



We develop the South African Agricultural Industry.
Ons ontwikkel die Suid-Afrikaanse Landbou Industrie.



Organised agricultures' solution to the land reform debate

3 July 2018

Who is Agri SA



Agri SA is a federation of agricultural organisations

Established in 1904 as the Southern African Agricultural Union

Through its affiliated membership, Agri SA represents a diverse grouping of individual farmers regardless of gender, colour or creed (29 000 farmers and 1000 local associations)

Agri SA is a non-profit, a-political organisation

Partners

9 PROVINCIAL AFFILIATIONS



± 28 000 FARMERS

25 COMMODITY ORGANISATIONS



Agronomy



Animal Production



Horticulture



108 307 BENEFICIARIES



R331 MILLION SPENT ON TRANSFORMATION

32 CORPORATE MEMBERS



Agri SA position on Section 25



Information on Agri SA and its views on land reform

Agri SA:

- is **supportive of an orderly process of land reform**
- aims to ensure a **sustainable and viable agricultural sector**
- ***acknowledges that the dispossession of land caused deep emotional wounds, which have not been healed, and that land dispossession caused great physical hardship of an enduring nature. We also recognise that we, as a society, are faced with the triple challenges of inequality, poverty and unemployment and that these challenges are particularly prevalent in rural areas***

(cont) Information on Agri SA and its views on land reform

- The sector:
 - *currently employs 847 000 people (Labour Force survey, 1st quarter 2018, Stats SA)*
 - *Keeps our country food secure*
- Still far too many households in rural and urban areas are food insecure
- Agri SA subscribes to the vision for our rural areas and agricultural sector as set out in **Chapter 6 of the NDP**
- In 2014 Agri SA's congress accepted a **holistic land plan and developed a funding model**
- Agri SA's affiliates and partners are investing millions of Rands in developing, assisting and supporting emerging farmers to ensure their sustainability and competitiveness
- During 2017 Agri SA and its affiliates spent **R331 million** on transformation and **108 307** new farmers in South Africa benefitted from these programs

Agri SA's stance on section 25 of the Constitution

- Section 25 is both a guarantee of existing and future property rights and an instruction to rectify the skewed ownership and tenure patterns of the past;
- There is no lack of policies and laws to give effect to section 25's mandate for land reform;
- There may be scope for a redistribution framework law;
- In Agri SA's considered view the problem is a lack of implementation, not a constitutional impediment or even a legislative one;
- Policies keep on changing, rather than focussing on getting implementation right, there has been a plethora of policies, draft policies and programmes;
- Private sector can play a role in implementation in partnership with government;
- Changing section 25 is not going to fix the problems that we are experiencing with land reform, and it will cause a host of other problems.

What are the reasons for the slow progress with land reform?

- The **slow pace of land reform to date**, is, in Agri SA's considered view, a failure of implementation rather than a failure of legal framework
- **Lack of adequate budgeting, policy uncertainty, the lack of a comprehensive, integrated support network, lack of or poor communication with stakeholders, corruption and poor settlement support systems** are the real reasons why land reform has not happened at a faster pace and in a more sustainable manner
- Agri SA **supports the findings and recommendations** of the High-Level Panel on Key Legislation

(cont) What are the reasons for the slow progress with land reform?

- Apart from the authoritative High-Level Panel report, there are **many other reports** that point to the same problems
- These include:
 - ***The Fiscal and Financial Commission report of 2017 on the spending by the DRDLR; and***
 - ***The Department of Planning, Monitoring and Evaluation (DPME) report of 2017 on the implementation of the NDP.***
- These reports relate to inadequate budgeting, poor implementation and irregular spending
- The fact that in many instances, beneficiaries do not receive title to the land that is allocated to them, is, in Agri SA's experience, a huge impediment to the successful establishment of new black commercial farmers



