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Financing emerging black farmers for agricultural development in South Africa: A wasteful and unworkable model for creating black farmers

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The purpose of this article is to investigate the effectiveness of the model used by the South African government to finance emerging black farmers for agricultural development and empowerment. It is widely acknowledged that the South African government spends a vast amount of money attempting to help black community members become commercial farmers. In this article, I argue that those who currently qualify for the funding are mostly farmers with little experience, expertise or interest in agricultural farming. The huge investment spent on such farmers ends up being lost in failed agricultural projects, and the government has not succeeded in finding better alternatives to empower emerging black farmers. Such activities benefit neither the government nor the black farmers intended to be assisted in various areas of the country. The black South African farmers remain agriculturally underdeveloped, while the government on the other hand loses a huge amount of money financing unsuccessful agricultural projects, which potentially threatens future food security. This article is conceptual in nature and uses literature to argue that the financing of emerging black farmers can only succeed if emerging black farmers are financed on basis of experience or ability and interest in farming and that such funding does not exclude potential public and private sector motivated employees who want to access such funding to pursue agricultural farming.

Introduction

Access to agricultural finance is a known problem in sub-Saharan Africa (International Finance Corporation 2013), which significantly compromises Africans' ability to sustain themselves economically through agricultural projects. Statistically, it is argued that one in four Africans are malnourished (Opportunity International n.d.:2), which demonstrates a lower level of African participation in food security measures. South African agricultural development is known for its history of discrimination based on both gender and race (Hart & Aliber 2012; Kloppers & Pienaar 2014), which skewed the patterns of land ownership and individual contribution to the economy through agriculture. The South African government did indeed introduce beneficial land reform programmes to change the status quo in order to ensure that agriculture makes a meaningful contribution to the economy without racial and gender bias. However, there seem to be chronic problems, as the land reforms seem unable to address the failings of agricultural development to benefit black South African farmers (Cousins 2002:1). To date the Department of Rural Development and Land Reform (2016:4) argues that the 'South African agricultural economy is shrinking and has not delivered according to expectation in terms of economic growth, rural development, job creation, equity and transformation'.

Nel and Davies (1999) also note that agricultural contribution towards the gross domestic product (GDP) today stands at 5% as compared to its contribution in the 1930s, which used to be around 20%. However, the decline is not a uniquely South African problem; even the USA experienced an agricultural GDP contribution of 4.8% in 2004 that declined to 1% in 2008 (Quarterly Bulletin 2010:2). In this dilemma, predominantly black South African farmers contribute only less than 1% as commercial farmers. Hall (2007:1) reports that in 2007, primary agriculture contributed just under 3% towards the GDP of South Africa. Despite its limited GDP contribution, agriculture contributes to 10% of the country's formal employment record (Department of National Treasury 2014:147–148). For improvement of the current status of South African agricultural development, the need arises for the government to introduce land reform that targets improving the capacity and potential for black farmers to contribute to agricultural development and the economy. Access to land and financial support emerge high on the priority list for developing black farmers. However, that is an aspect that the government of South Africa consciously ignores and concentrates on political allocation of land against economic and empowerment realities facing South African agriculture.

Programmes such as Land Redistribution for Agricultural Development (LRAD) and Proactive Land Acquisition Strategy (PLAS) exist, as well as various government financing opportunities. While all these exist, black farmers remain undeveloped and are characterised by failing agricultural projects, which emanate from a general lack of financial and logistical support to South African farmers (Aliber & Maluleke 2010; Hart & Aliber 2012). A critical question raised in this article is the following: How effective are the models used for financing emerging black farmers for agricultural development? In addressing this question the article will focus on the status and role of emerging black farmers in agriculture, financing for agricultural farming in South Africa, the models for promoting emerging farmers for agricultural development in South Africa, the effectiveness of the models and finding solutions as well as an alternative model for financing emerging black farmers in South Africa.

