



## agriculture & rural development

Department:  
agriculture  
& rural development  
**PROVINCE OF KWAZULU-NATAL**

# STRATEGY FOR AGRARIAN TRANSFORMATION IN KWAZULU-NATAL





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**PROVINCE OF KWAZULU-NATAL**

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## 1. INTRODUCTION

The National Development Plan (NDP) calls for an inclusive rural economy wherein rural areas are spatially, socially and economically well integrated and coordinated, where residents are economically active and food secure as a result of successful agrarian transformation and rural infrastructure development programmes, and having improved access to quality education and health care and basic services.

The NDP sets out a three pronged approach to agriculture and rural development, namely:

- Agricultural development that is based on successful land reform, employment creation together with strong environmental safeguards;
- Well-functioning and supported rural communities that will enable people to seek economic opportunity. Key elements of support relate to quality education, health care and access to basic services; and
- The promotion of agro-processing, tourism, fisheries and small enterprise development based on an area's economic potential.

The transformation of the agricultural sector is central to the future growth and well-being of KwaZulu-Natal. The population of KZN rural areas accounts for 54 % of the total provincial population, and therefore makes it one of the most rural provinces in the country. This places considerable pressure on the provision of services and infrastructure. Furthermore, if poverty levels are aligned to the rural geography it is evident that the highest concentrations of the poor are in

the rural areas, and more particularly on the communal areas of the Province.

The agricultural sector is seen as a primary driver of the KZN economy, given the strategic advantage that the Province has in terms of land and its natural resources. The Province of KwaZulu-Natal is well endowed with natural resources and this diversity enables a wide variation in the type of farming and levels of agricultural production throughout the Province.

This strategy document sets out a detailed approach for the transformation of the agricultural sector in KwaZulu-Natal. It proposes that an agrarian transformation strategy, supported by an integrated approach to rural development, will in turn contribute towards addressing food security, job creation and the growth of the provincial economy.

In order to reflect the new approach towards agriculture and the expanded mandate of rural development co-ordination, the Department has revised its vision statement as:

**"A united sustainable and vibrant agricultural sector with thriving rural communities in balance with nature"**

The Department's Mission statement emphasises how the vision will be achieved:

**"To promote, through partnerships, sound agricultural practices that promotes to economic growth, food security and advancement of rural communities in KwaZulu-Natal."**

## 2. POLICY CONTEXT

Following the national election of 2009, the new administration introduced a series of frameworks which focused on five key strategic priorities, namely; the creation of decent jobs, rural development, education, health and fighting crime and corruption. These frameworks have a direct impact on the transformation of agricultural and the rural communities in the Province of KwaZulu-Natal.

### 2.1 The Medium Term Strategic Framework (MTSF)

In 2009 government introduced the concept of the MTSF to align government programmes and priorities with the term of office of each administration. Fourteen (14) priority areas were identified, with agriculture contributing directly to the outcomes associated with job creation, comprehensive rural development, and environmental assets and natural resources protection. In the second cycle of the MTSF (2014- 2019) the rural sector will focus on seven (7) imperatives to support an inclusive and integrated rural economy. These imperatives are as follows:

- Improved land administration and spatial planning for integrated development, with a bias towards rural areas;
- Improved and sustainable agrarian and land reform;
- Smallholder farmer development and support (technical, financial and infrastructure);
- Reduced rural unemployment;
- Increased access to quality basic infrastructure and services, particularly education, healthcare and public transport;

- Creation of sustainable rural enterprises, supported by increased investment in agro-processing, trade development, access to markets and financial services;
- Improved integration and coordination of rural development across all spheres of government.

### 2.2 New Growth Path (NGP)

The NGP places jobs and decent work at the centre of the macro-economic policy. It set a target of 5 million jobs by 2020 and set out priority sectors for interventions. The NGP set a target of increasing the smallholder sector by 300 000 householders with 145 000 additional jobs coming from the agro-processing sector. The NGP provides broad policy guidelines for the agricultural sector:

- Restructuring land reform to support smallholder schemes with comprehensive support around infrastructure, marketing, finance, extension services;
- Upgrading employment in commercial agriculture, especially through improved worker voice;
- Measures to support growth in commercial farming in support of national food security;
- Acceleration of the land claims processes and better support to new farmers following the transfer of land;
- Support for fishing and aquaculture;
- Programmes to ensure competitive pricing of inputs, especially fertilizer.

## 2.3 National Development Plan (NDP)

The NDP has been adopted as an overarching framework to steer the government's development path for the next 16 years. The NDP reaffirms the five strategic priorities of government, with the interventions proposed for agriculture being located within the Inclusive and Integrated Rural Economy chapter.

The rural areas of South Africa are characterised by an unusually high level of poverty and unemployment, with very limited employment in the agricultural sector. The densification of settlements in the then "rural reserves", resulted in an advanced and diversified commercial farming sector adjacent to impoverished, densely populated communities with limited economic opportunities and minimal government services.

Agriculture is seen as the primary activity in rural areas, and is expected to create 1 million jobs by 2030. In order to achieve this the sector needs to expand irrigation schemes, convert under-utilised land in communal areas and land reform projects into commercial production, pick and support commercial agricultural sectors that have the highest potential for growth and employment. The NDP also proposes value chain strategies be developed for new entrant farmers. The NDP identifies the following commodities with a potential for growth and job creation, namely cotton, sugar cane, citrus, tropical fruits, table grapes, and vegetables.

## 2.4 Provincial Growth and Development Strategy (PGDS)

In 2011 the KwaZulu-Natal Provincial Government established the Provincial Planning Commission and began with the process of reviewing the Provincial Growth and Development Strategy (PDGS). The PGDS was adopted by Cabinet in August 2011 and a Provincial Growth and Development Plan was adopted in August 2012.

The PGDP identifies seven (7) strategic goals which are aligned to the MTSF outcomes. These have been translated into thirty (30) strategic objectives which have been assigned to eighteen (18) Action Working Groups. Action Working Group 1 is chaired by the DARD and drives activities and report on these activities.

One of the key strategic goals relates to job creation as unemployment has been identified as one of the major structural constraints within the Province and contributes to high levels of poverty and income inequality. The agricultural sector is of key strategic importance given the comparative advantages that KwaZulu-Natal possesses with regard to its land and resources.

The agriculture sector is expected to create employment opportunities, increase the area under production, increase the value of agricultural contribution to the provincial economy, and provide a support programme for commercial farmer development. The Action Working Group focusing on agriculture would, however, need to work with commercial agricultural commodities in order to realise the potential of the sector.

## 2.5 Rural Development Framework

The Department of Rural Development and Land Reform draft a National Rural Development Framework In 2013. The document notes the Impact of the 1913 Native Land Act and the Implementation of the Bantustan System on the land dispossession and the spatial geographical of the country. The homeland system resulted In the forced removals of more than three and a half million South African to cesspools of death, poverty and unemployment. These areas had limited resources of their own, and suffered from serious underinvestment In both economic and social Infrastructure. High population and livestock densities have led to land degradation, and the lack of appropriate spatial planning has led to dispersed settlements resulting In service delivery challenges. The Rural Development Framework proposes a rural economic transformation system to bring about fundamental changes to the quality of life of the marginalised rural poor. The key elements are as follows:

- Provision of basic Infrastructure and amenities including roads, bridges, water, clinics , libraries services, housing, police stations and other social amenities;
- The Implementation of a success land reform programme, which includes the provision of communal tenure with institutionalised tenure rights In the former homeland areas;
- A focus on the provision of economic Infrastructure, fencing, dipping tanks, Irrigation systems, and fertilizer and other Inputs for livestock and crop production.

Special attention Is paid to the reform of the communal tenure system, with interventions proposed on democratising the land administration system, establishment of rural investment and financing facilities, the skilling of rural youth, provision of animal and veld management support, revitalisation of small town and the development of river valley areas as production, agribusiness and settlement hubs.

## 2.6 Agricultural Policy Action Plan (APAP)

The NDP recognises that Agriculture, Forestry and Fisheries as sectors with significant job creation potential and with strategic links to beneficiation opportunities. These sectors have seen an increase In GDP of up to 29% over the past 18 years. However, employment In these sectors Is In decline, mainly due to rising Inputs costs, an uneven International trade environment, and lack of development Infrastructure (road, rail, ports and electricity).

The Agricultural Policy Action Plan (APAP) aims to reverse this trend and proposes several strategies:

- Support a shift towards more labour intensive agricultural subsectors;
- Encourage fuller use of land within the commercial farming areas;
- Strengthen the small stratum of large-scale commercial farms, which account for a disproportionate share of farm jobs;
- Promote a better balance between large-scale commercial farms and smallholder farms.



The sectors that are relevant to KwaZulu-Natal include livestock, sugar cane, poultry, horticulture, biofuels, forestry and aquaculture. In response to the National Development Plan and other strategic National and Provincial frameworks this strategy seeks to set out an agrarian transformation approach for KwaZulu-Natal through the radical change for commercialisation of agriculture by implement a series of new programmes; namely, Land Reform Support, Inclusive Agri-village Development, River Valley Catalytic and Communal Estates Programme. The programmes are supported on four building blocks; namely, strong scientific research and extension services, a commodity approach, a specific business model for commercial agriculture, and growth in the agro-processing sector. Through these programmes and their associated projects, the agricultural sector will contribute largely to the development of rural areas.

The implementation of the Agrarian Transformation Strategy will promote food security, create new jobs in the rural areas, and grow the agricultural sectors contribution to the GDP of the Province. This will be done in partnership with interested and affected stakeholders in the rural areas of KZN with the aim creating thriving, stable and vibrant rural communities.

## 2.7 Operation Phakisa

Operation Phakisa is a new approach adopted by government to foster speedy implementation of government initiatives, largely arising out of the National Development Plan and the Provincial Growth and Development Plan collaborative efforts by various government departments and agencies, together with private sector and civil society formations. The Province has made use of this methodology to develop plans for Poverty Eradication and Makhathini Development.