**HIGH LEVEL PANEL ON
THE ASSESSMENT OF KEY LEGISLATION AND
THE ACCELERATION OF FUNDAMENTAL CHANGE**

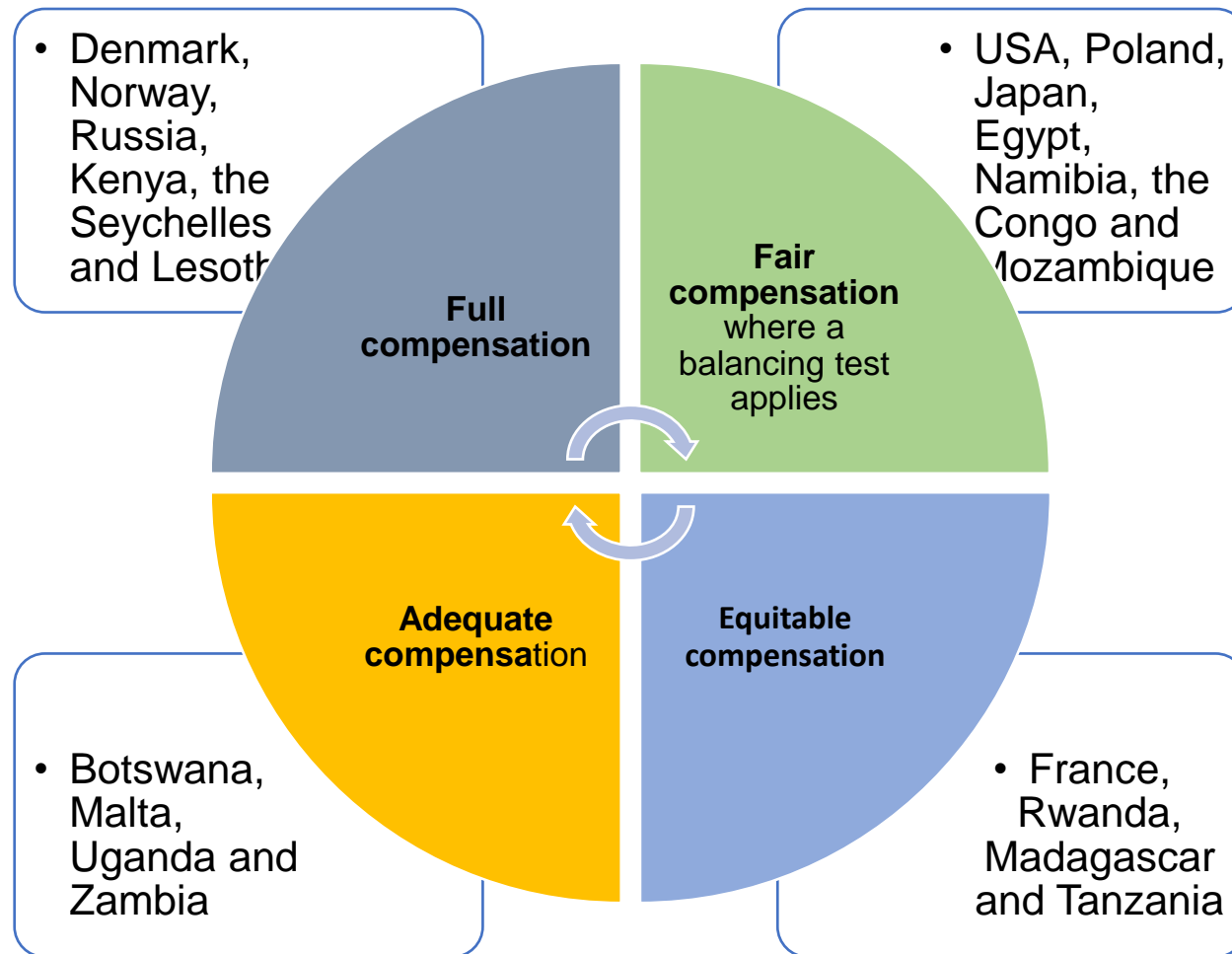


**HIGH LEVEL PANEL PUBLIC HEARING IN GAUTENG
SESSION 1 (MORNING)**

International and comparative law perspective

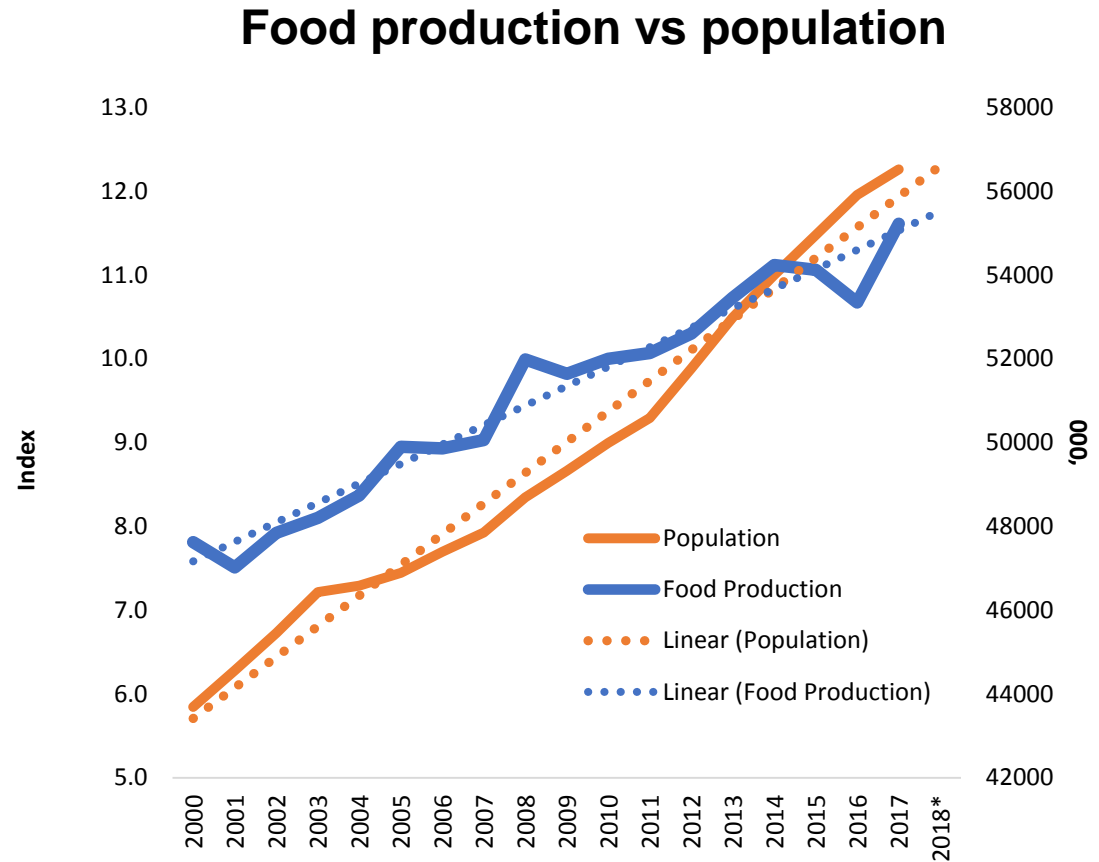
- **Section 25 cites a fundamental human right**, which is protected in terms of international human rights instruments such as the United Nations' Universal Declaration of Human Rights, the European Convention on Human Rights and the African Convention on Human Rights
- No attempt has ever been made in **South Africa to scrap or amend a fundamental human right**
- The **modern approach** to compensation is based on the principle of equality in the bearing of public burdens. Equitability in respect of a public liability is a principle adopted by French, German and American law. According to this approach, "where one or more individuals has to bear a sacrifice (being the loss of property) for the common good, their individual and excessive burden should be compensated by the community (thus the State)
- **If South Africa were to scrap the equitability principle, we will be out of step with most African countries**
- Food and Agricultural Organization (FAO) of the United Nations published a **guide on international best practice for expropriation**
- The guide requires, among other things, **clear and transparent procedures for forced acquisition of property, and compensation that will ensure that the affected persons are not worse off after expropriation than they were before**. It further states that affected persons must not only be compensated for the loss of land but also for improvements made and for the disruption that accompanies expropriation

(cont) International and comparative law perspective



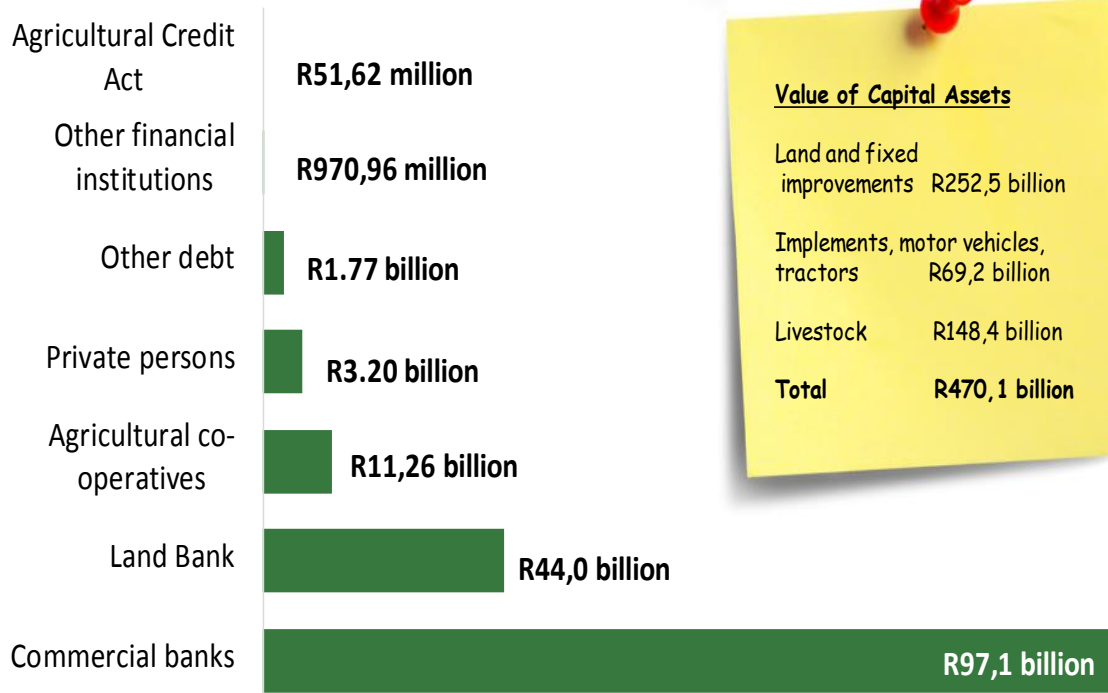
Economic consequences should land be expropriated without compensation for purposes of land reform

