

RESEARCH Report 53

Challenging the stereotypes: Small-scale black farmers and private sector support programmes in South Africa

A national scan

Adetola Okunlola, Mngqobi Ngubane,
Ben Cousins and Andries du Toit



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Abbreviations

ARDRI	Agriculture and Rural Development Research Institute
CAs	commodity associations
DTI	Department of Trade and Industry
ECDL	Eastern Cape Development Corporation
ECRDA	Eastern Cape Rural Development Agency
ECRFC	Eastern Cape Rural Finance Corporation
FSB	Farmer Support Group
GPN	Global Production Networks
GVC	Global Value Chains
IDC	Industrial Development Corporation
LISPs	large-scale independent service providers
LED	Local economic development
MAFICSA	Micro Agricultural Financial Institutions of South Africa
NGOs	non-governmental organisations
NWGA	National Wool Growers Association
PLAAS	Institute for Poverty, Land and Agrarian Studies
SAFL	Southern African Food Lab

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I. Introduction: Learning from private sector farmer support programmes for small-scale black farmers

This report represents one of the outputs of a research and social dialogue project undertaken over 18 months. It was carried out by researchers from the Institute for Poverty, Land and Agrarian Studies (PLAAS), based at the University of the Western Cape, in collaboration with the Southern Africa Food Lab, based at the University of Stellenbosch, between January 2013 and July 2014. The project focused on the role of the private sector in supporting small-scale black farmers to participate in agricultural value chains.

This was not a purely academic research project. Although empirical research formed its backbone, it fed into a broader process of social dialogue and learning, convened by SAFL and facilitated by Reos Partners¹. Research insights informed 'learning journeys' and 'innovation labs' that took place concurrently with the research. In these, field visits and workshop discussions and debates brought together a range of key role-players in the South African food system to explore the challenges and opportunities facing black farmers, and the manner in which these are being responded to by key actors from the private sector. This process is being carried forward by SAFL in a further process of structured innovation. The present report captures the most important insights and lessons from the research component of the initial phases of the project.

Our focus on the role of the private sector in support programmes for black farmers derives from a growing interest in the dynamics of small-scale farmer development and in policy support for this development. There is broad agreement by South African policy-makers – located within government, but also civil society – about the need to prioritise the development of a viable smallholder farming sector (DAFF 2014). This is widely believed

to be important in order to ensure inclusive, employment-generating growth, to achieve food security at both household and national levels, and to help resolve the politically contentious legacies of land dispossession and racially skewed access to farmer support mechanisms. However, there is little agreement on exactly how this can be achieved.

The obstacles are clearly formidable. All farmers in South Africa face severe economic and other pressures, and even large-scale and well-resourced producers face significant challenges in meeting the demands of highly competitive global markets (Vink and van Rooyen 2009). At the same time, state policies do not appear to be effective: land reform is not informed by any coherent strategy for small farmer development, the policies and systems of the Department of Agriculture, Fisheries and Forestry continue to be biased towards large-scale commercial farming, and government extension programmes do not meet the needs of smaller-scale, black farmers (Aliber et al. 2011). While 'smallholders' figure prominently in political rhetoric and policy documents, there is little clarity about how to support them in practice.

In this context, a number of private sector stakeholders have launched a wide range of partnerships and projects in support of black farmers – some of them highly innovative, others of dubious merit. Hardly a week passes by without news of some new initiative to 'train', 'help', 'empower' or otherwise assist 'small-scale black farmers'². Although a few publications on the topic have appeared to date (CDE 2005; Mabaya et al. 2011; Kleinbooi 2009), often these focus on a limited number of so-called 'success stories'. Our project sought to undertake a national scan of these initiatives in order to gain a much broader overview. Our key research questions were:

¹ For more information, see <http://www.southernafricafoodlab.org> and <http://reospartners.com>

² *Farmer's Weekly* and *Landbou Weekblad*, for example, often contain reports of new initiatives.

How are small-scale black farmers being supported to gain access to agricultural markets? Who is helping them? What are the forms of support being offered? What is the nature of the partnerships being formed? What are the emerging patterns in relation to support programmes and their outcomes? What are the implications for policy and practice?

In our research, we deliberately cast our net wide. While the term 'small-scale farmer' is freely bandied about in political and policy discourse, it appears to mean very different things to different people. 'Small-scale farmer support' has, thus, in practice become a broad and malleable term, covering engagements with many different kinds of agricultural enterprise. In documenting these engagements, rather than imposing one, potentially too narrow, definition, we gathered information on as many initiatives as possible. We thus focused on a wide range of partnerships, joint ventures, business and supportive relationships between small-scale, medium-scale and 'emerging' black commercial farmers in South Africa and a range of value chain actors, such as agribusiness companies, input suppliers, agro-food processors, intermediaries, traders and retailers. We included initiatives that involved land reform or received public funds but that also included a third party, private sector actor (such as in public-private partnerships and those involving local economic development agencies).

Our research project turned out to be extremely challenging. The most significant obstacle we encountered was the lack of reliable official information about the extent and profile of black farming in South Africa. It is a source of great concern that the government, despite its political commitment to smallholder agriculture, lacks reliable data on how many 'smallholders' exist at present, where they are farming, what types of production they are engaged in, their productivity, and which markets they supply (Aliber et al. 2011: 86–90). This national-scale information vacuum is a key problem that needs to be urgently addressed by government; academic researchers cannot do so outside of partnerships with the state.

In these circumstances, we attempted to collate what information we could find about support for small- and medium-scale black farmers from a range of private sector actors,

as well as through scanning the popular press for relevant stories. The researchers visited as many projects across the country as was feasible in the time available, but were not able to gather detailed, in-depth data. The design of the project, as a scan of the scale and scope of private sector support of farmers, involved an emphasis on breadth rather than depth, and in many ways was somewhat superficial. Despite these limitations, some interesting findings emerged.

This report presents and discusses our key research findings.

Section 2 discusses the wider context of the study, focusing on key features of the South African agricultural sector and their significance for black farmers. In particular, we discuss the character of contemporary value chains, constrained market access and the contested issue of scale in farming.

In *Section 3*, we provide more information about our research strategy and methodology, and discuss the conceptual framework or typology that we developed in order to better understand key differences among black farmers.

Section 4 provides an overview of the farmers covered in the study: it describes who they are, where are they located, what they produce, and who their private sector partners are.

Section 5 focuses on the differentiated markets into which farmers sell their products, distinguishing between formal markets (and 'tight value chains') and informal markets (and 'loose value chains').

Section 6 describes the different value chain actors who are working with black farmers and, once again, suggests a typology for making sense of the similarities and differences between them.

Section 7 looks at the different forms and modalities of support offered by private sector actors, and how these are combined into distinctive 'packages' or strategies.

Finally, *Section 8* considers the large issues and questions that emerge from the research and comments on their significance for policy and practice.

2. Small-scale black farmers in post-apartheid South Africa³

2.1 Dualism and concentration in South African agriculture

The policy challenges related to supporting black farmers in South Africa are, in many ways, unique. They arise from the distinctive history of the development of the South African agro-food system, and from the legacies of colonial settlement, segregation and apartheid. Land dispossession, forced removals and the Bantustan policy meant that by 1994, agriculture in South Africa was sharply divided between technologically advanced and capital-intensive forms of large-scale agriculture in formerly white areas, on 84.8% of South Africa's agricultural land (DAFF 2014:6), and marginalised, small-scale subsistence farming carried out by an estimated 2 million small-scale farming households concentrated in the former homelands. Very few medium-scale black farmers occupied the middle space between these two extremes.

In the twenty years since 1994 and the transition to democracy, this stark dichotomy has largely persisted, despite transfer of some 8% of large-scale farmland to black farmers through land reform, and an unknown amount of private land purchase on the open market. Because of this history, the divide is highly racialised – so much so that in policy and popular discourse the term 'commercial farmer' almost always denotes a white person engaged in large-scale, capital-intensive farming, while 'small-scale' or 'subsistence' farmers are almost automatically assumed to be black, family farmers disconnected from markets (Bernstein 2013; Hebinck et al. 2011).

These divides are a feature of the South African countryside, and are immediately evident to any observer. While obvious, the associated stereotypes can also be highly misleading. As discussed in this report, the observable differences between white-owned commercial agriculture and marginalised black farmers

often means that many other important distinctions are often overlooked, such as distinctions in relation to the primary purpose of farming, the organisation of production, and market-orientation. This report highlights significant differences among groups of farmers who are often lumped together – as well as pointing out some of the commonalities that cut across these divides. Indeed, one of our key arguments is that the terms 'smallholder' or 'small-scale farmer' are not particularly useful or illuminating, and that we need a more nuanced typology of black farming in South Africa.

In fact, we argue that even the notion of 'agricultural dualism' can be misleading. Depictions of a dualist agricultural sector often portray a farmed landscape divided between a 'modern', integrated capitalist sector and a 'backward' traditionalist and subsistence sector (Houghton 1973) that are seemingly cut off from one another. In South Africa this is very far from the truth: capitalist economic development has affected all sectors of agriculture, and small black farmers have been responding to market opportunities at least since the end of the 19th century (Lipton 1977; Bundy 1988; Crais 2011). However, modernisation and growth have affected 'white' farmed landscapes and the black countryside in the former homelands in very different ways, due to highly discriminatory policies.

Within the white-dominated, commercial sector, agriculture has developed along a path strongly characterised by high levels of concentration, centralisation and vertical integration. The number of white-owned commercial farm units peaked at 120 000 in the mid-1950s, and from there declined at an average rate of 1.23% per year, dropping to 80 000 in the early 1970s and 60 000 in the early 1980s, with consolidation at this level until the late 1990s, when the numbers dropped sharply again (Liebenberg, 2013: 26–27). Average farm sizes increased from around 740ha

³ The contribution of Stephen Greenberg to this section of the report is gratefully acknowledged.

in the early 1950s to 1 400ha in the early 1980s and an estimated 2 300ha in 2009 (Liebenberg 2013:27). By 1994, the commercial farming sector was composed of some 60 000 farming units. In 2007 there were approximately 40 000 farming units (DAFF 2014:6) and by 2013 this number was further reduced to about 35 000 (Nedbank Capital 2013).

Within this sector, the top 6% of producers generated more than half of gross income in 2002 (Sherry 2010:47) and in 2007 the top 0.6% of farms (237 units) produced 33.5% of South Africa's farming income, while individual and family-owned farms – constituting 85.4% of all units – produced 53.9% of income in 2007 (Liebenberg 2013:28). There is no published analysis of the official data that disaggregates the individual and family-owned categories, but there is certainly a smaller core that produces a larger share of income.

These centralising dynamics are also present upstream and downstream from farming itself, as they are in the South African economy more broadly: in fact, the South African food system has been subject to consolidation, trans-nationalisation and value chain restructuring at least since the end of World War II (Bernstein 2004; Bernstein 2013; Chikazunga et al. 2007; Greenberg 2010; Louw et al. 2008; Mather 2005). Markets in fertilisers (seven companies with 99% of the market share in 2008), agrochemicals (unknown concentration, but dominated by multinationals, such as Bayer, Dow, BASF, Monsanto and Du Pont) and grain storage (three companies with 74% of the market share in 2011) are characterised by high degrees of concentration and oligopoly (ACB 2009; ACB 2013; Louw 2011).

Another important development has been the transformation of farmers' co-operatives into private companies, such as Afgri, Senwes, NWK and VKB (Amin and Bernstein 1996). These companies play a significant role both upstream, in the provision of agricultural inputs, and downstream, in storage, processing and marketing of outputs (Greenberg 2010). The agro-processing sector is also highly concentrated. Although there are up to 4 000 agro-processing companies, the top 10% are responsible for 70% of turnover (Madima 2006).

Since 1994, however, perhaps the most important dynamic in the agro-food system has

been the growing dominance of supermarkets in the food retail sector (van der Heijden and Vink 2013; Weatherspoon and Reardon 2003). In 2010, formal retailers' share of the food market was 68% (Planting 2010:34). 'Modern grocery retailers' (including Shoprite-Checkers, Pick n Pay, SPAR, Woolworths and Massmart) had 51% of the formal grocery retail market in 2011 (USDA 2013: 9), suggesting about a 34% share of the total retail market. Perhaps most significantly, the dominant position of supermarkets in food retail means that food value chains in general have become increasingly buyer-driven (Gereffi 1994), with retailers exercising high degrees of control over the allocation of functions and the enforcement of standards back up the chain. Supermarkets and category managers have also increasingly tended to establish direct links with producers, thus bypassing wholesalers and fresh produce markets (van der Heijden and Vink 2013).

Despite these patterns, however, the 'informal' food retail sector remains an important conduit for the distribution of food in South Africa, while relying heavily on the formal sector to produce a large proportion of the food itself. While supermarkets have increasingly penetrated urbanised areas in the former homelands over the past decade (with the provision of social grants a key factor in boosting effective demand), their reach remains limited, and rural populations living in remote areas have to travel long distances to gain access to food through these channels. Vendors and petty traders play an important role in bringing food closer to remote populations. Even in urban areas, relative physical proximity may not improve access to food if potential consumers do not have purchasing power, and face high transport costs and erratic or no supplies of electricity to extend the life of their purchases (Crush and Frayne 2011).

It is important to recognise that these dynamics have not only shaped the growth of commercial and white-owned agriculture, but have also had a decisive impact on the nature of agriculture in the former homelands. Here, agriculture is marginalised and makes only a small, if essential, contribution to the livelihoods and incomes of most residents. According to statistics derived from Stats SA, 2–2.5 million black households, almost all in the former

homelands, were engaged in agriculture in 2007 (Aliber et al. 2009). The vast majority of these producers (about 85%) were focused on providing an extra source of household food or income, with another 4–5% focused on farming as their main source of household food or income. Thus 'partial subsistence' agriculture is predominant. In 2011, black farmers' share of field crops was estimated at just 3–4% of the national total (Liebenberg 2013:55).

In part, these features clearly derive from the apartheid legacies of overcrowding, underinvestment, and institutional neglect. But to understand the present-day problems faced by small-scale black farmers one should not look only at local and 'endogenous' factors. Even the most remote parts of former bantustans have for decades been within the sphere of influence of commercial white-owned agriculture and agribusiness. Poor and marginalised households in these areas rely for much (but not all) of their food supply on processed foods and fresh produce produced by the large-scale commercial sector and marketed through 'informal' channels, including informal markets, street traders, food vendors and spazas (Crush & Frayne 2011:782; Louw et al. 2007). In addition, far-reaching social changes related to the monetisation of the rural economy, the decline of animal traction, and changes in African household structure have undermined the social relations of labour that supported older forms of African agriculture (Neves and du Toit 2013) and marginalised agricultural production in the former homeland areas.

Existing surveys and statistics are not well geared to capturing the extent and nature of small-scale and subsistence agricultural production (Aliber et al. 2009; Aliber et al. 2011) leading to a lack of reliable evidence about subsistence and small-scale agriculture in these areas. But two features are fairly clear. One is that very few households in the former homeland areas are able to ensure their own food security through agricultural production. At the same time, agricultural production remains an important component of the livelihood strategies of the rural poor. As stated above, over 2 million African households continue to invest significant levels of financial investment and labour time in agriculture, and a small but significant number (200 000–250 000) also farm in order to generate monetary income (Aliber et al. 2009; Aliber et al. 2011; Cousins 2011).

Despite the public political and rhetorical commitment to land reform, small-scale black farmers have made few gains since the transition to democracy, and their marginalisation is not simply the result of apartheid and colonial policies. Many of the processes that underpin and support large-scale and capital-intensive forms of agriculture have been perpetuated and continued by post-apartheid policies and institutional arrangements (Cousins 2013a; Hall 2015; Hebinck, et al. 2011). As many commentators have pointed out, a key role has been played here by the enthusiastic implementation of orthodox macro-economic policies by the post-apartheid government (Marais 2011). These processes were already well in the context of the finalisation of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), and gathered speed with the implementation of Growth, Employment and Redistribution (GEAR) after 1996 (Edwards et al. 2009).

These stances cannot be attributed solely to 'neoliberal ideology'; an important role was also played by identity politics and the unpalatability of continuing to support white-owned agriculture, which made arguments for deregulation and liberalisation politically irresistible. The 1996 Marketing of Agricultural Products Act marked a definitive end to the apartheid regulatory regime: single channel marketing, marketing boards and price floors (i.e. guaranteed purchases) were abolished, and the system of distribution was opened to competitive forces. Coupled with consolidation of storage, agro-processing and food manufacturing, through centralisation and concentration as well as the corporatisation of co-operatives, this produced a fundamental shift in power within the agro-food system from sellers to buyers.

Another factor contributing to the pressure on agriculture has been the overall commitment of the South African government to a 'cheap food' policy able to contain upward pressure on wages in general. From this perspective, processes of vertical integration and concentration in agriculture have not necessarily been seen as problematic: they can be viewed as a 'natural' consequence of the ways in which competition squeezes out less efficient value chain players (Bernstein 2013). At the same time, however, this has created

an institutional and economic environment inimical to the entry of new and emergent black farmers (Jacobs et al. 2008).

2.2 Is the agro-food system sustainable?

As a result of these dynamics, the South African agro-food regime has developed in a direction that has deeply problematic consequences. On the one hand, it is clear that some of the goals of a 'cheap food' policy have been reached. The large-scale commercial farming sector has adapted to low levels of state support and highly competitive conditions, and is able to meet South Africa's net food security requirements with reasonable efficiency (Vink and van Rooyen 2009). The growing dominance of supermarkets in the food retail sector has arguably also allowed the achievement of some degree of efficiency in the distribution of food, although, as stated earlier, supermarkets remain outside the reach of many inhabitants, especially in deep rural areas. Cheap, mass-produced food, price competition, and social grants have also undoubtedly contributed towards improving the food security of large numbers of the urban poor.

At the same time, the highly concentrated and dualist nature of the agro-food system has significant economic costs. Most importantly, processes of concentration and vertical integration are closely linked to the dynamics of 'jobless de-agrarianisation' – the term denoting processes through which large numbers of people are induced, voluntarily or involuntarily, to leave the agrarian economy, but without being able to find adequate alternative employment in the urban and non-farm economy (du Toit and Neves 2014; Neves and du Toit 2013). In the large-scale farming sector, concentration has been linked to steep declines in total employment from 1.09 million in 1993 to 740 000 in 2013 (DAFF 2014:4). For instance, primary production presently contributes less than 3% to GDP and 7.2% of formal employment, although downstream linkages into agro-industrial processing increase this contribution to 15% of GDP (DAFF 2014). The marginalisation of small-scale farmers means that the employment potential of these enterprises has also been significantly hampered (note, however,

that there are no official statistics on employment in small-scale agriculture). Arguably, high levels of concentration play a key role in limiting the contribution of agriculture to employment generation.

In addition to these narrowly economic considerations, the development path taken by the South African agro-food system has also created severe political problems. Most clearly, the enormous competitive pressures present within commercial agriculture have tended to undermine land reform. While commentators are quick to argue that the slow pace of land reform is due to 'lack of political will' and the controversial 'willing buyer, willing seller' policy, the difficulties experienced by new, small, and emergent black farmers seeking to survive in these harsh economic conditions has played at least as important a role. The consequences are that twenty years after the end of apartheid, hardly a dent has been made in the uneven distribution of rural and agricultural landownership.

Clearly, the state of affairs in the agrarian sector of South African society is neither politically nor economically sustainable. In a context where significant levels of inequality and poverty persist and where these drive increasing levels of popular protest and discontent, the persistence of racially skewed patterns of landownership is politically incendiary and an embarrassment to the ruling party. There is huge pressure on government to address land reform – or at least to appear to do so. These pressures have come to a head since the end of the Mbeki era and the beginning of the Zuma presidency.

The ANC's policy conference at Polokwane in 2007 saw a much greater emphasis, within government's policy discourse, being placed on rural development, and the result has been renewed political commitment to land reform and support for small-scale farmers. The party's 2007 policy resolutions included commitments to support subsistence food production, 'implement large-scale programmes to establish new smallholders' (ANC 2007:27) and integrate smallholders into formal value chains. The ANC argued at the time that 'successful land reform means integrating land acquisition with support for new farmers' (ANC 2007:26). The National Development Plan focuses on expansion of irrigation and

dry land production, starting with smallholder farmers 'where possible' (NPC 2011:196). Land redistribution is considered to be an important basis for the success of the plan.

