

Mentorship Alliance between South African Farmers: Implication for Sustainable Agriculture Sector Reform

Olubode-Awosola Femi¹ and Van Schalkwyk H.D.²

**¹Department of Agricultural Economics
University of the Free State, South Africa
e-mail: olubodeo.sci@mail.uovs.ac.za**

**²Faculty of Agriculture
University of the Free State, South Africa
e-mail: hvs.sci@mail.uovs.ac.za**

**Poster paper prepared for presentation at the International
Association of Agricultural Economists Conference, Gold Coast, Australia,
August 12-18, 2006**

Copyright 2006 by Olubode-Awosola and Van Schalkwyk. All rights reserved. Readers may make verbatim copies of this document for non-commercial purposes by any means, provided that this copyright notice appears on all such copies.

ABSTRACT

South Africa's agricultural sector is characterized by a skewed participation of the population. There are vastly white commercial farmers and black subsistence farmers. This is attributed to the past government's intervention in the economy, which led to exclusion of and discrimination against the blacks regarding access to land. The new government is committed to redressing this imbalance through agricultural reform and development strategies namely land, agrarian, trade and market reforms. One of the government's primary policy thrusts is providing access to agricultural land for people not adequately represented in the agricultural sector.

However, the government lacks sufficient resources to provide land and support services to the developing farmers. This study is motivated by the insights to explore the complementarities of established and developing farmers' characteristics and the need for a framework within which the stakeholders can contribute to the success of the reform. The study contributes to the discussion regarding mentorship between the farm types, by addressing an identified knowledge gap with respect to the objective, implementation and reward for mentorship.

Mentorship alliance that can transform the South Africa's agricultural sector into a more efficient and competitive sector and enhance the success of South African economic reforms, is conceptualized. The mentorship is expected to be loosely structured, without the complicated legal and contractual processes involved in corporate business alliances. However, it is hoped that the alliance would be a precursor for highly committed joint ventures in the industry.

Keywords: E6, O1, Q15, P0, L12

1 Background information

South Africa's agricultural productivity and the industry structure result from long history of access to farm resources and farming experience. Previous government favoured production by large-scale, capitalist white farmers who used wage labour, mostly supplied by blacks (NDA, 2004). The new government is committed to redressing this imbalance by means of agricultural policy and development strategies such as Agricultural Black Economic Empowerment (AgriBEE) and Land Redistribution and Agricultural Development (LRAD), market deregulation and trade liberalization.

At best, the reforms have resulted in the emergence of developing farmers. Compared to established commercial farmers, the developing commercial farmers lack managerial and financial skills, capital assets, etc. Furthermore, the deregulated and liberalized market poses a threat to both farm types. There is increasing rate of farm sequestration among established commercial farmers and lack of sustainability among developing farmers (NDA, 2004). This trend has raised concerns among people who have been contributing support services to ensuring the success of the reforms (NDA, 2005).

Various authors (Darroch & Mashatola, 2003; Louw, Madewu, Jordaan & Vermeulen, 2004; Vink, 2004) have identified potentials of mentorship programmes between the different farm types. The aim of the study is to provide information that can serve as criterion for effective mentorship programmes. The study involves an investigation into the complementing the characteristics of the two farm types and the need for a framework within which role players can contribute to the success of the reform. This study is justified on the premise that speeding up the pace of land reform could avoid land seizure and violent expropriation in the country, and that rapid development of settled black farmers could promote a stable political and economic environment conducive to general economic reform.

2 An overview of the South African farm industry structure

The commercial, large-scale white-owned farms dominate South Africa's agricultural industry. These farms contributed about 95% of value added and utilised about 87% of the agricultural land in the country. Subsistence smallholder farmers occupied the remaining 13% of agricultural land (Kirsten, 1998). This politically inspired economy was characterized by an acute lack of markets, capital and education among black agricultural producers in the so-called homelands (Percival & Homer-Dixon, 1995). However, while most of the newly settled farmers are expected to operate at commercial levels, they lack much of resources to operate at a competitive level. At the national levels, the established commercial white farmers are represented under the South African Agricultural Union (Agri-SA) while the smallholder developing black farmers are represented under the National African Farmers' Union (NAFU).