- In 2035, South African population is estimated to reach more than 66,9 million.
- This means more food supply will be required to sustain the growing population
- It is an internationally recognised fact that there is a correlation between the level of government assistance to farmers in the form of subsidies and farm sizes



(cont) Economic consequences should land be expropriated without compensation for purposes of land reform

Who Farmers owe money to *Farming debt in 2017 – R158 billion*



- Most farmers rely on creditors such as the commercial banks, the Land Bank, and agricultural cooperatives and agricultural businesses for production finance. Ownership forms the basis of credit extension to farmers
- Agriculture is critical to the development of the economy as the sector that has strong backward and forward linkages with other sectors of the economy

The realities of agriculture

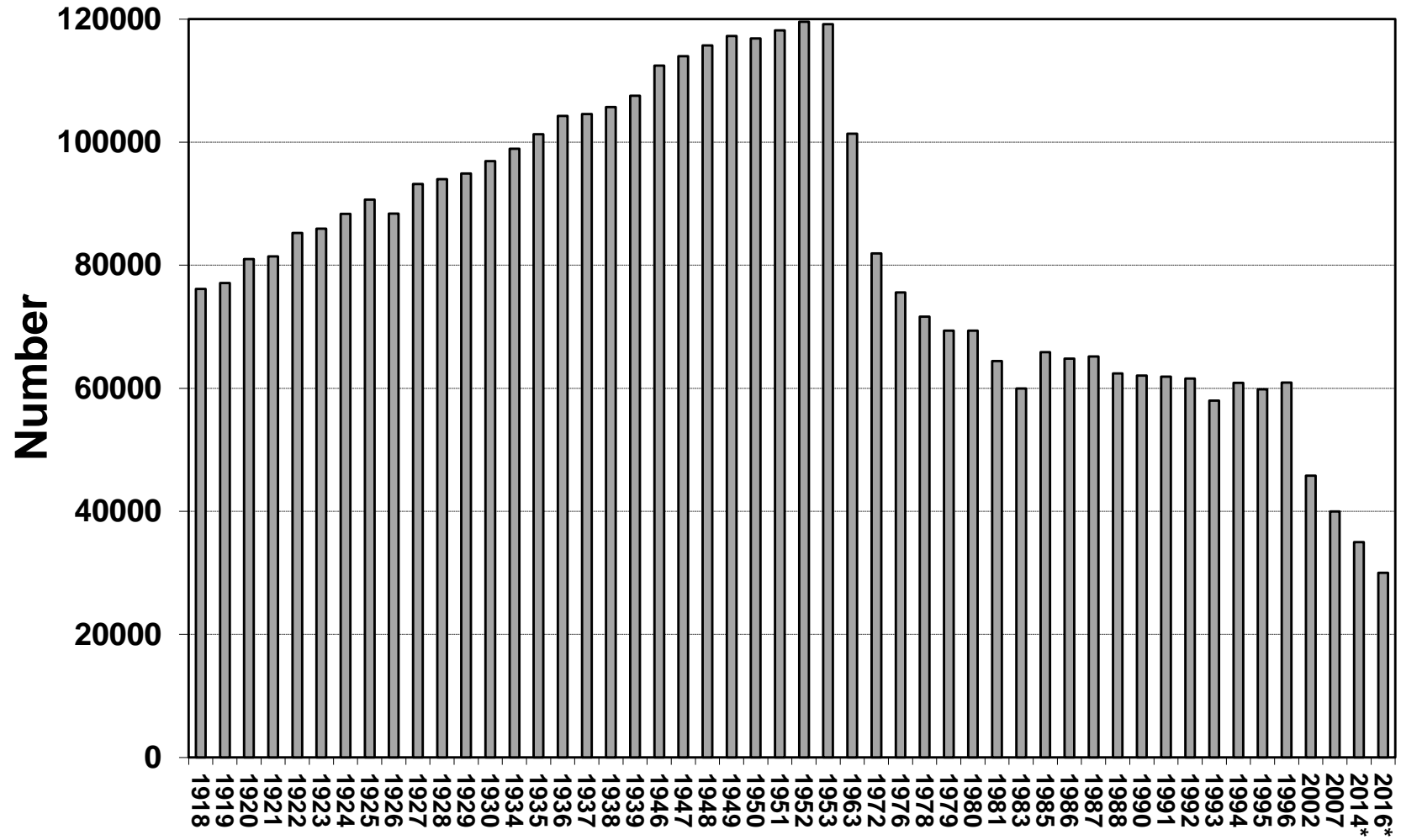


All farmers are battling

1. Financial viability (3 -12% margin on business turnover not feasible)
2. Infrastructure and safety concerns
3. Divestment in the sector – property prices falling in 2018
4. Internationally uncompetitive industry – cost of production / cost of capital
5. Further desertification of farmland in SA
6. National droughts
7. Water infrastructure failing

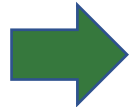
Robotics and precision farming remains competitive forces that are already game changers – the Fourth Industrial Revolution is here – Biotech, nanotech

Number of farming units



Elements in agriculture

- Ownership
- DAFF & DRDLR
- Financial systems
- Agri Co-ops
- Commercial farming
- Land Bank
- Commodity organisations
- Agri Education
- Support for new farmers