The importance of the Operation Phakisa methodology was emphasised by His Excellency, the President Mr JG Zuma in his State of Nation Address (2015) as part of his 9 point plan:

1. Resolving the energy challenge.
2. Revitalising agriculture and the agro-processing value chain.
3. Advancing beneficiation or adding value to our mineral wealth.
4. More effective implementation of a higher impact Industrial Policy Action Plan.
5. Encouraging private sector investment.
6. Moderating workplace conflict.
7. Unlocking the potential of small, medium and micro enterprises (SMMEs), cooperatives, township and rural enterprises.
8. State reform and boosting the role of state owned companies, information and communication technology (ICT) infrastructure or broadband roll-out, water, sanitation and transport infrastructure as well as
9. Operation Phakisa aimed growing the ocean economy and other sectors

## 3. PROBLEM STATEMENT

### 3.1 Rural underdevelopment

The implementation of discriminatory land legislation since 1913 resulted in most of the African population not only being dispossessed of land, but an erosion of culture, livelihoods, and being confined to the "reserves". These "reverses" where predominately hilly, rocky areas with thin top soils, and unpredictable rainfall, and located in the remotest parts of the country. This spatial pattern remained the norm for most of the century and the resultant impact inherited by today's generation is that rural areas are characterised by land degradation, poor soil



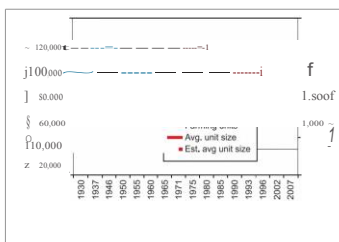
quality, food insecurity, poor infrastructure and basic services, and high levels of unemployment. Furthermore, homeland administrations had virtually no resource base of their own, and the central state provided them with few subsidies. As a consequence the homeland regions ended up with few educators, police and health workers, and suffered from severe underinvestment on both economic and social infrastructure. The Agrarian Transformation Strategy aims to redress these challenges through the provision of agricultural support, and co-ordinating the provision interventions that improve the quality of life of rural communities.

### 3.2 National agricultural status

The agricultural sector widely recognised as sectors with significant job creation potential and with strategic links to beneficiation opportunities. However, between 1994 and 2012, the real contribution to GDP of Agriculture, Forestry and Fisheries (AFF) increased by 29%, while employment declined by 30% to 40%. This combination of slow-to-modest growth and declining employment, in fact continues a longer-term trend evident since at least the 1970s. The challenges facing agriculture are numerous: rising input costs, an uneven international trade environment, lack of infrastructure (rail, harbour, electricity), and a rapidly evolving policy and production environment. At the same time, transformation of the sectors has been slow and tentative.

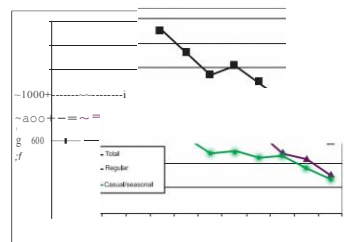
Between 1950 and the present, the number of commercial farms in primary agriculture has declined from almost 120 000 to around 40 000

Figure 1 Long-term trends in number of farm units and average farm size



This decline has been accompanied by a commensurate increase in average farm size, and a change in the technology mix on farms. In short, as farms grow larger, they tend to rely less on labour and more on capital and chemical inputs. The overall trend has been one of job loss.

Figure 2: Long-term trends in farm employment



The challenge of growing the smallholder sector is closely tied up with the challenge of making smallholder agriculture more remunerative - presently, more than half of all smallholder households live below the poverty line.

The agricultural sector's current constraints can be summarised as:

- Decline in the number of commercial farming entities leading to job losses;
- Rise in the cost of inputs and slowing down in the increase in the price of commodities produced;
- Inadequate access to funding for agricultural production and infrastructure support for communal agricultural development;
- The collapse of land reform farms due to among other reasons lack of skills, knowledge of agricultural production and a sound agricultural adapted decision making system;
- Lack of or very little integrated support among the three spheres of government and private sectors to increase agricultural production in rural areas;
- Insufficient business management skills and institutional arrangements;
- Lack of scale of economy to leverage lower prices for inputs and bargain for better prices for the produce Agricultural land being allocated to non-agricultural activities.

### 3.3 Provincial agricultural status

Agriculture as a primary sector contributes about 4,4% of the Provincial GVA. However, KwaZulu-Natal produces 30% of the national agricultural output and hence contributes significantly towards creating formal and informal employment. Furthermore, over 30% of the Provincial GVA in the manufacturing sector can be attributed to the "food, beverages and tobacco", and "wood and paper" industries, which are directly related to outputs from the agricultural sector. The primary agricultural sector contributes over 7,5% to the total employment across all Districts. The sub section that follows briefly describe some of the key commodities in the Province

Overall the agricultural sector in KwaZulu-Natal faces several constraints that have resulted in a significant decline in production and job losses. These constraints include inadequate access to funding for infrastructure, land reform processes, increased competition due to international subsidisation, and access to Ingonyama Trust Land for agricultural production. In addition, the dramatic decline in the scientific base within the agricultural sector has led to a position where the Province is under-capacitated to undertake scientific research and the identification of agricultural potential.

## 4. A NEW APPROACH TO AGRICULTURAL DEVELOPMENT

The Province of KwaZulu-Natal is strategic located to use agricultural and agro-processing as a catalyst for the growth and prosperity. The Province of KwaZulu-Natal is well endowed with natural resources and this diversity enables a wide variations in the type of farming and levels of agricultural production, however, there needs to a radical improvement of the mandatory services that are provided by the Department, together with innovative delivery models. The Department aims to:

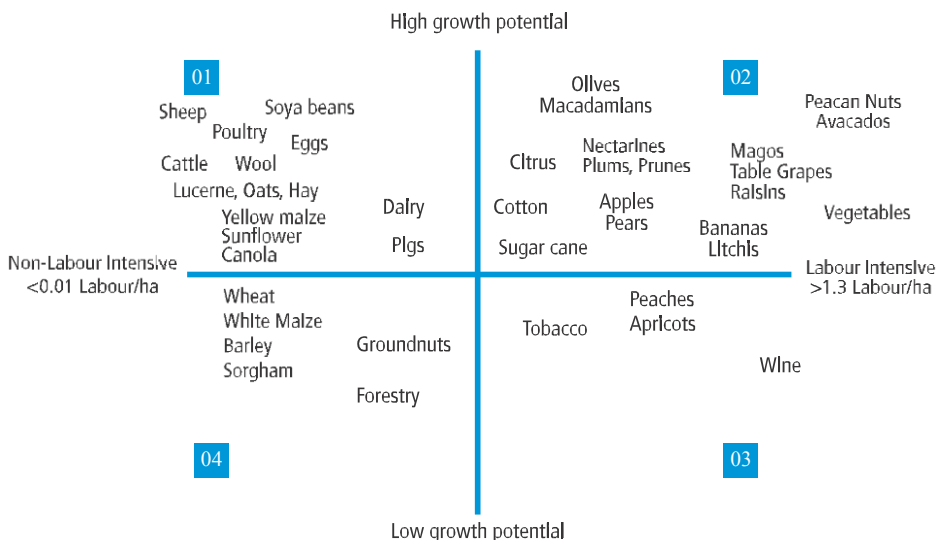
- Encouraging a shift towards more labour-intensive agricultural subsectors;
- Encouraging fuller use of land within commercial farming areas, especially via conservation agriculture / climate smart agriculture and land redistribution;
- Strengthening the smaller stratum of large-scale commercial farms, which account for a disproportionate share of farm jobs, and
- Promoting a better balance between large-scale commercial farms and smallholder farms via land reform and development within the former KwaZulu Administration areas.

## 4.1 Production development possibilities

The Bureau for Food and Agricultural Policy In their 2011 "The South African Agricultural Baseline" highlighted in a graph format different commodities with the commodity's contribution to job creation. The figure is divided into 4 quadrants; 1 being commodities with a high growth potential and a low job creation potential, 2 being commodities with a high growth potential and a high job creation potential, 3 being commodities with a low growth potential and a low job creation potential, and 4 being commodities with a low growth potential and a high job creation potential.

The KZN Executive Council, during the Cabinet Lekgotla of September 2013 resolved to promote poultry, red meat, dairy, dry beans, vegetables, soya beans and potatoes as commodities in group 1 & 2 of Figure 3 below.

### Agricultural growth and employment potential



Source: Bureau for Agricultural Policy, 2011<sup>3</sup>

The National Development Plan, as well as Cabinet resolution of September 2013, has been utilized as a guide to commodities suitable for promotion in the Province of KwaZulu-Natal. The commodities will be verified against the natural resources available, current climatic conditions and economic parameters to find the best match for each area.

The Table below provides a description of how the DARD has aligned policy directives from a National level through the province to the Department.

NDP, MTSE, APAP	PGDP	Branch	Directorate
Expand Irrigation	1.1.c: Expansion of irrigation schemes 1.1.f. Expedite Makhathini	ADS	Engineering Landcare Regions
Grow Commercial Farming (ITB, LRAD)	1.1.a: Support for and Development of Commercial Farmers	ADS Supported by COO	Regions Farmer Development Investments & Catalytic Projects
Public-Private Partnership	1.1.e: Expedite the resolutions of Land Claims	COO	Farmer Development Investments & Catalytic Projects
Pick Sector (Meat, Crops, Horticulture)	1.1.b. Enhancement of agricultural value adding marketing	ADS Supported by COO	Research Farmer Dev.
Support Value Chains	As above	ADS Supported by COO	As above
Link small Farmers to Government	Objective 3.3: Enhance sustainable household food security in KZN 3.3.b. Support to informal economy	ADS	Regions Women, Youth & Coops Food Security
Training Extension	3.3.c: Skills development to support local production	COO	SSS Extension Recovery

## 4.2 Small holder development

The new approach targets smallholder farms within the former homelands. There is scope to increase the size of the smallholder sector in communal areas, and peri-urban commercial farming areas.

There are hundreds of thousands of hectares of under-utilised arable land in the communal area that can be put back into production, especially with concerted support for input access, mechanisation services, technical support, and linkages to local and non-local markets. Smallholders in peri-urban areas are poorly supported at present, but could contribute to local vegetable production in particular. In commercial farming areas, land reform has created few smallholder opportunities to date, but has the potential to do far more.

