



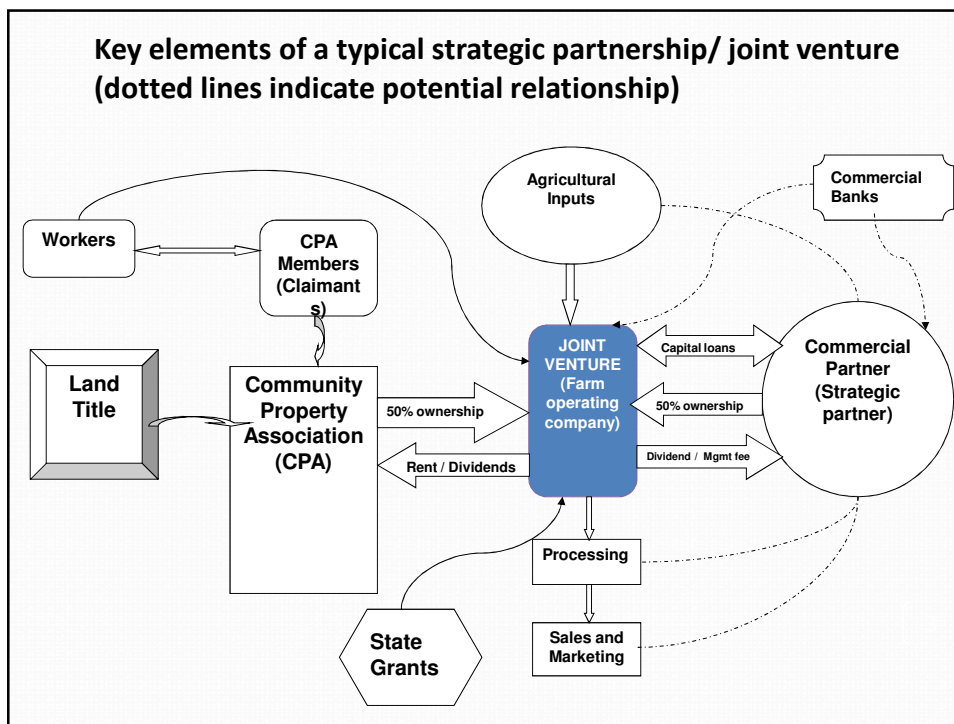
Inclusive Business Models in the Agricultural Sector: Case Studies from South Africa's Limpopo Province

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Strategic Partnerships in South Africa's land reform

- Since 1994, restoration of land to historical owners (claimants, post-1913)
- In Limpopo, this includes large areas of high-quality land (irrigated, commercially developed)
- Claimants are large, tribally-based communities, organised in new Communal Property Associations
- Some early projects collapsed soon after return of land to claimants
- SA government then resolved to impose 'commercial' arrangements involving partnerships with private sector ('strategic partners')
- Partners provide investment, strategic management and market know-how for up to 20 years: lease, shareholders' agreement.
- State funds the land purchase and provides start-up funding to communities
- Range of benefit sharing envisaged

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Strategic Partnerships as a form of Inclusive Business Model
(based on Vermeulen and Cotula, 2010)

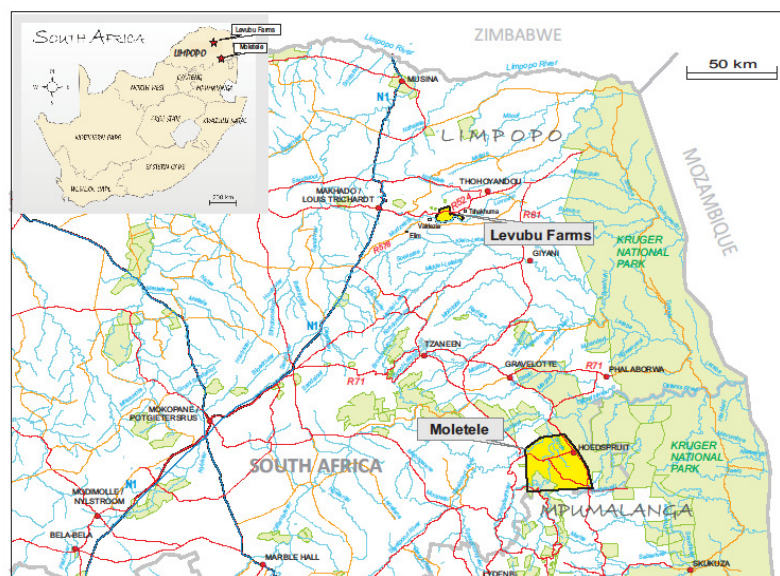
Criteria	South African Joint Ventures
Ownership	Community owns all land and a share of the business; may or may not own a share of processing facilities.. Community does not resettle on the land.
Voice	Community has equal representation at board level, but day-to-day decision making rests exclusively with the SP; responsibility for overcoming asymmetries effectively lies with the SP.
Risk	Direct financial risk lies largely with the SP and with the state as providers of grants. Community is exposed to opportunity costs in terms of time, land use and use of grants. Collapse of an enterprise likely to leave communities with degraded assets and internal tensions. State stands to lose financial investment and reputation if projects fail. Existing workers at risk of job losses or replacement with community members.
Reward	On paper, communities are well provided for, in terms of land rentals, a share of profits and training opportunities. SPs would benefit from share of profits, management fees and exclusive control of upstream and downstream opportunities.