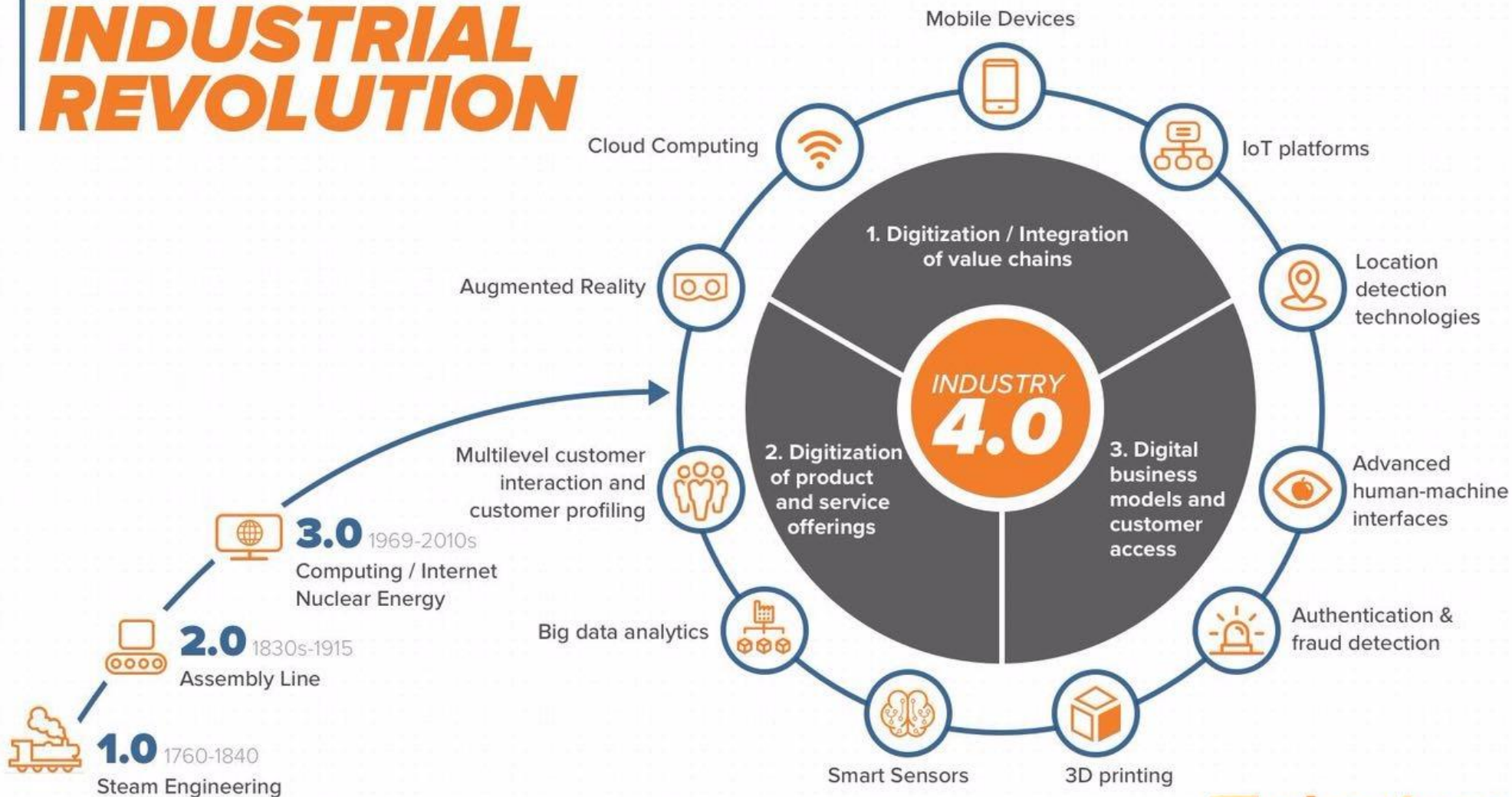
- Ownership
- DAFF & RDLR
- Support for new farmers

Do we have the farmers ?
YES we do

The fourth industrial revolution

THE DAWN OF THE

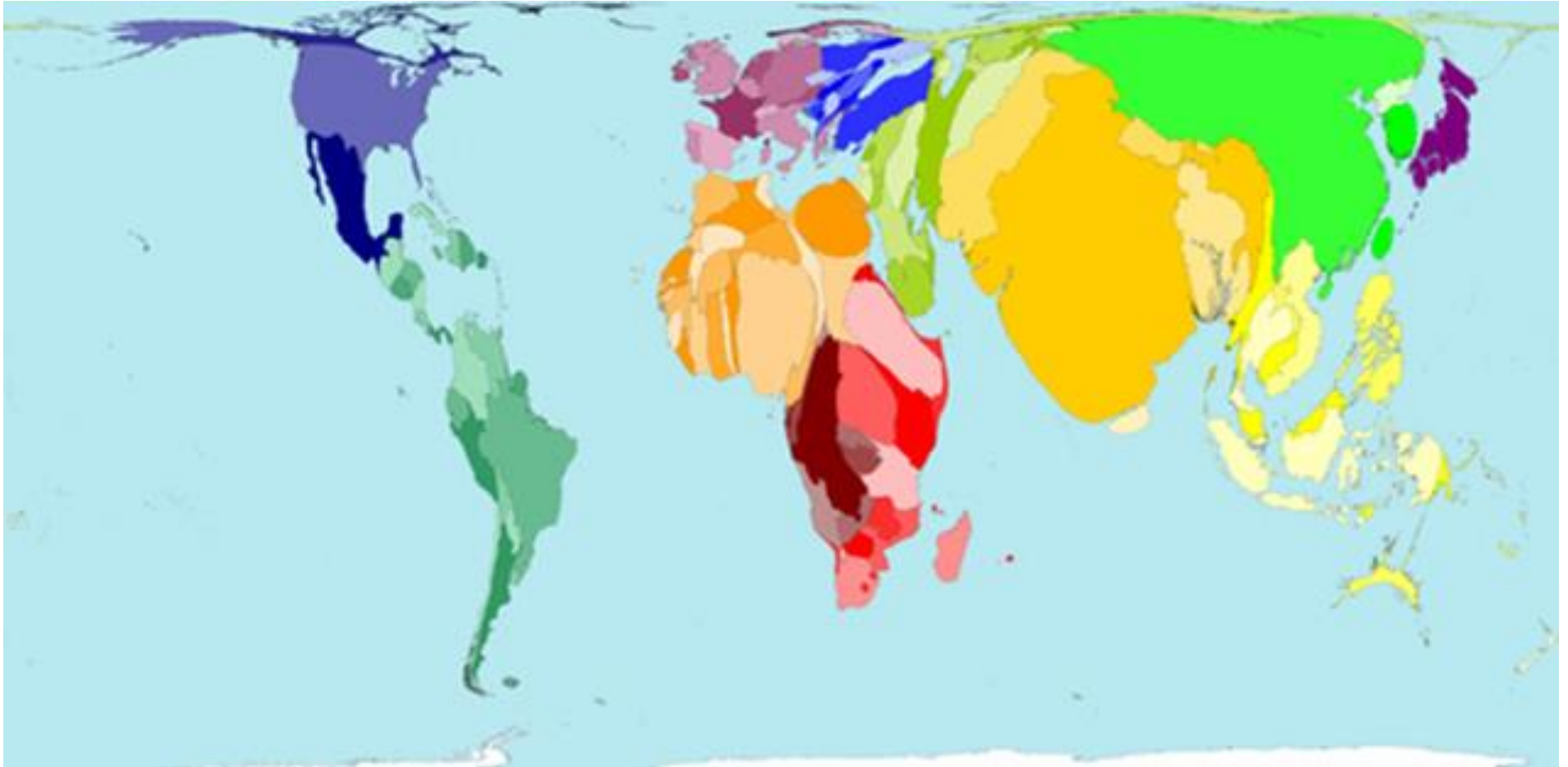
FOURTH INDUSTRIAL REVOLUTION



Opportunity knocks



World population by 2050



By 2050 it is estimated that the earth's human population will be 9.07 billion. 62% of the people will live in Africa, Southern Asia and Eastern Asia - numerically this is the same as if all the world's current population lived just in these regions. In addition, another 3 000 000 000 will be spread across the rest of the world.