## 4.3 Partnerships

Both the Department and the private sector (commercial farmers) are convinced that private / public partnerships will be the most effective way of turning the economy of the Province around, in record time. Independent commodity partnership arrangements can be designed to partner in areas of extension support, mentorship, education, and general project implementation.

An example of such a partnership exists in the sugar industry where the Department has a partnership arrangement relating to the provision of extension services, fertilizer distribution and seed cane development for small scale growers on communal land.

The sugar industry partnership with the Department to provide extension services to small-scale growers in 1996 was acknowledged as the best in the world

by the World Bank who evaluated the partnership after the first five years of existence.

This type of model should be resuscitated. Many of the first Joint Venture extension officers are now leaders/managers in the Department.

The OARD has therefore developed a model with the support of the Office of the Premier (OTP) and the Department of Cooperative Government & Traditional Affairs (COGTA) whereby small and emerging non-commercial farmers can enter into a JV with local and foreign investors in the following manner:

a) Small and emerging non-commercial farmers are formed into a Community Business Entity (CBE) which can sign a JV Agreement with the investor in order for them to farm together and share profits.

b) The farmers continue to own their own land and the CBE signs a nominal lease agreement with the Ingonyama Trust.

c) The farmers' lands normally have little or no fencing and very poor soil fertility status and therefore the Department assists them **once off** with fencing, liming, applications of appropriate amounts of P&K, and does basic soil preparation such as ripping / ploughing and disking for the farmers.

d) The investor, after signing a JV agreement which provides for the establishment of a joint operating company, then provides technical expertise, all inputs and carries out farming operations according to the requirements of the markets they have signed agreements with.

e) The joint operating company will employ and train local farmers and community members to be farm managers and farm workers.

f) At the harvesting and sale of crops, the Investor and CBE will share the profits according to the terms of the JV agreement.

g) The ownership of the Operating Company will be negotiated but will initially be in favour of the investor as the funding and technical partner but will swing in favour of the CBE over 5 year increments e.g. 60:40 in the first five years, and then 50:50 in the subsequent years. This will depend on the commodity and time from initiation to first economic produce yields.

h) Ultimately the investor can agree to give all remaining ownership to the CBE as it is fully empowered financially and technically to run the operating company and the investor can remain as a trusted buyer of produce from the operating company.

Against the background of the problems and the views on how to address them the OARD took a decision to promote agricultural development through "partnerships, sound agricultural practices that promote economic growth, Food Security and advancement of rural communities in KwaZulu-Natal" (Vision).

#### 4.4 Operation Phakisa

Three Operation Phakisa's have been completed in the province, one initiated by national government (Ocean) and two by provincial government (Poverty Eradication and Makhathini).

Specific targets have been set by these initiatives that have specific implications for the OARD.

Makhathini has set a number of objectives and outcomes to be achieved. Five strategic interventions have been identified and these include crop production, vegetable production, hydroponic production, agro-processing and agricultural infrastructure development. These will be implemented under the four pillars of the strategy. A specific budget will be allocated to the Makhathini for the implementation of the plan.

**The Poverty Eradication Phakisa emphasises current programmes as contained in the department's new strategy on agrarian Transformation.**

The plan proposes six (6) intervention programmes that if implemented properly will change the agricultural production sector in the province and these are listed below:

- a. Adopt, adapt and fast-track Fetsa-Tlala - Household Food Security
- b. Linking Mechanisation to entrepreneurship
- c. Commercialisation of livestock in communal land
- d. Revitalisation of land reform farms
- e. Promotion of agriculture cooperatives
- f. Agribusiness youth empowerment

These will be implemented making use mainly of the Communal Estates Pillar of the strategy

The Ocean Phakisa aims to develop fisheries and aquaculture. The departments focus would be on the identification species to be used through research as well as development of hatcheries to supply fingerlings to be placed strategically in identified water bodies to be harvested for household use and local markets. Aquaculture Development Zones will be identified and pilot development will be done in partnership with role players in government and the private sector.

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## 5. The Foundations for Agrarian Transformation

The Department of Agriculture and rural Development's new approach to Agrarian Reform, as depicted in the figure below, is built on the foundation of sound scientific research, technology development and enhanced use of extension services. The subsequent layer is the adoption of a commodity approach that will



The next level of reform is based on a sound

allow for the optimal use of resources.

business model that will support the development and running of the "farming business". To penetrate the value chain an agro-processing building block is also advocated to ensure that value is added to primary agricultural production for best value in the market place and to improve shelf life.



Figure 4:  
DARD approach to agrarian transformation



For the Agrarian Transformation Strategy to be effective, the KZN DARD would need to ensure

that the "building blocks" are in place, and are

effective in supporting the implementation of the various programmes that are captured in section 6. These building blocks are as follows:

### **5.1 Scientific research, technology development, and extension**

Agriculture is a natural science based on well-defined theories and biological processes. The production systems of agriculture are based on science that is effected by the environment where the production takes place. The natural resources dictate the potential of production and this is again affected by the climate and topography in which the resources are found. Agricultural production is thus directly influenced by the natural resources and climate, making it difficult to correctly predict what the yields will be as there are so many factors influencing it.

Research and technology development play a very important role to be able to establish new technologies in this ever-changing environment. New technologies and theories need to be tested to establish the probability of achieving the predicted results and to form the basis for scientific founded extension.

The extension services need to be on top of the latest tested technologies to enable them to provide the correct advice for a specific resource environment. The extension staff need to take the technology and translate it into an understandable message for the farmers so that they are able to incorporate the latest technologies in their farming practices.

The extension service staff have been skilled through the "Extension Recovery Programme in the latest IT technology. This will be enhanced by agricultural technical training specifically aimed at commodities relevant to the extension area of

the agricultural advisors. It will be commodity based focussed on the whole value chain, but

with the emphasis on primary production.

The Agricultural advisors will in turn train the farmers on the latest technology in the specific commodity. This will be done in partnership with scientific organisations such as Universities in KZN, Agricultural Research Council etc. and Commodity Organisations.

### **5.2. Agricultural Economics and Marketing**

One of the major threats to South Africa agricultural sector is that it continues to be a net importer of most agricultural products especially agro-processed products and food preparations. This presents a threat to national food security and necessitates an efficient marketing system of agricultural products in order to ensure sustainability and that local demand is met from available resources.

The sector needs to collaborate to enhance economic services and market opportunities for development and growth of agriculture. The focus points among other things are to create market linkages, compliance to product safety and quality standards for market access, establishment of strategic marketing infrastructure, marketing skills development, and market intelligence.

### **5.3. Engineering Services**

For the Sector to realise its full potential, agricultural infrastructure is essential and this requires engineering services. To achieve this, the agricultural sector needs to ensure engineering skills development to improve provision of services such as irrigation systems, agricultural roads, farm buildings, and natural resource conservation services.

## 5.4. Veterinary Services

It is essential to promote the development of animal health, production and welfare to ensure human health by controlling zoonotic diseases. In order to provide quality and safe animal products for the local and international markets, the Sector shall put measures to prevent, control and/or eradicate animal diseases.

## 5.5 A commodity approach

The Agricultural Policy Action Plan (APAP) has a guide on the various commodities that should be focused on in KwaZulu-Natal and the Department shall be guided by it and the following factors when choosing specific commodities for specific areas:

- **Bio-resource Information of each district:** The BRU's provide information on soils, vegetation, climate condition (rainfall, frost sunshine hours), topography as well as potential yields of crops and livestock that could be considered for production.

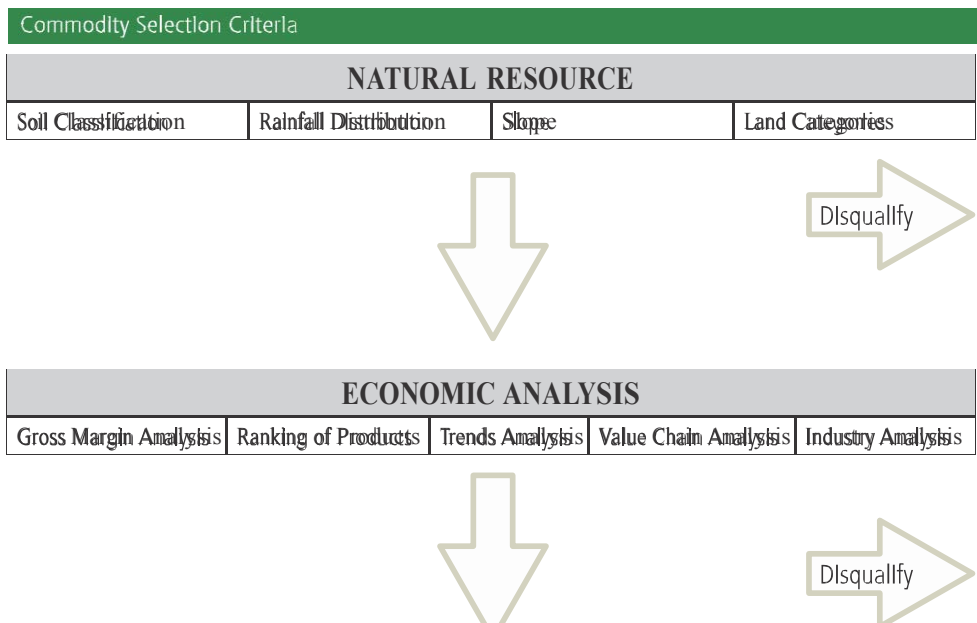
- **Transportation cost:** The distance between production site and markets should be reasonable to avoid extremely transport cost.

- **Market:** The research on the availability of markets and demand for that particular commodity to be undertaken prior to implementation phase.

- **Social conflicts:** The proper consultation to be done with all relevant stakeholders including traditional leaders prior to implementation of this approach.

- **Infrastructure availability:** Roads, rail, irrigation etc. plays an important role.