In an attempt to give effect to these commitments, recent years have seen the establishment of programmes such as the Comprehensive Agricultural Support Programme, the Pro-Active Land Acquisition Strategy and the Comprehensive Rural Development Programme by the Department of Rural Development and Land Reform, as well as initiatives like Zero Hunger and the rural mechanisation programme, Masibuyemasimini. Other initiatives include: Agri-BEE policies, which seek to expand black economic participation throughout agro-food value chains, the Fetsa Tlala Integrated Food Production, aimed at stimulating large-scale crop production in communal areas; and the recent Agricultural Policy Action Plan (DAFF 2014).

But these policy shifts have taken place largely at the rhetorical level, and little has altered on the ground (Cousins 2013a). Part of the problem is that the economic environment in South Africa remain unfavourable to small farmers, who continue to experience constrained access to inputs, finance, irrigation water and infrastructure, research findings relevant for their farming systems, extension advice, transport and markets. Land tenure rights are not sufficiently secure in either communal areas or in land reform contexts, with government currently attempting to strengthen the traditional leaders' centralised powers over land, at the expense of residents' land rights (Claassens 2015), and issuing only conditional leases to the beneficiaries of land redistribution (Hall 2015). Yet South Africa is not the only country in the world to experience adverse conditions for small-scale farmers. In most African countries, small-scale farmers produce the bulk of food, even though they farm under conditions similar to or even worse than farmers in the former homelands of South Africa. Why has there been so little success here?

A key problem is that, despite rhetorical support for expanding small-scale farming, there does not appear to be a strong belief among policy-makers that this path will bear any fruit. Policy discourse continues to be informed by unexamined assumptions about the nature

and needs of small farmers. Especially in the South African context, where large-scale commercial production systems dominate the sector, black small-scale producers are often assumed to be passive, uneducated, lacking in appropriate technical knowledge, and producing food only because they have few other livelihood options. Most farmer support programmes are designed to 'graduate' small-scale farmers into large-scale commercial production. In many ways government policy remains deeply wedded to the large-scale commercial farming model (Aliber et al. 2013; Cousins and Scoones 2009; Hall 2015; Hebinck et al. 2011). Yet, as this report demonstrates, small- and medium-scale black farmers are far from passive, and often succeed in their farming enterprises without significant levels of external support. Some of the cases reported here profoundly challenge the negative stereotypes that prevail among the sceptics.

2.3 Innovations on the ground

Not all is gloom and doom. Although government policies remain unclear and state programmes are tentative, there has been innovation on the ground. Private companies, commercial farmers and commodity associations have increased efforts to incorporate smallholder farmers into supply chains (Bié-nabe and Vermeulen 2008; Louw et al. 2008; Weatherspoon and Reardon 2003). Non-governmental organisation (NGO) and university-based initiatives have continued to explore small-scale innovations with the potential to scale up (Wilson and Cornell 2013; Mdukatshani Rural Development Programme 2015) and researchers have sought to document lessons from practice (Aliber et al. 2011). These experiences provide important lessons.

In relation to the private sector, there are both political and economic reasons to focus on supporting black farmers. From the political angle, both companies and farmers recognise that they are vulnerable to accusations that the status quo serves to protect their vested interests, and it is necessary to be seen to be 'doing something' to assist 'transformation'. The spectre of Zimbabwe's land reform looms large. From the economic angle, compliance with Agri-BEE and other government

programmes can open access to public procurement channels and financing. In addition, in some cases small-scale production in labour-intensive niches may even prove more profitable than large-scale production, opening opportunities for lucrative partnerships and linkages, for example through decentralised processing, storage and distribution arrangements.

This report provides an initial national scan of emerging private sector programmes and initiatives that support black farmers, identifies innovative approaches and arrangements, and seeks to draw wider lessons for both practitioners and policy-makers. It seeks to contribute to growing debates on the

need for system-wide innovation in South Africa's agro-food system, and to influence understandings of small-scale farming, in particular. Successful innovations, even when their immediate impacts are somewhat limited, play an important role in shaking up our thinking, challenging dominant stereotypes and demonstrating that even the most daunting of obstacles can be overcome. Less successful initiatives also offer important lessons, sometimes because they illuminate the problematic assumptions that hobble thinking and practice. Research plays a crucial role in critically assessing policies and programmes in order to help chart a way forward.

3. The research project

3.1 Research design

3.1.1 A national scan

Undertaking a thorough evaluation of the full range of innovations and partnerships between private sector role-players and small-scale black farmers in South Africa is clearly a difficult task. There are a large number of initiatives on the ground (in our scan we identified some 156 projects), and they are highly diverse in character. In addition, assessing the different approaches involved is inherently complex, requiring judgements on a range of issues relating to the sustainability of the approaches involved, their strengths and weaknesses, and their potential for scaling up and replication. Each innovation would require detailed and in-depth study before such judgements could be made.

In this context, a key purpose of our study was to lay the groundwork for more detailed subsequent research. This is an initial scan, an attempt to develop a 'big picture' understanding of the extent of private sector support for black farmers and of the diversity of different approaches adopted. While some initial studies have been undertaken (e.g. Mabaya et al. 2011, who focus on the role of agribusiness in supporting 'emerging farmers'), and while there has been some useful work on particular categories of innovation (e.g. Lahiff et al. 2012, who focus on joint ventures with land reform beneficiaries) a comprehensive and systematic overview of such initiatives does not yet exist.

We did not attempt to fill this gap, but rather sought to provide an initial, wide-angled understanding of the scope of private sector support programmes. Our aim was to find out who was involved in these initiatives, where they were working, what they were doing, and what other partners were involved. In particular, we aimed to provide a scan of the interventions of influential value chain actors, such as retailers, agro-processors, traders, intermediaries, and agribusiness involved in smallholder commercialisation and in facilitating access for black farmers into formal value chains. As a result, we have emphasised breadth rather than depth, and cannot

provide in-depth insights on any of the individual initiatives identified in the study. We hope the database that we have compiled of 156 cases in the study will be useful in the design of further research.

3.1.2 The boundaries of the study

A key challenge faced by the team in the design of the study was deciding who and what to include in the study. One area of difficulty is that, while there is widespread rhetorical agreement on the need for more support for small-scale black farmers, there is not very much agreement on what is, precisely, a 'small-scale farmer'. Another term in common use is 'black smallholder farmers'. A problem is the racialised nature of agrarian policy discourse in South Africa where, for example, the term 'commercial' as applied to farming often serves as a synonym for 'white-owned'. Similarly, 'smallholder' is often used as a shorthand for everything that does not fall into the category of large-scale commercial white farming, and can denote a wide spectrum of farmers, from those who are on the margins of subsistence and who have only a tangential or a transitory relationship with markets, to black capitalist farmers with a turnover of many hundreds of thousands of rands a year. Who would count as a small farmer for the purposes of the scan? Similar problems exist in relation to the term 'large-scale producers' too, who are far from homogeneous (Genis 2015).

In our study we did not try to predefine who would qualify as a black small-scale farmer or smallholder and who would not. Instead, we took a pragmatic decision to keep the boundaries of the study as broad as possible in order to capture a continuum of farmers across the spectrum of scales and degrees of market-orientation. Instead of trying to impose a particular definition of 'smallholder' on the field, we took the decision to include in the study the full range of small-scale, medium-scale and 'emerging' black farmers who are included in projects and programmes of one kind or another. This enabled the scan to capture the whole continuum of varied definitions of 'smallholder', which are often based on very

particular sets of circumstances. As a result, our scan includes a wide range of initiatives and a diversity of different types of black farmers, ranging from those involved in small-scale gardening to farmers owning hundreds of hectares, with widely varying livelihood strategies and market orientations. At the same time, some limits had to be imposed on the study. For this reason, initiatives involving subsistence-oriented farmers were not deliberately sought out in the study, and neither were those specifically targeting large-scale black commercial farmers, who often receive support from commodity associations and private sector actors, such as banks.

As the research progressed, it became evident that similar decisions had to be taken about the kinds of partnerships and support programmes that we would include. Some of the initiatives included in the study were classical 'development projects' – initiatives that are deliberately designed and externally funded to 'help' a specific target group, in this case smallholder farmers. However, one of the most interesting findings of our research was that, in a large number of cases, associations had developed between retailers and small-scale black farmers who had no explicit developmental goals and no public policy goals as motivations. In other cases, purely business arrangements are combined with development-oriented partnerships aimed at providing mentorship, 'development' or 'small-scale farmer support'. In many cases, indeed, it is difficult to tell which motives predominate. Does a retailer enter into a partnership with small-scale farmers mainly because it builds their social capital or helps contribute to their corporate social investment profile, or mainly because the farmers can supply produce at good prices? Is the development partnership driven purely by an altruistic development agenda, or by the motives of private gain, or a combination of motives?

In this context, the research team again decided to take a broad approach: rather than exclude some kinds of partnership because they did not have an explicit, public 'development' agenda, the study sought to capture instances of partnerships and business arrangements between small-scale black farmers and other relevant value chain

arrangements, even where these had originated 'spontaneously' through market relationships. This allowed a better sense of the broad range of partnerships and initiatives that were in place – and, as we argue in the pages that follow, allows our study to be informed by a strong sense of 'farmer agency' and the extent to which small and emergent farmers, rather than being passive recipients of aid, are active economic agents in agro-food markets.

3.1.3 Key research questions

Our study was guided by the following key research questions:

1. Which private sector actors are involved in value chain partnerships, and with which small-scale black farmers?
 - a. Who are the farmers, what are their characteristics, and in which areas are they located?
 - b. Who are the other value chain actors, and where are they located within different value chains?
2. What are the main emerging models and approaches to partnerships between private sector actors and small-scale black farmers?
 - a. What forms of assistance and support are being offered to farmers?
 - b. How is assistance and support to small-scale farmers organised and packaged?

In addition to these empirical questions on what exists at present, our report is also informed by some broader policy questions. It is important to evaluate the transformative potential of the different models on offer, and to assess which approaches are effective, efficient and economically sustainable. It is particularly important to gauge the potential of private sector partnerships for improving the livelihoods of small-scale black farmers. For apparently successful models, it is necessary to get a sense of the extent to which such approaches can be replicated or scaled up. These important issues and questions have informed our analysis of the data collected in the project.

3.1.4 Finding the farmers

The key purpose of the scan was to develop an overview of known instances of private sector initiatives to support small-scale black farmers producing at least some marketed output, and instances where such farmers are transacting with other value chain actors in the formal components of the South African food system. The scan would thus involve pooling information from a wide variety of sources. The public media and news stories about small-scale farmer projects and initiatives, for example those written about in *Farmer's Weekly*, provided one important source of data. Another important source was the records and databases of government department and public bodies. A third source was information we collected from NGOs and civil society bodies. Our final source was information we collected from different kinds of private sector organisations. Here, our strategy was crucially informed by the insights of value chain theory: rather than focusing simply on farmers and their end-markets, our 'net' included a wide range of value chain actors, including millers and agro-processors, retailers, wholesalers, logistic companies, audit and certification companies, market brokers, banks and insurance companies.

The most important challenge faced by the team is the lack of adequate and reliable official data on small-scale farmers in South Africa. As Aliber et al. (2010:86–90) show, different research instruments employed by Stats SA, such as the Labour Force Survey and the General Household Survey, yield contrasting and inconsistent data on numbers of black individuals and households engaged in agriculture, in part because key questions are asked in different ways. In any case, most such surveys ask very few questions about agriculture, and only one official study of small-scale agriculture at national level has been conducted since 1994 (Stats SA 1997), and this yielded few useful insights.

The latest census in 2011 resulted in a report on agriculture that does not report data on farm size, and does not allow us to distinguish large, medium or small farmers among the 2.5 million black households engaged in agriculture (Stats SA 2013). A large number of detailed case studies of small-scale

farming in particular places have been conducted over the past two decades (see Aliber et al. 2011; Aliber and Hall 2012; Hebinck and Cousins 2013), but estimating the extent of the phenomena discussed in these studies is constrained by the lack of reliable and detailed provincial or national data.

In addition, there appears to be little reliable data on development programmes or public initiatives involving small-scale farmers. The National Department of Agriculture does not collect systematic information on small-scale farmers. Provincial departments of agriculture similarly seem to lack comprehensive information about the profile and distribution of small-scale farmers who receive extension services or benefit from agricultural development projects (the exception being the Western Cape).

The Department of Rural Development and Land Reform does not have reliable data on small-scale farmers who benefit from land reform or rural development. A case in point is the Eastern Cape Department of Rural Development and Land Reform, whose head of extension services was unable to tell the research team how many extension workers were working in her department, where they operated, and how many farmers they supported – let alone the details of any the farming operations concerned. Attempts to collect information through a questionnaire aimed directly at extension officers thus ran into a dead end.

The team engaged with as many arms of government as possible, collecting whatever information was available. In addition to the departments already discussed, sources approached included the Department of Trade and Industry (DTI), provincial development agencies, as well as development finance institutions such as the Small Enterprises Development Agency, Khula Enterprise Finance Ltd, and the Eastern Cape Rural Finance Corporation (ECRFC). Only within the district offices of departments of agriculture could anything approaching the collection of systematic information about small-scale and emergent farmers be observed. Within district offices, the most reliable, detailed information pertaining to farmers was held by individual extension officers, but this

was incomplete, relating to production and inputs only, with no details of marketing arrangements or incomes achieved.

The research team also engaged with a number of NGOs and research institutions, including Abalimi Bezhekaya, Biowatch and the Agriculture and Rural Development Research Institute (ARDRI) at the University of Fort Hare, which undertakes research in nearby areas, such as the former Ciskei. Given the fact that our primary focus was private sector support programmes, we did not systematically target NGOs, and they are included here mainly because they were encountered during field research. Many agricultural support NGOs (eg. Siyavuna and Mdukutshani) and research organisations (e.g. the Farmer Support Group at the University of KwaZulu-Natal) that do important work with small-scale farmers are thus not included in this scan.

Private sector actors turned out to be an important source of reliable information about the small-scale farmers that they were supporting. For many small and rural retailers the store manager was the key point of contact. For larger retailers, the team engaged with procurement heads and corporate social responsibility co-ordinators. Key points of contact for NGOs and other companies included directors as well as specific project managers and field workers. These sources allowed the team to capture many instances of partnership and other forms of engagement with small-scale and emergent farmers that public sector agencies knew little about.

After fieldwork for the scan was completed, we discovered that our data on the number of farmers supported did not take sufficient account of the full scope and range of farmer support offered by a few key organisations. These are three large-scale, independent service providers targeting small-scale farmers: the National Wool Growers Association (NWGA) (24 480 farmers), Technoserve (1 365 farmers), and Lima Rural Development Foundation (10 408 farmers)⁴. In 2015 we updated our scan using these figures, and below we analyse the data in two ways: with these three support programmes *included*, and also with them *not included*. Disaggregation of the data in this manner allows for the influence of these three 'outlier' cases on the numbers of farmers supported and patterns of modes of support to be clearly visible.

In total, over 300 individuals and group representatives were interviewed. These resulted in a broad but somewhat uneven data set of small-scale farming initiatives and partnerships in South Africa. After controlling for double counting, the scan contains some information on initiatives that involve over 47 000 small-scale farmers. Without the NWGA, Technoserve and Lima, the total is over 10 000 farmers. The team focused on the location, farm sizes, commodity sector and institutional form of all of these initiatives, and also collected information about other value chain actors involved, the nature of the relationships between different actors, forms of market access, and the kinds of support being provided to farmers.

3.1.5 High-level case studies

All information collected was captured in a database that provides quantitative information about the extent and nature of the partnerships formed between private sector actors and small-scale and emergent farmers. However, these data by themselves do not provide an understanding of the nature of the partnerships involved and the kinds of market access they involve. For this reason the team developed a set of 'high-level case studies' that investigated a limited number of interventions and projects that seemed to exemplify some of the broader trends in the sector. The purpose of these case studies was not to undertake an in-depth investigation and evaluation of specific projects or cases. Rather, it was to collect some illustrative data, to develop vignettes that exemplify the typologies that our study uses, and to draw out key lessons for policy-makers and practitioners.

The research methodology in these high-level case studies included interviews with farmers, their partners and other value chain actors involved in the initiative. A semi-structured questionnaire was used in order to explore power relations, sustainability, scalability, agency, institutional forms, and other issues which emerged during the enquiry. In this report we draw on our interviews to illustrate the general patterns that emerged, including in relation to the variegated nature of the markets that small-scale and emergent farmers supply, and key differences between tight and loose value chains.

⁴ Technically the NWGA is a commodity association, and Technoserve and Lima Rural Development Foundation are not-for-profit foundations or service providers. Here we categorise all three as large-scale independent service providers (LISPS), primarily because of the large number of farmers they support.

3.1.6 Limitations of the study

It is important to understand both the limits and the achievements of the scan we have produced. It is clear that what is presented in the pages that follow is not, by any stretch of the imagination, complete and comprehensive. There is a limit to what a small team of three researchers with limited funds can accomplish over a period of less than 12 months of data gathering. In addition, the data captured here is not statistically representative. Because of its patchy and uneven nature, it is likely that the data collected is skewed in several respects. In particular, *ad hoc* market interactions between small farmers and formal value chain actors that do not involve government funding or the intermediation of large development agencies are poorly documented, and it may be that many examples and initiatives of this type were not captured in our study. Another limitation is that the boundaries of 'private sector support programmes' are somewhat unclear, with some NGO programmes included and some not.

At the same time, we believe that this scan is an important step forward in understanding the nature and extent of private sector support for small-scale farmers in South Africa at present. We believe that it captures many of the most significant initiatives and partnerships currently operating in the country.

3.2 Theoretical frameworks

Although the main focus of this study is the collection and analysis of empirical data, the design of the study and nature of the conclusions we draw are informed by our overall theoretical approach. We have taken a very different angle from the one usually found in business school studies or in mainstream approaches in agricultural economics. These studies usually proceed in terms of some idealised or abstract concept of the nature of markets and the agricultural businesses or firms that operate within them. Such models are poorly suited to understanding economic behaviour in contexts where social and power relations play a key role in shaping the decisions of both individuals and firms. They can also lead to a shallow analysis that sees the challenges involved in upgrading as 'management' and 'competence' problems (Bolwig et al. 2010:174). Rather than developing an

abstract economic model of small farms and their behaviour, our aim is to understand the ways in which institutional arrangements, political and material interests, social identity and social connections shape the way in which small-scale and emergent farmers as social and economic agents interact with markets as social institutions.

Important bodies of theory informing our research design and analysis of data are provided by Global Value Chains (GVC) and Global Production Networks (GPN) approaches⁵. These approaches seek to go beyond neoclassical models that try to understand economic transactions by developing models of the rational, self-interested behaviour of individuals in response to incentives such as cost, risk and price. Rather, they examine the ways in which much economic activity is characterised by the co-ordination of a range of functions – from production through processing to retail – along a vertically integrated value chain.

In recent years these value chains, as Gereffi and others observe, have increasingly taken on a transnational character. One of their key features is that transactions among value chain actors are not shaped simply by market imperatives such as price, cost, quality, demand and supply, but also by the ability of 'lead firms' to govern the value chain in ways that set the terms upon which other actors participate in the chain. GVC analysis thus seeks to develop an understanding of the 'governance' of chains, which refers in particular to the functional division of labour along the chain, how value addition is distributed and organised, and the role and enforcement of standards within the chain. These issues are used to understand the linkages between chain actors and the dynamics of value chain inclusion and exclusion (Bolwig et al. 2010).

A key contribution of GVC theory has been the argument that value chains can be distinguished according to the nature of the lead firms that structure them. While some value chains can be producer driven – in which the terms of downstream participation in the value chain are set by primary producers with monopoly power – agro-food systems increasingly have been characterised by the development of buyer-driven value chains in which retailers are the 'lead firms' that call the shots.

⁵ For GVC theory, see: Bolwig et al. 2010. For GPN theory see: Coe and Hess 2011).