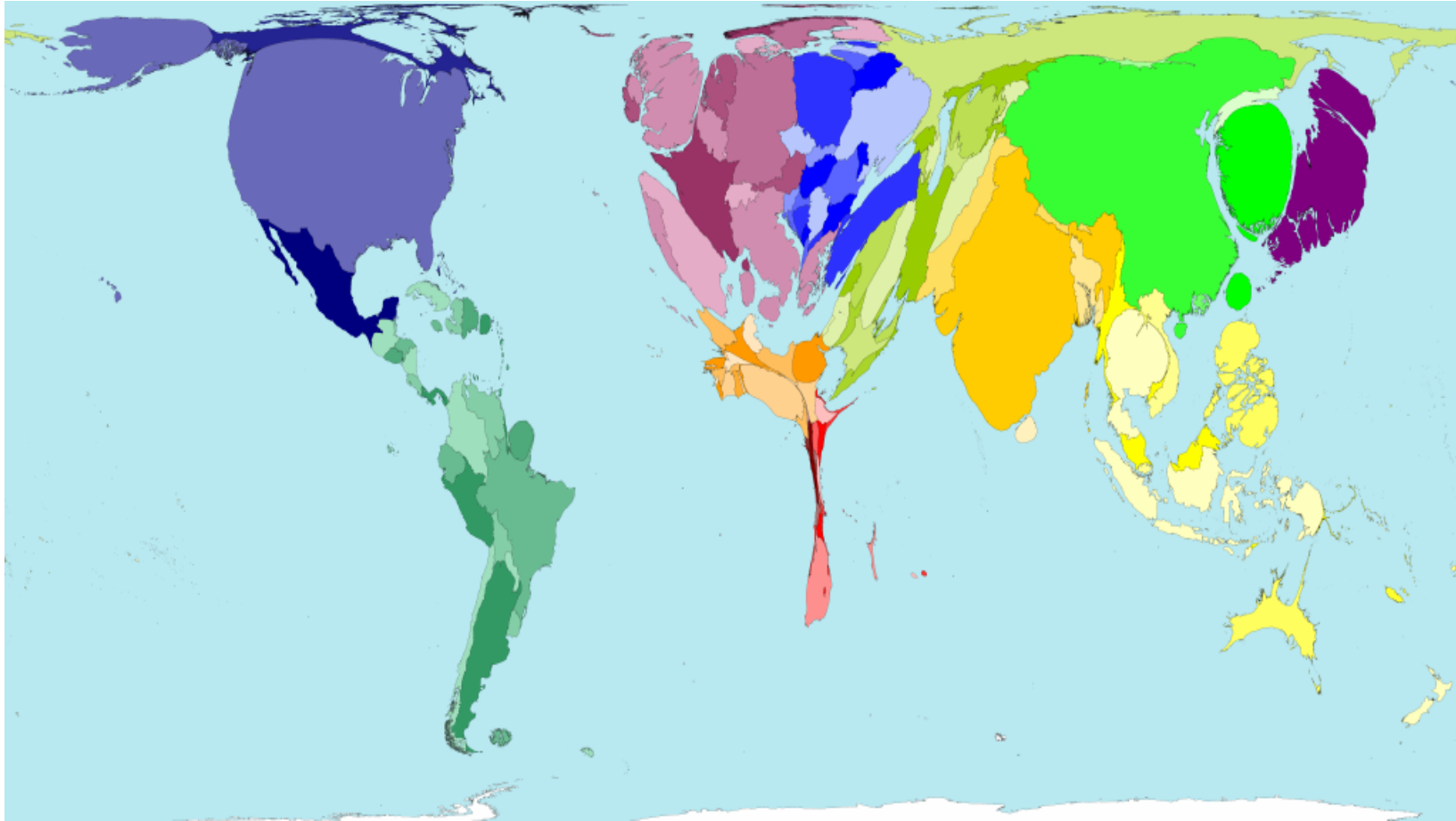
The Intergovernmental Panel on Climate Change warned that by 2050 yields for maize in Zimbabwe and South Africa could decrease by more than 30%, and its data suggests to some scientists that by 2100, Chad, Niger and Zambia could lose nearly all of their farming sectors

Southern Africa faced its worst drought in decades during 2015/16 and 2016/17, leading to food shortages that affected 14m people – United Nations



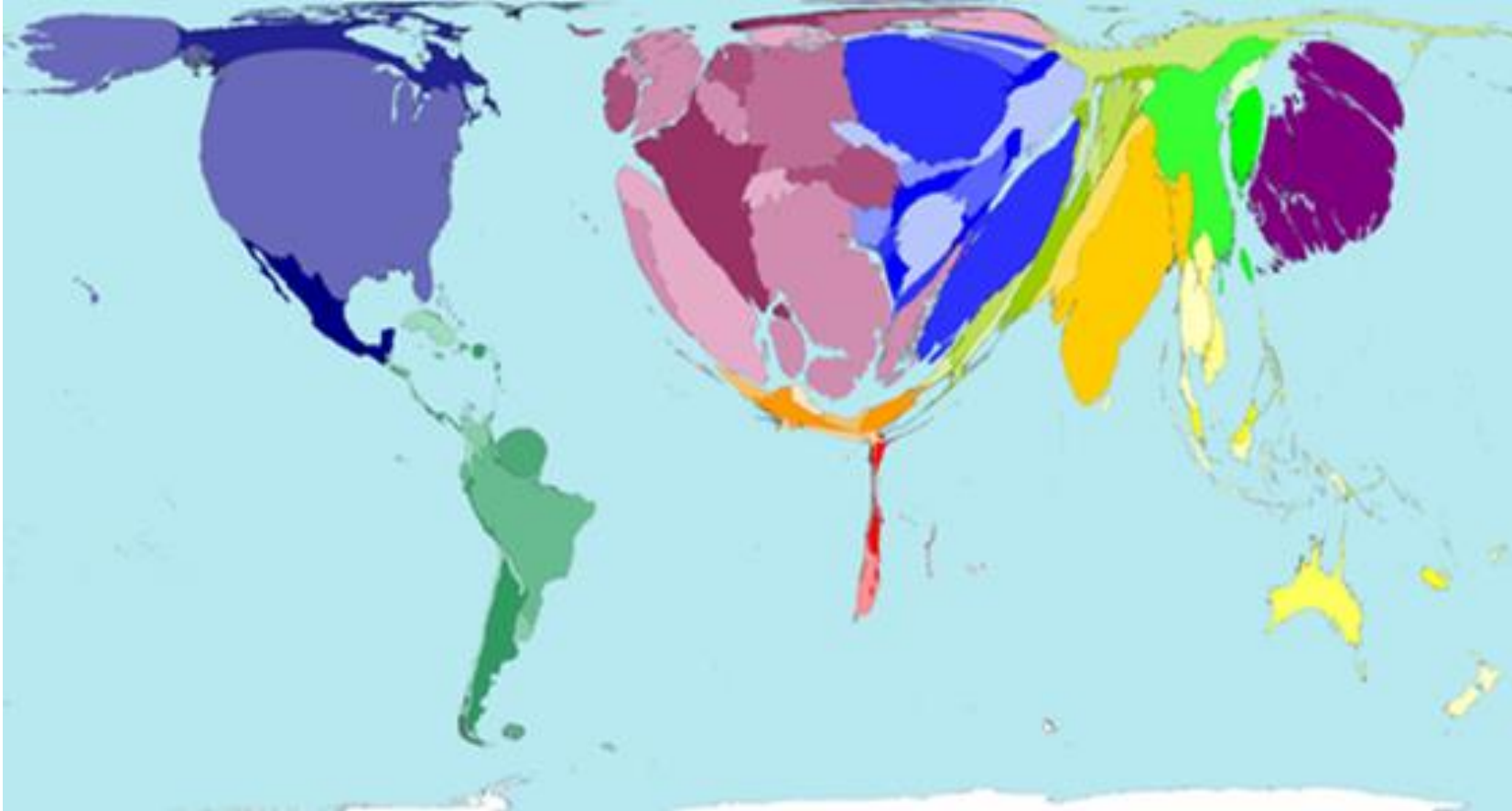
An estimated 20m people in South Sudan, Somalia and Nigeria are already believed to be at risk of starvation and scientists say that food production in Sub-Saharan African needs to increase by 60% over the next 15 years to feed the rapidly growing population.