3 Problem statement

From mid-90s the South African government has expended huge amounts of money on the acquisition of land to settle smallholder farmers. However, not only that funds are not sufficient to provide enough land at the target rate, also, there have not been proper institutional arrangements to support the settlers. Where such services are delivered, they are provided on an *ad hoc* basis and focused on smallholder farmers. The effect of this support is, at best, marginal for developing farmers, while established commercial farmers feel marginalized in a more liberal market (NDA, 2004).

Furthermore, developing farmers lack not only skills, but also the financial assets necessary to operate in a dynamic market-driven industry (De Villiers, 2004). The newly settled farmers have therefore not experienced appreciable success. Another concern is that questionable ethics and values and low levels of management capacity reported among

developing farmers impact on their business practices, making it impossible for them to establish agricultural cooperatives among themselves. Whereas agricultural cooperatives are a viable means of sharing risk in an industry that is characterized by risk and uncertainty (DBSA, 1997).

Trade liberalization and market deregulation put pressures on the industry. The pressures necessitate modern approach to farming and require farmers to engage in cost-saving measures such as diversification, value adding and intensification if they are to be competitive in the local and global economies. Van Schalkwyk *et al.* (2003) rightly stress that current market reform should lead to increasing demand and markets. Therefore, regional and national farm resources need to be put to their most efficient use under the most efficient farming practices.

To ameliorate most of these problems, especially the gross lack of skills among developing farmers, who find it difficult to cope with evolving and challenging production and marketing environments, a voluntary mentorship programme between the two types of farmers has been initiated, and it is being promoted by concerned stakeholders and the government. At this stage the government is requesting sector-specific frameworks for voluntary mentorship programmes (NDA, 2005).

However, at a recent (April, 2005) Senwes-organized workshop on BEE where mentorship programmes were considered, some speakers referred to the need for not only moral and political, but also economic and business imperatives in the South African economic policy reform if programmes and projects are to succeed. Specifically, the need to reward mentorship efforts was raised. Some individual mentors indicated that they and the people they were mentoring were uncertain of mentorship objectives under the proposed framework and current practice. To this end, the objective of this exploratory and concept development study is to

provide an insight into how mentorship programme be implemented; how should the mentorship programme operate and how should it be rewarded?

4 Empirical investigation

Present efforts and proposed mentorship programmes were examined. Case study analysis and key-informant interviews were conducted with the prospective mentors and stakeholders in the farm industry. Questions posed in the interviews and case studies deal with the objectives, implementation and consideration for reward of mentorship. Of the nine South African Provinces, it is only in the Free State Province that mentorship programme has started at pilot stage at the time of this study.

4.1 The pilot and proposed mentorship programme

Information about objectives, implementation and consideration for reward in the proposed mentorship programmes under government and private initiatives were gathered. Senwes, a private organization acts as role-player in offering support to settled farmers. A key informant interview was conducted with a Senwes' Agricultural Services Manager to determine his opinion regarding mentorship practices and obtain an overview of the proposed mentorship programme. Also, an experienced Extension Agent who is also a Project Manager in the Department of Agriculture was interviewed to provide information on the government's strategic plan for mentorship. The interviews are summarized in the Boxes 1 and 2.

4.2 Case study

Telephone conversations were used to interview the Senwes' enlisted 4 mentors. The key researcher introduced himself and the other colleagues in the study to the respondents. The purposes of the study were explained to the respondents, and they were told how they were

selected for the case study. Efforts were made to make the interviews as neutral and void of leading questions as possible. One farmer claimed he had not officially assumed the responsibility of a mentor. He considered himself to be merely assisting neighbouring developing farmers. Two farmers had merely given Senwes an expression of interest in the mentorship programme, but were not yet linked to any developing farmer as mentor. The last farmer, however, is engaged with a group of developing farmers and therefore a thorough case study was conducted on him. The discussion is summarized in Box 3. The main information garnered from the key-informants and case study interviews, coupled with relevant principles of strategic business alliances are developed into a conceptual strategic mentorship alliance in the section that follows.