The status and role of emerging black farmers in agriculture

South African agriculture has a two-sided nature, which includes a well-developed commercial sector comprised of 46 000 commercial farmers and 86% of productive agricultural land (Sebola & Tsheola 2014) and small-scale black farming communities occupying only 14% of unproductive farmland (Ortman 2005; Tsheola & Sebola 2014). South African land reform policies such as LRAD were mandated to transfer 30% of land ownership to black South Africans by 2014 (Antwi & Nxumalo 2013; Greenberg 2003; Ministry for Agriculture and Land Affairs n.d.:1). Pringle (2013), however, disputes the 86%:14% land ownership ratio between white South Africans and black South Africans, arguing that it is purely based on hectares rather than on agricultural potential (Sebola & Tsheola 2014). In spite of all these political and ideological contestations between the black South Africans and white South Africans, agricultural farming in South Africa was and still is dominated by the white community, which has centuries of experience of surviving on commercial farming, with the role of the black community limited to being that of labour surplus and unsuccessful subsistence farmers. Cousins (2002:2) added that their role was more of '[*s*]ub-subsistence activities and urban dependence'. Although white South African farmers have experienced dramatic political and economic changes since 1994 (Hall 2011:2–3) with regard to their legacy as prominent agricultural farming role players in South Africa, critics maintain that they remain advantaged against their fellow black counterparts, hence the continuous talk of the need for economic and political transformation to empower black farmers to play an active role in agriculture. The role of black farmers compared to white farmers continues to be an open question in the new South Africa as current affairs remain unchanged, in which the government has relatively failed to upgrade the status of black farmers compared to commercial white farmers, who remain successful without the help of a black government in power. The reasons for the unchanged situation, although known, are being dealt with at a much slower pace to accommodate the economic realities of productive land use in South Africa. The government operates at an economically conscious pace to safeguard any threat to food security and devaluation of productive use of agricultural land.

The role of the government in providing and supporting black farmers with financing, research and development and extension services, however, remains extremely weak to say the least (Greenberg 2013:2). Black South African farmers, like all those in the region, suffer 'from lack of financial intermediation, enterprise developmental services and social services'. It is argued that if given the necessary support, black farmers would be likely to succeed and potentially contribute to the success of agriculture and the economy in South Africa. However, it is also notable that most literature on this matter has overly concentrated on the injustice regarding the ignored role of black farmers in the South African agricultural sector, without making a greater effort to look at the readiness of black farmers in that role. Groenewald (2004) suggested that selecting beneficiaries for the agricultural development role would require that they be 'agriculturists with experience and knowledge of farming; be of similar background and have some capital of their own'. A similar view is held by Sebola and Tsheola (2014), who argue that 'land allocation for beneficiaries for agricultural development should take into consideration the business interests of the individual' so as to minimise the likelihood of failing agricultural projects. Although not subscribing to the notion that such beneficiaries should have their own capital, one would argue that those who previously struggled in an attempt to set up an agricultural project that failed because of lack of resources should be given preference for government financial support. Such individuals should have shown the seriousness of having pursued an agricultural project that failed because of lack of financial resources. The difficulties faced by black farmers in the agriculture business are exacerbated when they are given loans by the government and financial banks rather than grant funding. Nevertheless, Black, Conradie and Gerwel (2014) indicate that South Africa has '200 000 commercially orientated small holder farmers and 2.5 million households involved in agriculture primarily for subsistence purposes', which is potentially a good sign of agricultural development.

Financing emerging black farmers for agricultural farming in South Africa

Without an effective funding model for agricultural development, emerging black farmers are not likely to successfully play a role in South Africa's agricultural development. The financing of agricultural farming in South Africa cannot be dissociated from the ambitious land reform the country created to achieve equitable land ownership.

While the country has succeeded somewhat in transferring land to the targeted beneficiaries for agriculture, little achievement has been recorded in transferred land owned by black farmers. Typically, the government and its citizens have been more concerned about balancing ownership of land on a racial basis than achieving productive use of the land already in the hands of black farmers. Numerous cases exist in which beneficiaries have not used the land bought for them productively as expected by the government (Vink, Van Rooyen & Karaan 2012) and have instead collapsed the productive economic activities on the farms concerned. Manenzhe, Zwane and Van Niekerk (2016) noted that 73% of restituted farms have become unproductive shortly after being owned by black farmers, which could be a result of inexperienced farming, in which instance it becomes imperative that mentors be appointed to assist them (Zwane, Van Niekerk & Groenewald 2014) to use land productively for agricultural purposes.

There are few approaches that the government has used to finance the buying of land for emerging black farmers that have included access to both loans and grant funding. The Land Grant was put into operation in 1995 in the earliest years of South Africa's democracy. The Land Grant operated through the Settlement Land Acquisition Grant (SLAG). Through this grant the government provided a grant of R15 000 per beneficiary household to buy land that would be registered as a property, with up to 500 families registered as beneficiaries (Lyne, Zille & Graham 2000). This kind of financing does not seem to have improved the status quo in agricultural problems faced by black South Africans. Overcrowded decisions and lack of cooperation among beneficiaries themselves led to the downfall of such projects, causing beneficiaries to flee from the project. Hall (2007:124) notes the decline in land utilisation in the period 1995–2003 in the country, which signalled a failing objective by the government in achieving agricultural empowerment for black farmers.