World Tertiary Education by 2050



Tertiary education is university education and post-secondary vocational training. Worldwide about 105 million students were enrolled in tertiary education in 2002. The highest percentage of the student aged population enrolled is in Finland.

Mechanisation by 2050 - Tractors



Tractors have a skewed distribution, which splits the regions of the world into two groups. The people living in the larger group of regions have an average of fewer than four tractors per thousand people. People living in the other group of regions have more than thirteen tractors per thousand people. Thus, the rate of tractor ownership in one group of regions is at least three times higher than that in the other group of regions. The top ten territories for tractor ownership are all European, the bottom ten are mainly African. It is important that this is a count of working tractors because broken tractors are not useful to farmers.

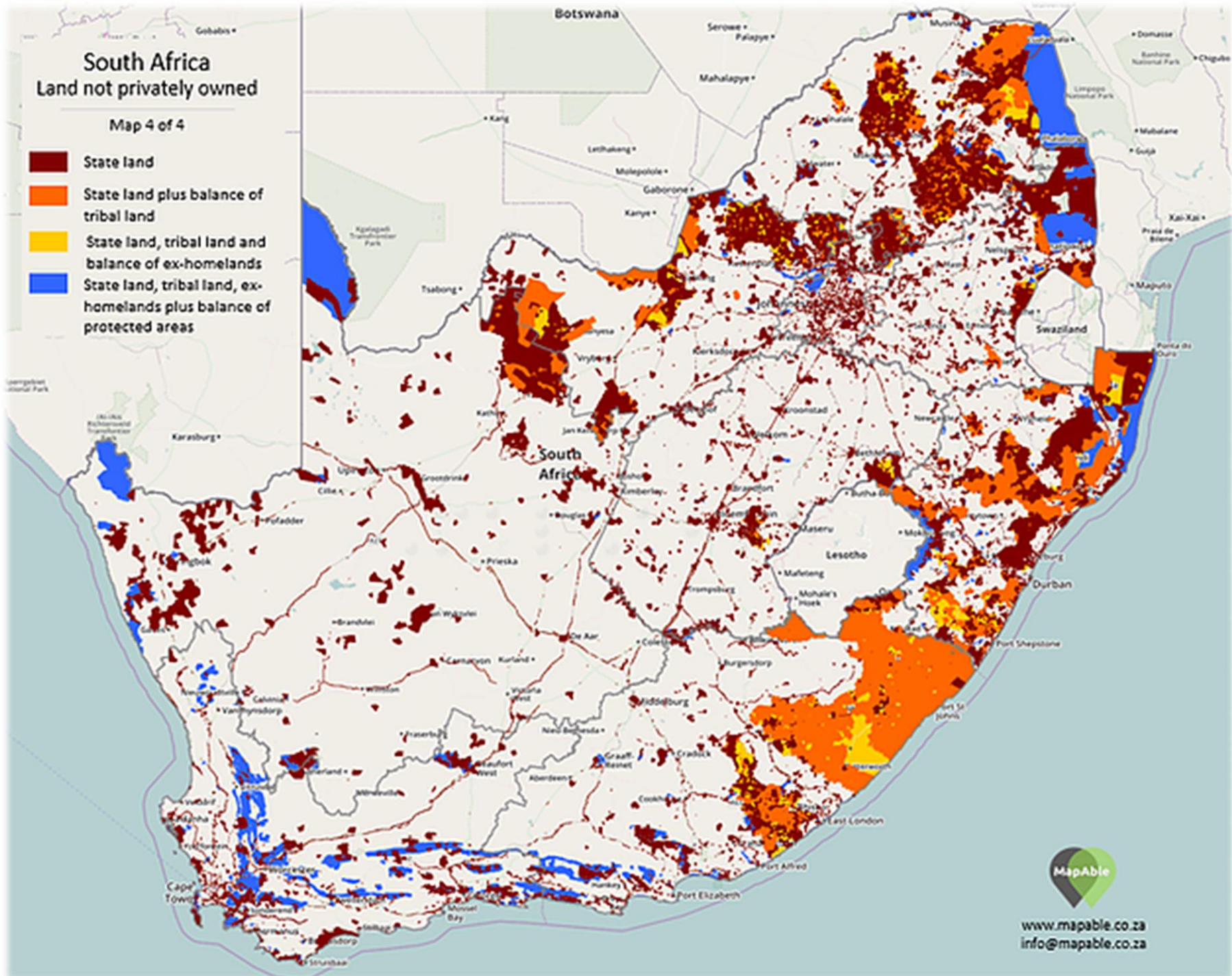
Land Audit



South Africa Land not privately owned

Map 4 of 4

- State land
- State land plus balance of tribal land
- State land, tribal land and balance of ex-homelands
- State land, tribal land, ex-homelands plus balance of protected areas



