD were also used by the beneficiaries to buy state land. Under the LRAD program the beneficiaries also received improved access to finance through the state owned Land Bank (Stickler 2010; Lahiff and Li 2012).

LRAD too had its own problems being designed to assist individuals but households and group projects remained the norm and lack of post-settlement support remained a problem. A common problem identified under both LRAD and SLAG was that beneficiaries of the grant had to enter into purchasing arrangements with the white commercial farmer selling a property. The beneficiaries often did not have the right skills or abilities to achieve a beneficial outcome. In 2006 the government introduced the Pro-Active Land Acquisition (PLAS) approach. Due to the slow progress of the other two programs the government tried with the PLAS strategy to speed up the land transfer process by sourcing and buying land on behalf of beneficiaries. Continuing the ‘willing seller, willing buyer’ method, the state purchases land directly from the seller. The land is then offered to selected beneficiaries on a leasehold basis (Stickler 2010; Lahiff and Li 2012) and enabled the State to take back farms that became unproductive.

To address these post-settlement issues from a financial point of view government introduced the Comprehensive Agricultural Support Program (CASP) in 2004. The CASP Program provided beneficiaries with funding for development of
farm infrastructure. Continued failures of land reform farms due to lack of skills, capital, or unwillingness to make productive use of the land resulted in another farm grant system called the Recapitalisation and Development program that stipulated that beneficiaries take on strategic partners such as industry role-players, agribusiness or commercial farmers for support and guidance (Lahiff and Li 2012).

It is within these policy frameworks, programmes and strategies explained above that the South African sugar industry, with its own model, has been transferring land to previously disadvantaged people prior to 1994. The South African sugar industry, through the revised Sugar Act and Sugar Industry Agreement of 2000 remained very much a structured sector following the agricultural policy liberalisation of the 1990s (Thomson, undated). The South African Sugar Association (SASA) land reform department oversees land redistribution and restitution. Freehold sugarcane land under black ownership increased from 5% in 1994 to 24% in 2014. These transfers occurred under the miller-cum-plant estate distributions (these growers became known as New Freehold Growers or NFGs), restitution and the LRAD programmes. The relative success of the industry to oversee these transfers has been due to the structured nature of the industry. The industry has also committed significant resources to support sustainable land reform by providing specialist agronomic extension officers from the South African Sugarcane Research Institute (SASRI), agricultural economists and social facilitators from the South African Cane Growers’ Association (Regional Economic Advisors, REAs), skilled trainers (Shukela Training Centre), and agricultural project managers mainly from the commercial milling companies (SASA 2013).

**METHODOLOGY AND SAMPLING**

This paper presents the realities and challenges of LRGs in dryland KwaZulu-Natal incorporating the regions of South Coast (Umzimkulu, Sezela), Midlands (Eston, Noodsberg), North Coast (Maidstone, Gledhow, and Darnall), Amatikulu and Felixton. Cane-growing regions of Mpumalanga (Malelane and Komatipoort), Pongola and Umfolozi were omitted from the study due to the high prevalence of whole-farm or supplementary irrigation in these areas. While it is noted that LRGs in both irrigated and dryland regions face many of the same challenges, there are a number of factors that negatively impact the sustainability of dryland LRGs specifically. It is therefore pertinent to address the realities in these different regions as separate cases.

Our findings were derived using a combination of quantitative and qualitative methods. Industrial statistics were acquired using the CANEGROWERS and SASA industry databases. These data were then combined with quantitative findings from a CANEGROWERS Land Reform Grower Survey (CANEGROWERS/Wageningen UR 2015) and qualitative results from discussion and feedback with LRGs at an Imbizo held in April 2015. Root Cause Analysis was applied to the qualitative data gathered to fully comprehend the reasons behind the data. Root cause analysis is a multi-stakeholder action research analysis tool that assists in uncovering causes of problems or successes (CANEGROWERS/Wageningen UR 2015). Specialist input was also obtained from CANEGROWERS Regional Economic Advisors (REAs).

The survey data were collected from LRGs that were actively delivering to mills in the 2014/15 season. Table 1 provides an understanding of the response rate for the survey as a percentage of active LRGs. As was the case with Gina and Nothard (2014), the categories of LRGs included in the study were LRAD Growers and New Freehold Growers (NFGs). PLAS and restitution growers were excluded from the survey due to lack of historical data and the complex nature of community structures falling outside the study’s scope. It is noted, however, that there is a need to grow research in this area and develop a deeper understanding of the specific challenges facing the growers excluded from the sample.