The insights of GVC and GPN theory played a key role in organising our research. Above all, GVC theory suggests that an understanding of the situation of small-scale and emergent farmers requires attention to the nature of the power relationships between different value chain actors, and to the ability of some firms to dictate the terms of market access to others. Rather than focusing simply on the ability of farmers to comply with standards and conditionalities, for instance, it is important also to understand how the ability of some value chain actors to set standards, in the first place, and to determine how they are to be enforced, can be the source of power within the market, setting the terms for inclusion and exclusion. In our scan, therefore, we paid particular attention not just to farmers and end markets, but to all the actors involved in value chains, to their particular location within these value chains and what this meant for their roles and interests.

A second important point of reference for the study is appreciating that the decisions and strategies of small-scale and emergent farmers need to be understood within a broader livelihoods framework. The 'sustainable livelihoods framework' (Scoones 1998; 2009) is a widely accepted, even dominant framework when it comes to understanding the dynamics of poverty and vulnerability among small-scale farmers, but it is all too often reduced to a simplistic focus on the 'asset pentagon' and the different kinds of 'capital' that comprise it (DFID 1999). What is much more important for our purposes is that farming needs to be understood as merely one of a set of livelihood activities that comprise the livelihood portfolios of poor and marginalised black households in South Africa. Typically households that farm will also rely on a wide range of other income streams, ranging from welfare grants and remittances to income from non-farm activities in the formal and informal sectors (Machethe 2004; Neves and du Toit 2013; Vink and van Rooyen 2009).

This insight has crucial implications. Above all, it is important to understand that no livelihood activity can be understood in isolation. One of the most crucial consequences of household pluri-activity is that the limited resources and 'capitals' at the disposal of poor households are deployed across a range of activities and thus involve the adjudication

of competing demands. Small-scale farmers' agricultural activities need to be approached by trying to understand their behaviour not as 'firms', but as activities within hybrid household-enterprise units, where decisions are shaped by economic and non-economic activities. This is particularly important in relation to financial resources and labour time. Decisions about investing in agriculture are not taken in isolation, but need to be weighed against other demands. Will money be spent on fertiliser for the fields, acquiring stock for the spaza shop, parts for the minibus taxi or school fees? Will a family member help out on the farm or in caring for an elderly family member? This has major implications for what can be achieved in development programmes and partnerships with small farmers. It is particularly important when one considers the longitudinal dynamics of small-scale farmer development and accumulation and the longer-run livelihood strategies within which farming activities have to fit.

The most important sources of income for the majority of small-scale farmers in South Africa today are from social grants, such as pension and child support grants; remittances from family members who migrate and are employed in urban areas; informal non-farm activities; land-based activities and social reciprocity. Remittances and social grants play an important role in that they are often the only monetary contributions to a household; land, however, plays a crucial role for a number of reasons. Land utilised for food production boosts food security and general household nutrition and, at the same time, produce can be sold to smooth over times of scarcity or to provide occasional employment for other community members where possible (Neves and du Toit 2013).

A third set of theories, drawn from the approach known as 'the political economy of agrarian change', also deeply influenced our approach. These theories suggest that class inequalities and the dynamics that produce them are key aspects of rural economies and agrarian sectors that require investigation, although a wide range of related issues, including rural politics and state policies, are also explored (Bernstein and Byres 2001; Bernstein 2010). One key debate in this literature, on the social and class differentiation of small-scale agricultural producers, was drawn

on in developing a typology of small-scale black farmers in contemporary South Africa.

Several authors have explored this issue (Cousins 2011; Cousins 2013; Levin and Neocosmos 1989; Levin and Weiner 1997; Neocosmos 1993). Cousins (2011) argues that the term 'smallholder farmer', increasingly in vogue in South Africa, is potentially misleading. The term is problematic because it tends to obscure inequalities and significant class-based differences, and fails to distinguish between producers for whom:

- farming constitutes only a partial contribution to their social reproduction;
- farming meets most of their social reproduction requirements; and
- farming produces a significant surplus, allowing profits to be reinvested and, for some, capital accumulation in agriculture to begin.

Cousins suggests that the notion of a homogeneous group of 'smallholder farmers' constrains analysis of the causal processes through which inequalities emerge. It also draws attention away from internal tensions within households, which are often gender-based, and can misdirect the formulation of land and agrarian reform policies. The term 'smallholder' does have a certain degree of *descriptive* power when it is qualified by adjectives such as 'semi-subsistence', 'semi-commercial', or 'commercially oriented'. These sub-categories indicate at least some key differences in how land, labour and capital are combined within different households and production units and their associated farming systems. Class-analytic perspectives on small-scale farming, centred on the key concepts of 'petty commodity production' and 'accumulation from below' are essential for understanding the differentiated character of small-scale agriculture within capitalism, and can direct thinking about appropriate policy frameworks (Cousins 2015).

In this project, another set of distinctions emerged in relation to the nature of the markets and value chains into which private sector actors are attempting to integrate small-scale and emerging black farmers. Drawing on the agrarian political economy perspective described here, and adapting it

to incorporate aspects of markets and value chains, this report has developed a typology of farmers to aid analysis of the data collected in the course of the scan.

3.3 A typology of small-scale black farmers in South Africa

The scan captured a great diversity of farmers, operating on different scales and with very different degrees of market orientation. How should these farmers be distinguished from each other? As important are the nature of the farmers' relationship to markets and the economic motivation for their involvement in agriculture in the first place. Cousins and Chikazunga (2013:1) argue that a more useful approach to differentiating among farmers would include questions such as the following:

1. What is the objective of production? Is the primary purpose of production to ensure household level food security? Is it to ensure cash income? Is it to supplement other livelihood activities?
2. What is nature of the relationship between farmers and their markets? What proportion of produce, for instance, is marketed? Crucially, is market integration loose and *ad hoc*, with farmers selling into a market when it suits them, or is integration tight, with farmers locked into markets, with few options to side-sell or to withhold produce at all?
3. What proportion of household income is contributed by agriculture? Is agricultural production the mainstay of household income, or merely supplementary?
4. What are the labour requirements of agricultural production? Does the household rely mostly on family labour, or does agricultural activity involve hiring non-family members?
5. What is the extent of capital intensity and mechanisation?
6. How is agricultural production financed? Does the household rely on its own savings or informal credit, or does agricultural activity require formal sources of finance?

Based on the fundamental distinction between capitalist farmers who employ wage labour and smaller-scale producers who rely on family labour, as well as the degree to which own consumption of farm produce is an objective, Cousins and Chikazunga define smallholder farmers in a particular manner: smallholders are small-scale farmers who use farm produce for *home consumption* to some degree, and use *family labour* within the farming operation to some degree, but for whom farming contributes a *highly variable* amount of *cash income* via marketing of farm produce. Levels of *mechanisation*, *capital intensity* and *access to finance* are also variable among such farmers.

Evidence seems to indicate that these differences are interconnected and tend to be clustered. Farmers who mostly produce for household subsistence, for instance, tend to rely only on household members as a source of labour; similarly only farmers who are tightly integrated into markets on which they depend for a large proportion of their income are likely to employ non-family members or access formal credit. Cousins and Chikazunga (2013:2) have thus proposed a four-part typology of farmers on this basis:

Category 1 are *subsistence-oriented smallholders* who produce mostly for household subsistence and whose agriculture is not connected to markets to any significant degree.

Category 2 are *market-oriented smallholders* who are only loosely integrated into value chains; typically they market a significant proportion of what is produced, but agriculture is only one of many household livelihood activities and may not contribute the lion's share of household income.

Category 3 are *market-oriented smallholders* who are tightly integrated into value chains. They are often reliant on agriculture for a significant proportion of their

household income and are more likely to rely on external finance and to employ non-household members as labour. Typically the household economy and the enterprise economy are highly enmeshed, and farming is not a separate and formal business.

Category 4 are *small-scale capitalist farmers* who use little or none of their produce for household consumption; are heavy users of hired labour, greatly dependent on external sources of finance, and are characterised by a relatively clear differentiation between the household unit and the business unit.

These characteristics are summarised in Table 1. Aliber et al.'s (2009) work allows estimates of the numbers of Category 1 and Category 2 farmers, but not of Category 3 or Category 4. Recently estimates of 5 000 to 10 000 in each of these categories have been suggested (Cousins 2015:258)⁶.

This typology has proved useful in analysing the data collected in the course of the scan, but it has to be used with caution. It is clear, for example, that these are broad-brush distinctions that may allow general patterns and trends over time to be discerned, but classifying individual farmers into categories can sometimes be problematic. Some criteria are arbitrary in their measures (e.g. the percentages of food consumed by the families of producers) and others are imprecise (e.g. 'significant numbers of labourers are hired'). Some farmers supply both loose and tight value chains, and thus straddle categories. Assigning a producer to a category is, thus, a matter of judgement rather than involving simple quantitative measures. It is important to remember that the intention in constructing the typology is not to calculate the exact numbers of farmers in the different categories, but to assess the relative weight of different types of producer, and discern broad tendencies and trends over time.

⁶ For contrasting estimates see Vink and Van Rooyen 2009.

Table 1: A typology of small-scale black farmers in South Africa

	CATEGORY 1: Subsistence-oriented smallholders	CATEGORY 2: Market-oriented smallholders in loose value chains	CATEGORY 3: Market-oriented smallholders in tight value chains	CATEGORY 4: Small-scale capitalist farmers
Objective of production	Household consumption	Household consumption + cash income	Cash income + some home consumption	Profit
Proportion of marketed output	None or insignificant	50% or >	75% or >	100%
Contribution to household income	Reduces expenditure on food	Variable – from small to significant	Significant	Very significant
Labour	Family	Family + some hired	Family + significant numbers hired	Hired
Mechanisation	Very low	Low	Medium to high	High
Capital intensity	Very low	Low	Medium to high	High
Access to finance	Absent	Some	Significant	Very significant
Numbers in SA	2–2.5 million households	200–250 000 households	5–10 000 farmers	5–10 000 farmers

4. Small-scale black farmers in the scan: An overview

4.1 Small-scale black farmers: Key characteristics

The database contains information about 156 different initiatives that include different actors, organisations and role-players, all involved in one way or another with 47 113 farmers who bring agricultural products to markets of one kind or another. If the three large-scale independent service providers (LISPs) listed above (Technoserve, Lima Rural Development Foundation and the NWGA) are not included, the total number of farmers supported amounts to 10 860.

Tables 2 and 3 show the distribution of farmers by province. Without LISPs included, the greatest number of these farmers – some 38% of the total, and numbering more than 4 000 – were in the Eastern Cape, followed by Mpumalanga (24%) and Limpopo (13%). With LISPs included, the provincial location of nearly 12 000 farmers could not be identified by the service provider, and are indicated by a ‘national’ total. Here, 60% of the

total are located in the Eastern Cape, with all other provinces represented by less than 6% of the total. We need to issue an important ‘health warning’, however, for these and all subsequent statistics in this report: *these proportions should not be taken as representative of reality, given the strong possibility of sampling bias.* They are indicative only. It is likely that the numbers of farmers receiving support in a province such as KwaZulu-Natal are, in reality, much higher.

Using the typology of small-scale black farmers shown in Table 1 and discussed in Section 3, farmers were placed in different categories. In Tables 4 and 5, which show the distribution without and with LISPs respectively, market-oriented smallholders supplying loose value chains comprised 72% and 90% of the total, smallholders supplying tight value chains comprised 22% and 9%, and small-scale capitalists comprised 0.7% and 0.2%. As discussed above, subsistence-oriented smallholders, who do not participate in value chains, were excluded from the scan.

Table 2: Numbers of farmers by province – LISPs not included

Province	Number of farmers	% of total
Eastern Cape	4 115	37.89
Free State	402	3.70
Gauteng	188	1.73
KwaZulu-Natal	939	8.65
Limpopo	1 501	13.82
Mpumalanga	2 638	24.29
North West	109	1.00
Northern Cape	477	4.39
Western Cape	491	4.52
Total	10 860	100%

Table 3: Numbers of farmers by province – LISPs included

Province	Number of farmers	% of total
Eastern Cape	28 595	60.69
Free State	402	0.85
Gauteng	188	0.40
KwaZulu-Natal	939	1.99
Limpopo	1 501	3.19
Mpumalanga	2 638	5.60
North West	109	0.23
Northern Cape	477	1.01
Western Cape	491	1.04
‘National’	11 773	24.99
Total	47 113	100%

Table 4: Number of farmers by type of farmer – LISPS not included

Type	No. of farmers	% of total
Smallholders supplying loose value chains	7 859	72.4%
Smallholders supplying tight value chains	2 920	26.9%
Small-scale capitalist farmers	81	0.7%
Total	10 860	100%

Table 5: Number of farmers by type of farmer – LISPS included

Type	No. of farmers	% of total
Farmers supplying loose value chains	42 747	90.7%
Smallholders supplying tight value chains	4 285	9.1%
Small-scale capitalist farmers	81	0.2%
Total	47 113	100%

In relation to farm size, the large-scale independent service providers were not able to disaggregate their clients by area farmed and their clients are categorised as 'various sizes'. In Table 6 we show the distribution of farm sizes for the 10 860 farmers not supported by LISPS. In 14% of these cases farm size data was simply not available. For some 50% of farmers in the scan, usually those where different farmers came together within some kind of initiative, farm sizes were varied. For the 35% of cases where individual farm sizes were known, 1 569 farmers farmed on land between one and five hectares in extent and 1 371 farmed on over 100ha. Another 690 farmers are found on farm sizes of 10–50ha.

It is not entirely clear what 'farm size' or 'area of land in production' refer to in the context of communal areas – the most likely explanation is that the terms refer to the area used for cropping, and does not include the communal grazing on which these farmers herd their livestock.

In some cases the available records contain no information about the kinds of farm commodities these farmers produce. For those for whom information is available, the types of agricultural products of farmers who are not supported by large-scale independent service providers are shown in Table 7. Horticulture, field crops and livestock predominate as types of produce. Under horticulture, the most important crops are clearly vegetables, followed by subtropical fruit and citrus. Of course, many farmers produce more than one type of product i.e. many practise 'mixed farming' of one kind or another. The data in the scan may misrepresent this, as researchers' attention was focused mainly on the type of production that was being actively supported by private sector partners. The very small number of farmers who combine field crops and livestock is probably inaccurate.

When large-scale independent service providers are included, a new category emerges, where horticulture and field crops are combined, as is the case for farmers supported by Lima Rural Development Foundation. In addition, much larger numbers now fall within the 'livestock' category (those supported by the NWGA), and more within horticulture alone (when the farmers supported by Technoserve are added). These data are shown in Table 8.

Farmers were also supported by a variety of actors and agencies in the non-governmental sector. In Table 9, in which large-scale independent service providers are not included, these actors and agencies are classified according to the type of organisation represented. They include abattoirs, agribusinesses, commodity associations, small businesses, agro-processing companies and fresh produce markets. Also included are NGOs, individuals and universities, as well as government departments and local economic development agencies. In the case of procurement by supermarkets, those with centralised procurement arrangements are differentiated from those with decentralised arrangements.

Large numbers of farmers were supported in some way or other by agribusiness companies (2 914), agro-processors (2 352), commodity associations (1 084) and NGOs (1 436). Government had played a role in helping link farmers to private sector agencies in three cases, which involved 810 farmers. Far more farmers were involved in supplying supermarkets with decentralised procurement arrangements (1 346 farmers) than those with centralised arrangements (14).

4.2 Initiators of partnerships or support programmes

Another aspect of our analysis of cases in the scan was an assessment of which actor had taken the lead in initiating a partnership. As shown in Table 10, in which large-scale independent service providers are not included, types of initiators responsible for large numbers of farmers being brought into a support programme include agribusiness companies (1 986 farmers), agro-processors (1 696 farmers), NGOs (1 452 farmers) government bodies (939 farmers) and supermarkets with arrangements for decentralised procurement (897 farmers).

One of the most interesting aspects of the study was the large number of farmers in the sample who had formed business relationships with other private sector actors, such as local retailers, on their own initiative. In Table 10 these are shown as 'farmer co-operatives and trusts' as well as 'individual farmers', and number 1 946 in total, or 18% of the sample. Many of the farmers captured in our sample were bringing product to the market, neither

**Table 6: Number of farmers by size of land in production (ha)
– LISPS not included**

Area of land in production	No. of farmers	% of total
< 1ha	12	0.11%
1-4.9ha	1 569	14.45%
5-9.9ha	98	0.90%
10-19.9ha	386	3.55%
20-49.9ha	304	2.80%
50-99.9ha	69	0.64%
> 100ha	1 371	12.62%
Unknown	1 596	14.70%
Various sizes	5 455	50.23%
Total	10 860	100%

**Table 7: Number of farmers by type of produce
– LISPS not included**

Produce type	Number of farmers	% of total
Field crops	3 345	30.8%
Field crops and livestock	19	0.2%
Horticulture	3 611	33.2%
Horticulture and livestock	193	2.0%
Horticulture and others	887	8.0%
Livestock	1 992	18.3%
Other	813	7.0%
Total	10 860	100%

**Table 8: Number of farmers by type of produce
– LISPS included**

Produce type	Number of farmers	% of total
Field crops	3 345	7.0%
Field crops and livestock	19	0.04%
Horticulture	4 976	10.6%
Horticulture and field crops	10 408	22.1%
Horticulture and livestock	193	0.4%
Horticulture and others	887	1.9%
Livestock	26 472	56.2%
Other	813	1.7%
Total	47 113	100%

Table 9: Number of farmers and number of cases by organisational type of support agency – LISPS not included

Organisational type	No. of farmers	% of total	No. of cases	% of total
Agribusiness companies	2 914	26.8%	19	12.2%
Centralised procurement supermarket	14	0.13%	4	2.6%
Commodity association	1 084	10.0%	10	6.4%
Consultant	115	1.1%	9	5.8%
Decentralised procurement supermarket	1 346	12.4%	43	27.6%
Food standards authority	33	0.3%	1	0.6%
Fresh produce market	246	2.3%	5	3.2%
Government	810	7.5%	3	1.9%
Independent retailer	115	1.1%	15	9.6%
Individual	16	0.15%	1	0.6%
Local economic development agency	159	1.46%	4	2.6%
NGO	1 436	13.2%	5	3.2%
Agro-processor	2 352	21.7%	32	20.5%
University/training institute	220	2.0%	5	3.2%
Total	10 860	100%	156	100%

Table 10: Initiator of support programme by organisational type

Organisational type of initiator	No. of farmers	% of total
Agribusiness companies	1 986	18.3%
Centralised procurement supermarket	13	0.1%
Commodity association	781	7.2%
Consultant	85	0.8%
Decentralised procurement supermarket	897	8.3%
Farmer co-operative or trust	1 864	17.2%
Fresh produce market	469	4.3%
Government	939	8.6%
Independent retailer	16	0.1%
Individual farmer	82	0.8%
Local economic development agency	355	3.3%
NGO	1 452	13.4%
Private individual	10	0.1%
Agro-processor	1 696	15.6%
University/training institute	215	2.0%
Total	10 860	100%

as a result of any large 'development project,' nor as the result of a preferred supplier agreement with a big supermarket, but on the basis of arms-length business transactions with local retailers. This was particularly so where small farmers sold produce to smaller independent retailers and chains that operated on a franchise model, such as SPAR and Boxer stores, especially in small towns. These examples were found in the Eastern Cape, KwaZulu-Natal, Mpumalanga and Limpopo, and to some extent in the Free State. Many of these farmers, indeed, were operating without significant levels of outside support from either the private or the public sector. The case study vignettes described in in Box 1 are, in many ways, typical examples.

This considerably complicates the assumption, all too often found in discourse about small farmer support, that small farmers lack entrepreneurial initiative, or that they are passive recipients of support. Instead, farmers seem to show significant capability to negotiate supply agreements with other value chain actors, in particular supermarkets and other

smaller independent retail outlets, on their own, without any support from third parties. As we argue below, this also raises key questions about the way in which support for small farmers is currently targeted.

What is the role of farming within the wider suite of activities and strategies that constitute the livelihoods of small farmers? As mentioned in Section 2, one of the most important insights of the livelihoods approach is that the activities and choices of poor people need to be understood with reference to the ways in which households function as social and economic entities – and the fact that livelihood strategies usually involve a portfolio of different activities, of which agriculture may only be one. This insight becomes particularly relevant in view of the large number of small-holder farmers who supply loose value chains that benefit from the support programmes reported here. One case is described in Box 2. The key issue of what this means for the design of such support programmes is taken up in the concluding section of this report.