Two Area Studies

- **Levubu:** sub-tropical, high rainfall, large scale irrigation from Albasini Dam; stone fruits, banana, macadamia, pecan, avocado, citrus, forestry
- **Moletete:** semi-arid, large-scale irrigation from Blyde River Dam; citrus, mango, horticulture, cattle, sugar cane

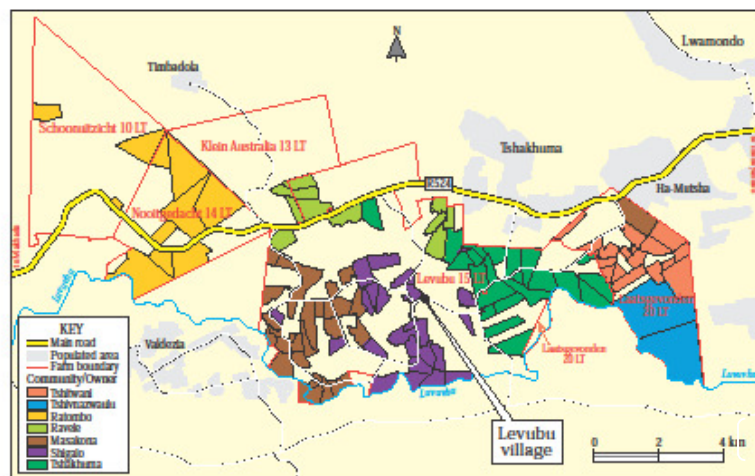
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Location of the Study Sites



Settled Land Claims at Levubu

Name of Community	Size of Land Restored (ha)	Number of Households	Total value of Claim (Rand million)
Ravele	344	324	52.5
Tshakhuma	861	144	65.5
Ratombo	1,330	52	44.2
Shigalo	715	120	45
Tshivazwaulu	651	57	4.5
Masakona	860	148	60.5
Tshitwani	621	78	36.9



Joint Ventures at Levubu

- 2 communities (Ratombo and Shigalo) formed partnerships with Mavu Management Services, and later with Umlimi Holdings
- 5 communities partnered with South African Farm Management (SAFM), to 2008
- Uniform model: complex joint ventures with substantial investment by the state

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Key Findings from Levubu

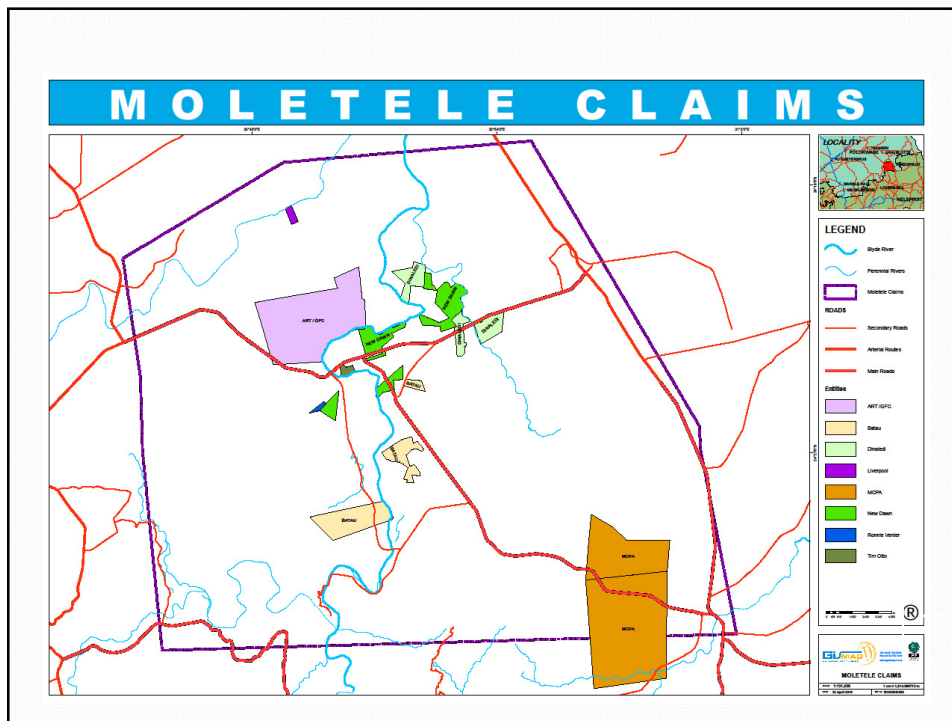
- Private partners unable or unwilling to provide necessary working capital
- Slow release of grants by the state agencies
- Few benefits to communities (rent, dividends, employment, training)
- Severe decline in employment, output, quality of farm infrastructure and orchards
- Lack of capacity of state agencies to monitor/enforce agreements or to intervene effectively when needed
- Heavily indebted, with loss of credit-worthiness
- Farms now struggling to break even with low productivity, with more direct control by communities
- New management contract at Ravele