The commodity based approach is also aimed at improving production of commodities for import substitution and to increase exports. The following schematic explanation of criteria will be used to determine the commodities that are suitable in the area as indicated below:



MARKET ANALYSIS		
Identify Existing Markets	Identify Potential Markets	Analyse Market Requirements



## PRODUCTION PLAN



SUPPORT SYSTEMS			
Infrastructure	Institutional Arrangements, Business Ownership Models	Extension, training and Capacity Building	Research, Technology and Development

The DARD has through its Bio-resource Units (BRU) programme identified a range of commodities that will be suitable for production in each BRU. The commodities include:

DISTRICT MUNICIPALITIES	CROPS	LIVESTOCK
Umkhanyele	Sugarcane Pineapples Cashews Timber - Eucalyptus Vegetables Sorghum Cotton Sweet potatoes Pastures: coastcross and Panicum maximum, Cenchrus	Game Beef Goats Aquaculture (tilapia)

<b>DISTRICT MUNICIPALITIES</b>	<b>CROPS</b>	<b>LIVESTOCK</b>
Uthungulu	Sugarcane, Macadamias Timber – Pine, wattle and gum Avocadoes, Citrus, Maize Vegetables, Tea Pastures: coastcross, kikuyu (highlands)	Beef Goats
Zululand	Sugarcane Timber – Pine, wattle and gum Maize, Soyabeans, Vegetables Tomatoes, Pastures: Eragrostis, kikuyu	Game Beef Goats Dairy
Ilembe	Sugarcane Timber – wattle and gum Maize, Bananas, Mangoes, Litchis, Chillies Paprika, Coffee, Vegetables Pastures: coastcross	Beef Goats
eThekweni	Vegetables, Sugarcane Timber: gum Hydroponics (veg & flowers)	Horses Dairy
Ugu	Sugarcane, Timber: gum Macadamias, Mangoes, Litchis, Chillies, Maize, Amadumbe, Bananas, Coffee, Tea	Crocodiles Beef Goats
Amajuba	Maize, Soyabeans, Drybeans, Vegetables, Macadamias Pastures: Eragrostis, kikuyu, ryegrass	Beef Sheep Dairy
Umgungundlovu	Maize, Sugarcane, Soyabeans, Avocadoes, Citrus Timber – Pine, wattle and gum Pastures: Eragrostis, kikuyu, ryegrass Potatoes, Vegetables (Tala/Muden) Peaches, Berries	Beef Sheep Dairy Goats Horses
Uthukela	Maize, Soyabeans, Wheat, Chicory, Vegetables, Pecans Potatoes Timber – Pine and gum Pastures: Eragrostis, kikuyu, ryegrass, lucerne	Beef Sheep Dairy Trout Game
Harry Gwala	Maize, Sugarcane, Soyabeans, Drybeans, Berries, Vegetables Nuts: hazelnuts Potatoes Timber – Pine, wattle and gum Pastures: Eragrostis, kikuyu, ryegrass	Beef Sheep Dairy Trout Game

DISTRICT MUNICIPALITIES	CROPS	LIVESTOCK
Umzimvathi	Sugarcane, Maize, Soyabeans, Chicory, Vegetables Pecans, Kiwi fruit, Avocadoes, Potatoes Timber – Pine, wattle and gum Pastures: Eragrostis, kikuyu, ryegrass	Beef Sheep Dairy Game

The list of adapted commodities gives an overview of what is possible in a broad area. The next step in the process will be ground-thruthing to establish specific areas where the commodities will be successful, thereafter the economic analysis, market analysis and production plans with appropriate infrastructure needs to be planned.

### 5.6 A new business model for agricultural development

Agriculture in its basic form is a business where the farmer buys inputs, uses these inputs with her/his skills, knowledge and abilities to produce a product that he/she then sells to a market place. Due a lack in some of these skills, knowledge and abilities including other very important issues such as availability of finances and decision models farming is falling in the rural areas.

The lack of success in the rural areas can thus be attributed to such factors as the lack of adapted business models and principles for commercial agricultural production. This is further exacerbated by the fact that farm employee duties are not clearly defined, resulting in the lack of accountability.

Farmers lack farming skills to utilize the existing land to its fullest capacity. This has led to incorrect land usage that has caused vast farm areas to experience soil erosion, thus significantly reducing yields and profitability.

Many farmers do not keep basic accounting and farming records of farm operations. This makes it very difficult for farmers to apply for funding to expand or improve farm operations through investment. This further leads to farmers not

being able to afford to pay for services to successfully operate a commercial agricultural business (electricity, water, maintenance of irrigation etc.), due to financial constraints.

The demise of the marketing boards presented a major marketing problem for farmers in general and this is just another problem for small and emergent farmers who already struggle with market access. This is another de-motivator for farmers to improve operations.

It is thus incumbent on the DARD to come up with a model that could be applied to suite a variety of different situations of ownership, management skills, knowledge and vision to assist the farmers to enter into the commercial agriculture arena.

The model thus proposes that farmers are encouraged to consolidate their areas of production into one composite area, which will provide for a sustainable profitable farming business. The group of farmers will form a managing business entity for their farming enterprise on the composite farming area. It may be agreed that the farmers can lease their land to the farming business entity to ensure a regular income.

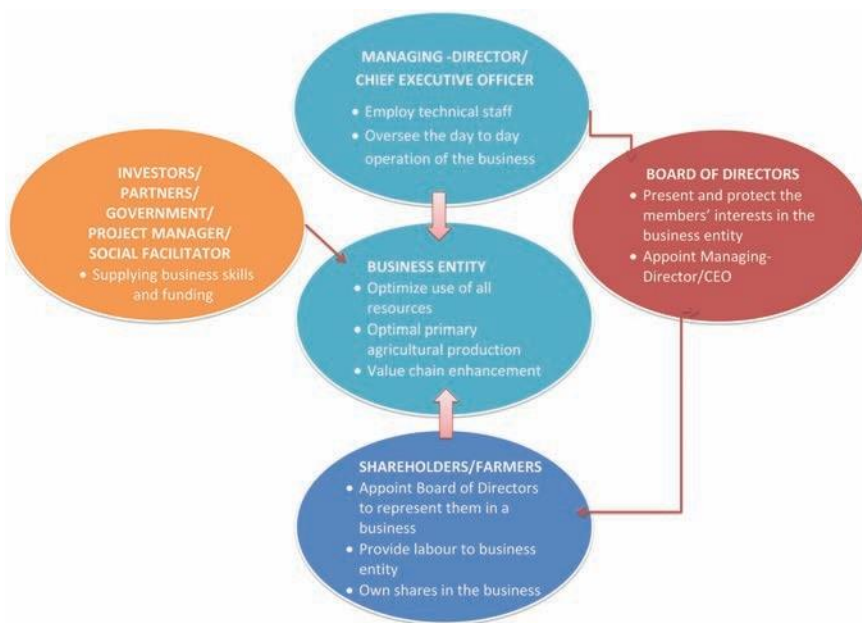
To ensure food security for the households, the farmers need to establish what portion of the farming land will be held outside the business

entity for food security, this should be physically separate from the rest of the land. Considering the size of a project, the model suggests a business entity with or without subsidiaries be formed, in order to run the business as a whole and the subsidiaries where applicable.

The farmers (shareholders) will initialise the process and appoint a Board of Directors to represent their interest in the business entity. The Board of Directors will appoint a Chief Executive Officer (CEO) / Managing Director to run the

Business entity on a commercial basis, which is in line with the principles of the King Reports on Corporate Governance. The mandate of the CEO will be to optimise the use of the agricultural, financial and human resources, for optimal profit on behalf of the shareholders. Agricultural production knowledge and returns are of utmost importance.

The following is a schematic representation of the institutional arrangement of the business entity:



## 5.7 Agro-processing

Agro-processing is perceived to be the process of converging primary agricultural products into other commodities and products for the market. The FAO commonly and traditionally defines the agro-processing industry as the subset of manufacturing that processes raw materials and intermediate products derived from the agricultural sector (FAO, 1997).

Small and medium scale producers experience financial problems due to amongst other things, lack of economies of scale leading to the inability to leverage both in input costs as well as produce marketing. Any possible competitive advantage of farm produce to enter the market place successfully are not used or exploited.



Three business models have been identified in a study done by University of Pretoria for the DEDTEA, these are:

- **Forward/vertical integration model (Farmers):** The farmer positions the farming business to perform the distribution/retail functions within the distribution channel. The farmer, however, tries to cut out the "middle man" in the value chain. This model is not directly associated with agro-processing, however with the goal in mind of farmers to cut out the middle man;
- **Backward integration model (Agro-processors):** The Agro processing companies engage farmers and assist them to form producer groups with each group having a lead farmer. Contracts are signed on price, volume and quality of produce to be supplied;
- **Inclusive value chain development model:** The agro-input company conducts assessment to identify the major challenges of the smallholder farmer in adopting improved production technologies, access to agro - inputs and factors that account for application of agro - inputs. It designs value chain intervention from production

The focus will be placed on the consolidation of production in areas where packaging could be done as a group together that will be technical and financially viable. A further activity will be the manufacturing of produce into products with a longer shelf life. Another focus will be the creation of economic opportunities in the downstream value chain.

### 5.7.1 Principles

The following principles will be used:

- Reduction in the movement of raw products from rural areas to urban areas for processing and subsequent return to rural areas;

- Government cannot do everything itself - it must partner with commodity associations, commercial farmers, the private sector and investors in order to support agricultural SMME's;
- Adopt a push strategy whereby Government "pushes" production support and the funding of catalytic projects for each commodity with a potential for agro-processing;
- Government pools its resources with sister Departments to support Agri-Villages, Joint Value Adding Centres (JVAC), CRDP Sites, and uses Calls for Proposals (CFP) to the Private Sector to co-fund investments into infrastructure;
- Government uses its influence to open regional and international markets for commodities in order that additional produce is "soaked up" by these new markets;
- DARD "pulls" in or attracts private sector agro-processing investment through incentives and innovative funding schemes aimed at unlocking the private sector's ability to identify opportunities to promote the goals of Government i.e. BBBEE, Job Creation and Poverty Eradication;
- Opportunities are judged by the commodities targeted, their geographical location and their return of investment in terms of government expenditure and incentives i.e. how many Rands will be unlocked with Government spending a Rand;
- Opportunities need to be created where BBBEE can take place in such a way that the business will not take a dip in profitability - create situation for success.