<table>
<thead>
<tr>
<th>Region</th>
<th>Response rate (%)</th>
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<tbody>
<tr>
<td>South Coast</td>
<td>45</td>
</tr>
<tr>
<td>Midlands</td>
<td>47</td>
</tr>
<tr>
<td>North Coast</td>
<td>37</td>
</tr>
<tr>
<td>Amatikulu</td>
<td>46</td>
</tr>
<tr>
<td>Felixton</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
</tr>
</tbody>
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Table 1. CANEGROWERS LRG survey sample: response rate as a percentage of active LRGs by region.
RESULTS

LRGs production in terms of cane tonnage and recoverable value tonnage are significantly lower than their large-scale commercial grower (LG) counterparts who achieve a far higher yield per hectare (Fig. 1), and there is a much greater volatility in production amongst the LRGs than the LGs. This is due in part to the inability of the LRGs to absorb shocks both financially, environmentally and from a farm-management experience point of view.

![Graph showing production by Land Reform Growers (LRG) and Large Scale Growers (LG) over time.](image)

**Fig. 1.** Production by Land Reform Growers (LRG) and Large Scale Growers (LG) over time.

Best farm practice measures implemented by LRGs, such as living on farm, soil and leaf sample analysis, and use of contractors, were captured in the analysis but showed mixed results in terms of their effects on production amongst LRGs. For instance, the management practice of taking soil and leaf samples annually to ensure optimum fertiliser and pesticide programs show a total average increase of 6% in cane yield and Recoverable Value (RV) yield (sugar and molasses) due to the implementation of this management practice. Soil and leaf analysis is provided by the industry and is cost-effective, allowing all growers to make use of the service. LRG production on average is also 16% greater if the grower lives on the farm. This allows the grower to be vigilant and closer to management issues, even if the grower has another job as part of their livelihood.

Figure 2 shows the relationship between grant funding received or not received and production over a 5-year period by LRGs in their respective areas. Three (Felixton, Midlands, North Coast) of the five areas show an increase in production due to the receipt of grant funding. Amatikulu shows a minor increase in production. The outlier is the South Coast, which shows that, although LRGs did not receive grant funding, these growers were still able to increase their production. This was because production is based on a number of factors and grant funding was not necessarily used for best agricultural practices only but also for farm infrastructure, hence not directly translating into higher production. Inefficient use of grant funding remains a major concern for the industry. However, the majority of LRGs rely and possibly have become dependent on grant funding to keep their production levels up. This result is also confirmed by the precursor study by Gina and Nothard (2014) where an increase in grant funding led to an incremental increase in RV production.
Fig. 2. Relationship between grant funding, cane production and Recoverable Value (RV) amongst LRGs.

Figures 3 and 4 show the qualitative data results gathered from the survey and provide some interesting insights into LRG thoughts on the successes and challenges they face, although these results were obtained during a drought. The challenges were rated according to their level of importance and the top four highlighted for both success factors and challenges.

Fig. 3. Key challenges identified by beneficiaries facing LRGs in dryland regions of KwaZulu-Natal.
Further analysis of the most important key success factors and challenges uncovered the root causes of lowered LRG productivity that led to unsustainable farm businesses. Figure 5 shows the process in the root cause analysis. The results show that funding and the timing of the funds led to on-farm planning issues that had a severe impact on yield. LRGs are continuously lagging behind their LG colleagues in implementing timely application of inputs and management factors. Therefore to mitigate some of the negative impact that the poor timing of funds has on production, improved analysis and management plans need to be implemented.
DISCUSSION: REALITY AND SUSTAINABILITY

Despite the significant amount of work and resources the sugar industry has assigned to the LRGs they remain reliant on the government and government agencies for the disbursement of funds. The issues of which funding and grant funding ranks highest and second highest in the key success factors and challenges we discerned threaten the sustainability of LRGs. LRGs who are beneficiaries of any of the above mentioned programs are essentially first-generation farmers. Therefore, they do not have the financial or farm management knowledge capacity that many commercial farmers have built up over long periods of time, in some cases generations. This is something that is incredibly important to understand in the analysis of the LRG challenges (Thomson, undated).

LRGs due to their relatively short operational existence do not have the ability either to raise capital from commercial banks or the state-owned Land Bank, or they have had time delays in their grant funding from government be it CASP or RECAP funding. This causes late application of inputs or planting, which forces them to fail behind in their management practices and replanting schedules. Taking that into account the LRG can also proactively plan for these delays and implement farm management practices in a more efficient cost-saving manner. Identified actions from our study are improving extension services to growers and farm management planning. The CANEGROWERS REAs will assist these growers, with a proposed program called Economic Analysis Planning that will be implemented in 2016/2017.