Key Informant 1

Senwes is in the process of developing a strategic plan for a mentorship programme. Senwes has what could be categorized as experimental mentorship programme in operation currently, in the Free State Province. In its plan, Senwes hopes to attach mentor to a group of developing farmers for the purpose of transferring technical and management skills from the latter to the former. It is expected that, for cash crop enterprises, the group would meet on a seasonal basis. However, for livestock enterprises the group is expected to meet annually as most livestock enterprises have an average life cycle of at least one year.

Mutual understanding between the farmers, especially regarding diverse cultural and business practices, is deemed prerequisites for the success of the programme. A group of not more than 10 farmers making up a household or commonage is expected to be attached to a mentor. However, where developing farmers represent individual farm units, a group of at most 8 developing farmers to a mentor, is ideal.

Monitoring of progress and dispute resolution is expected to be carried out by a third party namely Senwes. Stakeholders such as banks are expected to approve more of the applications for operating loans from developing farmers who are linked to a mentor, as mentorship is expected to reduce business risk. It is also expected that the Provincial Department of Agriculture will clarify the role of mentors to the Extension Agents, to avoid misrepresentation or conflict of advice given by Extension Agents and mentors. Reward for mentoring is at the discretion of the mentors and developing farmers. However, it is expected that transportation costs associated with mentoring exercises will be covered, but who is to cover it is an issue still to be resolved. The key informant observed failures in the arrangement and this can be traced to the difficulty in identifying the right mentors, as this takes time.

Box 1: Summary of the interview with key informant from Senwes
Source: Authors' field survey, 2005

Key Informant 2

There was no government-organized mentorship programme in place when this research was conducted. Instead, non-formal training programmes, whereby government subject matter specialists and extension agents dispense their services to farmers in general, are operational. In the Province and at national level, however, government is in the process of developing a farmer-to-farmer mentorship programme package as part of the strategic plan for agriculture for the years 2004-2006.

This plan has not been finalized, but the objective of the farmer-to-farmer mentorship programme is to establish a link between developing commercial and established commercial farmers for the purpose of skills transfer from the latter to the former. The programme will be coordinated at the district level. Government will identify a group of developing commercial farmers who can be linked to an established and experienced commercial farmer for the purpose of sharing technical experience. A study group will be organized by the farmers for the purpose of sharing experience about the economics of farming. The farmers will be expected to visit one another's farms for the purpose of sharing practical experience and farm demonstrations. However, the criteria for selecting a mentor farmer is still being debated among policy makers, as some believe that retired commercial farmers should be engaged in the process.

The intention is to link about 27 developing farmers to a mentor farmer. The means to evaluate progress is still not known from government plan. However, it is believed that the rate of increase in the number of developing farmers linked to mentors and their rates of success could be an indication of progress. The programme under design is expected to be voluntary and reward is expected to be recognition of the mentors by the government at annual speeches by ministers or other government officials.

However, for this arrangement to work, government hopes that mentors will cooperate by their willingness to share time and experience with developing farmers. Developing farmers are expected to respond and avail themselves of the opportunity; the Departments of Agriculture are expected to update policy relevancy, implementation and dissemination of information. The banks are not yet considered in the plan. The Departments of Land Affairs are expected to disseminate information about new settlers as soon as possible, for immediate linking to mentor farmers. Cooperatives are expected to develop among farmers, to help in the referral and linking of farmers to the mentorship programme.

The key informants' personal opinions are that linking farmers should be done without undermining the roles of extension agents and that mentorship linking is only necessary when there are insufficient extension agents to help developing farmers.

Box 2: Summary of the interview with key informant the Government

Source: Authors' field survey, 2005

*Case-Study: De Boer**

Mr De Boer is a 32 year old professional commercial farmer and chairperson of the Young Farmer Association in a District of the Free State. He grew up in a farming household. He has about nine years of full-time experience of commercial farming on about 1500 ha, of which about 350 ha is grazing land. He has also spent about 11 years acquiring academic qualifications in agriculture, specifically agricultural economics.