Box 1: Small-scale farmers take the lead

Mrs Dlamini grows fresh produce on 10ha of land in Makhathini Flats, KwaZulu-Natal. She supplies cabbage, butternut and green pepper to SPAR and Boxer supermarkets in Jozini and Hluhluwe. She approached these retailers with a sample of her produce and they agreed to use her as a supplier. She has no contract or written agreement, and purchases are arranged by telephone in terms of verbal agreements with the produce section managers in these stores. She does not have transport for her produce and relies on a 'bakkie'⁷ to transport her produce to Boxer outlets in Jozini and Hluhluwe. Jozini SPAR collects produce at her farm in Makhathini Flats. She also maintains connection with bakkie and street traders who tend to purchase green maize and beans.

Mr Maseko in Mpumalanga is one of many small farmers supplying produce to SPAR and Boxer supermarkets in the rural town of Lukwatini. He cultivates spinach, carrots and beet-roots to supply the said retailers and other informal markets. This small-scale farmer cultivates 1ha on municipal commonage land and relies on family labour. He approached SPAR and Boxer in 2013 and sealed a verbal agreement to supply produce on an informal basis, without binding contracts. As in other similar cases, these transactions are arranged telephonically. Mr Maseko also makes follow-up calls to find out if he can supply produce at a particular moment. In addition to supplying SPAR and Boxer, Mr Maseko markets his produce to bakkie traders and street traders who purchase at farm gates, as well as to members of the local community. Mr Maseko transports his produce to SPAR and Boxer at his own cost.

⁷ A 'bakkie' is a light transport vehicle or van, widely used for the transport of farm produce.

Box 2. Farming as part of a multiple livelihood strategy

Mr Ndaweni is an emerging capitalist farmer in Muden in the midlands of KwaZulu-Natal, who sells his produce in variegated markets, both formal and informal. Mr Ndaweni grows chicory for Nestlé. He also supplies vegetables to a local school under the national school nutrition programme. Bakkie traders also come to buy fresh produce from the 3ha field he leases from neighbours on a land reform farm. He has been a farmer for 15 years. He began farming on a household plot in an irrigation scheme, and expanded production by leasing other plots (and eventually whole farms) in the area. However, farming is not his only source of income. He also provides transport services for school pupils travelling to the nearby town, he manufactures bricks for sale, and he is a qualified electrician.

5. Markets supplied by small-scale black farmers

5.1 Diversity and differentiation in markets and value chains

As the discussion above makes clear, one of the most important differentiating factors among small-scale black farmers is the character of the different value chains and markets that they supply, and the diverse nature of their connections to these markets. This is a point often missed in policy debates about small-scale farmers, which tend to conceive of markets in a somewhat undifferentiated, homogenous way – or which impose very narrow assumptions about what constitutes a desirable market for such farmers.

The scan highlighted the breadth and diversity of the different kinds of markets being utilised by farmers, which included formal and informal markets, wholesale and fresh produce markets, and large-scale and small-scale retailers. In addition, markets included not only those for agricultural products, but also for the ‘upstream’ inputs used by agro-processors. Often a farmer will utilise a variety of markets in different ways at different times, and some small-scale farmers sell their produce in formal and informal markets concurrently. Some markets might be understood as ‘semi-formal’ in character, as when farmers and bakkie traders enter into agreements that persist over time and have some of the stability and continuity associated with formal contracts.

Unfortunately it was not possible in this scan to collect systematic data on the nature and size of the informal markets supplied by small-scale farmers, and none of the key informants we interviewed appeared to know very much about them. Anecdotal evidence from areas such as Nwanedi in Limpopo Province and Phongola in KwaZulu-Natal suggests that many small-scale capitalist farmers who supply agro-processors, such as Tiger Brands, or large retailers, such as Massmart (within formal contracts and thus in ‘tight value chains’)

also tend to supply bakkie traders purchasing vegetables or green maize at the farm gate (i.e. in ‘loose value chains’). The relative size and volumes of informal agricultural markets for both crops and livestock remains a major gap in our current understanding of small-scale agricultural systems in South Africa (Alcock 2013).

5.1.1 Large food retailers with centralised procurement systems

As discussed above, the most important trend in the South African food system is the growing domination of supermarkets in food retailing. As discussed in Section 2, the central position and market power of these supermarkets have given them the ability to create vertically integrated value chains in which they act as ‘lead firms,’ setting the terms for other value chain actors’ participation.

As discussed, many of these supermarkets have increasingly begun to bypass wholesale and fresh produce markets, setting in place highly centralised, direct procurement arrangements. These arrangements are orchestrated by distribution centres that seek to lock in relatively small numbers of large-scale producers, within specified growing programmes. This is taking place in close conjunction with the increasing importance of private regulation in the food system, with supermarkets able to enforce stringent requirements as to volume, reliability, diversity and quality of produce.

But these trends are not uniform. Within this general trend, recently there has been a general shift towards diversification in supermarket formats, with retailers offering a number of different store formats, ranging from franchise stores to convenience stores to hypermarkets (Greenberg 2013). In addition, some retailer chains that operate on a franchise basis (e.g. Boxer and SPAR) have significantly more room to make flexible and localised procurement arrangements.

In general, however, the market power commanded by supermarkets, their preference for direct procurement, and their ability to enforce strict procurement requirements pose major challenges to small farmers. Not only are such farmers unable to meet the stringent preconditions of big retailers in respect of the desired volumes, reliability and diversity of farm produce, they are frequently unable to deal with the significant risks and costs involved in guaranteeing compliance with private quality standards (Mather 2005; Weatherspoon and Reardon 2003; van der Heijden and Vink 2013).

At the same time, supermarkets have been under pressure to demonstrate their levels of corporate social responsibility by supporting smallholders. However, Table 9 shows that very few of the major supermarket chains have done so to date.

5.1.2 Supermarkets with decentralised procurement arrangements and small, independent food retailers

Supermarkets with decentralised procurement arrangements and independent retailers include both small and large operations that comprise convenience stores and green-grocers. These are usually owned by individuals or are family businesses, and operate in townships, rural towns and rural areas in

general. Because they do not have significant volume requirements and are generally less stringent in their demands in relation to quality of produce, there is a much better match with the conditions and constraints facing small-scale farmers. At the same time, such retailers will generally tend to avoid formal, long-term contractual arrangements, preferring to source produce as and when needed, based on informal agreements with farmers. Other than franchised SPAR and Boxer stores, these include, for example, Kanye Kanye supermarket in the rural town of Nkandla, and Rhino Cash & Carry branches in small towns, such as Nongoma and Kokstad.

These arrangements appear advantageous for farmers because of their informality and flexibility, giving farmers some leeway to move in and out of formal markets, depending on circumstances. On the other hand, there are significant disadvantages for farmers too, in that they do not involve binding contracts and this constrains them from bargaining for better prices. Furthermore, it is not guaranteed that these small, independent retailers will accept produce from a small farmer at any given moment, and often farmers wait in vain for a phone call to supply them with produce. All three categories of market-oriented, small-scale farmers supply fresh produce to these kinds of retail outlets, including small-scale capitalist farmers (see Boxes 3, 5 and 6).

Box 3. The Micoso Agricultural Co-operative supplies SPAR and Boxer stores

The Micoso Agricultural Co-operative in the Eastern Cape is a co-op of six members who own 38ha of land, of which 20ha is currently under irrigation. The co-op started as a community co-operative of 70 members who were given land by their chief. The co-operative has now dwindled to six members who work on the farm, as well as 40 employees. They produce maize, spinach, cabbages and carrots. They are currently supplying to SPAR and Boxer in Port St Johns, as well as the Kei Fresh Produce Market in Mthatha. They have a written contract with SPAR to supply both winter and summer vegetables, often negotiating favourable prices for their stock, and deliver produce using their bakkie or a large truck which they hire. They also trade to local hawkers and bakkie traders in the area.

All of the produce from the farm is sold and none is used for home consumption. The members of the co-operative have no other form of employment, citing the farm as their major livelihood strategy, and they reinvest a portion of their profits back into the farm. Their lack of home consumption, their use of hired labour, and the significant contribution of agriculture to household income, all mean that members of the co-operative meet the criteria for small-scale capitalist farmers (i.e. Category 4 in our typology). This example shows clearly that these kinds of farmers do not necessarily supply tight value chains.

5.1.3 Agro-processors and agribusinesses

Another important type of formal market for small-scale farmers is that in which agro-processors and agribusinesses purchase crop or livestock products as inputs for further processes before they are sold to consumers. These firms operate at different scales, and include large multinational firms, such as SAB Miller, Illovo and Nestlé, as well as small businesses, such as the Natal Pepper Company and Wonderfontein Grain Processing Trading. Most of these processors have established contractual arrangements with smallholders who have the capacity to supply tight value chains, i.e. they are Category 3 farmers.

Agro-processors usually provide a variety of support services to these farmers, including supply of inputs; technical assistance; training in post-harvest services, such as certification of produce; and storage and warehousing. Services also include the processing of essential oils sourced from small farmers in some parts of KwaZulu-Natal and the Eastern Cape. However, some do not provide such support service to small farmers – in these cases engagement with farmers involves the supply of produce only. Commodities supplied include sugar, grain, tomatoes and various peppers in some parts of the country.

As shown in Table 11, field crops and livestock are the main types of products supplied to agro-processors, and are dominated by sugar cane, cotton, maize, mead and raisins. In each

of these five cases, considerable numbers of small-scale farmers are involved, dwarfing the numbers supplying other products. Horticultural products supplied for processing are more limited, and include fruit concentrates, raisins, vegetables for freezing and mead.

Many small-scale farmers supplying agro-processors are located in Mpumalanga and Eastern Cape provinces. This is in part due to the large number of small-scale sugar cane growers supplying the TSB mill in Nkomati and also the presence of cotton growers in that region. In the Eastern Cape, around 500 small-scale producers supply mead to Makana Meadery.

Sometimes arrangements with agro-processors do not go according to plan, as shown in the case of maize that SAB Miller assisted small-scale farmers to produce in Amajuba District in KwaZulu-Natal (see Box 4).

The scan did not manage to collect detailed data on some well-known and documented cases of small-scale farmers that supply agro-processors, such as the 120 tomato growers in Nwanedi in Limpopo Province, who are contracted to supply around 25 000 tonnes of tomatoes per annum to the Tiger Brands canning and processing factory in Musina (Louw et al. 2008). Another important case is that of the many small-scale wool growers in the Eastern Cape and elsewhere who are successfully supplying high quality wool with help from the NWGA (Wilson and Cornell 2013:32).

Table 11: Agro-processors supplied by small-scale farmers, by type of product

Horticulture	Livestock	Field crops
Pioneer	Elim Dairy	SAB Miller
Red Sun Raisins	BKB Limited	Felixton Sugar Mill
Cape Concentrate	Cotton SA	TSB Sugar
Makana Meadery	Rainbow Chickens	GWK
McCain	Enterprise	AFGRI
	Supreme Chickens	Progress Milling
	Clover	Gini Cotton Gin
	Nestlé	Grain SA
	Mountain View Dairy	

Box 4. SAB Miller procures maize from market-oriented smallholders on communal land

Small-scale farmers on communal land in uThukela and Amajuba districts participate in a public-private partnership between SAB Miller and the Department of Agriculture and Environmental Affairs. They grow Grade 1 Non-GMO yellow maize. The project was launched in the Bergville district and in 2011 led to SAB procuring 135 tons of maize valued at R263, 000 for its Prospecton brewery. The success of the first trial in uThukela district led to the replication of the initiative in Amajuba district. The project now involves 847ha in uThukela district and 1 210ha in Amajuba district. However, at the end of the first season, farmers in Amajuba district side marketed the maize privately, due to good market prices at the time, and only uThukela district was able to supply SAB Miller silos with the yellow maize they expected in 2013.

5.1.4 Wholesale markets

Wholesale markets are potentially important marketing channels for small and emergent farmers. These markets are spaces where producers of a wide range of agricultural commodities can meet prospective buyers. In the past, such markets were often created by government, through arrangements between national government and local municipalities, and existed to serve the needs of retailers and farmers in the local area (Chikazunga and Deal 2008). The four largest wholesale markets for fresh produce in South Africa are located in Johannesburg, Ethekwini (Durban), Cape Town and Tshwane (Pretoria). The four medium-sized markets are in Bloemfontein, East London, Pietermaritzburg and Port Elizabeth, and the six smaller markets are in Kimberly, Klerksdorp, Springs, Uitenhage, Vereeniging and Welkom. As discussed above, the growing dominance of supermarkets has led to such markets becoming less important than before, but they still play a key role in the South African food system.

Typically wholesale markets are differentiated by enterprise type, and include fresh produce markets as well as livestock auctions. They exist at a variety of different scales, from local hubs (e.g. those operated by Technoserve, an international development agency which is active in South Africa,

through the Efresh brand) through municipal markets (e.g. Kei and Vhembe Fresh Produce Markets) to national fresh produce markets (e.g. Johannesburg and Tshwane Fresh Produce Markets). They also use a wide range of different business models, from a market authority system (e.g. the Johannesburg and Tshwane markets) to agent-based models (e.g. Kei Fresh Produce Market, or KFPM) and the co-operative model (e.g. Vhembe Fresh Produce Market, or VFPM). Currently a total of 18 fresh produce markets exist across the country.

In our scan, only 246 small-scale black farmers were identified as supplying wholesale fresh produce markets and another 249 livestock producers supplied abattoirs. It appears that these channels are relatively insignificant for these kinds of farmers at present, despite their potential. A case study vignette of the recent initiative to establish a fresh produce market designed to meet the needs of small-scale farmers in the former Transkei region of the Eastern Cape is described in Box 5.

Some new formats for wholesale systems have emerged recently, especially in the fresh produce sector. Technoserve has introduced fresh produce 'hubs' (known as E-fresh), local aggregation centres established to enable farmers to sort, and bulk products destined for multiple markets (such as retailers, national fresh produce markets and bakkie traders). Some local economic development agencies in Limpopo and Eastern Cape have established innovative new systems, such as KFPM in the Eastern Cape and VFPM in Limpopo.

5.1.5 Informal markets

Informal markets identified in the scan include neighbours and local community members, hawkers, bakkie traders, local informal market places, and sales at pension points on days that social grants are being paid out. While it is clear that the informal sector plays an important role in the food sector, it is as yet still poorly understood. Its size, volumes and revenues cannot be determined easily, as the outlets are not registered as retailers, nor do they pay rent or taxes. Estimates of the number of informal spaza shops in South Africa

Box 5: The Kei Fresh Produce Market

The Kei Fresh Produce Market (KFPM) is the 18th such wholesale market to be established in South Africa. It is a project of the Presidential Project Trust. It is a market specifically geared towards the needs of the local producers located in the area around Mthatha in the Eastern Cape and is run by the Ntinga OR Thambo Development Agency, which is the Local Economic Development Agency of the OR Thambo district municipality. The KFPM markets produce from any farmer who wants to use its facilities, but has special facilities for small-scale farmers, including a European Union-funded potato processing unit, which is designed for small quantities of potatoes. The unit provides a sorting and packing service free of charge.

The KFPM differs from a normal fresh produce market in that it provides extension services to small-scale farmers, collects their produce using its own vehicles, and runs a specialised marketing agency specifically for these farmers. The latter does not charge the normal agency fee of 5% of the value of produce sold, leaving the small-scale producers to pay only a market fee of 7.5% of the total value sold. It advises on prices to offer, depending on its size and quality and the level of market demand, but the farmers must themselves decide on prices offered and accepted.

The KFPM is currently operating at 24% of its capacity, due to the inability of local farmers to supply enough produce of sufficient quality.

vary between 6 000 (Wilson 2003) and 14 000 (Louw et al. 2007; Louw et al. 2008). Large informal markets for small and large livestock exist in communal areas (Alcock 2013; Shackleton et al. 2005).

One aspect that is clear is that the informal food sector is not entirely separate from the formal sector. Food hawkers are major buyers at national and municipal fresh produce markets, and are also important customers of large-scale agriculture, while some products are bought from supermarkets, and, to a lesser extent, from small-scale producers. But the fact that informal vendors of food do not have very stringent volume or quality requirements means that they are also an attractive market for both small-scale and large-scale farmers. Genis (2013) shows that large-scale commercial farmers in Limpopo, for example, see bakkie traders and others as key markets for their second or third grade produce.

There is probably a great deal of unrealised potential to expand the scale and reach of informal agricultural markets, with the support of government bodies and agencies. A study of the key characteristics of these

kinds of markets would assist greatly in planning for such support. One of the innovations launched by the South African Food Lab component of this project is precisely such a study.

5.2 Loose and tight market integration: Pros and cons

One of the most important attributes of the different markets described here is not only the different prices farmers receive or the volumes they supply – they also involve very different levels of market or value chain integration, and thus differ in the ‘tightness’ or ‘looseness’ of relationships with other actors in these markets or value chains.

‘Tightness’ refers to the degree to which farmers are tied into formal contracts and must meet agreed standards in relation to the quantities and quality supplied, and the timing of their supplies. ‘Looseness’ implies the lack of formal contractual relationships and thus what economists refer to as ‘spot’ transactions, or the regular supply of unspecified quantities of produce of varying quality, often at irregular intervals.

As shown in Tables 4 and 5, the great majority of the farmers in the scan were categorised as market-oriented smallholders supplying loose value chains. Given that they also rely heavily on family labour, the areas farmed by these producers also tend to be smaller than other categories, and of course are much smaller than large-scale commercial farmers (see Table 6). A vignette of one such producer is provided in Box 6, and another of a group of such smallholders is described in Box 7. These two cases well illustrate the pros and cons of being involved in loose value chains; on the one hand, farmers enjoy more flexibility, but on the other hand, the market is less reliable.

Members of the SP-United Co-operative described in Box 7 have experienced problems in relation to their production of chillies for sale to a local SPAR store. Fortunately, they do supply a range of other markets as well; spreading risks in this manner is common among smallholder farmers.

When groups of small-scale farmers work together in marketing their produce, (sometimes termed 'collective action'), a key issue is group cohesion and strong leadership. This is well illustrated by the case of the co-operative marketing arrangements entered into by members of the Isibonele Irrigation Scheme in Mpumalanga, described in Box 8. Here, an effective chairperson has negotiated entry into a variety of lucrative markets, as well as securing high levels of government support.

Other examples of loosely integrated markets include small-scale farmers who supply convenience shops and general stores. There is also evidence that the hospitality industry (restaurants, bed-and-breakfast establishments, lodges, and so on) is gaining importance as a marketing channel for small-scale and emergent farmers. For instance, Sthombo Co-operative in Melmoth, KwaZulu-Natal supplies mushrooms to Jenny's Lodge and Umuzi Bush Camp, in addition to supplying SPAR and Melmoth Fresh Produce. In Free

Box 6: A market-oriented smallholder supplies a SPAR supermarket in a rural area

Samuel Mxexe farms on two hectares of land outside Elliotdale in the Eastern Cape, with family and some hired labour. He grows various vegetables, including spinach, cabbages, potatoes, beans and maize. He has also recently diversified into poultry and purchased 300 broiler chicks. He supplies the local community, as well as Elliotdale SPAR, with fresh produce. He does not have a contract with SPAR, and calls the store when he has produce for sale. He estimates that he earns a gross income of between R10 000 and R15 000 every three months or so. He is happy to be without a contract, as he cannot guarantee how well his vegetables will grow, and therefore cannot ensure a certain amount every time he harvests.

Box 7: A co-operative of market-oriented smallholders experiences problems in supplying a SPAR supermarket

SP-United Co-operative is located in the Zwabantu local municipality in KwaZulu-Natal. Its members supply chillies, which they grow on as little as 1ha of their land, to the SPAR store in the town of Harding. The area under chillies varies, depending on varying conditions, such as water availability. SP-United members first approached SPAR with a sample of their produce in 2009, and have been supplying the retailer at irregular intervals ever since. The last time SP-United supplied SPAR with chillies was in 2013. According to SP-United, the verbal agreement is that SPAR will call them when it is their turn to supply chillies, since there are other small farmers also on SPAR's database. However, they are still waiting for a call. SP-United members do supply other markets with other produce as well, including pension day markets, local suppliers of schools, and within the local community, for which they grow mainly beans and maize.