In 2004, the Comprehensive Agricultural Support Programme (CASP) was also introduced for emerging farmers. Like its predecessor, it was negatively reviewed as its implementation was affected by bureaucratic procurement problems, inadequate support to beneficiaries as well as officials failing to implement the programme in line with the land reform (Hall 2007:127). While grant funding has problems, the government often continues to improve grants to suit the current situation in order to benefit potential emerging black farmers. What is troubling about the feasibility of achieving the dream of an emerging black farmer is putting a loan tag on a previously disadvantaged individual with no assets and security (unemployed black South Africans) and on the other hand discriminating against a particular category of potential farmers who could improve agricultural development in South Africa (white South Africans and working black South Africans). It is argued that if employed public and private sector individuals were to qualify for a grant fund they could use their salaries to help with expenses, a resource that unemployed potential black farmers, who have been the preferred candidates, lack. Indeed, one area that is confusing about agricultural funding models in South Africa is how contradictory the criteria are for the requirements to access either a grant or loan funding for agricultural purposes.

Models for promoting emerging farmers for agricultural development in South Africa

Typically, models for funding emerging black farmers in South Africa are known to be categorised into two types: loan funding and grant funding. A major problem in both funding models has been the failure of South African policymakers to look into the effectiveness of the models in the sense that from the start the models have targeted the wrong beneficiaries. By design both models are contradictory with regard to their goals in achieving the intended agricultural development through emerging black farmers. Both government funding support models have ignored the potential role to be played by an employed black farmer, a farmer running an agricultural business while also employed full-time in another organisation. Such black farmers do not qualify for grant funding from government, while on the other hand loan funding from commercial banks is dominated by white-aligned business, making it impossible for black farmers to secure loans. These black farmers are failing on their own without government support, while spending their own money to finance expensive agricultural projects. Their contribution to helping the government reduce unemployment is hardly recognised. They are not beneficiaries of either of the two models. The conditions for awarding funds in the two models are discussed next.

Loan funding

Access to credit funding is a common problem for emerging farmers in Africa (Onumah & Meinjerink 2011; International Finance Corporation 2013), which is a limitation that minimises their contribution to the agricultural economy. They experience this limitation at the point of starting the business as well as running the business after the first harvest. Such a situation causes potential farmers not only to lose potential income but also to resort to unregulated money lenders, who take advantage of them through exorbitant interest rates (Opportunity International n.d.:2–3). In South Africa loan funding for agricultural purposes is offered by both government agencies and commercial banks for the specific purpose of agriculture. For example, government agricultural funding such as the Isivande Women's Fund and Strategic Business Unit grants are loans for women's economic empowerment and for opportunity in developing competitive processed food, beverage, fibre and forestry businesses. Government-funded banks such as the Development Bank of Southern Africa and the Land Bank offer farmers loan opportunities for the purpose of general agricultural development activities (Department of Agriculture, Forestry and Fisheries 2013:1–22). While one would expect both the development finance institutions and government funding programmes to be lenient on requirements for black beneficiaries to acquire funding, the opposite is true. The requirements that are exclusively meant for black farming entrepreneurs do not seem to benefit them at all. On average in terms of requirements set, only selected unemployed, black potential farmers may qualify to benefit or indirectly benefit by being fronted by the previously mentioned well-established, white commercial farmers, which have the financial resources to help them access funds. The only significant requirement from them for funding that they meet is to 'be a black South African or a designated group'. All other requirements such as ability to repay debt, having start-up funds, being in business for a specific period (12 months) are clearly not applicable to the condition of emerging black South African farmers. These requirements are a luxury for black farmers who previously had access to neither agricultural experience and practice nor land. Hence being fronted by a former white commercial farmer becomes the only available option. Firstly, it should be known that the first problem of emerging black farmers is lack of land to conduct agricultural business before the issue of capital comes to the fore. Black et al. (2014:2) note that the success of agriculture in any country is dependent on the available infrastructure, which in this case black farmers never had. Access to land ownership remains a problem for emerging black farmers despite the promises of the post-apartheid land reforms (Vink et al. 2012:16). South Africa is still struggling to sustain the promise of agricultural land to black beneficiaries. Where a little land has been given to them they have been packed in as multifamily beneficiaries to the extent that their agricultural practice becomes pragmatically impossible to produce as expected. Therefore, without fair access to land and usage, there won't be any feasible agricultural role to talk of from emerging South African black farmers. Only a well-developed funded agricultural sector that is non-discriminative in approach in South Africa will assure everyone of an important role as a contributor to the agricultural economy.