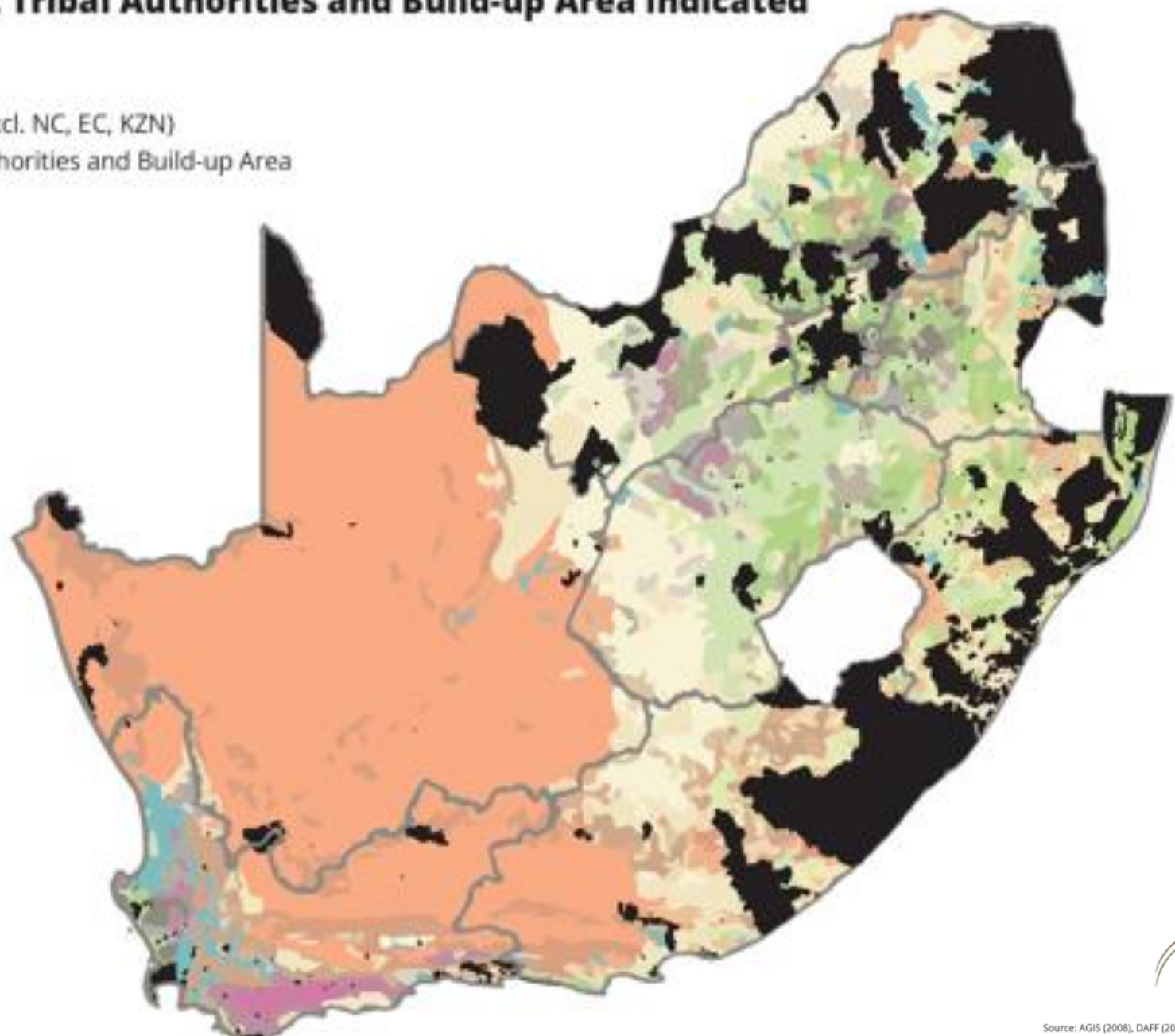
www.mapable.co.za
info@mapable.co.za

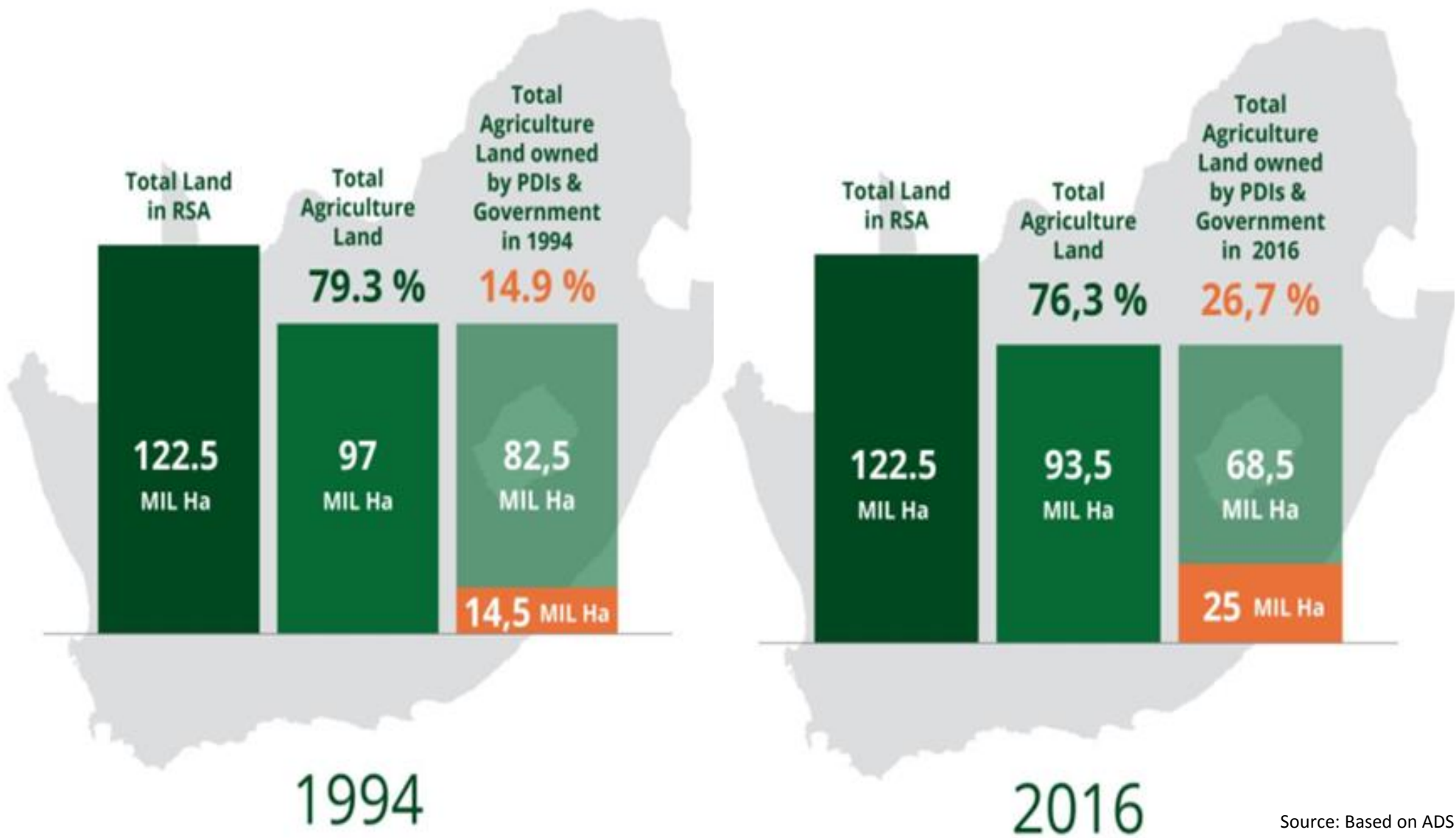
Land Capability, Cash Crop Cultivated Land & Irrigated Land with National Parks, Tribal Authorities and Build-up Area indicated

- National_Irrigation_FCB
- Dryland Cropped Area (Excl. NC, EC, KZN)
- National Parks, Tribal Authorities and Build-up Area

Land Capability CLASS

- I
- II
- III
- IV
- V
- VI
- VII
- VIII
- Water





Source: Based on ADS Data

Our Transformation Hub



Summary



R331 MILLION

SPENT ON TRANSFORMATION



109 059

FARMERS BENEFITTED

A total of 109 059 farmers benefitted from development programs such as training courses, mentorship programs, recapitalisation projects and social development initiatives.

National Wool Growers Association (NWGA)



The NWGA organises and provides training and mentorship to small-scale sheep and wool farmers.

1997/98 financial year these farmers produced **222 610 kg** wool, which were valued at **R1 502 908.**

In 2015/16 **4 462 089 kg**, with a value of **R233 618 025** were produced.