State province, Mantsopa Mothers' Trust supplies National Café restaurant, in addition to supermarkets in Ladybrand (see Box 9).

Tight value chain integration is typical of relationships between farmers and large retail chains and agro-processors. Buyers may grant particular farmers preferred supplier status; relationships can involve long-term agreements about the nature and the value of products supplied; and they often involve explicit prohibitions on side selling. Crucially, farmers involved in tightly integrated value chains may be the recipients of key

production inputs, such as fertilisers, chemicals or feeds, and they may also receive production credit or finance. Buyers may also assist farmers with infrastructural upgrading – as in the case of Nestlé investing in cooling tanks rented by small and emergent dairy farmers in Thabo Mofutsanyane district, Free State (see Box 16). However, as shown in the vignette in Box 4, these arrangements do not always guarantee success from the point of view of the purchaser.

Market-oriented smallholders involved in tight value chains (or Category 3 farmers) are often the key target group of support services

Box 8: Isibonelo Irrigation Scheme members supply supermarkets

Isibonelo Irrigation Scheme is located in Pixley Ka Seme local municipality, Mpumalanga. It has nine members who employ around 40 workers, and grows spinach, cabbages, tomatoes and green peppers to supply SPAR retailers in the towns of Volkrust and Newcastle. The scheme also supplies schools in Gert Sibande district municipality, Mpumalanga. In addition, at the time of writing the irrigation scheme had a pending supply agreement with SPAR retailers in Ermelo, Piet Retief and Paulpietersburg.

Members of the irrigation scheme are of the view that, to a large extent, they owe their achievements to the chairperson of the scheme, who is a strong community leader. He is a key negotiator and the initiator of partnerships with supermarkets and other markets, such as local schools. This role includes driving to supermarkets with produce samples to negotiate market access, as well as the transportation of produce. He also ensures that Isibonelo receives inputs and other support from the Department of Agriculture, which may not have been forthcoming without his presence. Furthermore, he attends small-scale farmer workshops as far away as Cape Town and Johannesburg, and reports back to other irrigation scheme members. Isibonelo members are not completely satisfied with the prices they are paid by the supermarkets, but acknowledge it is better to have a market than to let their crops decay in the fields.

Box 9. Mantsopa Mothers' Primary Co-operative in Ladybrand, Free State

Since 2010 Mantsopa Mothers' Primary Co-operative has been supplying fresh produce to SPAR supermarket, Cambridge supermarket, Thusano Fruit & Veg supermarket, and the National Café restaurant in Ladybrand. The co-op has five members (four women and one man) and rents 4ha of commonage land from the local municipality. The co-op grows vegetables in eight tunnels constructed using funding from the National Development Agency and the Free State Department of Agriculture. The tunnels have contributed to increased levels of productivity, but the co-op still faces infrastructural problems, such as insufficient water and too few tractors and related equipment, and lacks a vehicle to transport produce to the market. These affect their reliability in supplying their markets. According to members of Mantsopa Mothers' Primary Co-operative, overcoming these challenges would translate into increased growth and profitability.

provided by 'large-scale service providers', such as Technoserve and Lima Rural Development Foundation. These service providers implement farmer support programmes on behalf of government or companies, such as Massmart (see the vignettes in Boxes 22 and 23).

It is important to realise that there are trade-offs involved in both loose and tight value chains and the kinds of relationships farmers enter into with other actors. High degrees of vertical integration are beneficial to buyers who value a degree of predictability in their procurement arrangements, and who need to be able to ensure volume and variety well in advance. They are also prevalent where products are highly differentiated, where quality attributes such as freshness, taste or appearance are crucial, and where high degrees of traceability are possible or necessary. Buyers will be able to provide preferred status to suppliers who can meet these requirements, and, while meeting such requirements is frequently onerous and taxing, such arrangements can be beneficial to farmers, particularly when they need to ensure a market for large volumes of product.

At the same time, while tight value chain integration offers significant benefits, it also entails real challenges. Farmers have to comply with stringent volume and quality standards, and this often involves significant levels of upfront investment in expensive systems to ensure and document compliance. The development of high degrees of vertical integration is, therefore, directly related to processes of concentration and consolidation in farming itself, since there are significant advantages to economies of scale in the operations of the integrated value chain. And while there are significant advantages for those who can participate in these arrangements, there are also real risks for farmers in buyer-driven value chains, where the retailer or processor is organising the entire chain. Failing to comply with buyers' standards may mean being excluded from the market altogether. This is particularly risky when supplier standards are subject to sudden and unpredictable change.

The story of Salem Agribusiness (see Box 10) is a good example of both the benefits and the risks involved in high degrees of vertical market integration.

These kinds of arrangements are often challenging for small-scale farmers, who may struggle to meet the volume and variety requirements of big retailers, and who do not possess the systems and infrastructure required for compliance with retailer standards. Market-oriented smallholders involved in loose value chains tend to have households that are pluri-active, thus their ability to commit labour and finance to their agricultural activity is limited, and they are averse to the risks involved in 'putting all their eggs in one basket'. These conditions mean that they often prefer to avoid the levels of commitment involved in high degrees of market integration. Such farmers may prefer the lower levels of risk involved in more flexible market relationships. As they are not under pressure to move large volumes of produce, they are less in need of preferential procurement status, and they may also value the flexibility to side-sell if it suits them. Another important advantage of these arrangements is that suppliers are usually paid on the spot, while suppliers within preferential procurement arrangements are often paid 60 to 90 days after sale. Thus, compared to procurement contracts with public institutions, such as hospitals and schools, farmers involved in loose value chains do not have to wait for lengthy bureaucratic payment mechanisms to be completed.

At the same time, these farmers have to sacrifice some of the advantages that accrue to tightly linked farmers. They are much more exposed to competition from other producers, and therefore more at risk of achieving poor prices (or no sale at all) if there is a market glut. Additionally, the freedom of franchised supermarket managers to choose whom to procure from, and under what conditions, is key to understanding why certain supermarkets such as SPAR procure more from small farmer producers. Large supermarket chains operating centralised procurement processes have no such freedom.

Although the benefits and costs of tight and loose value chain integration can be counter-posed in broad terms, the decisions that farmers and retailers take in practice can often be much more complex. Farmers often do not fit simply in one category, and there were examples in the scan of farmers who engaged in both tightly integrated and looser, more informal arrangements. An example is the Micoso Agricultural Co-operative (see Box 3 above), which supplies informal traders and hawkers and the KFPM, as well as having a contractual agreement with SPAR.

The benefits of informal trading are that they get paid immediately for their goods. This allows them to trade informally when faced with shocks, such as emergencies and environmental issues. The contract they hold with SPAR, however, allows them to access finance, such as that offered by the Eastern Cape Rural Finance Corporation, which they use to re-capitalise their operation.

Another case study of interest is the Lamoney Family Trust described in Box 11. Here the primary focus is the informal market in livestock.

Box 10: The risks of supplying tight value chains: The case of Salem Agribusiness in the Eastern Cape

Salem Agribusiness is a small agribusiness company that specialises in the production of ostriches. It is part of a larger umbrella organisation, KhulaSizwe, which is a Christian development organisation active in Mozambique, Zimbabwe and South Africa and promotes rural development through mentorship programmes. The project commenced in 2004 when Martin Fick, owner of Salem Agribusiness and an ostrich producer himself, located 12 farmers in the Salem Area. The model initiated by Fick utilised the backyards of the smallholders to mature the ostriches. This was a novel approach, very different to the more common large-scale farms on which ostriches are reared. The model was successful and grew rapidly, expanding to over 80 farmers by 2006.

In 2006, the KhulaSizwe Small-scale Ostrich Farmers' Participation Incentive Trust (KSS-SOFPI Trust) was formed, with a grant from the National AgriBEE Fund of R9.3 million. The Trust would have shares in a newly established R19 million de-boning, value-adding and portion-packing meat-cutting facility and tannery in Grahamstown. The facility was built using funding received from the national Agri-BEE fund and from commercial partners, such as Salem Agribusiness. The Eastern Cape Rural Financing Corporation (ECRF, now Uvimba Finance) continued to fund the smallholders throughout the process, until a change of management in 2009 suddenly cut all funding. This cessation of funds caused a disastrous drop in the numbers of ostriches being produced, thereby rendering the processing facility unsustainable, due to insufficient throughput of birds. The ECRFC funding was then taken over by Klein Karoo, a private producer of ostrich products.

In 2012, the World Organisation for Animal Health adopted regulations in an attempt to curtail ostrich flu. The code stated that ostriches could not be farmed in proximity to chickens or dogs. This forced the KSSOFPI Trust to change its model of raising birds, and a new 10ha farm was established, which is compliant with the new standards and is now being utilised by 20 farmers. The farm has the capacity to produce 3 000 birds per eight-month cycle. Training of new farmers is undertaken by Buyelwa Mangi, a farmer who has been with the project since its inception, with the assistance of Mr Fick. Mrs Mangi has registered a BEE company, from which she draws a salary for training other farmers. Salem Agribusiness provides the day-old chicks to be matured and facilitates their sale to Klein Karoo. Mr Fick also provides mentorship and assistance.

Through bypassing the formal market the Trust does not have to negotiate the many obstacles that would normally constrain their operation, such as rigorous health and safety standards, quality standards, and lack of suitable transport.

South African policy debate on smallholders and market integration is all too often characterised by normative assumptions about what constitutes a desirable market destination. For example, it is frequently assumed that informal or local markets are less desirable than supermarkets. This tends to be accom-

panied by the notion that the aim of farmer development should be to 'graduate' farmers from supplying local or wholesale markets into higher-end, supposedly more rewarding markets. However, these assumptions are misplaced. Rather than ranking markets as more or less desirable, we argue that it makes more sense to identify different markets and different kinds of market connections as appropriate for different kinds of farmers and different types of products. Differentiation, rather than homogenisation, is the key.

Box 11: The advantages of participating in loose value chains: The Lamoney Family Trust

The Lamoney Family Trust benefits seven family members living in Bathurst and Port Elizabeth in the Eastern Cape. They are the children and relatives of a cattle farmer from the Bathurst region, who relocated to Port Elizabeth. They acquired a farm of 280ha in the Bathurst area through the land reform programme and keep 70 head of cattle, 80 pigs, 40 goats and over 1 000 broilers. The farm maintains high health and safety standards, and sometimes other farmers purchase stock from the Trust. However, 95% of their trade is in the informal market. The Trust aims to buy more land to expand their operations as well as build a cold storage unit.

The Lamoneys sell most of their stock either to the local community or to individuals from around the district, often buying cattle to slaughter in traditional ceremonies. The Trust does not possess their own transport for taking animals to market, but this is not an issue as customers come to the farm to make purchases and transport the livestock themselves. The Trust reinvests most of its profit back into the farming operation, under the guidance of their mentor, Mr Elliot, a former white commercial farmer.

The trust is one of several farmer groups or farmers who benefit from the Cacadu District Mentorship Scheme. Run by the local economic development agency, the scheme provides for skills transfer in production, marketing and management. Each project is provided with a mentor for a three-year period.

6. Value chain actors

6.1 The diversity of actors

One of the most interesting aspects of the scan is the wide range of actors involved in small farmer support in South Africa. Understanding this diversity requires us to disaggregate very general categories, such as 'the private sector' or 'public-private partnerships.' The scan reveals that the relevant actors are located very differently within the South African food system. It is important to pay careful attention to the roles they play in chain governance and functioning. This is essential if one is to understand the different ways in which they operate, the different paths of action that are open to them, and the particular interests or agendas that inform their actions.

Broadly, initiatives promoting small-scale farmer production and access to markets in South Africa at present involve eight different types of actors:

1. *Farmers* act either as individuals or collectively in farmer associations or co-operatives.
2. *Commodity associations* are more specialised sectoral organisations, focusing on the specific interests of value chain actors engaged with particular crops or types of livestock (e.g. Grain SA provides services to all grain farmers but also other actors who purchase, store and process different kinds of grain crops).
3. *Agribusinesses* are companies involved in a wide of markets, functions and services, both upstream and downstream of farm production.
4. *Agro-processors* are companies who purchase farm produce for further processing, prior to sale to others further downstream in the value chain.
5. *Food retailers* are stores that sell food to the public; in South Africa this sector is increasingly dominated by large chains of supermarkets.
6. *Local economic development agencies* are public agencies established by municipalities to plan, support and drive

economic growth in defined spatial units, and to co-ordinate the efforts of government bodies, private sector agencies and communities.

7. *Large independent service providers* are large non-governmental agencies that provide specialised technical support to development beneficiaries.
8. *Mentors, brokers and facilitators* are individuals, groups or companies that provide specialised support services, such as brokering or facilitating support from government and other agencies, mentoring or training of farmers, and assistance with marketing of produce.

6.2 Understanding value chain actors

6.2.1 Farmers

As discussed above, the scan reveals that a great many small-scale black farmers, acting either as individuals or in groups (e.g. farmers' associations or co-operatives), have been key agents in establishing relationships with the purchasers of their produce. In the scan these number 1 946, or 18% of all the farmers involved in partnerships of one kind or another (see Table 10). This kind of 'agency' is evident mainly among farmers supplying fresh produce, such as vegetables and green maize to independent retailers, but is also found among livestock producers and crop growers. This finding gives the lie to widespread stereotypes, held by many in South Africa, of the passivity of small-scale black farmers.

The key issue we raise for discussion is whether or not small-scale farmers have been consulted sufficiently on the types of support they truly need from other actors, be they governmental, non-governmental or private sector actors. Our observation is that many of the support programmes discussed here have been designed in order to incorporate black farmers into existing value chains, rather than to restructure value chains to align better with the unique needs, problems and opportunities of the farmers. We return to this question in the concluding section of the report.

6.2.2 Commodity associations

Commodity associations (CAs) are associations that serve the needs and lobby for the interests of commodity producers. There are over 30 CAs in South Africa, with different programmes and objectives that are specific to particular commodities, and are supported by levies raised from all producers. These CAs have long represented the interests of large-scale white commercial farmers; however, the Marketing of Agricultural Products Act (No. 47 of 1996) brought about key changes which required CAs to spend between 13% and 20% of their levies on BEE-related activities. This has led to all CAs now having a farmer development programme of some kind, such as providing resources for farmers, market facilitation and various forms of training.

In certain cases, such as the National Emergent Red Meat Producer Organisation, a separate association was formed to serve the interests of emergent black farmers – and the National Agricultural Marketing Council pays its levy. In other cases, independent emergent farmer groups have been set up that are under the umbrella of the broader associations (such as HortGro and the Deciduous Fruit Development Chamber).

One of the more successful of the small-scale farmer support programmes is that of the NWGA, as described by de Beer (2013), and summarised in Box 12. Given the scale of the programme, elsewhere we have classified the NWGA as a large-scale service provider, along with Technoserve and Lima. This has enabled us to analyse the overall data set both with and without these programmes (see discussion in Section 3).

A dilemma faced by many CAs is the need to promote wider structural changes in order to allow for the entrance into the sub-sector of new small-scale black farmers, while at the same time still trying to serve the interests of large-scale white commercial farmers, who provide funding for the CA through the levy system. Box 13 highlights the approach taken by HortGro in the Western Cape, which has two different Agri-BEE projects with these objectives in mind.

6.2.3 Agribusinesses

Some agribusiness corporations source produce from small-scale and emergent black farmers. Our scan shows small farmers supplying large companies, such as AFGRI, TWK and OTK, which were formerly co-operatives run by and for white commercial farmers but were privatised in the early 1990s. Our scan also found small wool farmers from Thaba Nchu in the Free State supplying wool to BKB Limited, supported by a public-private partnership (see Box 14). This case shows how the state, private sector and producer organisations can effectively collaborate to support black smallholder farmers. This was enabled by significant investment in infrastructure on the part of supporting agencies, which included the construction of shearing sheds in five villages. BKB does not only provide market access for smallholder sheep farmers, but also extension services to ensure quality and volumes of wool for its warehouses in Bloemfontein and Port Elizabeth.

In Mpumalanga AGFRI, TWK and OTK are important maize marketing channels for small-scale and emergent farmers on communal land, land reform farms, municipal

Box 12: The NWGA's support programme for small-scale wool growers in the Eastern Cape

The NWGA has been supporting wool growers in communal areas in the Eastern Cape since 1997, and has directly assisted over 24 480 small farmers in that period through their training and development programme. The programme is intensive and trains wool farmers in all aspects of production, as well as in marketing support. It has upgraded existing wool shearing infrastructure as well as establishing new buildings and facilities, and has also improved the flocks genetically, through introducing around 300 rams per year into communal area flocks. So far over 36 000 rams have been provided. The net result has been that in the 14 years from 1997/98 to 2011/12, the total amount of wool sold through commercial auctions has increased from 0.12 million kg to 3.6 million kg. The income for communal area producers rose from R1.5 million to R13 million in the same period.

commonage and private farms. Some of these farmers also farm with livestock, which they market at auction sales hosted by BKB and Vleisentraal. Livestock is also sold to various abattoirs in parts of the province. More than 2 000 small and emergent farmers, mostly from the Chief Albert Luthuli local municipality, who farm on 1–12ha each, supply maize to silos located in small towns in the Gert Sibande and Nkangala District municipalities.

Many of these farmers supply maize to AFGRI. The farmer has the option to sell the maize at any given moment or enter into a storage agreement with AFGRI until market prices are favourable. Market prices are sometimes seen by the farmers as being too low – for example, in 2011 small farmers were offered R500 per tonne for their maize, which many would

not accept. Some small-scale farmers supply maize for milling in return for maize meal (processed maize) for household consumption. These households also use government-sponsored millers to grind maize for household consumption.

6.2.4 Agro-processors

In some parts of the country agro-processors (and agribusiness involved in processing agricultural products) source produce from small-scale and emergent farmers, but generally in small quantities only. This includes maize in Mpumalanga, Limpopo and KwaZulu-Natal (see Box 15) and milk in Free State province (see Box 16). These vignettes reveal that meeting the requirements of agro-processors can be very challenging for small-scale farmers.

Box 13: Hortgro support for emergent black fruit farmers

Hortgro is a commodity association working in the highly capital-intensive and export-oriented horticulture industry, primarily in the Western Cape. It runs two programmes to assist black smallholder farmers as part of their BEE and transformation agenda. One of these is New Trees, which aims to plant 1 000ha of fruit trees in 5ha batches. Thus far they have planted around 100ha, working with 20 smallholder farmers. Training on maintenance and related aspects of production is also provided. Hortgro's ultimate objective is to enable emerging farmers to access export markets, but in the early stages of the programme aims to assist them to sell to any available market.

In a second initiative, the Deciduous Fruit Producers' Chamber advocates for the needs of some 250 emerging farmers, with a view to creating real structural change in the sector. The Chamber comprises eight representatives from eight different fruit-producing regions in the country. Many of the farmers they represent are beneficiaries of equity share schemes. They lobby government and advocate for land reform, economic development, access to external funding, assistance in the development of business plans, social and community development and training, and the creation of a clear communication strategy to inform members of various opportunities for direct support.

Box 14: Small-scale woolgrowers supply BKB Ltd

A public-private partnership agreement between the Free State Department of Agriculture, BKB Limited and the NWGA links about 85 smallholder sheep farmers on communal land in Thaba Nchu to wool purchaser BKB. Five shearing sheds were constructed through funding from the public-private partnership for smallholder farmers to shear their sheep for collective marketing purposes. After shearing, the wool is transported to a BKB warehouse in Bloemfontein, on its way to warehouses in Port Elizabeth, from where most of it is exported. In the 2012 season, wool producers from Thaba Nchu sheared and supplied wool at a value of R101 331.

The sheep farmers of Thaba Nchu have also benefited from the services of a mentor deployed by BKB Limited, who trains the farmers in various aspects of wool production.

Box 15: Small-scale farmers supply a processing company in Mpumalanga

An estimated 50 small growers, each of whom is located in Steve Tshwete local municipality in Mpumalanga, grow crops (sugar beans and yellow and white maize) on between 5h and 20ha to supply Wonderfontein Grain Processing Trading, located in Middelburg. These farmers do not have a formal contract with the company and rely on informal agreements at whatever prices obtained on the market at the time. An issue that negatively affects the price paid is the quality of the crops supplied. Government extension officers expressed that in most cases the prices paid are unfavourable for small farmers, but also stated that some market access is better than none at all.