The current requirements or the eligibility criteria may only assist in promoting selected unemployed black farmers and ignoring those with the potential to grow and contribute successfully to agricultural development and the economy. As much as the literature on land reform has noted the disjuncture between land reform and government support to promote farming, indeed the situation has not changed. Access to funding to maintain the land is not granted; those who want to farm and are in need of both land and funding do not have easy access to such funds and land. However, it was known from the outset that the African National Congress did not in their conception of the land reform promise any small-scale farmers financial support for farming production from claimed land (Greenberg 2013:13). Commercial banks in South Africa such as the First National Bank(FNB), Amalgamated Banks of South Africa (ABSA), NEDBANK and Standard Bank of South Africa created agri-business units and offer long- and short-term loans to potential agricultural farmers (Department of Agriculture, Forestry and Fisheries 2013:22–25). Unlike government-funded institutions that require workable business plans, these banks only look at the ability of an individual to repay the loan as well as a high percentage of a deposit to buy land, as they do not provide a 100% loan for buying land for agricultural purposes. For example, a 30% deposit may be required from an applicant for a loan to buy a farm – a percentage that is highly unlikely to be afforded by an emerging black farmer in South Africa. Their eligibility criteria are impossible for emerging black farmers; they are only workable for previously advantaged white farmers who can use previous assets as security for the loan. Other funding options exists that are supported by government, such as government incentive schemes and public–private partnership funding, which unfortunately for emerging black farmers are all repayable transactions. Thus the dream of achieving economic growth, food security and poverty reduction for black farmers is more or less impossible (Manenzhe, Zwane & Van Niekerk 2016) in the rural context.

Grant funding

Grant funding is mostly non-recoverable and is free to beneficiaries. In South Africa such grants are intended to promote the role of black farmers as emerging commercial farmers as well as to empower them for future sustainability in agricultural business (Olubode-Awusola & Van Schalkwyk 2006). For the purpose of this article my focus will be on grants for two current land reform programmes, the LRAD and PLAS. These two programmes have one common goal, which aims to provide grants for agricultural projects that will promote and sustain the role of emerging black farmers in agricultural development and the economy. The government of South Africa reviews grants regularly to determine their effectiveness and replaces them with new ones if their application did not achieve the objectives of land reform. The initial SLAG grant was halted in 1999 after failing to achieve the land redistribution target of 30% set for 2014 (Antwi & Khumalo 2014) and later CASP started in 2004 for the same purpose; however, it also did not achieve the goal, although it was retained for a longer period.

Land Redistribution for Agricultural Development

Land Redistribution for Agricultural Development replaced the SLAG in 2001. It was market driven and was created to provide larger grants to emerging black farmers with the aim of achieving 70 000 black commercial farmers in 15 years' time (Antwi & Khumalo 2014). Like SLAG, LRAD did not do anything out of the ordinary in more or less failing to achieve agricultural success for emerging black farmers. The same problems of projects collapsing after being funded, lack of access to capital and poor mentoring caused the LRAD to fail at supporting emerging black farmers (Andrew, Anslie & Shackleton 2003:20; Olubode-Awusola & Van Schalkwyk 2006). Government grants, although not paid back, are not contributing to agricultural development and economic growth because insufficient follow-up is done by government to monitor its investment in agricultural projects. Even though SLAG was halted to improve the benefits for black farmers from land projects, it seems that again the government has become more interested in distributing land to black beneficiaries than in getting gains from it. Giving land to people with little agricultural expertise and failing to support them but expecting them to perform miracles is the same as knowingly investing in a bankrupt firm. Moreover, LRAD prescribes that typical beneficiaries should be marginalised groups such as women, farmworkers, the disabled and youth (Hall 2007:63). This eligibility criterion is mostly responsible for the failure of emerging black farmers to contribute to the agriculture of the country as expected. Despite the criterion, the grant is not a pure grant because an individual contribution fee of R5000 is required in order for the project to be approved for the group to qualify for a R20 000 or R100 000 grant (Ministry for Agriculture and Land Affairs n.d.:1). The good thing about LRAD is that it provides grants in different contexts in which even an individual could be assisted depending on the project to be pursued. However, its success will be dependent on the identification of correct beneficiaries.