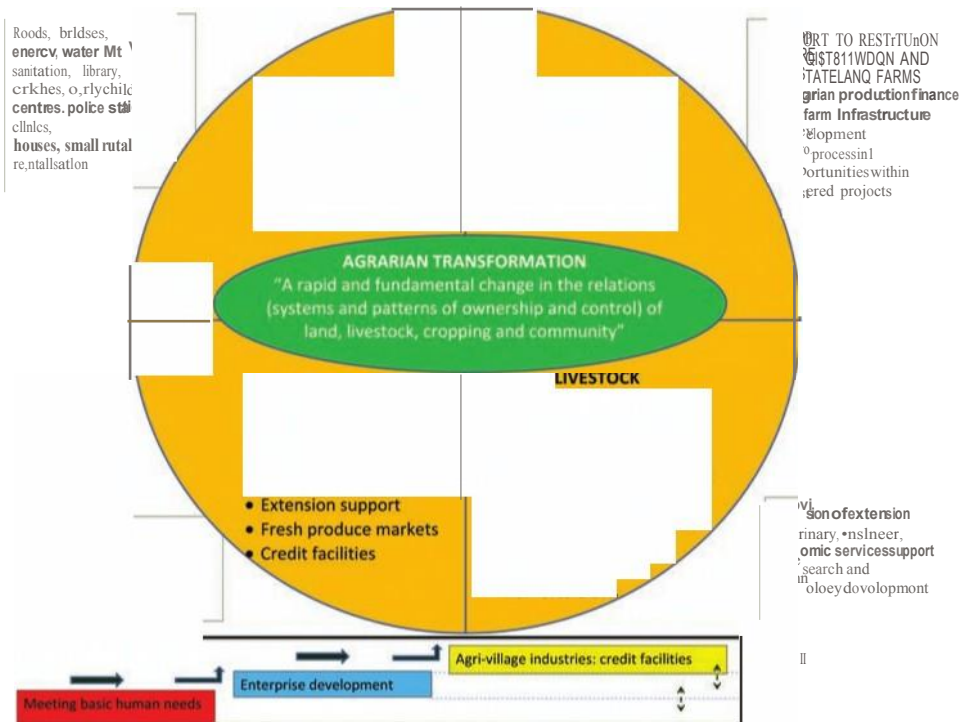




## 6. AGRARIAN TRANSFORMATION PROGRAMMES

The Agrarian Transformation programme is based on several interventions ranging from the provision of basic services and social amenities for rural communities, food security support, interventions in crop and livestock production, to support for a sustainable land reform programme. In terms of the provision of services, DARD will play a co-ordination with the Province to ensure that gains in agricultural development are accompanied by access to schools, health, transport infrastructure, housing and social amenities from sector departments.

This strategy is focused on the provision of agricultural support to a range of clients in the sector, from households on communal land to new entrant black commercial farmers and claimants who have accessed land through the land reform programme.



## 6.1 Land Reform Support Programme

The reform of an unequal distribution of land along racial division was one of the greatest challenges facing South Africa in the transition to democracy in 1994. Popular expectations were high that the new democratic government would affect fundamental changes to address the historic dispossession of land. The twenty years of implementation of the Land Reform Programme has seen several changes in strategy, the creation of numerous instruments to support redistribution, and more recently, a Recapitalisation and Development Programme to support production on farms.

However, land reform has not gone the way it was initially proposed and many newly settled black farmers happened to be worse off after acquiring access to land. Various reasons can be linked to this failure but it essentially due to the lack of a seamless alignment of both pre and post-settlement support services from government and the agricultural sector. These challenges remain, despite the proactive initiative of the Provincial Government in establishing the Agribusiness Development Agency (ADA) to co-ordinate pre and post transfer activities in partnership with commodities and other role players.

The land reform programme can however, become a significant contributor to poverty eradication, economic growth and job creation in the Province. This is dependent on the alignment of an effective pre-and-post transfer support programme in which government, commodity organisations, financial institutions and organized agriculture play their respective roles in providing an "envelop" of support services to new entrant black commercial farmers. It will also require the application of sound business practices to maximize production and explore opportunities in the agricultural value chain.

### 6.1.1 Status of land reform in the Province

The State has invested substantially in commercial enterprises, and as a result the overall impact that land reform could have on the commercial sector is significant. The points below indicate the investments that have been made to date in the Province.

- **Redistribution** investment in land on commercial projects since 1994 is over R2,8 billion resulting in the transfer of 549, 401 hectares. R561 million has been spent under Recapitalization and development fund as at 30 April 2015.

- **Restitution investment (land award, financial compensation and discretionary grant)** since 1994 amounts over R9 billion.

- **15, 237 claims have been settled, resulting in the awarding of 798, 000 hectares of land benefitting over to 49, 000 households.** As at 31 March 2015, the Restitution of Land Claims Commission (RLCC) in KwaZulu-Natal has 2059 land claims yet to be settled.

- **Re-opening of lodgement process:** As at 30 April 2015, the RLCC in KwaZulu-Natal received 7, 410 new land claims. From August to October 2015, the RLCC in KwaZulu-Natal will bring the lodgement process closer to the people through the mobile lodgement office.

- **Comprehensive Agricultural Support Programme** committed R1 035 791 million since the inception of the Programme in 2004/5.

It is widely accepted that investment on a commercial farm is at a ratio of two rand for enterprise development to every rand on land acquisition. Despite the funding made available through the Recapitalization and Development Programme and the Comprehensive Agricultural Support Programme, there is still limited funding to support to new entrant black commercial farmers.

The Agribusiness Development Agency is a section 9 institution established in 2009 to provide a comprehensive post settlement support programme for land reform. ADA reports to the Department of Agriculture, Environmental and Rural

However, it is becoming increasingly evident that in terms of financial support, a grant based funding support model for commercial production is not sustainable.

### **Summary of challenges encountered by new entrant black farmers**

There are a number of problems on farms transferred under land reform in addition to the general economic risks of, and constraints on commercial farming. The two key groups of problems are:

- Inappropriate financing and funding models to enable entrant farmers to overcome the barriers to entry.
- The length of time from start to completion of the project cycle, which results in poorly timed capital inflows, freezes farm operations and results in investment and operational declines. This creates disincentives to invest and conserve in agricultural land by owners affected by claims and group structures with unclear rules and no differentiation between users and management results in conditions of "free riders", consequently before and post transfer there is a high degree of risk of asset stripping, neglect and consequent drop in productivity.
- The institutional arrangements for commercial farming enterprises on farms transferred to groups have come under increasing criticism. It is argued that communal property associations (CPAs) and land reform trusts are inappropriate legal vehicles for business operations. Separation of landholding from business entity - no appropriate models to guide the process. This is also partly a symptom of collective decision-making processes for daily operational requirements and the distribution of benefits, which are complex requirements that remain largely unsupported by the state and/or other agencies.

The result of the imbalance is that land reform is starting to have several unintended consequences. These could relate to a decline in production on commercial farms due to the lack of a comprehensive support programme for emergent farmers on commercial farms. In addition, successful black farmers are located at the primary production level, rather than accessing opportunities in the value chain.

The above challenges indicated a lack of co-ordination amongst state institutions, especially in the provision of financial support. There seems to be a focus on transfer activities, rather than aligning pre-transfer activities to ensure sustained production on farms.

### **6.1.2 A new approach to support land reform in KwaZulu-Natal**

The Department of Agriculture and Rural Development has identified the opportunities presented by the land reform programme to contribute to the strategic objectives of food security, job creation, and inclusive growth. For this reason, a dedicated programme has been developed to support land reform in the Province. The key elements of the programme are as follows:

#### **6.1.2.1 Support to land acquisition**

One of the key factors identified in the failure of commercial land reform projects is the lack of joint pre-transfer activities that are essential to ensure a seamless transfer process, and support systems are in place for the new entrant commercial farmers. The land acquisition strategy will be based on the following approach:

- The land acquisition strategy will be guided by the prioritised commodities as reflected in the National Development Plan, Agricultural Policy Action Plan (APAP) and the Provincial Growth and Development Strategy / Plan.

These commodities have been identified as labour intensive and having significant growth opportunities will be targeted for acquisition and support.

- The District Land Committees, supported by a Provincial Technical Committee will formulate an acquisition strategy for each district. In formulating the district acquisition plan, the District Land Committees will take into account the dominant commodities in district, land acquired/ transferred to date, and gazetted restitutions claims.

- Whilst restitution is rights based, the District Land Committees with the support of the Provincial Technical Committee will guide the strategic prioritisation of claims to be settled in order to unlock the agricultural potential for the area.

- The settlement/ business models for restitution projects will be developed upfront with the respective commodities, and will ensure that

there is a separation of the land holding and business entities. All projects will have a clear beneficiation plan to ensure that all claimants benefit from the restituted land.

- The assessment of the farm/s to be acquired and the development of the business plans and post transfer models will be finalised and supported by the District Land and Agricultural and Provincial Technical Committee, prior to submission to the National Land Acquisition Committee for the approval of a project.

- Farmer selection will be done in conjunction with the appropriate commodity organisations at a District level. The DARD will proactively work with commodity organisations and agricultural colleges to develop a pool of skilled farmers, specifically targeting the rural youth.

- Farmer induction, training and capacity building programmes will be initiative in the pre- transfer phase, again in partnership with commodities and organised agriculture.