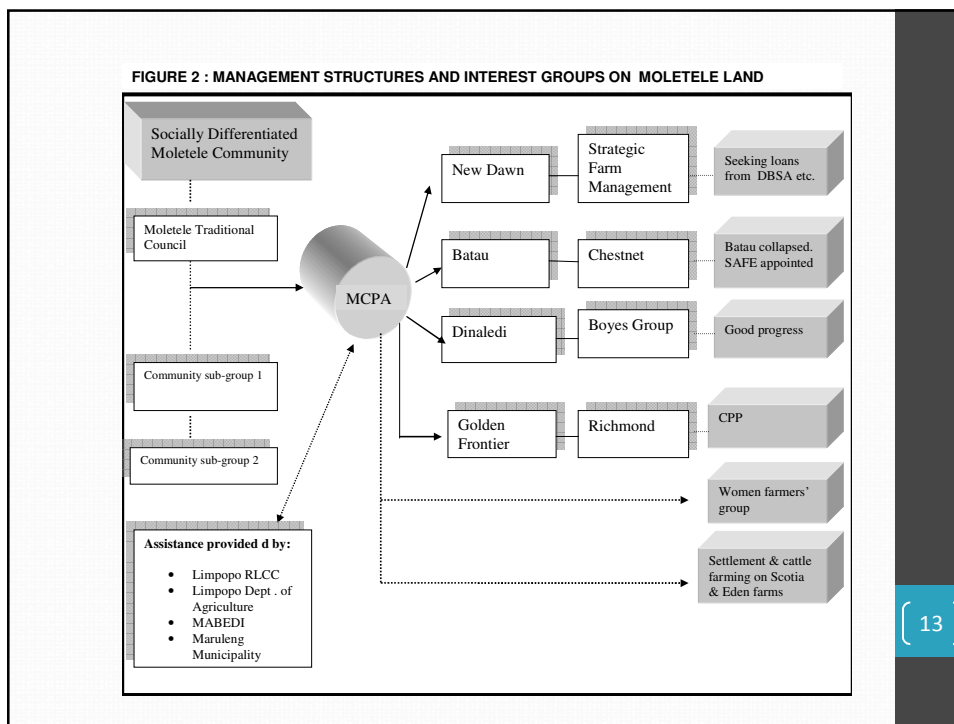
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Moletete Land Claim



- One tribal community
- 72,000 ha under claim
- 1,650 households
- 7,142ha (10%) restored 2006-2009
- 42 portions of land, in 4 (near) contiguous blocks (see map)
- Land purchase price (to date) = R183.2 million (US\$26.5 million)
- Separate partnerships (joint ventures) for each block
- Partnerships originally with former owners, later with agri-business companies





Main agricultural land use for the four partnerships on Moletele CPA land (hectares)

Entity	Agricultural Land Use to date							Sub-leases		Total
	Citrus	Mango	Litchi	Guava	Papaya	Grazing	Type			
	Current						Planned			
New Dawn	140	246	-	7	3	326	Citrus	249	79	1,050
Batau / Bono Safe	72	62	5	-	-	669	-	-	13	821
Dinaledi	320	-	-	-	-	-	Citrus	310	116	746
Richmond	515	70	-	-	-	-	Sugar cane	240	-	825
Total	1,047	378	5	7	3	995		799	209	3,443

Key Findings from Moletele

- Phase of horizontal integration, followed by more vertical integration
- Initial strategic partnerships (joint ventures) did not materialise, or partners withdrew
- Promised state grants largely not paid over (unlike Levubu)
- Shift towards 'Community-Private Partnerships' – effectively rental agreements, with some added benefits for communities
- CPP does not require a joint venture company or investment from the community
- All commercial operations remain in the control of the partners, including access to finance
- Large 'arms-lengths' commercial partners appear to be more reliable business partners, including social responsibility
- Less ambitious ventures; but more limited (but more secure?) benefits for communities

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Conclusions

- Original model of strategic partnership was overly ambitious and unrealistic; did not make commercial sense
- Poor selection of commercial partners
- State and communities exposed to unacceptable losses
- State lacks capacity to plan, implement and monitor commercial projects
- No input from independent experts – legal, business, financial
- Economic benefits have not yet reached ordinary community members
- As a socio-political project, land reform has not succeeded
- Community associations lack capacity and democratic culture
- Land and employment needs of claimants remain unmet
- Loss of goodwill from commercial farmers and wider business sector

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Recommendations

- Handover of highly developed farms directly to communities or untested partners should be avoided
- Less complex (and less risky) models required: e.g. leasing, management contracts
- Potential (time-bound) role for the state in holding/managing land to preserve valuable assets and ensure continuity of production
- Differentiated strategies required to ensure a flow of benefits to community members in the short, medium and long terms
- Land reform demands **direct access** to land for small-scale farming, housing, SMEs etc., alongside larger commercial ventures (indirect benefits)
- Strengthening of state capacity urgently required
- Greater external input / supervision required