Proactive Land Acquisition Strategy

Proactive Land Acquisition Strategy was adopted in 2006 and is currently the available policy programme meant for land distribution to promote emerging black farmers. Unlike the previous models that provided grants, in this case beneficiaries are provided with land in a lease agreement for a period of 3–5 years, after which they can purchase the land for permanent ownership (Cousins 2013). The land can only be purchased if the previous record of its use was productive. The conditions are probably designed to ensure that the land is productively maintained by beneficiaries for fear of losing it. The lease agreements qualify the beneficiaries for recapitalisation funds from government, and moreover in this model a strategic partner exists in the form of an experienced commercial white farmer to mentor the beneficiaries (Cousins 2013). De Satge (2013:24) posits that 'there is an unequal spread of farmer support and the need to directly involve resource-poor small farmers and the landless farm workers in policy development and implementation'. It is argued that the implementation of both SLAG and LRAD resulted in a threat to food security (Antwi & Khumalo 2014) and to a certain extent more job losses for agricultural employees (Cousins 2013; Sebola & Tsheola 2014) than expected. SLAG and LRAD completely failed in their mission to deliver targeted objectives before being replaced with PLAS (Mfaise 2017). Therefore, closing the gaps that failed the previous two models was addressed in PLAS through a condition imposed on the beneficiaries as well as some relatively strict criteria of eligibility, which in this instance still target designated females, black people, youth and disabled who are not employed by any public institution. Even with the threat that unproductive land use will result in government taking the land back from the beneficiaries, PLAS does not seem to have yielded results that are different from the two preceding models and their grants. Challenges are still experienced with regard to physical capital on the projects (Nxumalo & Antwi 2013), which practically threatens the role of a black farmer in agricultural development and the economy.

The effectiveness of the used models

Neither funding methods for supporting black farmers, whether loan or grant, seem to have benefited the targeted South African beneficiaries. In this fracas, not only is the government of South Africa a loser but so are the targeted beneficiaries. While loan funding in itself is difficult to access by emerging black farmers, grant funding also targets the wrong beneficiaries for agriculture and economic development. Crosby, Boshoff and Amour (2016:8) note that the PLAS model, like its predecessors, uses the 'supplier led approach' in which the state buys up land and then tries to match it to a suitable beneficiary. The problem with the approach is that when a suitable beneficiary cannot be found, the wrong beneficiary will be given the land to run an agricultural project with the risk of collapsing the existing business. In general, it can be argued that a high number of government grant beneficiaries are indeed the wrong beneficiaries. If they were not the wrong beneficiaries, many of the agricultural projects they ran would have succeeded. While it is believed that grants given to emerging black beneficiaries through the SLAG, LRAD and PLAS are to support their role in the agricultural economy, the grants have not sufficiently improved the status of emerging black farmers. The failing results of these models have been revealed through research studies commissioned by the Department of Land Affairs on numerous occasions, showing that the problems lie not only with the bureaucratic structure of government but with choosing the wrong beneficiaries, who are either not ready to handle agricultural projects or have no business interest in agricultural farming at all.

While steps have been taken to improve the current status, at least through the current PLAS model, improvement has not been seen because the wrong beneficiaries continue to be identified for agricultural projects. In the first place, in all the grant models the eligibility criteria for beneficiaries remain discriminative against black people interested in farming. For example, employed individuals, no matter their keen interest in promoting agriculture, are not covered by grants, even though they would be able to supplement the grants with their personal salaries to take up agricultural projects. They would indeed assist government to avoid selecting poor-resourced or cash-strapped individuals for agricultural projects. Employed potential black farmers wishing to pursue agriculture are faced with the challenge of approaching the commercial banks, which in turn have huge deposit eligibility criteria that make it impossible for emerging working black farmers to secure a loan. Potential working emerging black farmers cannot secure loans at commercial banks. On the other hand, deserving unemployed emerging black farmers who want to create a living from agricultural business rarely meet the criteria to get either grants or loan funding. Indeed, funding for emerging black farmers in South Africa through the current existing models (commercial and grants) is very difficult. Moreover, grants require start-up fees from poor, black potential farmers.