Box 16: Struggling small-scale dairy farmers in the Free State

Fourteen black small-scale dairy farmers in Thabo Mofutsanyane district in the Free State supply milk to commercial dairies. Eleven of these farmers supply milk to Nestlé, and three supply Mountain View Dairy in Harrismith. These are the last remaining small-scale black farmers in the formal milk value chain, with another thirty or so being squeezed out of the formal market over the past seven years.

In 1989 the traditional council of the former QwaQwa bantustan negotiated land for lease and sale to black people in what is today known as the north-eastern Free State, in the formerly white-only commercial farming area. Others leased land with an option to purchase, with the support of loans from the Land Bank. About 50 of the farmers began to produce milk for Thaba Dairy, a state enterprise that was jointly owned by the Free State Development Corporation and AgriQwa, until its liquidation in the mid-1990s.

In 1995 these farmers approached Nestlé to secure an agreement to supply 1 000 litres of milk per day. Meeting this amount was a major challenge for the farmers, as they did not have electricity or cold storage facilities. In 2000 Nestlé erected a cooling tank for cold storage at a central point and this assisted farmers to meet the 1 000 litre daily agreement. However, in 2007 Nestlé issued new quality standards that prohibited the transportation of milk in cans to the central cooling facility. Most of the small-scale farmers were squeezed out of the supply chain. The remaining eleven farmers supplying Nestlé today have access to electrified cooling facilities, which they rent from Nestlé.

Drawing on Vorley (2003), van der Heijden and Vink (2013:17) point out that processors and supermarkets often work closely together, and the former will force the latter's standards and cost requirements on their own suppliers. In relation to the integration of

small-scale and emergent dairy farmers into the formal milk value chain, we note that the dairy industry is characterised by high levels of concentration in both the processing and retail components (Terblanche 2009), leaving dairy farmers of all scales with tiny returns on their production. Consequently, there has been a gradual exodus of smaller-scale dairy farmers, who have found it increasingly difficult to compete with bigger players in the restructured dairy industry (Terblanche 2009).

This competitive environment has made it even more difficult for under-resourced black small dairy farmers, who often do not have the economies of scale to upgrade; small and emergent dairy farmers in south-eastern Free State have equally suffered from market restructuring (see Box 16). This raises the issue of vulnerability of small farmers in tight value chains, and the dairy industry in particular, and also raises research questions regarding the livelihoods of expelled actors, in relation to those still supplying the formal milk value chain.

Partnerships between small farmers and agro-processors also include: the processing of non-GMO yellow maize, involving SAB Miller and small farmers in KwaZulu-Natal; the supply of vegetables, in particular tomatoes, to Tiger Brands in Limpopo; and the supply of cherry peppers and chicory in KwaZulu-Natal, essential oils in Eastern Cape and KwaZulu-Natal, rooibos tea in the Western Cape and cotton in Mpumalanga. Often these cases involve extension services of one kind or another, as in the case discussed in Box 17.

Some partnerships involve collaboration between state institutions, small-scale farmers and agro-processors, and hence are often dubbed 'public-private partnerships'. Some draw their inspiration from contract farming models found in the sugar and cotton industry (Greenberg 2013). For small-scale and emergent farmers, public-private partnerships are useful for the provision of production inputs (such as tractor services, seed, manure, fertiliser, etc.) as well as providing a guaranteed market for their agricultural products (see Box 18 for an example). However it is not always guaranteed that small farmers will get a good price for their products.

In KwaZulu-Natal and the Eastern Cape a handful of food processing companies (Natpro Spicenet (Pty) Ltd; Natal Pepper Company; Unilever; La Bauche) have experimented with small-scale out-grower schemes for the supply of cherry peppers. However, most of these initiatives have ceased to operate for reasons linked to the restructuring and concentration of the broader food processing sector, which have led to the decline of smaller food processing companies (Mather 2005). In KwaZulu-Natal, we came across only one small pepper processing company, the Natal Pepper Company, sourcing cherry peppers from small

farmers (see Box 19). Natpro Spicenet (Pty) Ltd recently ceased to purchase peppers from small farmers in both KwaZulu-Natal and the Eastern Cape as a result of the poor quality of produce.

6.2.5 Food retailers

Support for black small-scale farmers from large retail chains takes two forms: (a) Enterprise Development Programmes, which are usually core to their black economic empowerment strategies, or (b) *ad-hoc*, localised procurement. Pick n Pay, Woolworths and

Box 17: Small-scale tomato growers supply Tiger Brands in Limpopo

Tiger Brands has an established out-grower scheme with small tomato growers in Nwanedi in Limpopo. The small-scale growers in Nwanedi irrigation schemes grow jam tomatoes which they supply in bulk to Tiger Brands for processing. Tiger Brands supports the tomato growers at two stages of the tomato value chain, production and marketing. This includes training, technical advice and procurement of produce. However, there are questions regarding the viability of these contractual arrangements, especially given the low prices offered by Tiger Brands compared to those that farmers obtain in informal markets, such as when bakkie traders purchase produce at the farm gate.

Box 18: Small-scale cotton growers in Nkomazi in Mpumalanga

There are approximately 641 small-scale cotton farmers in Nkomazi district municipality, each with an average of about 2ha of land under cotton. These farmers are members of the Nkomazi Cotton Co-op and are currently involved in a public-private partnership with Cotton SA and the provincial Department of Agriculture and Land Administration. The partnership entails various kinds of support for cotton growers, including extension advice in production and market access. A service provider, Monsanto Corporation, provides inputs and agronomic advice and also convenes week-long workshops to train the growers on various aspects of the cotton value chain. After harvesting, the cotton gets transported to the Loskop ginnery in Limpopo through a subsidised transport service, the costs of which are deductible from the grower's returns.

Box 19: Small-scale farmers and cherry pepper production in Okhahlamba in KwaZulu-Natal

The Farmer Support Group (FSG) of the University of KwaZulu-Natal facilitates market access for small farmer groups in Okhahlamba municipality to supply cherry peppers to the Natal Pepper Company, which has a processing facility in Ladysmith. FSG attempted a similar initiative in Msinga municipality, but this proved unsuccessful due to unfavourable climatic conditions. A similar initiative in Richmond collapsed in 2010, due to institutional problems rather than environmental issues. In the Okhahlamba case, FSG was instrumental in facilitating small farmer access to this particular value chain, and also assisted small farmers to meet the quality requirements through production level support, such as input provision.

Massmart generally operate centralised procurement systems and engage in the former, whereas those with franchise formats, such as SPAR, Box, Pick n Pay Family stores, SCORE, USAVE, and Seven-Eleven often source locally.

While Enterprise Development Programmes may offer some forms of support, such as training and technical advice, in most cases they do not provide inputs to farmers, since it is assumed that third party service providers will do so. Informally arranged support depends on the relationship between the store manager and the farmers.

Pick n Pay uses a centralised procurement model but has moved to local procurement arrangements for fresh fruit and vegetables. The Pick n Pay Foundation has targeted smallholder farmers to be part of the supply chain in terms of their AgriBEE initiative. Currently, procurements of fresh fruit and vegetables and dry foods are performed separately. Pick n Pay sources its fresh produce from approximately 200 South African farmers who are part of a 'preferred supplier' scheme.

SPAR supermarkets participate in a franchising scheme that originated in the Netherlands. SPAR South Africa, present in South Africa since 1963, operates under a licensing agreement with the parent company, and uses a localised procurement model. Individual stores rely on SPAR headquarters for expertise and advice, but are allowed some flexibility in procurement and in daily operations.

Massmart was recently acquired by one of the largest companies in the world, Walmart. After a dispute with government about allowing Walmart to make the acquisition and move in to South Africa, the company has been instructed by the Competition Commission to establish a fund to facilitate local procurement, with a specific focus on integrating smallholder farmers. Walmart is piloting direct procurement models, and is using three third-party intermediaries (Technoserve, Lima Rural Development Foundation and ECI Africa) to establish market linkage between its retail chains and smallholder farmers.

Some small-scale and emergent farmers are linked to retailers in tight value chain arrangements. This was particularly observed in cases whereby links are made through third parties,

such as large-scale service providers, of which Technoserve is perhaps the best-known example at present (see Boxes 21 and 22).

Some smaller wholesalers, especially those that also operate as retail outlets for consumers, such as two in Weenen in KwaZulu-Natal, source produce from small-scale and emergent farmers. The National Development Agency established Newport Fruit & Veg in Pietermaritzburg to source fresh produce exclusively from small and emergent farmers in the province. At the time of writing, this small supermarket was procuring produce from about 80 small-scale and emergent farmers located in different parts of KwaZulu-Natal.

6.2.6 Local economic development agencies

Local economic development (also known as LED) was adopted by the South African government as a core development strategy in the mid-1990s and South Africa has the strongest LED network in Africa (Binns and Nel 1999). LED in South Africa is a state function at the municipal level, and may take the form of a municipal LED office, or of a private sector organisation 'sub-contracted' by the municipality (Nel and Goldman 2006). These agencies are distinct from other actors in the report, due to their location within the state, rather than in the private sector.

LED agencies in rural and urban areas and in different provinces function in different ways. In the Eastern Cape, these agencies have an explicit small-scale farmer development mission, and are at the forefront of small-scale farmer support. Agencies are sometimes key role-players in farmer support. Partly because of the localised nature of their role, they are able to create responsive projects and support mechanisms that are well aligned to an area's unique geographical and social character. However, their localised nature also constrains them from addressing wider structural issues and conditions (such as roads and infrastructure).

Over 40 LED agencies in different provinces work with small-scale farmers, using differing models to provide production and processing support. The Blue Crane Development Agency, based in Somerset East in the Eastern Cape uses a model whereby it assists market-oriented smallholders in tight value chains to acquire Micro Agricultural Financial Institutions of South Africa (MAFISA) and Land Bank

loans as well as facilitating market access. The Cacadu District LED agency, funded by the German government's development agency, GTZ, runs a large farmer mentorship programme and facilitates mentorship for Category 2 and 3 producers in the district. The mentors are usually white commercial farmers.

The Lamoney Family Trust is one such example of a small-scale capitalist enterprise gaining mentorship through the LED agency (see Box 11). Aspire Amathole runs a variety of projects, including blackberry production in Keiskammahoek (see Box 20). One key feature of this model is that none of the major farming or business decisions are made by the members of the local community, who are meant to be the main beneficiaries. The long-term sustainability of this model is, thus, yet to be tested.

6.2.7 Large independent service providers

One of the distinctive features of the South African development scene since 1994 has been the entry of large organisations that

provide specialised technical support to development beneficiaries. These organisations are often broadly understood as NGOs, but they differ in many ways from the organisations that characterised South African civil society during the anti-apartheid struggle, and that continue to play a role in advocacy, lobbying and other aspects of the political process. Distinctive aspects of these large independent organisations are their strong focus on providing professional and technical support and their reliance on state and public sources of funds in order to do so. They are, therefore, best understood as a separate and distinct form of private organisation, different from traditional NGOs, separate from government, and also distinct from the 'private sector'. In this report, we refer to these organisations as large independent service providers.

In the scan we found some large independent service providers who were also acting as intermediaries in agricultural value chains. They offer support programmes and initiatives for small-scale and emerging farmers in a manner similar to public extension service. This includes provision of inputs, skills

Box 20: Aspire Amathole's farmer support programme in the Amathole District in the Eastern Cape

Aspire Amathole is a large LED agency based in East London and works throughout the Amathole district municipality. It has a number of 'corridors' within which it undertakes LED activities, such as small town regeneration, and agricultural projects in bamboo, essential oils, citrus and berries. In the berry project, Aspire works with the Upper Gxulu co-operative (with 60 members, 18 of whom work on the farm), ATS Consulting, the Eastern Cape Development Corporation (ECDC) and the Industrial Development Corporation (IDC).

The berry farm at Keiskammahoek is funded by the ECDC and IDC. Aspire hires Martin Ferguson, a white commercial farmer and consultant working for ATS Consulting, to manage and oversee the farming operation, which is based on communal land. He works in conjunction with members of the local community to grow blackberries. The farm is zoha in area, with five tunnels on gha. It produces six varieties of berries. The berries are only two years old, and they expect to be at full production capacity in five years from now. The farm is linked to Amathole Berries, a private berry producer, packer and marketer located in Stutterheim. Amathole Berries buys berries from the farm, and packs and distributes these berries along with their own. Several SPAR stores in the area will buy berries on consignment. They will also sell to the local community through informal markets.

The company is owned jointly by the ECDC and the Upper Gxulu community, with a 30% and 70% share ratio respectively. Martin Ferguson manages the farm, and major decisions are made by the company board. The profits are divided, with 30% being re-invested into the farm, and 70% being distributed to members of the Upper Gxulu co-operative.

training and market access facilitation i.e. negotiating product supply agreements with powerful market actors, such as supermarkets or agro-processors. In some cases this role includes transport of produce to the market.

The most prominent examples are Lima Rural Development Foundation and Technoserve, which operate in many parts of the country and are often contracted by government, donors and the private sector to provide upstream and downstream interventions aimed at supporting the commercialisation of smallholder farmers. Lima is a South African not-for-profit development organisation that has been active for some decades, but Technoserve is an international organisation that has been operating in South Africa only relatively recently.

Lima Rural Development Foundation ('Lima') is a large-scale service provider established in 1989 and operating throughout South Africa. The foundation is funded by a number of different donors: the Chamber of Mines, Goldfields, the Anglo American Chairman's Fund, Jobs Fund, Northam Platinum and Anglo Platinum, as well as the DBSA Jobs Fund, Massmart, South Coast Development Agency and WesBank. It also secures government contracts to support farmers. Lima's focus areas include land reform, food security, small-scale sugar cane growers, agricultural engineering, housing, and social development. In 2015 the organisation estimated that its total of 78 projects had reached over 75 000 individuals.

Lima's farmer support and development programme is implemented in ten sites in Mpumalanga, Limpopo, KwaZulu-Natal and the Eastern Cape, and supports a total of 10 408 small-scale farmers. These include individual farmers and those who are members of co-operatives. Support is offered in five different ways, by providing access to: information and technical support, via training; finances, through a revolving credit fund; markets; inputs; and infrastructure and mechanisation.

The distribution of farmers across the LIMA support programme, by province and type of support provided is shown in Tables 12 and 13.

Farmers approach Lima with requests for support and can be provided with a mix of forms of support, tailored to their individual needs. Requests vary in nature, but often include asking for donations of farm infrastructure, such as fencing, water tanks or tunnels. More specific 'units' of assistance are also available. Broiler chicken units, for example, include 200 to 300 birds, feed and technical assistance.

Farmers supported by Lima supply a variety of markets. Those producing broilers tend to sell to members of the local community, and often do so at grant pay points, while those producing vegetables sometimes sell to local branches of supermarket chains, facilitated by Lima. This is generally through spot transactions, rather than contracts. In the Mkhanyakude and Sisonke districts in KwaZulu-Natal farmers supply stores belonging to national retail chains, such as SPAR, Boxer, Pick n Pay, Arizona Wholesale and Cambridge Foods.

Technoserve is an international not-for-profit development organisation that aims to reduce constraints that prevent a market system from operating efficiently. It works with small-scale farmers in North West, Limpopo, Mpumalanga, KwaZulu-Natal and the Eastern Cape. Its services have also been utilised by Massmart to enable it to procure fresh produce from small-scale farmers, a condition of Massmart's entry into the South African economy. Technoserve offers an integrated package of forms of support to farmers, from finance to production and through to marketing. It aims to facilitate the signing of formal contracts between farmers and buyers.

Technoserve supports 1 365 farmers in five provinces, and a total of around 1 357ha was under production by mid-2015. All of these farmers have been helped to secure contracts with companies or organisations that buy their produce, including FoodBank, Farmwise, In2foods, SPAR, Woolworths, Outom and Tiger Brands. Support programmes provide mentorship, business advice, market facilitation and technical assistance. The main commodity focus in Technoserve's South African programme is crops and horticulture. There appears to be a bias towards well-established black commercial farmers, particularly in the midlands of KwaZulu-Natal. Projects include:

Table 12: Number of farmers supported by Lima, June 2015

	KwaZulu-Natal	Mpumalanga and Limpopo	Eastern Cape	National
Individual farmers	1 704	1 913	2 786	6 403
Co-operative members	1 225	20	2 760	4 005
Total	2 929	1 933	5 546	10 408
Number of co-operatives	106	1	347	454

Table 13: Types of support provided by Lima and numbers of farmers supported, June 2015

Types of support	KwaZulu-Natal	Mpumalanga and Limpopo	Eastern Cape	National
Revolving credit funds	296	366	736	1 398
Training by a Lima facilitator	2 364	1 649	5 509	9 522
Training by an external service provider	171	68	1 210	1 449
Market linkages	38	63	160	261
Number of co-operatives	52	36	124	212

- fresh produce in Mutale, Ofcolaco and Modimolle in Limpopo; Rustenberg in NorthWest; and Mooi River and Jozini in KwaZulu-Natal;
- tomatoes and maize in Centani and Idutywa in the Eastern Cape; and
- diversifying from sugarcane to vegetables in Nkomazi in Mpumalanga.

Boxes 21 and 22 provide case studies of two Technoserve projects.

The relative success of large independent service providers in small farmer commercialisation is in part due to the competencies of the personnel they employ. Such organisations employ young black professionals with qualifications in the fields of agriculture, business and social science, and often these

staff members speak vernacular languages, facilitating their interactions with small-scale farmers. Some are former extension officers and personnel who have retail sector experience, which they can use to negotiate market access on behalf of small-scale farmers.

6.2.8 Mentors, brokers and facilitators

Another category of role-player providing support for small farmers is that of 'mentors, brokers, and facilitators', comprising both individuals and smaller, regionally-based organisations. Consulting groups, such as ATS Consulting in the Eastern Cape are made up of white commercial farmers who mentor, consult and manage farms for LED agencies. Other intermediaries include the Agri-mega Group, one of the bodies responsible for providing Comprehensive Agricultural Support Programme funding to emerging and small-scale farmers in the Western Cape.

Box 21: Technoserve-Massmart small-scale commercial farmer projects in KwaZulu-Natal

Umnothophansi Co-operative is a beneficiary of the Massmart-Walmart market access pilot initiative in Mkhanyakude district, KwaZulu-Natal, which has been operating since 2012. The co-op has 11 members, each with 10–35ha under production. It supplies Massmart-owned Brown's Wholesaler in Mkuze following the signing of a memorandum of understanding between Massmart-Walmart and Umnothophansi. This is the result of market access interventions for small farmers initiated by Massmart-Walmart in partnership with Technoserve. Technoserve's focus is primarily on small farmer commercialisation through market access. In terms of the agreement, Massmart funds inputs and other costs, which are deducted downstream, thus resembling mainstream contract farming models. Technoserve has experienced various problems, including logistical issues in the packing process, that affect the quality of produce. There are plans to construct a packhouse with modern technology for upgrading purposes, and there are also plans to take the pilot to scale in other parts of the province.

Box 22: The Technoserve small-scale farmer support programme in Mpumalanga

Active Grace is a small-scale farmer company initiated by Technoserve in Chief Albert Luthuli local municipality in 2012. It comprises 12 members who each farm on 0.5–1.5ha, with a total of 9.5ha under production, mainly in tomatoes. Technoserve assists Active Grace with agronomic advice, procuring production inputs at cost price, and facilitating access to formal markets. With Technoserve's support, farmers have entered into formal contractual supply agreements with Efresh and Woolworths, and recently supplied them with tomatoes. This accrued a gross income of R1.7 million. The programme has not been without challenges, such as side marketing, theft of produce, and problems in arranging transport to the market. Some small-scale farmers are not satisfied with their remuneration and express disgruntlement with the manner in which costs are deducted by Technoserve.

Government support programmes employ commercial farmers or agribusiness companies to mentor emerging and land reform farmers through AgriSeta and the Department of Agriculture, Forestry and Fisheries. Salem Agribusiness is one such example (see Box 10). These mentors provide guidance to farmers in the production process and are not necessarily involved in marketing. Commercial farmer mentors were encountered across the country and are involved in the production of commodities ranging from livestock to deciduous fruit to essential oils. They include many neighbouring large-scale commercial farmers, former landowners and employers, who often take the initiative or at times are approached by small-scale farmers themselves.