He is engaged as a volunteer in the Senwes-organized mentorship programme. Presently he assists a group of 28 LRAD, commonage developing farmers who recently acquired about 150 ha of farm land. He attends to these farmers on a weekly basis, either on his farm or in a designated centre, sharing with them his entrepreneurial, farming and risk management skills and practices.

These developing farmers have high expectations from De Boer on information relating to marketing opportunities and agronomy. De Boer enjoys the mentorship programme with these farmers, yet he expects a measure of reward for the time he spends helping these farmers. He expects the reward to be in form of a share of the profit accrued by his farmers' projects, or in form of an input subsidy from government.

De Boer mentioned a number of problems that have prevented his mentorship efforts from yielding tangible fruit or encouraging other commercial farmers to become involved in the programme. One is that the developing farmers do not have operating cash. They only keep a few cattle on the farm land. De Boer has helped them to develop business plans for growing maize, wheat, etc., with which they could secure loans from commercial banks. However, the bank could not approve the application because the land was not registered in their names but was sublet to them from the original LRAD beneficiaries.

In spite of this experience, De Boer is positive about the mentorship programme and he feels that other commercial farmers would be very willing to become involved. However, the general problem is that the commonage arrangement does not encourage business attitudes from the settlers. In some cases, the land is too small for the number of settlers, preventing each member of the commonage from having an economic unit of production.

To ameliorate some of these problems, De Boer expects government to develop a viable and business oriented land transfer programme assisted with guidelines for effective mentorship. He believes this will encourage banks to grant operating capital to developing farmers, especially if the farms are of commercial size and individual farmers can be identified, rather than the communal land ownership.

Box 3: Summary of the case study interview with a mentor

Source: Authors' field survey, 2005

Note *De Boer is an arbitrary name to ensure anonymity and confidentiality

5 The conceptualized alliance – complementary mentorship

Business alliances are different types of partnerships which often involve cooperative or mutual agreements between two or more firms (Hill, 2005). The most appealing definition in the context of this paper is that of Dibb, Simkin, Pride and Farrell (2001), namely a partnership that will transform South African agriculture into a more efficient and competitive sector in the global economy. Conditions that necessitate partnerships are the competitive global economy, rapid produce cycles, capital constraints and advances in technology, which prevent a single firm from maintaining market share or expanding markets (Stanek, 2004).

Sarkar, Echambadi, Cavusgil and Aulakh (2001) postulate that an alliance is necessary when the partners: have similar characteristics on certain dimensions, different characteristics on different dimensions, different resource and capability profiles, yet share similarities in their social institutions. Sarkar *et al.* (2001) stress that, for the alliance to succeed, partners must pursue the objective simultaneously. Sarkar *et al.* (2001)'s empirical results relating to the performance of alliances recommend that complementarity regarding partners' resources and compatibility regarding cultural and operational norms must be explored, as these factors help in creating values in alliances.

It is therefore necessary that, if each partner is to pursue the objectives simultaneously, the objectives must be identified clearly and an operational process must be established. From the aforementioned conditions that necessitate alliances, the basic elements of alliance and the characteristics differentiating the two groups of South African farmers there is need for a mentorship alliance in the South African farm industry.

Specifically, the alliance conceptualized at this stage is complementary mentorship, and it is expected to be loosely structured without the legal and contractual processes involved in corporate business alliances.

The established commercial farms could provide complementary mentorship to the developing farms. This could be in the form of addressing specific areas where both farms have double coincidence of strength and weakness. By doing so, the established farms would not only complement developing farms' contribution in the industry but would also intensify the industry's productivity and the nation's competitiveness in the global economy. It is hoped that the mentorship alliance will form a foundation for highly committed joint ventures in the industry in the future.

6 Conclusion and Policy recommendations

Mentorship alliance that is complementary, loosely structured, without the complicated legal and contractual processes involved in corporate business alliances is conceptualised. However, it is hoped that the alliance would be a precursor for highly committed joint ventures in the industry. To achieve such a mentorship programme, an enabling environment and forum must be created. This could encourage linkage between established and developing farmers thereby making the mentorship to occur spontaneously.