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## Improved project design

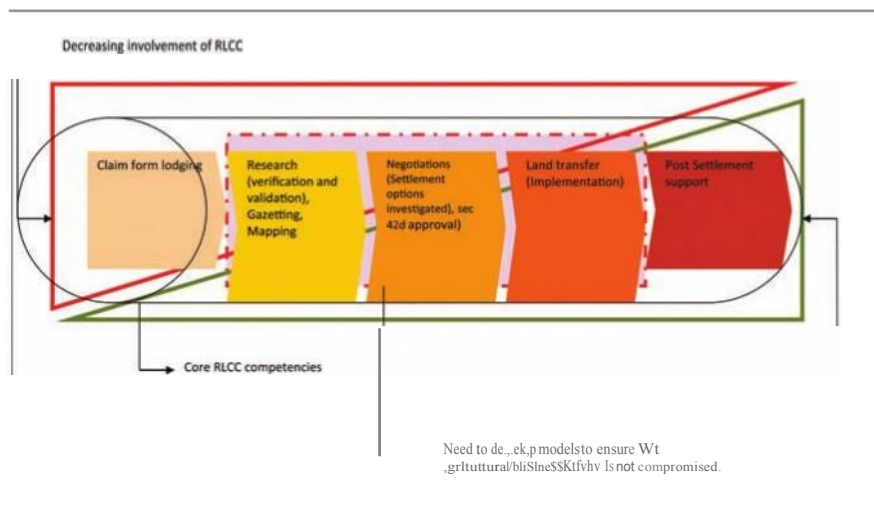
One of the key factors identified in the failure of commercial land reform projects is poor project design. If project design is not improved and then DARD and ADA only becomes involved in a project once land transfer has taken place, then it will constantly have to take over 'problematic projects'. It was important that DARD and ADA be involved in the design and packaging in a proactive manner. The benefits of this will include the following:

- It will reduce the number of failed projects and the need for urgent interventions.

- It will improve the returns on investment by the State in these projects, overall food security and the impact of the redistribution of resources.

A new project methodology for commercial projects have been developed to ensure that DARD and ADA are involved from the outset of the projects; in training and capacity building, project design and implementation support.

## Improved project design



**Figure X. Project design for restitution**

### 6.1.2.2 Recapitalisation strategy

The lack of timely support to new entrant commercial farmers has resulted in many farms (land reform and state land) not producing at their optimal levels. The DRDLR, DARD and financial institutions have acted independently in providing financial support to farmers. This has resulted in duplications and the expected impact not being realised, despite the substantial financial support from National Treasury.

According to government agricultural development finance policy critics and key role players in the sector, "there is presently no comprehensive development finance and implementation policy framework in place between DAFF, DRDLR and Development Finance Institutions. The National Treasury, DRDLR, DAFF and Land Bank has developed an Integrated Agricultural Finance Policy which is based on the following principles:

- A unified agricultural development finance and implementation policy through the proposed funding model which will seek to satisfy the following goals; maximizing impact of current and future budget and resources, better coordinated approach for efficient and effective service delivery by DAFF, DRDLR, the re-alignment of existing programmes.
- Coordinated plans to shift away from 100% grant financial support to a balance between loans and grants that enhances the outcomes and efficiencies for commercial production on land reform, stateland and projects on communal land.
- A grant system that is focused on productive infrastructure in areas that lack this infrastructure. Areas that should be considered for grants could be items such as; insurance subsidies, silos and irrigation infrastructure to name a few.

- Make financial services accessible to a large segment of the potentially productive population which otherwise would have little or no access.

- Promote synergy and mainstream the key institutions mentioned in document into national financial system.

- Promote and support linkage programmes between all relevant value chain institutions

### **Key principles of recapitalisation**

The following principles will be considered in the implementation of:

- Funding for market production would be based on bankable business plans, and a combination of loans and grants;
- Farmer must be fulltime and commit to training and skills development(proxy farmers are excluded);
- Farmers must demonstrate capacity to implement the plan, expertise and capacity for self-management, JV's, mentorship, co-management etc.;
- The business model must demonstrate separation of the land holding from the business entity;
- The restitution or large LRAD- project must demonstrate of beneficiation models to ensure that all participants to do benefit from the intervention;
- Participating projects must be SARS compliance.

## **6.2 Inclusive Agri-Village Programme**

The concept of an agricultural village will form the basis for planning of settlement areas

for agricultural development. The principles discussed below should provide some guidelines to take the process forward but these must be seen as guidelines and should thus be adapted for each situation and according to the needs of the specific community.

An Agri-Village in this context suggests the development of a new settlement, or converting an existing nucleus settlement for the purpose of settling rural dwellers in a concentrated settlement pattern where:

- the layout and densities are such that a rural lifestyle can be maintained;
- land tenure can be secured;
- households can still produce food for own and possible market consumption;
- access to basic services and essential social amenities can be provided;
- economy of scale will facilitate improved access and public transport; and
- over time it could develop into a fully-fledged small town.

The Agri-Village concept is that of creating a strong, unified and self-sufficient agricultural community. Its basic building blocks must work together in harmony, namely:

- Motivated Individuals
- Productive Families
- Thriving Communities
- = Supportive Government
- Institutional and Technical Support

In an Agri-Village the individual small farmer always has technical support, families have access to schools, clinics and social activities, and the Village enjoys sustainable growth.



Provincial and Local Government obtains the benefit of local economic development (LED) where once poverty predominated.

### **Institutional Arrangements**

The households and small farmers all need to be structured into an arrangement that is suited to the specific environment of the community of Amadunge. This arrangement needs to address issues such as:

- Basic norms, rules and regulations of everyday living
- The rights and obligations of individuals and families
- Code of conduct and disciplinary system
- Family cooperation and shareholding of joint resources and enterprises
- Rights of inheritance of land and community ownership
- Various regulations controlling :
  - Possible retirement from the Agri-Village
  - Family bankruptcy
  - Community control over joint enterprises
  - Distribution of income from jointly owned enterprises
  - Sharing of profits and co-bearing of losses
  - Expenditure of community funds
  - Communications between the "institution" and community regarding their acts, decisions, and other matters as agreed upon.

### **Public Services**

These services could include:

- Primary schools and a secondary technical agricultural high school
- A clinic with a mobile clinic service and ambulance
- A church for religious services
- Cultural and activities centre with sports facilities and classrooms for adult education

- A commercial centre where community members would be trained and encouraged to offer various services e.g. farm store, grocery, cooperative bank or savings society, restaurant, open air cinema etc.
- Small industrial incubator "garages" lockable slide doors and electricity
- Postal Services
- Taxi or bus rank
- Garbage collection

These services provided should be done in a cost effective manner

### **Economic Activities**

- The economic drivers of the area should direct what should be initiated. These should be based on the available natural resources of the area

### **Management**

- The institutional arrangement as agreed should include a management system that will be self-sustainable without outside intervention under normal circumstances.

### **6.3 River Valley Catalytic Programme**

The United Nations defines comprehensive River Basin Development Programme Management (RBDPM) as "a planned, complex, continuous and interdisciplinary process which is controlled on a systems analysis basis." It considers both land and water resources and development and how they interrelate, the goal being optimal development of resources. The RBDPM offers a framework for integrating water planning and management with environmental, social and economic development. Potentially it should support integration between planning, construction and operational management as well as between policies, program(s) and project(s); between national, Provincial and local; and between sectors and departments.

Infrastructure development is seen as one of the key drivers or enablers of rural development and it is therefore critical that expenditure on infrastructure, more specifically economic infrastructure, is aligned with the objectives of the New Growth Path (Department of Economic Development, 2010), PGDP and National Development Plan (National Planning Commission, 2011). These include the targets for growth, employment, the reduction of poverty and redressing high rates of inequality. These targets should form the criteria to determine how resources are allocated across and within economic infrastructure sectors (DBSA, State of SA's Economic Infrastructure report, 2012).

Effective development planning initiatives need to be integrated on several dimensions such as across sectors, space, spheres of responsibility, levels of government and timeframes. Therefore, it is not only improved planning within economic infrastructure sectors, but also integrated planning across sectors that will yield more effective outcomes.

The Department of Agriculture and Rural Development has adopted the River Valley Catalytic Programme as a methodology to develop rural areas. These principles as elaborated on in the next few paragraphs can also be part of and used in the development of the Agricultural Communal Estate.

The River Valley Catalytic programme is intending to create a platform for integrated planning and development. The river catchment is used as a basis for the development of the rural area. It encompasses a range of projects including irrigation schemes, economic infrastructure, improved market access, social infrastructure and skill development among other. It is meant to:

- Promote integrated, optimal development of natural resources, agriculture, infrastructure, social services, economic development; job creation; skills development; food security; etc.'
- Re-greening the environment and integrate environmental dimensions with other aspects of planning and management.
- Integrate land and water management.
- Focus natural resource benefits for regional development and serve as a regional planning and management strategy.'
- Attract development into a river valley area and to promote sustainable rural development.

Through this programme specific river valleys are identified where there is a potential for irrigation development. Downstream and upstream activities in the value chain are identified that will enhance the development of the area to become economically and environmentally sustainable with the aim to achieve rural development, food security and poverty reduction and to contribute to local economic growth and GDP increase.



The figure above taken from Google Earth is an example of RVCP. The river running through the valley provides the source for possible irrigation with the lands next to the river possible areas for irrigation development. There is a road that gives access that may need upgrading to provide for services to be delivered and the settlement indicates the community that can become partners and participants in a sustainable development.

The RVCP is operationalized through a process starting with the identification of areas along the rivers of KZN where irrigation is possible. This is then followed by profiling of the community in the area identified in KZN. With the profile of the area done, which is the natural resources and current infrastructure in the area, the community will be profiled to establish the status quo of the human resource development, skills, capacities and vision.

The third step in the process will be a status quo report on the spatial analysis followed by the planning stages. The planning will start with the creation of a community organisation that will be closely involved in the development. A mobilisation plan will be developed to capacitate the community to achieve the goals of the development.

With the community capacitated an agricultural development plan will be developed to achieve the potential of the resources of the area. Lastly an infrastructure plan and implementation plan will be developed to support the development of the area.

#### **6.4 Inclusive Agricultural Communal Estate**

The DARD's previous focus had been on food security at a subsistence level. This focus has not led to enhance the development of the agricultural sector and assisted to boost the sector's contribution to the GDP of the province and the country. It is therefore imperative for the DARD to radically change the approach to agricultural development. The DARD has thus decided to take a new path using an approach that has worked in the commercial agriculture, farming as a business for profit that is sustainable. The approach for this is the agricultural communal estate.