The identified beneficiary targets – women, farmworkers, the disabled and youth (Hall 2007:65) – are expected to draft a workable business plan, which is not a problem because they rarely do it on their own. The responsible government department arranges a consultant to do it for them. A weakness of the whole business plan arrangement is that not many of the beneficiaries know what is written in the plan and rarely care about the content as much as the funds. As such, the implementation of the whole process has less to do with the beneficiaries than with government officials ticking boxes to count the number of emerging farmers to whom they have allocated grants. It is highly unlikely that the identified beneficiaries, who in the first place have no skills or farming knowledge attained through training (Antwi & Nxumalo 2014), could achieve successful implementation of an agricultural project through business plans that they did not craft on their own. Andrew et al. (2003), however, posit that 'this lack of adherence to business plans is not without precedent'. It is indeed not only important for the government to target emerging black farmers through grants but is equally important for their funding models to assist potential emerging black farmers who are willing to play a role in agricultural development. It is very clear that commercial banks, being privately owned, operate for profit and will not risk their investments on emerging black farmers with no track record of prior successful agricultural farming. Taking into consideration the numerous records of 'black failure' in government grant-funded agricultural projects, that decreases the chances of employed potential emerging black farmers being able to obtain loans to buy land for agricultural farming. Commercial banks in South Africa are likely to be unconsciously racially biased when they decide to fund only white commercial famers, because they can be trusted to pay the loan back as they have experience in commercial farming. Thus far it is still believed that land reforms in South Africa will not lead to viable farms (OECD Policy Briefs 2006:6), because beneficiaries of land reform have suffered defaults and lack of capital financing to assists themselves as they are indeed ill prepared for agricultural farming.

Is there a workable alternative model?

Previously adopted models have done little to achieve sufficient agricultural empowerment for emerging black farmers in South Africa. Though mentorship and support have been suggested by numerous literature sources for this purpose (Hall 2011; Terblanche 2011), little has been achieved in the way of promoting and empowering black farmers to play a role in South African agriculture. Incremental adjustments to programmes to improve the role of black farmers in agriculture commerce have also failed dismally by high margins. The major limitation identified was indeed choosing the incorrect beneficiaries for agricultural projects meant for emerging black farmers. Aliber and Hall (2012) posit that most black farmers are indeed invisible, which is the reason why the correct ones cannot be identified. Such an assertion is highly contestable. However, it is known that the issue of land debate in South Africa has been used for political rhetoric (Jankielson & Duvenage 2011) with little consideration for economic realities (Sebola & Tsheola 2014) facing the country and the region in terms of food security. Most of the difficulty for black South African farmers is access to the markets (Thamaga-Chitja & Morojele 2014), and nothing has been done to solve this problem, despite it having long been a problem in post-apartheid South Africa. Thus far, as articulated by Mbatha (2017), there have been problems with the manner in which we expect good results from land reform without the proper logic and framework for it. It is on the basis of such problems that in this article I propose that a workable model would need to consider the following:

- identification of the correct beneficiaries so as not to threaten the food security of the country;
- a balanced consideration of both social justice and economic imperatives in the allocation of land to black farmers as beneficiaries;
- removal of all forms of discriminatory requirements to access grant funding by emerging black farmers;
- creation of a conducive environment by the government for black farmers to prevail as farmers through agricultural equipment and the government becoming a market for such farmers.

The creation of such a model will assist black farmers to get both attention and support to pursue agricultural development. Thus far the government of South Africa has been providing moral support and taking a back seat approach, in which emerging farmers are left to fend for themselves in penetrating the difficult agricultural markets. However, if the government can take full responsibility for identifying the correct potential black farmers, make grant funding accessible to all potential black farmers, consider the productive use of land and become a major market and a buyer for emerging black farmers to protect food security, black South African farmers will be highly motivated and empowered to play a leading role in the agricultural economy.

Conclusion

This article argued that the models for financing agricultural projects for emerging black farmers in order to improve the economy are tantamount to waste of the country's financial resources. In this context, two funding models were analysed: loan funding and grant funding. While loan funding is offered by both commercial banks and development banks funded by the government, it has become clear that commercial banks are highly unlikely to fund an emerging black farmer to start-up an agricultural project. While government development banks such as the Land Bank and Development Bank of Southern Africa may provide funds, this depends on the business plan evaluated, and there are major risks in getting the investment return by the banks. Government-aided banks take the same risks as the government, which buys land and funds the project through grants. It is therefore concluded in this article that if the government wants to reduce the risk associated with funding for emerging black farmers, it needs to lessen discriminatory requirements that target only poor-resourced or cash-strapped beneficiaries in favour of a model that favours both poor-resourced and employed farmers who will use the grants and their salaries to develop themselves as farmers. Land reform needs to be revised in order to achieve political settlement without compromising the economic value of land utilisation.

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Competing interests

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