Some of these partnerships are based on informal relationships and involve the borrowing and lending of tractors and direct interventions in crop cultivation. In Mpumalanga a small group of white commercial farmers were found to be purchasing maize and beans from neighbouring small-scale farmers at market prices. In KwaZulu-Natal forms of support from white commercial farmers include a wide range of activities from upstream to downstream components of value chains (see Box 23). Much the same can be said about the Free State, the Eastern Cape and, to some extent, Limpopo.

Unlike mentors, intermediaries, such as brokers and facilitators are specifically concerned

to help create market access for the small-scale farmers they advise. These intermediaries are often commercial farmers or ex-farmers working in the areas where they have farmed themselves and with which they are familiar. They often have strong social networks that they utilise to link the small-scale farmers to local markets (see Box 24).

Another key focus of intermediaries is gaining access to state resources. The current government model requires small-scale farmers to form co-operatives in order to access funding provided by MAFISA, the Land Bank and the Department of Trade and Industry. This requirement is based upon the assumption that co-operatives will increase small farmer production and income, create employment,

boost financial self-reliance and overcome barriers to entry, such as economies of scale. However, the formation of such co-operatives is a complex process, requiring registration with the local Department of Agriculture, record-keeping and bookkeeping, and effective co-ordination between members, many of whom have a low level of literacy (for further discussion of such constraints see Dlamini 2010). This has resulted, in many cases, in a large gap between small farmer capacities and state requirements. This gap is now being bridged through intermediaries, who assist farmers to form and register co-operatives and to write business plans necessary for funding applications, often using their own social capital to create markets for the newly formed co-operatives.

Box 23: A commercial farmer in the Free State brokers an asparagus venture for his female farm workers

In Ficksburg in the Free State a commercial farmer initiated a small-scale asparagus cultivation venture for his female farm workers on rented municipal (i.e. commonage) land in 2011. He provided all the necessary inputs and equipment to start the venture, and negotiated with the relevant municipal authorities to secure the rental agreement. He also worked towards obtaining the necessary technical support from the Department of Agriculture. The 36 women grow asparagus on 15ha, intended for sale to Henry Foods, an agro-processing company in Ficksburg. The women also grow beans on 25ha, mainly for the Lesotho market. However, there is uncertainty with regards to the marketing of the asparagus, since Henry Foods factory has not been active in recent years.

Box 24: A facilitator and broker in the Eastern Cape

Colin Painter was involved in the creation of Riverside Advisory Services, which produced and sold citrus fruit. Riverside also assisted emerging citrus farmers in the area through mentorship, training and procuring their produce. Painter has since left Riverside Advisory Services and created Riverside Enterprises, from which he now operates as an individual, government-paid mentor and consultant. He works along the value chain in differing capacities. He assists farmers in the creation of co-ops as well as to access government finance; provides mentorship and training for farming a variety of fruit and vegetables, notably citrus; and facilitates market access through linking co-ops and individual farmers with other co-ops or packhouses, and to local SPAR stores. The co-ops and emerging farmers that Riverside Enterprises works with range in size from 0.5ha to 17ha and produce a variety of vegetables and fruit, including citrus, and sell to various markets, mostly local. In cases where they supply a 'formal vendor', as is the case with the Fort Beaufort SPAR, they do not hold contracts.

6.3 Conclusion

It is clear from the scan that a wide variety of actors from the private sector are involved in partnerships of different kinds with black small-scale farmers. Of those initiated by large companies and corporates, they appear to play a small role in the overall business operation, and in some cases are clearly motivated by the need to acquire BEE points or to advertise projects as part of their corporate social responsibility portfolio. Relatively few appear to derive their logic and rationale from 'bottom line' considerations i.e. profitability. However, this is certainly not true for independent retailers in rural areas, who procure fresh produce from local small-scale farmers. It is also probably not true for mentors, brokers and facilitators, but for these actors it is likely that it is their own incomes that are the major motivation.

Another lesson to be drawn from the scan is that the existing structure of value chains appears to be largely taken for granted by

most actors, few of whom display any desire to fundamentally restructure the chains in the interests of small-scale farmers. Incorporation into value chains is often a case, then, of 'adverse incorporation' (du Toit and Neves 2007; Hickey and du Toit 2011), in which the terms of inclusion are detrimental to new entrants. Many small-scale farmers clearly find it very difficult to meet the stringent requirements of formal value chains and fail to secure long-term supply contracts. It is no surprise, then, that currently many such farmers are supplying mainly informal markets.

One major exception is the support programme for small-scale sheep farmers in the Eastern Cape, run by the NWGA. This programme operates on a large scale and clearly illustrates that is not impossible to increase productivity and incomes with well-designed interventions that address real but not intractable constraints in the farmers' production systems.

7. Forms of support offered to small-scale farmers

7.1 A diversity of strategies

The forms of support provided to small-scale farmers by the actors described in the previous section are themselves also very diverse, and can be clustered into eight broad categories, as follows:

- skills training
- donation of physical resources
- mentorship
- preferential procurement
- market access facilitation
- loans
- free or subsidised inputs
- certification and value chain compliance.

The incidence of these forms of farmer support is shown in Table 14. Skills training predominated, with 53% of farmers in the scan receiving some form of training. Some 33% benefited from mentorship services, with around 30% being the beneficiaries of

donation of physical resources, of preferential procurement and of free or subsidised farming inputs. A smaller proportion received support in the form of facilitation of market access (19%), and an even smaller proportion received production loans (7%). A fifth of all the farmers in the scan received no form of assistance at all (21%).

These forms of support are often combined, but not necessarily within the same programme or initiative. For instance, a small farmer may be working with several value chain actors, each offering a bundle of services. Often small farmers are able to gain support from a range of service providers active in their local area, including government departments, private companies, NGOs and others. Box 25 illustrates this well – the farmers in the Blue Crane district municipality in the Eastern Cape benefit from different forms of support from several actors. In this scan, external support for small-scale farmers was evident in all components of value chains, in some cases in extremely complex arrangements, and in others taking very simple and straightforward forms.

Table 14. Forms of support offered to small-scale black farmers

Form of support	No. of farmers	% of total
Donation of physical resources	3 258	30%
Free or subsidised inputs	3 258	30%
Loans	760	7%
Market access facilitation	2 063	19%
Mentorship	3 583	33%
No support received	2 280	21%
Preferential procurement	3 258	30%
Skills training	6 081	53%

Box 25. Support for small-scale farmers in the Blue Crane Route municipality

Small-scale farmers in the Blue Crane Route municipality utilise a number of linkages in order to improve their production and to gain access to markets. Many individual producers obtain land through Land Bank loans and Uvimba Finance; facilitation services are provided by the Blue Crane Development Agency (BCDA); government extension services are active; and farm produce is sold through local formal and informal markets and to processors in the Port Elizabeth area, utilising support provided by the BCDA.

A key distinction is between forms of support aimed at increasing farmers' capacity, for example, through skills training and mentorship, and other interventions primarily aimed at attempting to secure access to current or new value chains. For example, donating resources, such as fruit trees, enables farmers to capitalise their farms and to participate in existing value chains, whereas certification in order to create a premium price on ethical grounds (e.g. in Fair Trade programmes) seeks to actively create new markets for small farmers. The next section describes the various individual forms of support we identified in our scan, and the final section discusses how these forms are combined in the programmes of some actors.

7.2 Forms of support

7.2.1 Donation of physical resources

Physical resource donation is defined as the once-off or recurrent donation of resources for use by small-scale farmers within their farming systems. Physical resources are not pecuniary in nature; these are discussed separately under the heading of financial support. Resource donation was present but not prevalent in the scan. NGOs and commodity associations sometimes donated such resources, as in the cases of Heifer International, which donated livestock to individuals and villages in the Eastern Cape and Hortgro, which donates and plants citrus trees for small farmers in the Western Cape.

7.2.2 Skills training

Agricultural skills training was offered by many different private sector actors, such as processors, commodity associations, NGOs and large-scale service providers. We

identified fewer than ten institutions solely dedicated to training smallholder farmers. One centre is operated by the South African Agri-Academy, which trains small-scale farmers from around the country in production, management, computer literacy and business and financial skills. These institutions offer training on a variety of aspects other than production, such as finance, management and leadership, often utilising mentors as part of their training programmes.

Processors such as SABMILLER and Tiger brands often offer a package of support as part of an out-grower model, where producers are trained specifically to be able to respond to the needs of the processor. Skills training is also a common form of support provided by commodity associations, such as Grain SA, which organises large training programme for emerging farmers, or National Emergent Red Meat Producer Organisation, which offers farm skills training, agribusiness training and leadership training. Intermediaries also provide skills training on the production side.

University research and support groups play key support roles in some areas, such as the Agricultural and Rural Development Research Institute (ARDRI) at the University of Fort Hare (see Box 26) and the Farmer Support Group (FSG) of the University of KwaZulu-Natal (see Box 27).

Training programmes, while notoriously difficult to assess, equip people with extra knowledge and skills, thus improving their capabilities. As such, they provide the key blocks for empowerment; nonetheless, the scope and intention of training must be taken into account. Training is usually undertaken with a particular scale and type of farming (usually large-scale farming) in mind, or by a particular actor (such as a fertiliser company) with something to gain from the transfer of particular skills. The training programmes are not necessarily appropriate for smallholder farmers who face opportunities and constraints that are usually very different from those of large-scale commercial producers.

7.2.3 Mentoring

Mentorship is a widespread form of support offered to small-scale farmers. Mentors are usually white commercial farmers, or ex-farmers

Box 26: Farmer support offered by the Agricultural and Rural Development Research Institute at Fort Hare University

ARDRI is a research institute at the University of Fort Hare in Alice in the Eastern Cape. It conducts agricultural research, as well as running a farmer support and development group for local farmers. Its staff members train farmers, using demonstration plots; pair farmers with mentors; and help compile and provide training for farm business plans. Its key focus is on sustainable and effective skills transference to enable empowerment. The farmers themselves, with ARDRI providing guidance, draw up business plans.

Box 27. Support for cherry pepper production by small-scale farmers offered by the Farmer Support Group at University of KwaZulu-Natal

FSG of the University of KwaZulu-Natal facilitates market access for small farmer groups in Okhahlamba municipality. In particular, it helps farmers to supply cherry peppers to the Natal Pepper Company in Ladysmith. It was instrumental in facilitating small farmer access in this particular value chain, and also assisted small farmers to meet quality requirements through production level support, such as input provision.

who have sold their farms to government for land reform purposes. The quality and variety of mentorship is highly varied, and it is difficult to make a judgement on the efficacy of mentorship as a model. A key issue is whether or not these white farmers and former farmers are in fact able to understand and appropriately support the farming systems operated by small-scale farmers.

Mentorship takes many forms, sometimes offered to farmers through the DAFF Master Mentorship Programme, whereby commercial farmers are paid a stipend to mentor emerging farmers, and sometimes through LED

programmes (see Box 28 for an example in Cicadu district municipality). In other cases mentoring is available through neighbouring farmers supporting each other, and sometimes as a purely economic enterprise by consultants.

Because the majority of mentors are well versed in large-scale production methods – the norm for South African commercial farmers – they tend to take a ‘technicist’ approach and advise small-scale farmers to emulate commercial farming, with the objective of becoming large-scale farmers. As this may not be suitable or feasible for small-scale farmers, it is crucial that mentors be aware of the

Box 28. The Cacadu District municipality mentorship scheme for small-scale farmers

The Cacadu district municipality⁸ in the Eastern Cape runs a mentorship scheme funded by GIZ and implemented by the Department of Agriculture. Farmers in the municipality formed commodity groups, and representatives of the groups, with extension officers, the regional DAFF representative and a local municipal officer, elected the first round of farmers to be paired with mentors. They also defined the terms of reference and chose suitable mentors. The project is active in seven local municipalities, with 11 groups of small farmers producing broilers, cattle, pigs, sheep and vegetables. The groups use varied marketing approaches, and many are supplying informal markets, with great success (see Lamoney Family Trust, Box 11). The participatory design utilised by GIZ and the municipality goes some way towards ensuring the sustainability of the mentorship, as good matches seem to be found between mentor and mentee. The small farmers in the scheme are pleased with the mentorship they receive, as they had a say in choosing their mentor.

⁸ Now known as the Sarah Baartman district municipality

radically different agricultural systems used by commercial farmers and small-scale farmers.

7.2.4 Market access facilitation

Market access facilitation entails organising access to a market or creating entirely new markets. Access for small-scale producers is sometimes facilitated by an outside agent, such as an NGO or broker. Sometimes this involves arranging for supplies to purchasers on behalf of the small farmers. Brokers, such as white former commercial farmers, facilitate the creation of co-ops in order to access state funding and often use their own 'social capital' in order to get local stores to procure from small farmers.

The market facilitation function was present in most case studies, undertaken by an individual, an organisation or, most commonly, an NGO. NGOs, such as Abalimi Bezekhaya, Biowatch and Lima assist small producers in accessing markets at different scales. The NGOs often play a role as intermediary between retailers and small farmers, such as in the case of Technoserve and Lima in the Eastern Cape, KwaZulu-Natal, Mpumalanga and Limpopo. These linking strategies include one or a combination of the following:

- approaching retailers/markets on behalf of the farmers;
- negotiating procurement arrangements and prices;
- physically transporting the goods to the market; and
- assisting producers in accessing state and other funding.

As highlighted in the above discussion on brokers and facilitators, many individuals and organisations act as intermediaries for small farmers, utilising their own personal 'social capital', or the reputation of their institution, to act as a guarantor of financial applications or of new procurement arrangements.

An example of a successful form of market creation was through the use of 'box schemes' for urban and peri-urban farmers in the Cape Town area (see Box 29). Although the three supporting entities are of differing kinds (NGO, co-op, retailer), they all utilise box schemes as a method to access high-end markets. The fact that the model has been replicated is an indicator that it might be successful elsewhere.

7.2.5 Certification and value chain compliance

Another important form of support provided to small-scale farmers is assistance in obtaining certification of their produce as organic, fairtrade or ethical produce. Certification is undertaken in order to add value to a product so that a premium can be charged for that product. There are cases where certification was enabled through public-private partnerships or as part of a broader certification programme, as with Fairtrade. The benefits of such certification are mixed. Certain producers certified as Fairtrade were not receiving premiums for their produce, but had broadened their market through the exposure they gained. Other producers could not sell stock at a premium, due to customers not being interested in organic produce. Certification success was found to be linked to access to consumers who are interested in such produce. Thus an NGO working with organic producers in rural KwaZulu-Natal is less likely to succeed in

Box 29. Cape Town smallholder farmers and box schemes

NGOs and retailers, such as Abalimi Bezekhaya, Ethical Food Co-op and Organic Zone work with market-oriented smallholders in the Cape Town area to supply box schemes. These entail customers ordering boxes of produce, usually comprising fruit and vegetables, which are then delivered by the NGO or co-op to the customer's door or to select pick-up points in the greater Cape Town area. Organic Zone and Ethical Food Co-op were procuring produce from fewer than 20 farmers in and around Cape Town in 2013. Organic Zone stocks only certified organic produce and experiences problems in procuring such produce, as the costs of gaining certification are simply too high for many smallholders.

gaining a premium than an NGO working in Cape Town, where there are a larger number of people who are prepared to pay a premium for authentic organic produce.

Certification for small farmers in order to produce for niche markets has been debated as a useful mechanism for small farmer commercialisation, the advantages being low input costs and suitable farming techniques for small farmers to produce organic products, as well as a more socially conscious and demanding type of consumer in western markets allowing for the branding of produce to fetch a premium if certified. However, the disadvantages or downsides to certification are its high costs and the onerous requirements of the audit (Raynolds and Ngcwangu 2010). Thus certification for small-scale farmers is often facilitated or partly funded by NGOs or government, for example, in the Western Cape small-scale farmers produce for Eat Smart Organics, an organic processed food producer that has entered into partnership with the Western Cape Department of Agriculture and with Ecocert, an organic food certifier that assists in training and certifying the small-scale farmers.

Certification of produce is important for a number of reasons. Health and safety certifications, as increasingly required by regulatory frameworks, have become prerequisites to sell to large supermarkets, such as Woolworths, not only because this is a legal requirement but also because of customers' standards. This can be a major barrier to small-scale producers. However, Fairtrade and other ethical consumer labels can add value to a product to be sold at a higher price. Differing forms of certification are therefore appropriate at different levels of production. Small-scale capitalist farmers are likely to be local GAP certified, unless, like the Lamoney Family Trust, they operate entirely in the informal market.

Fairtrade is active in South Africa, certifying a variety of products, such as tea, wine and raisins. The Fairtrade certification allows producers to charge a premium for their product, but this is not guaranteed (see Box 30).

What makes this case interesting is the relationship between Pick n Pay and the co-op. The supermarket does not pay the Fairtrade premium, and justifies this by stating that

they buy in bulk, and so the co-op regains those losses through amounts sold. However, Pick n Pay was made aware of the existence of the farmers through Fairtrade marketing mechanisms and the co-op was able to meet the exacting health and safety and quality standards through the training and assistance given to them by Fairtrade SA. This raises questions: is the Fairtrade model working in the desired way? And, if not, should Fairtrade be adapted to become a quality training and marketing agency?

7.2.6 Loans

Loans for small-scale farmers appear to be uncommon, and were received by only 7% of farmers in the scan. Only one direct financier of small farmers was found, the Eastern Cape Rural Development Agency (ECRDA), comprised of the former Eastern Cape Rural Finance Corporation (ECRFC/Uvimba) and the former Accelerated and Shared Growth Initiative of South Africa in Eastern Cape. ECRDA is a parastatal that funds on behalf of government agencies, such as Land Bank and MAFISA.

Where loans are provided to small-scale farmers, they usually come with a guarantee of repayment by an external agent, as in the case of Lima, which accessed bank funds for its small farmer commercialisation programmes. This raises questions around the reluctance of funders to finance small farmers, unless an outside body serves as guarantor. Micro-financers and micro-credit agencies, so prevalent in other African rural economic landscapes, were not found in the scan, other than in the form of MAFISA loans.

Box 30. Fairtrade rooibos producers in Wupperthal in the Western Cape

Wupperthal Co-op is comprised of roughly 90 members and grows rooibos tea on around 36 000ha, on individual plots that vary in size. The co-op worked with Fairtrade SA in order to achieve Fairtrade certification and supplies to a national supermarket, as well as other markets under the Fairtrade label. The co-op experienced serious problems with reaching an agreement with the Moravian Church on where they could plant. The problems became so serious that the head of Farmer Support and Development from the Western Cape Provincial Government had to mediate between the co-op, the community and the church. The co-op also supplies Pick n Pay. However, Pick n Pay has not been paying the Fairtrade premium.

The Land Bank is more focused on supporting emergent black capitalist farmers than on supporting smallholders.

7.2.7 Packaging support to small-scale farmers

A key finding of the scan is that smallholder farmers in loose value chains receive little or no support from the private sector. Those farmers who do have linkages with the private sector do so in a 'loose' manner, meaning that they may receive training or resources from a large-scale service provider, NGO or commodity association, but these are mostly 'one-off' instances and are not offered in conjunction with other services.

Smallholder farmers in tight value chains, however, often gain access to a range of support services bundled together in a 'support package'. This package is usually offered by the organiser of the value chain, generally a processor or agribusiness. For example, Box 31 below describes a support package offered by the agro-processor McCain, in Limpopo Province. Farmers growing for McCain are given:

- production guidance through extension services and training;
- inputs such as fertiliser and seed; and
- direct procurement by McCain.

These support packages are often found in out-grower schemes operated by agro-processors, who demand a certain standard and uniformity for their products and achieve this through controlling what and how their producers grow crops throughout the production process. Farmers in tight value chains who

benefit from such packages are highly monitored by the processor's extension officers, in order to ensure compliance. A trade-off that farmers face in gaining access to these packages is the lack of freedom to farm as they wish, and to market their produce on the side in alternative (and sometimes more lucrative) markets.

Large-scale service providers, such as Lima and Technoserve, and NGOs also offer support packages, but in a less structured and more flexible manner that is more responsive to farmers' needs. The typical package offered by these agencies includes production training, market facilitation and resource donation.