The Economic and Analysis Planning programme has been identified as a programme for the REAs and growers to: (i) focus on current management practices that may be costly to the grower; (ii) identify and implement sustainable management practices, and (iii) plan for poor timing of receipt of funds from government. This type of planning and scenario analysis which the REAs can assist the grower with is incredibly important for the new farming business. It will also assist the growers in taking ownership of the management of their farms, highlighting costly practices compared to more efficient uses of resources. The timing of government funds to farmers has been notoriously slow, so it is up to the LRG to take ownership of the problem and implement best management practices to ensure that he/she is not completely reliant on government funding.

Failures are too often blamed on other stakeholders and there has been little introspection by individual LRGs. Factors such as decreasing returns to sugarcane production, input-cost squeeze and droughts in two successive years in the South African sugar industry play a role in disrupting growers on the path to sustainability. However LRGs must take responsibility for their newly acquired roles and plan for the long term implementation of sound farm management and become more sustainable. This needs to be done with assistance from and together with key stakeholders in the sugar industry, financial institutions and the South African government.

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REFERENCES


Realité et durabilité : les défis auxagriculteurs de la réforme foncière dans la partie sèche dans une industrie sucrière en mutation

Résumé. Depuis 1994, le gouvernement sud-africain a mené un processus de réforme agraire et l’industrie sucrière a ainsi vu le transfert de 24% de sa superficie vers des personnes autrefois désavantagées. Le succès de ces agriculteurs est crucial pour la durabilité à long terme de toute l’industrie. Cette publication présente les réalités et les défis des agriculteurs de la réforme foncière (ARFs) dans la partie sèche du KwaZulu-Natal. Les conclusions ont été tirées à partir d’une combinaison de données statistiques industrielles et de résultats d’une enquête complète sur les ARFs; 43% de ces agriculteurs ont répondu à cette enquête. Des chutes de rendements au taux de -3.3% d’année en année parmi les ARFs ont eu pour effets que le réinvestissement dans les exploitations a été limité. Les résultats de l’enquête et le point de vue éclairé des Conseillers Économiques Régionaux de la ‘South African Canegrowers Association’ (CANEGROWERS) indiquent que les problèmes fondamentaux des ARFs se situent au niveau du financement, et de la planification agronomique et financière. Un large soutien de la part de plusieurs parties prenantes de l’industrie est requis pour attaquer le problème de la durabilité de la réforme foncière dans le contexte d’une industrie en mutation constante. L’agriculteur doit prendre la responsabilité de la gestion agronomique et économique de son exploitation et, avec l’accompagnement du personnel de la vulgarisation et d’autres parties prenantes de l’industrie, rendre son entreprise plus durable dans le long terme.

Mots-clés: Réforme foncière, canne à sucre, durabilité, industrie sucrière, gestion de l’exploitation

Realidad y sustentabilidad: retos para los agricultores de la reforma agraria en tierras aridas en una industria azucarera cambiante

Resumen. Desde 1994, el gobierno de Africa del sur ha realizado un proceso de reforma agraria y la industria azucarera ha visto como el 24% de su area ha sido transferida a personas anteriormente en desventaja. El exito de estos cañeros es aun critico en relacion a la sustentabilidad a largo plazo de toda la industria. Este trabajo presenta las realidades y los retos de los cañeros de la reforma agraria (LRG, por sus siglas en ingles) en las tierras aridas de KwaZulu-Natal. Las recomendaciones fueron el resultado de usar una combinacion de estadisticas industriales y los resultados de una encuesta comprensiva de los LRG que cubrian respuestas de 43% de los cañeros. Rendimientos agricolas a la baja de los LRG a un ritmo de -3.3% de año en año significa que ha habido limitada reinversion en los campos. Los resultados de la encuesta y analisis interno de la Asociacion de Cañeros de Africa del Sur (CANEGROWERS, por sus siglas en ingles) asesores economicos regionales (rea, por sus siglas en ingles) señalan que el financiamiento y la planeacion financiera y agronomica han sido la raiz de los retos para los LRG. Señalando que el tema de la sustentabilidad de la reforma agraria en el contexto de una industria que esta constreñida por constantes cambios requiere el apoyo extensivo de numerosos actores de la industria. El cañero necesita tomar la responsabilidad de lo agronomico y economico en la administracion de las tierras de su granja o parcela y junto con un equipo de extension agricola y otros actores de la industria, hacer crecer sus negocios hacia la sustentabilidad a largo plazo.

Palabras clave: Reforma agraria, caña de azucar, sustentabilidad, industria azucarera, administracion de granjas o parcelas