A socio-economic impact study of NWGA's project found that within the relevant communities -

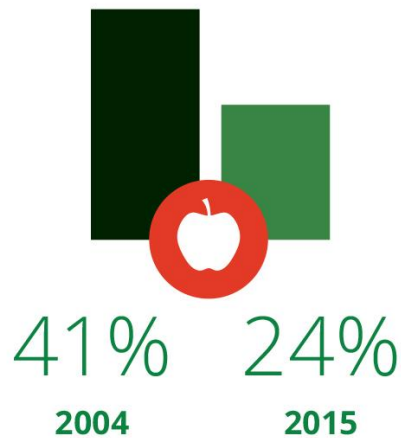
- the number of households with children going to bed hungry has declined from 41% in 2004 to 24% in 2015 and appears set to continue downwards;
- the number of households with savings accounts has increased from 49% in 2004 to 84% in 2015 and seems set to continue upwards; and
- the number of households that could afford school fees have increased from 23% in 2005 to 52% in 2015

(cont) National Wool Growers Association (NWGA)

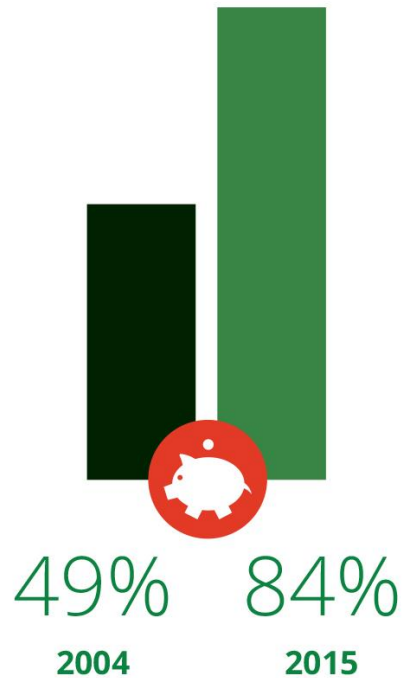


Socio-Economic Impact Study of NWGA's Project

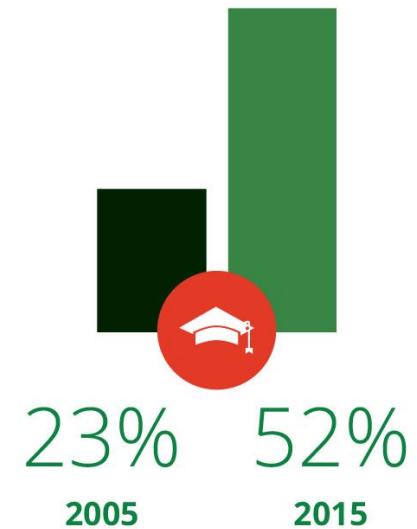
Households with children going to bed hungry.



Households with savings accounts.



Households that could afford school fees.



Our solution



Agri SA plans for sustainable land reform and rural development

Agri SA would also like to make the following specific proposals:

- *Finalize the Expropriation Bill*
- *Test the expropriation powers contained in the Constitution*
- *Get consensus on land audit figures and create a comprehensive land database that is continuously updated*
- *Implement the High-Level Panel recommendations*
- *Well-situated state-owned land needs to be made available for housing for the poor*
- *A Land Framework law should be passed, as proposed by the High-Level Panel*
- *Create an office for an Ombudsman for land reform*
- *Proper monitoring and evaluation of all programs and projects*
- *Appropriate financing mechanisms for communal farmers*
- **In summary: Agri SA believes that the solutions are already catered for in the framework provided for in the Constitution, the NDP, Operation Phakisa and various private sector plans**

1. Agri SA believes that the solutions are already catered for in the framework provided for in the **Constitution**, the **NDP**, **Operation Phakisa** and **various private sector plans**

2. For successful farmer establishment, the following elements should be present:
 - a) Security of Tenure – title deeds
 - b) Equity
 - c) Value chain participation
 - d) Post settlement support
 - e) Partnerships

3. Lets get the data sorted out and set targets

What's the plan ...



I have a dream....

1. A global centre of excellence – African Hub for food security / globally best in class industry in the world
2. Agrarian reform by 2030 – it will not happen without partnerships / value chain participants / a sector on steroids
3. Create 1 million jobs through private sector participation (NDP) and many black commercial farmers and industrialists
4. Become the success story of the economy

Agri Development Fund



Objectives of the Agri Development Fund (ADF)



Accelerate transformation in agriculture and in particular land redistribution.
- Create 1 million jobs and 10 000 black commercial farmers.



Address unemployment in rural areas.



Stimulate a 45% increase in job creation in agriculture.



Improve access to food in rural areas.

Principles of the ADF

- The fund will be managed commercially, but geared towards addressing developmental issues.
- Possibly a blended finance model consisting of grant funding and private equity fund.
- Fundraising among private equity investors will be required.
- Farmers want to:
 - do transactions at a discounted rate,
 - have access to a vendor loan, and
 - have access to subsidised interest rates.
- ADF will be based on the partnership principle with a liability on both partners.
- Clear criteria and measurements of success.
- Incentivise farmers to invest in the ADF through tax incentives and Agri BBBEE.
- A clear funding term needs to be established in line with the cash flow model.

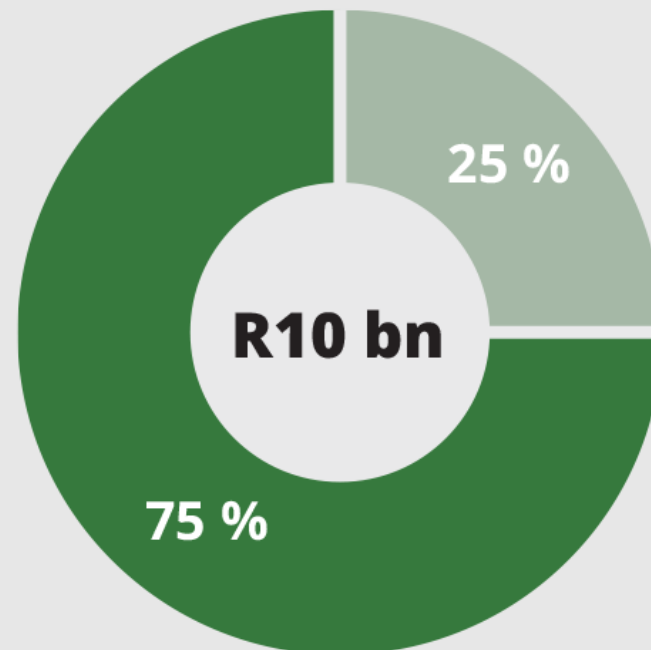


What does the ADF look like?

Government and private investors will partake on commercial principles.

Proposed Proportional Contribution to the ADF

- **Government**
- **Private Investors**
(Confirmed)





Next Steps

1

Conduct a prospectus backed up by research into the agricultural value chain.

2

Source funding partners.

3

Create a Special Purpose Vehicle (SPV).

4

Execution of objectives.

Thank you!

Omri van Zyl
Executive Director

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