7.3 Conclusions

This section shows that a wide variety of forms of support are offered to small-scale and emergent black farmers by private sector and other actors outside of government, but that, for the most part, they are premised on somewhat shaky assumptions: that the farming systems that smallholders should be equipped to operate are scaled down versions of large-scale commercial farming, and that they should be incorporated into value chains that are already supplied, for the most part, by large-scale farmers. There appear to be very few support programmes that take seriously the specific production systems and marketing opportunities of market-oriented smallholders in loose value chains. This is surprising given the difficulties many small-scale farmers face in meeting the stringent requirements of formal markets, and high rates of failure documented in many of our case study vignettes.

Box 31. McCain's support package in Limpopo Province

McCain is an agro-processing firm that specialises in manufacturing processed vegetable products. The firm is actively involved in procuring vegetables and potatoes from smallholder farmers in Limpopo Province, especially from irrigation schemes in Capricorn, Vhembe and Mopani districts. The factories located in Springs and Delmas are involved in a number of vegetable and potato production initiatives with smallholder farmers. McCain supports smallholder farmers at three stages of the value chain: upstream (input supply, technology), production, and downstream (marketing). The types of support received by farmers include training, technical advice, technology transfer and procurement of produce.

8. Support programmes for small-scale black farmers in South Africa: Emerging patterns and their wider implications

This section reflects on the wider lessons and significance of the findings of the scan. We argue that many common stereotypes of small-scale black farmers are challenged by the findings, which show that large numbers of such producers supply informal markets and loose value chains, rather than the tightly integrated and highly formalised value chains that characterise large-scale commercial agriculture in South Africa. Few support programmes offered by non-governmental agencies take these key features into account. Yet there is evidence that many small-scale farmers are skilful entrepreneurs who are able to arrange supplies to independent retail stores located in rural areas and small towns, or have working relationships with bakkie traders and others who supply informal markets.

This implies that a better understanding of such producers and their marketing strategies might allow for targeted support by governmental (e.g. local municipalities) and non-governmental actors (e.g. NGOs or commodity associations). Here we also examine the implications of our findings for policy-makers and practitioners who wish to provide a more conducive wider economic environment for small-scale agriculture and who try to provide practical support to small-scale black farmers.

8.1 Policy stereotypes and real-world differentiation

Much of the policy discourse in South Africa in relation to small-scale farmers assumes that these are a relatively homogeneous grouping whose members share much the same problems and enjoy similar opportunities. Yet the evidence from research undertaken over the past two decades is that this is not the case, and in fact there are major differences among

such farmers (Aliber et al. 2009; Aliber et al. 2013; Cousins 2011; Cousins 2013; Hebinck and van Averbeke 2007; Hebinck and Cousins 2013; Lahiff et al. 2008; Laurent et al. 1998; Levin et al. 1997; van Averbeke and Mohamed 2006).

It is true that awareness of differences has now begun to be expressed within government plans and programmes. The Comprehensive Rural Development Programme announced by government in July 2009, for example, identifies five categories of land redistribution beneficiaries (DRDLR 2009):

- (i) landless households, who seek land for subsistence purposes;
- (ii) commercial-ready subsistence producers, who are capable of a more commercial focus but need land and support to farm, mostly on a part-time basis;
- (iii) expanding commercial smallholders, who already farm commercially on a small scale, but are constrained by lack of land and other resources;
- (iv) well-established black commercial farmers, who are already farming at a reasonable scale but are disadvantaged by location and other circumstances;
- (v) financially capable, aspirant black commercial farmers (black businesspeople, who mostly farm on a part-time basis).

More recently, the Strategic Plan for Smallholder Support announced by the Department of Agriculture, Forestry and Fisheries (DAFF 2013) proposes a typology of smallholders, and acknowledges that 'most types of agricultural support (e.g. extension, financing, mechanisation, etc.) require some degree of catering to specific circumstances, albeit within a unified approach' (DAFF 2013:6). The typology is as follows:

- SP₁ ('Smallholder producer type 1'): Smallholders for whom smallholder production is a part-time activity that forms a relatively small part of a multiple-livelihood strategy. Some of these producers may aspire to grow their agricultural enterprises, but possibly at the expense of pursuing off-farm activities, therefore it is a risky prospect.
- SP₂ ('Smallholder producer type 2'): Smallholders who are more or less in the middle of the spectrum, meaning that they rely largely on their agricultural enterprises to support themselves and are not living in poverty, but need further assistance, both to expand production (or make it more efficient and/or profitable), join in the value addition and find markets.
- SP₃ ('Smallholder producer type 3'): Smallholders who operate according to commercial norms but who have not reached the threshold at which they are obliged to register for VAT or personal income taxes. These smallholders tend to be capable all-round entrepreneurs; they often command large amounts of support from government by virtue of the fact that they tend to be mobile and vocal, but in reality often have the capacity to sustain themselves and even grow on their own, not least by means of loan finance.

Yet, in neither of these policy documents does this awareness of differentiation translate into practical programmes of support that take the differences into account in meaningful ways. Programmes continue to be designed as though no such differences exist. Furthermore, key differences in relation to the meaning of 'commercial', such as the distinction between loose and tight value chains, and between formal and informal agricultural markets are not recognised. The underlying assumption continues to be that 'commercial' means essentially the same thing to large-scale and small-scale producers. Yet the reality, as vividly illustrated in our scan, is very different. Value chains and markets are themselves highly differentiated, with enormous implications for support programmes.

The debilitating consequences of unrealistic assumptions are most clear in relation to land reform, where 'smallholder farmers' are a key target of policy at the level of rhetoric, but not in practice. The idea that 'development' equals 'commercialisation', which is equated with the farming systems and marketing strategies of large-scale white farmers, underpins and drives the new State Leasehold and Disposal Policy, as well as the Recapitalisation and Development Policy and other policies. These define four categories of beneficiaries: (1) households with no or very limited access to land; (2) small-scale farmers farming for subsistence and selling part of their produce on local markets; (3) medium-scale commercial farmers already farming commercially at a small scale and with the aptitude to expand, but constrained by land and other resources; and (4) large-scale commercial farmers farming disadvantaged by location, size of land and other circumstances, and with the potential to grow.

The first two categories of farmer will be leased state land at a nominal rental of one rand per annum, without an option to purchase. The policy assumes that there will be only one lessee per farm, and no mention is made of subdividing large farms to provide for smallholders. The other two categories, i.e. medium- to large-scale black farmers, will be leased state land for 30 years, with leases renewable for another 20 years, and have an option to purchase. The first five years of the initial lease will be treated as a probation period in which the performance of the lessee will be assessed, and new lessees will pay no rental in this period. For these categories, the rental thereafter will be calculated as 5% of projected net income, as set out in an approved business plan.

The Recapitalisation and Development Policy Programme replaces all previous forms of funding for land reform, including settlement support grants for restitution beneficiaries. Business or development plans written by either private sector partners or departmental officials are used to guide decision-making. Funding is for a maximum of five years. Beneficiaries must have business partners recruited from the private sector, as mentors or 'co-managers', or within share-equity arrangements, or as part of contract-farming

schemes. The bias towards emergent small-scale capitalist farmers is clear (Hall 2015).

It thus appears that small-scale farmers who are oriented to selling into informal markets and loose value chains are essentially ignored by current government policies, despite the fact that they constitute the vast majority of small-scale surplus producers. This judgement is certainly supported by the evidence we collected in the scan, where, as shown above, virtually all support programmes, with a few exceptions, assume that the key to success is integration into formal value chains.

Our scan also shows the diversity of the types of markets that are supplied by small-scale farmers. Markets used by farmers included formal, semi-formal and informal markets, wholesale and fresh produce markets, and large-scale and small-scale retailers. In addition, markets included not only those supplied with fresh food, but also the raw materials used by agro-processors. Often farmers utilise a variety of markets at different times, and sometimes they sell their produce in formal, semi-formal and informal markets concurrently. Again, the real world is more complex than allowed for in much current discourse and policy-making.

8.2 Normative assumptions about farmer development

The scan reveals that thousands of small-scale producers and emergent capitalist farmers do not conform to the unrealistic assumptions of governmental and non-governmental development agencies, and secure surprising levels of success, despite the absence of appropriate support programmes. One obvious exception is the Lamoney Family Trust described in Box 11, where the fact that the farming operation does not conform to the 'commercial' stereotype is key to its success. In this case, the farmer support and mentoring programme offered by the Cicadu district municipality is highly supportive, which illustrates the potential of appropriately designed support.

Another success story of the Micoso Agricultural Co-op in the Eastern Cape (see Box 3), which not only supplies a local SPAR store, with which it has agreed a formal contact, but also supplies a number of different markets. This case demonstrates clearly that

even small-scale capitalist farmers, such as these, cannot be assumed to gear themselves towards only supplying formal markets. Much the same as large-scale white commercial farmers, small-scale farmers are alive to the potential of a differentiated marketing landscape and seek opportunities wherever they present themselves. Along with the Isibonelo Irrigation Scheme (described in Box 8), the case also challenges another stereotype, i.e. that co-operatives always fail. Under the leadership of dynamic individuals, both the Micoso Co-op and the Isibonelo Irrigation Scheme show that collective action by small-scale farmers can be highly successful.

Stereotypes of agricultural development often rest on the notion of a linear and upwardly mobile path from subsistence to large-scale capitalist farming, and involve normative criteria of success, failure and 'commercial viability' drawn from one end of the spectrum, namely large-scale agriculture of the industrial through-put kind (Cousins and Scoones 2010; Weis 2007). In South Africa today this approach gives rise to the notion that smallholders must seek to 'graduate' as they move along this linear path:

- from a subsistence to a market orientation;
- from informal to formal markets;
- from labour intensive to mechanised production systems;
- from smaller to larger-scale farming operations; and
- from part-time to full-time farming.

Yet this notion of 'graduation' along a linear development path needs to be challenged. For the vast majority of small-scale producers, non-farm and off-farm income sources are key, here as in other parts of the world (Bernstein 2010). Agriculture on its own is often hard put to provide sufficient income. Domestic consumption of part of the produce helps reduce the need for cash income for the purchase of food and contributes to good health. Local and informal markets can often be supplied at low cost to the farmer, with ubiquitous bakkie traders usually willing to purchase from the farm gate. These can be combined with supplying formal markets, such as supermarkets, with or without contracts,

where possible, and constitute a successful risk reduction strategy. Labour-intensive systems create rural employment opportunities, albeit ones that are often poorly paid, an important side-benefit in an economy with very high rates of unemployment and rural-to-urban migration. Smaller-scale farming operations have the benefit of allowing more people to participate in the agricultural sector, particularly in densely settled communal areas. For all these reasons, the idea of 'graduation' in agricultural development needs to be discarded as a decidedly unhelpful idea that has passed its 'use-by date'.

Other ideas that are challenged by our findings include the notion that 'agriculture equals cropping'. Many small-scale producers of livestock contribute to a lively informal slaughter economy in communal areas and informal settlements, in both rural and urban areas. The true size of this economy is as yet unknown, due to the bias towards formal markets in official data on the agricultural economy. Yet many case studies show that smallholder livestock production systems can be highly productive and earn significant incomes for rural households (Ainslie 2002; Alcock 2013; Andrew et al. 2003; Cousins 1996; Shackleton et al. 2001; Shackleton et al. 2005).

The case of the successful wool growing programme in the Eastern Cape (see Box 12) challenges another stereotype, in relation to land tenure and property rights. Here, the NWGA support programme has been highly successful in raising the wool output and incomes of thousands of smallholder farmers who run their flocks on communal land. This case gives the lie to notions that only private property and freehold titles can provide a secure basis for market-oriented agricultural development. This does not mean that attempts to provide more legal backing to systems of rights based on community membership and 'customary' values and principles should be abandoned – far from it. Chiefs and traditional councils are set to be the major beneficiaries from current government policies on communal tenure reform (Claassens 2015), and these need to be opposed and replaced with policies that secure the land and resource rights of the rural poor, including those who graze their livestock on communal grazing areas. But this does not mean privatisation, which would be disastrous for the majority of livestock owners.

The scan thus offers strong evidence, albeit anecdotal and indicative, rather than representative in character, that challenges a number of the inappropriate and debilitating assumptions and notions that continue to inform thinking and planning for support of small-scale black farmers in South Africa today. It suggests that there is an urgent need for stronger evidence, collected through rigorous surveys at the national level, on the realities of small-scale agriculture and its challenges, constraints and opportunities. These surveys could form the basis of policy-making that fully acknowledges the socio-economic differentiation of farmers and thinks through the implications for policy and practice.

8.3 Differentiated markets and value chains

This study clearly demonstrates the diversity of markets being supplied by farmers, including formal, semi-formal and informal markets, wholesale and fresh produce markets, and large-scale and small-scale retailers. Small-scale farmers often supply a variety of markets concurrently. This is a useful reminder not to apply farmer typologies too rigidly, and to treat the key distinction offered above – between loose and tight value chains – with circumspection.

A key research finding is that many black small-scale farmers in South Africa are more effective in supplying informal markets (and loose value chains) than formal markets (and tight value chains), and that such markets are probably more important in the rural economy than policy-makers believe. Further research on the size, functioning, constraints and opportunities of such markets and value chains is urgently required. Fortunately, initiatives are underway to undertake precisely such research, by the Southern Africa Food Lab and the National Agricultural Marketing Council⁹.

However, the scan also provides evidence that black small-scale farmers can supply formal markets with high-quality produce. Here there are two interesting examples. One is the high-quality wool being produced by small-scale sheep farmers, mainly in the Eastern Cape, under the auspices of the support programmes offered by the NWGA. The

⁹ Information supplied by Kenneth Carden of the Southern Africa Food Lab.

numbers of such farmers are impressive; a total of 24 480 farmers have been assisted. A key factor here is supplying a product that meets stringent quality criteria.

The second example is in relation to decentralised procurement of fresh produce from small-scale farmers by supermarkets and independent retailers. The latter include both small and large convenience stores and green-grocers that operate in townships, rural towns and rural areas in general. With less significant volume needs and fewer requirements in relation to quality of produce, they offer a better match with the conditions experienced by most small-scale farmers, who often prefer to source produce through informal arrangements, rather than formal contracts. However, there are also some disadvantages for farmers in these kinds of arrangements, in that they are constrained from bargaining for higher prices, and purchases are not guaranteed and are often irregular.

South African policy debates are characterised by normative assumptions about agricultural markets, as well as about farming. They are often infused with the notion that 'graduating' farmers into high-end, supposedly more profitable markets is the only route to follow in agricultural development. As with stereotyped notions of 'farm viability', these assumptions are, in many cases, inappropriate and misleading. It makes more sense to focus on different markets and kinds of market connections for different kinds of farmers and products. Differentiation is again the key to well-targeted development policies and programmes.

8.4 Value chain actors

One of the most interesting aspects of the scan is the wide range of private actors involved in partnerships of different kinds with black small-scale farmers in South Africa. In the case of large companies and corporates, small-scale farmers appear to contribute relatively little to their overall business operations. In some cases partnerships are motivated mainly by the need to acquire BEE points or to fulfil corporate social responsibility commitments. Only a few derive their logic and rationale from the key objective of companies, i.e. profitability.

Few of the actors involved display a desire to fundamentally restructure value chains. The incorporation of small-scale farmers into value chains can, in many cases be characterised as 'adverse incorporation', where the terms and conditions of arrangements tend to serve the interests of the more powerful participants, rather than those of the weaker (Hickey and du Toit 2013). Small-scale farmers often find it difficult to meet the stringent requirements of formal value chains, and few manage to secure long-term supply contracts with purchasers (van der Heijden and Vink 2013). It is not surprising that they supply mainly informal markets, or enter into 'spot transactions' with, for example, independent retailers or supermarkets with the freedom to purchase local produce.

The support programme for small-scale sheep farmers provided by the NWGA is an exception. This programme operates on a large scale and shows that it is possible to increase farming incomes with well-designed support programmes.

8.5 Forms of support

The scan revealed that a wide range of forms of support is available to small-scale black farmers. Training in relevant skills predominated, with over half of the farmers in the scan benefiting from training of some form or other. Another one third of the farmers received benefits in the form of mentors providing advice and technical support. Almost one third of farmers received donations of physical resources, or free or subsidised farming inputs. Some benefited from preferential procurement.

Less than one fifth of farmers received support in the form of assistance in gaining market access. A fifth of all the farmers in the scan received no assistance whatsoever, and entered into market relationships with others entirely as a result of their own agency. Where loans were provided to small-scale farmers, they were usually accompanied by a guarantee of repayment by an external agent. Micro-credit programmes for farmers were not found in the scan, and the Land Bank tends to support black commercial farmers, not smallholders.

Training programmes are an important form of support because of the skills deficits that are widely identified as a key constraint in small-scale agriculture, and that are clearly a key legacy of the apartheid era. But training is usually undertaken with the skills and knowledge required for large-scale farming systems in mind, and sometimes by those who have something to gain from the transfer of specific kinds of knowledge, such as fertiliser companies that aim to sell more of their products.

It is critically important that those organisations offering support programmes to small-scale producers become aware that the farming systems of the latter are very different to those of large-scale commercial farmers. Too many advisers and mentors assume that high-tech, capital-intensive production methods oriented to the needs of formal value chains and perhaps just scaled down a little must be suitable for small-scale farmers, too. But farming systems are, by their nature, highly diverse, and depend on agro-ecological zones and natural resource endowments, as well as the objectives and circumstances of producers. 'One size' does not 'fit all'.

Smallholder farmers who supply produce in tight value chains often benefit from a range of complementary support services provided as part of a 'package'. In contrast, smallholder farmers in loose value chains receive little real support from the private sector. Those farmers who do receive training or resources from a large-scale service provider, NGO or commodity association, do so on an occasional basis only and in isolation from other services and forms of support. Few support programmes focus on the specific farming and marketing systems of market-oriented smallholders who participate mainly in loose value chains. Given the many difficulties experienced by small-scale farmers in attempts to supply formal markets, and given the high rates of failure, this is surprising.

8.6 Lack of reliable data on small-scale black farmers in South Africa

A key challenge facing researchers, practitioners and policy-makers is the lack of reliable official data on small-scale farmers in South Africa. Research instruments employed by Stats SA in the Labour Force Survey and the General Household Survey result in inconsistent data on numbers of households engaged in agriculture (Aliber et al. 2011:86–90). Most such surveys ask few questions about agriculture as such. The 2011 census does not provide data on farm size, and does not distinguish between large, medium or small farmers within the global total of 2.6 million black households engaged in agriculture (Stats SA 2013). Useful case studies of small-scale black farming have been conducted over the years (see Aliber et al. 2011; Aliber and Hall 2012; Hebinck and Cousins 2013), but assessing their wider significance is constrained by the lack of reliable national data.

No sector-wide data on development programmes involving small-scale black farmers exist. Neither the National Department of Agriculture nor provincial departments of agriculture gather information about the profile of the small-scale black farmers who receive extension services. The Department of Rural Development and Land Reform does not appear to have reliable data on small-scale farmers.

A systematic effort to collect and analyse reliable and detailed data on small-scale agriculture in South Africa is long overdue. Without such data, policy-making is 'shooting in the dark' and evaluation of impact is impossible. We recommend that Stats SA lead a process of discussion and debate on appropriate and feasible data gathering on this key aspect of South Africa's rural economy that has been neglected for too long.

9. Conclusion

This report has severe limitations. Most of the data that it bases its findings on are anecdotal in character and suffer from constraints of limited time and funds for detailed field research. They cannot be said to be representative of the complex realities of small-scale agriculture in contemporary South Africa. There are likely to be many more initiatives in existence than are reported here. Some will, no doubt, fall outside of the categories we have constructed for analysis of our data.

However, although our research findings are only indicative in character, we are of the view that they are sufficiently robust to constitute

a base for some broad conclusions. They suggest that many of the current programmes of support on offer from the private sector are built on somewhat shaky foundations. These are often based on problematic assumptions and normative ideas about what constitutes desirable agricultural development, most of them deeply (if not consciously) informed by the experience of fostering a successful large-farm sector in South Africa in the past. The problems that many small-scale black farmers experience in their attempts to enter the competitive world of formal value chains suggests that a fundamental re-think is now required.

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