## The purpose of the agricultural communal estate approach is:

- To propose a radical shift from sub-optimal farming yields and returns to a business where yields and profit is optimised and development takes place;

- To create a sustainable profitable farming business;

- To unlock the economic and agricultural potential in communal areas to stimulate growth in the agricultural sector and create much needed employment, through primary production and agro-processing activities;

- To create an economically viable business for the farmers to fully participate in the domestic and export markets; and

- To promote integrated, optimal development and use of natural resources, agriculture, infrastructure, social services, economic development, job creation, skills development, food security, etc.

The development of a communal estate starts with the farmers where the focus will be placed on getting all farmers to agree to the process. This process is assisted by a project manager and a social facilitator.

The agricultural communal estates will be developed using a three phased approach:

### PHASE 1: AGRICULTURAL PROFILING

### PHASE 2: INTRODUCTION OF THE COMMODITY DRIVEN MODEL

### PHASE 3: BUSINESS ENTERPRISE MODELLING



#### Phase 1: Agricultural Profiling

Community facilitation is an integral part of the development of an Agricultural Communal Estates and will be an overarching activity throughout the development and initial stages of operation until the estate can run on its own without outside support.

#### 6.4.1 Natural Resource Analysis

Every District, based on the representative bio resource units, has its own particular climate, soil types and topography which determine its agricultural potential. All agricultural crops and livestock are adapted to a particular set of climate, soil, vegetation and topographical conditions. Matching the requirements of the various crops and livestock to the specific bio-resources of Districts, clearly show where some niche crops can be grown in KwaZulu-Natal.

The following are factors to be considered in finalising the agriculture profile for each district:

- Identification of suitable land for farming
- Topography/ slope of the land
- Soil classification and soil analysis
- Climatic conditions (rainfall distribution, occurrence of frost)
- Vegetation
- Predominant rivers/dams and irrigation potential)

## **6.4.2 Economic Analysis**

A variety of potential commodities can be proposed based on natural resources. An economic analysis will be done to determine the financial viability and economic sustainability of the commodity. The following will be taken into consideration to determine the financial viability and economic sustainability of those identified agricultural commodities:

- Gross Margins/economic analysis
- Ranking of product
- Trends analysis
- Value chain analysis

## **6.4.3 Market Analysis**

The market research will include the determination of the demand for the commodity and possible demand increase possibilities as well as the time volume and quality of supply for each recommended commodity. The market research will comprise the following excises:

- Industry analysis
- Identify existing Market
- Identify potential new market
- Analyse Market requirement (demand and supply)
- Value chain analyse

## **Phase 2: Introduction of the Commodity-Driven Model**

The second phase is based on the commodity approach. During this phase the commodity approach model is applied to identify with the farmers the commodities with the highest advantage from a resource use and financial benefit. The identification is followed by the development of commodity plans inclusive of all supportive infrastructure.

## **Phase 3: Business Enterprise Modelling**

The third phase is based on the business model. During this phase a business model will be developed that will suite the specific commodities and the farmers / shareholders to the farming entity.

## **7. FUNDING MODEL**

The DARD has realised the importance of support to enable farmers to be successful without creating dependence by farmers on government. The DARD has developed a funding model in support of the strategy aimed at three different levels of production and is comprised of the following packages:

- House hold production package
- Community Investment package
- Commercialisation package

The above packages will be aligned to the funding instruments of all spheres of government, in particular DRDLR & DAFF. This alignment will ensure that there is no double dipping from governments' funds.

### **7.1 House Hold Production Package**

This package is aimed at people who have no access to sufficient, safe, nutritious food to maintain active life. In order to reduce

poverty, hunger and food insecurity among poor communities, a culture to produce for own consumption need to be promoted.

The food security package will include, amongst others things:

- Indigenous chickens
- Laying Hens
- Vegetable Production Tunnel
- Indigenous Goats
- Vegetable gardens for communities
- Value adding initiatives
  
- Mechanisation services for grains only (1 to 5 ha ploughing and planting for max 2 years). The following principles will be applied:
  - Geographical areas cluster-grouping of production areas to make it sustainable
  - Focus on identified crop lands
  - Develop SMME's for mechanization
  - Capacity building & Training
  - Graduate to communal estate

The DARD will provide 100% finance support for household production.

### **7.1.1 Qualifying Criteria For House Hold Production Support**

- Interventions to be informed by OSS activities and profiled households and DARD application forms and proactive interventions
- Cropping land less than 5 ha (dry land) per household
- Suitability of land based on soil type, fertility and climate

### **7.1.2 Exit Strategy**

The DARD will provide agricultural training to all food security beneficiaries with the aim to graduate them to the next level of food production. The key principle of the food security support is to promote self-sufficiency and decrease dependency on government.

## **7.2 Community Investment Package**

The DARD will provide 100% financial support for community investments. Where possible the EPWP principles will be applied.

The projects covered under community investment are as follows:

- Infrastructure (Dip tanks, grazing camps, livestock dams, bulk water supply to large areas and bore-holes)
- Primary animal health (internal & external parasites)
- Rabies control (Vaccination and pet sterilisation)
- Diagnostic service
- Stock identification (branding and tattooing)
- LandCare (alien weeds control, donga reclamation)

### **7.2.1 Criteria For Community Investment Package**

- This package is aimed at benefiting the community as a whole and fulfilling government legislative mandates.

• **Proactive intervention:** The DARD will proactively identify areas that need intervention (e.g. Vaccination campaigns, dip tanks rehabilitation, areas infested with alien weeds and bulk water supply for irrigation).

• **Request from communities:** The DARD will consider requests for agricultural assistance from communities (e.g. Building of new dip tanks, fencing of grazing camps, processing facilities, dams scooping, boreholes, bulk infrastructure for community irrigation schemes).

• The DARD will conduct a thorough need assessment before approving any intervention.

• Business plan will be required for grant funding.



- The extent and timeframe of assistance is explained in the relevant policy chapter.

### 7.3 Commercialisation Package

- This package is aimed at farmers/farmer groups that are intending to produce for marketing on a commercial scale and will be supported through a combination of grant funding from the DARD and a loan from a financial institution.
- Grant funding is limited to 50% based on a viable Business Plan. The remaining 50% may comprise own funding or a loan from one of the financial institutions or an investor that wishes to partner with the project. (Aligned to the National Integrated funding model, to be finalised).
- Each case will be evaluated based on criteria of agricultural technology and economic feasibility.
- Land acquisitions are not included and land cannot be part of own contribution.
- In cases where the grant is not sufficient to enable a loan, the accounting officer on the recommendation of the provincial project approval committee may consider awarding higher grants as indicated in the table below.

#### 7.3.1 Criteria for Commercialisation Package

- The project to be funded must show returns on investment (+NPV and IRR2Repo Rate).
- Financial assistance will be subject to submission of a business plan to the DARD.
- The DARD will conduct comprehensive assessment on the proposal based on technical and economic viability and prepare a comprehensive business plan.

- The plan needs to be based on sound business principles
- The business plan will be forwarded to DARD steering committee for consideration.

- The joint steering committee (DARD and financial institutions) will approve or disapprove the project.
- Once approved, the DARD will disperse 50% grant funding and financial institutions and or investors 50% loan/equity.
- Equity by a partner will be part of the 50%

### 8. APPROACH TO SKILLS DEVELOPMENT

A key element of the strategy is to ensure that the new programmes are supported by the skills development initiatives that will ensure continuous skills development transfer to farmers. There are two elements to the approach:

8.1 Skills development and capacity building of new entrant commercial farmers will be done in partnership with various training institutions and commodity organisations. A good example of this intervention is the current partnership between the Agribusiness Development Agency and the Shukela Training Centre (STC) in Mount Edgecombe. The STC provide training to land reform and small holder farms, providing on farm practical training to both farmers and farm workers. A similar partnership exists with the Baynesfield Training Centre.

8.2 The DARD will be formalising partnerships with Academic Institutions in KwaZulu-Natal to develop support for young black students to pursue studies in key areas of the agricultural sector. Post graduate development programmes will be established to encourage both current practitioner in agriculture and undergraduates to further develop their skills.



8.3 The long term success of the strategy is dependent on encouraging and enticing youth to study agriculture by supporting Agricultural schools with required infrastructure for practicals and experimental learning. This will be done by providing Revitalization grants to the existing Agricultural Schools and conducting career exhibitions to schools with agricultural science as the subject. The two Agricultural Colleges will give preference to Matriculants from the existing agricultural schools as a matter of principle.

## 9. INSTITUTIONAL ARRANGEMENTS FOR IMPLEMENTATION

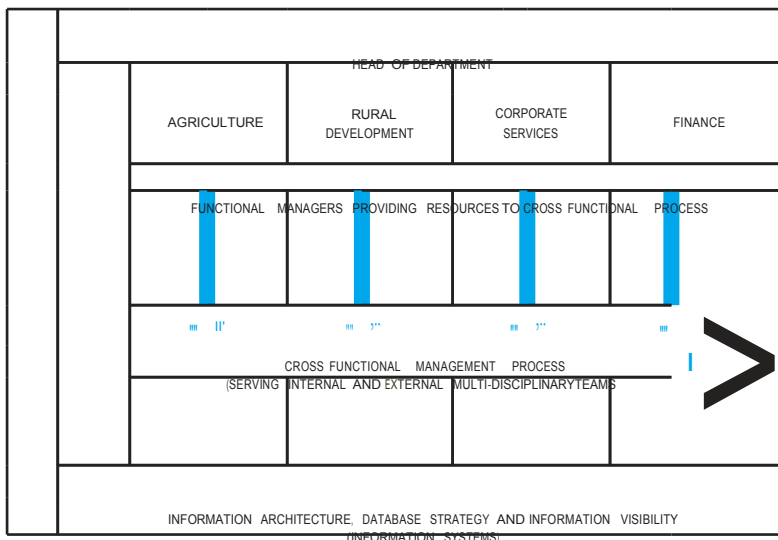
### 9.1 Introduction

In order to ensure smooth and seamless implementation of a radical transformation of farmer support packages and policies, a cross functional process will be used. This process uses a multi-disciplinary team approach to ensure that there is coordination and accountability during the implementation stage. The roles and responsibilities of various levels of implementation are clearly defined from the word level to the programme office situated at the head office.