Such an environment and forum should allow the developing and established farmers to identify themselves and the need for mentorship. This self identification will specifically address the needs of developing farmers by appropriate or specific mentors thereby making the objectives of the mentorship programme comprehensive. This will also eliminate problems for government and role players relating to the identification of the right mentor for the right developing farmers. Self identification between mentors and developing farmers

could also give rise to the market determined reward system for mentorship, thereby encouraging commitment of both parties.

The enabling environment and forum for farmers' self-identification and fair play of market forces could be created by the three main role players namely Agri-SA, NAFU and Department of Agriculture. Other stakeholders and publics such as non-governmental organizations (NGOs), community-based organizations (CBOs), the media and etc. could also create such enabling environments. The enabling environment and forum could include enterprise-specific intra and inter cooperatives; unions and associations, farm exhibitions, seminars, workshops, etc bringing together South African farmers. The Forum should be void of previous political or racial classes nor the size of business operation.

Acknowledgement

All views, interpretations, recommendations and conclusions expressed in this paper are those of the authors and not necessarily those of the supporting, or cooperating or mentioned organisations. The mention or omission of specific organisation, their services or products or brand names does not imply any endorsement of or judgment by the authors or publisher.

References

- Darroch, M.A.G. & Mashatola M.C. (2003) Sugarcane growers' perceptions of a graduated mortgage loan repayment scheme to buy farmland in KwaZulu-Natal, South Africa. *International Food and Agribusiness Management Review*. Vol 5 No. 4.
- DBSA (1997) Farmer support programme revisited: partnership in the economic survival strategies of the poor. *Development Bank of Southern Africa Discussion Paper* No. 3. Compiled by Ted Stilwell.
- De Villiers, R. (2004) "Chasing the dream" *Farmers' Weekly*. 7 May 2004:54-55.
- Dibb, S.; Simkin, L.; Pride, B.& Ferrell, O.C. (2001) Marketing: concepts and strategies 4th European Edition. Boston: Houghton Mifflin.
- Hill, C.W.L. (2005) International Business: Competing in the Global Marketplace, Irwin, New York: McGraw-Hill.
- Kirsten, J (1998) "How government policy is taxing South African agriculture: Outlook *Farmers Week*, Dec. 4 1998, No. 88049:30-31.

- Louw, A. Madewu, H., Jordan, D. & Vermeulen, H. (2004) “Regoverning markets: securing small producer participation in restructured national and regional agri-food systems”. Republic of South Africa country reports prepared for the International Institute for Environment and Development (IIED), London.
- NDA, (2004) National Department of Agriculture quarterly agricultural economic review and forecast October to December 2003, Vol. 1. No. 1. February, 2004.
- NDA, (2005) National Department of Agriculture Budget vote address by Minister for Agriculture and Land Affairs, Ms. Thoko Didiza, National Assembly. Issued by Ministry of Land affairs, 7 April, 2005. <http://www.ndp.agric.za>
- Percival, V & Homer-Dixon, T. (1995) Environmental scarcity and violent conflict: The case of South Africa. Part 1. Occasional paper. Project on environment, population and security, Washington, D.C.: American Association for Advancement of Science and the University of Toronto.
- Sarkar, M.B.; Echambadi; R.. Cavusgil, S.T & Aulakh, P.S. (2001) “The influence of complementarity, compatibility, and relationship capital on alliance performance”. *Journal of the Academy of Marketing Science*. 29(4):358-373.
- Stanek, M.B.(2004) “Measuring alliance value and risk: A model approach to prioritizing alliance projects” *Management Decision*. 42(2):182-204.
- Van Schalkwyk, H.; Groenewald, J.A. & Jooste, A. (2003) “Agricultural marketing in South Africa”. In Nieuwoudt L. & Groenewald J.A. (Eds.) The challenge of change – Agriculture, land and the South African economy University of Natal Press, South Africa.
- Vink, N. (2004) “South African agriculture: 10 years after democracy Part 2” Paper read at the AFMA’s 57th Annual General Meeting, 10 September, 2004. Cape Town.