### 9.2 Rationale

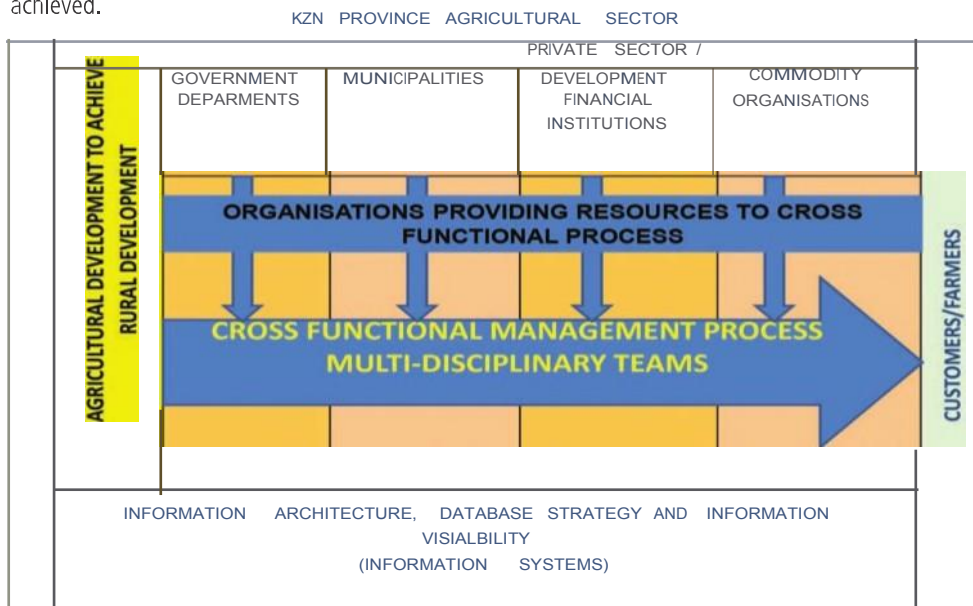
- The DARD is structured along functional lines, where each unit operates independent of other units with its own line of responsibility and delivers directly to its own customers.
- The DARD is responsible for giving advice to farmers, funding and implementing projects.
- In reality there are activities that cut across functional lines and components need one another to deliver a complete output.
- By using a pure functional structure service delivery is compromised as there is no coordinating mechanism to ensure integration amongst DARD components.
- Across functional process is needed to force integration amongst components in work together to deliver programmes and projects to internal and external customers.
- At the heart of this approach are multi-disciplinary teams that operate in a coordinated manner across the functional boundaries intra and inter institutions.

### 9.3 Schematic Representation



The above figure provides for a schematic presentation of the proposed cross functional processes within the DARD. All branches and sections within branches shall work together in achieving the goals of the DARD. The District as the delivery arm of the DARD will be supported so that the goals of the DARD can be achieved.

The following figures provides for a schematic presentation of the cross functional process that should be followed to achieve the rural development of the department, PGDP, APAP, MTSF and NDP. Multi-functional teams across the three spheres of government and private sector with commodity organisations must work together in a seamless approach if rural development is to be achieved.



The DARD has a specific role to play in the development of farmers and farmer groups in KZN. The DARD has staff spread through the department from a ward level through local municipalities to District Municipalities. These different levels need to be structured in such a way to address service delivery and to enable integrated agrarian transformation leading towards rural development.

## 9.4 Ward

The extension Officer based in the ward is responsible for the following:

- Provide advise/ technical advice to a farmer;
- Provide training to farmer/ farmer organization;
- Identify need/ project/ request from a farmer and respond accordingly;
- Forwarding farmer's request to local office for consideration by local steering committee;
- Provide after-care service to project implemented by DARD.

## 9.5 Local Steering Committee (LSC)

### 9.5.1 Composition

The local steering committee is base at Local Office. This committee is composed by the following:

- Local Manager: Chair
- Project admin Officer
- Extension Officers
- Specialist (when required)
- Farmer representatives
- Local Municipalities
- Affected government departments and Agencies

### 9.5.2 Responsibilities

The local steering committee has the following responsibilities:

- Distribute application forms to farmers
- Receive requests from farmers, ward, district, extension officers, organization, regions etc.
- Register projects in the local data base
- Evaluate applications from the farmers
- Make recommendations to the district which will include:
- Training
- Mentorship
- Resource Assessment

- Pre-feasibility study
- Business plan (Project proposal)

## 9.5.3 District Steering Committee (DSG)/ District Rural Committee

### 9.5.4 Composition

The district steering committee is base at district. This committee is composed of the following and not limited to:

- District Manager: Co-chair
- District Rural Development Representative: Co-chair
- Project admin officers
- Local Managers
- Engineer
- Commodity specialist
- Social facilitator
- Municipalities
- Provincial & National departments & Agencies
- Commodity Organisations
- External Stakeholders

### 9.5.5 Responsibilities

The District steering committee has the following responsibilities:

- Consider application forms from all spheres of government.
- Allocate team to do project assessment and feasibility study.
- Facilitate creation of Rural Development Plans.
- Identifying focus areas for rural development intervention.
- Allocate a team to compile a business plan with cash flow, design etc.
- Evaluation of business plan in line with agreed criteria, policies, packages.
- Make recommendations to Provincial steering committee.
- Facilitate implementation of all programmes and projects.

- Project packaging in line with available policies.
- Drafting of service level agreement between the DARD and suppliers and monitor compliance.
- Design the implementation strategy.
- Oversee & manage implementation of projects and programmes.

## **9.6 Programme Office/ Project Office**

### **9.6.1 Composition**

- Programme / Project Manager
- Project Managers/ Senior Project Managers
- Admin Support
- Data Capturers

### **9.6.2 Responsibilities**

- Facilitate implementation of all programmes and projects
- Managing database of projects / programmes
- Monitoring and Evaluation of departmental programmes
- Repository of all project / programme information
- Prepare documentation for the Provincial Steering Committee
- Secretariat for Provincial Steering Committee
- Compile reports from database on project / programme status
- Project packaging in line with available policies
- Coordination of stakeholders
- Monitoring the expenditure
- Develop norms and standards for projects and programmes
- Facilitate amendment and evaluation of existing policies
- Coordinate all departmental programmes and projects
- Facilitate agreements between DARD, DFI, Farmers and /or Investors

## **9.7 Provincial Steering Committee (PSC)**

### **9.7.1 Composition**

The Committee is composed of the following:

- SGM Agriculture/ Chief Portfolio Officer (Chairperson)
- GM's for Engineering, Research, Extension & Advisory
- Representatives from Commodity Organisations
- Financial Institutions
- GM: SCM
- Agric Managers
- Agriculture Development Agency
- Rural Development
- Scientific Organizations

### **9.7.2 Responsibilities**

The duties of Provincial Steering Committee (PSC) are as follows:

- Adjudication on the business plan.
- Business case consideration from various stake holders on projects of strategic importance.
- Approve or disapprove business plan based on the farmers support package and departmental policies.
- Decision shall be implemented by the members within their functional area of responsibilities.
- Act as a coordinating structure on implementation to ensure integration amongst the components.
- No project / programme will be implemented without being approved by the Provincial Steering committee.

## 9.8 The Processes Flow



## 9.9 Financing of approved programmes and projects

The DARD will only be funding household support and community investment packages through the normal government Supply Chain Management processes.

The commercialisation package will be financed through a number of partnerships with commodity organisations and Development Financing Institutions such as Land Bank, Ithala, etc that have a proven history of sound financial management, and have the appropriate systems for the management and disbursement of funds in the agricultural sector. The DARD will formalise these arrangements in MoU, and Agency Agreements that will facilitate the transfer of funds for multiple projects that are approved by the Provincial Projects Approvals Committee.

Funds will be allocated to the latter projects by the Provincial Projects Approval Committee. The DARD will make the full amount of the budget to develop the projects available for the first two

years of the project, as per approved business plan. The funds will be transferred in tranches to the DFI or a Commodity Agricultural Financial Entity to disburse funding. DARD officials in partnerships with commodity specialists will be responsible for the implementation of the project.

A Steering Committee will be appointed with representatives from commodity groups, DFI and DARD (per District) to manage the process.

The project owners will be responsible with their project manager to implement the projects and report to the Steering committee at District level. Tranches will be made available on recommendation of the steering committee to the DFI. The Steering Committee will take responsibility to monitor and evaluate implementation according to the chart chart developed by the project owners and approved by the Steering Committee.

Once the project is a sustainable business and profits are being realised, the project owner will pay back 50% of the project budget to the

DFI. The payment period will vary from project to based of a financial year of the business. These contractual obligations will be formalised at the inception of the project, and a Tripartite Agreement entered into between DARD, the DFI and the project owner.

These funds received will then be used to finance the 50% part of new projects. The DFI's will sign an agreement with the DARD on the management of the funds and the administrative fees applicable as well as interest earned on funds held before tranches are drawn by projects.

## 10. ALIGNMENT WITH RURAL DEVELOPMENT FUNCTION

The DARD has been given the mandate for rural development as mandate, by the KZN Premier, with the MEC for Agriculture and Rural Development as the KZN representative on the MINMEC for Rural Development on a National level.

The DARD has been mandated with the function of coordination of all rural interventions in KZN. The DARD must deliver on rural development to ensure a radical change to the rural communities of KZN.

The DARD through the programmes / pillars of delivery will deliver Rural Development in a cooperative governance model where line function departments work together to deliver a seamless service to rural communities that will go beyond DARD function to develop all services to ensure an increase in the rural economy and a closure between the first and second economy.

## 11. CONCLUSION

The DARD has taken large strides over the last number of months to develop a new strategy to change agriculture in KZN in line with the mandates from both National and Province. The implementation of this strategy with the agricultural development policies of the DARD will enable growth and development in the sector as a whole and create jobs.

## FORMAL APPROVAL:

This strategy is approved for implementation with effect from 01 April 2015 and replaces all other strategies on agriculture before this date.

Ms GJ Majola


Acting HOD

Date:

Mr. VC Xaba.....

Honourable MEC.

Date:











## agriculture & rural development

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