

A practical guide to land reform

By Ursula Human

Many farmers want to get involved in land reform projects, but might not know where to start. "Land reform is often seen as a government 'stand-alone' programme or term, yet the private sector has contributed immensely to the goals set for land reform," says Elton Greeve of Agri-Dev Consulting.

Producers who have become involved in BEE partnerships on their farms have experienced exceptional success, according to Greeve, who worked for the Department of Rural Development and Land Reform (DRDLR) as chief director of strategic land reform interventions for 20 years. He has overseen several land reform projects that have achieved great success.

Significant results

"If I had to name just a few producers whose partnerships have seen significant results, it would be Solms Delta in the wine industry, Hoogland Estate in the fruit industry, both in the Western Cape, Westcliffe in the sugar cane industry in KwaZulu-Natal, and Dabchick Wildlife Reserve in Limpopo – all of which are part of the DRDLR's Strengthening of

Relative Rights Programme. The Grasslands Development Trust in the Eastern Cape is also a good example of how a shared dairy has benefited both parties in the partnership," says Greeve.

But what are the options for farmers who want to participate in the land reform process by entering a black economic empowerment (BEE) partnership, and how can they get started? To assist farmers with the steps involved in establishing a successful 50/50 BEE partnership in the agricultural industry, *Oilseeds Focus* consulted with Greeve to come up with a practical 'how to' guide.

Although these are only the basic steps involved in initiating such a project, it does clarify the initial phase of the process and can assist farmers in deciding whether to get involved or not.

The following guide attempts to simplify the steps involved in the two major ways producers can go about establishing a land reform project. Although these are only the basic steps involved in initiating such a project, it does clarify the initial phase of the process and can assist farmers in deciding whether to get involved or not.

The first stage

If a producer wants to contribute to land reform, the first decision will be whether to sell the farm outright to the state for their land reform programme or whether to enter a partnership. If a producer wants to sell land, it could be sold to the DRDLR for redistribution via their land reform programme.

If a partnership is preferred, the producer will need to choose whether to approach the land reform programme through the state or private sector via a financier. This is the first major step and determines which of the following steps will be necessary to make the project a success.

STEP 1: Choose between state and private sector

Choosing whether to approach a partnership project for land reform

through the state or privately might well be the biggest decision the producer can make. Both options have their advantages and disadvantages and farmers need to weigh the pros and cons to suit their needs (Table 1). The biggest advantage one gets through proceeding through the state is the grant funding made available to purchase land for a 50/50 partnership. The greatest disadvantage, however, is that the process flow takes quite long.

A major part of formalising the partnership is to give clarity as to the business structure and model.

The shorter process flow involved in a private sector initiative is the greatest plus when choosing this option. However, there are also cons which include interest rates from the financier that may or may not be sustainable in the long run. Fortunately, there are ways to deal with each option's pros and cons in order to establish an approach that suits the needs of the producer and partners.

A high interest rate, for instance, might deter farmers who want to approach the project privately, but financiers such as Afgri has options available to adapt interest rates according to the level of BEE participation involved in the project.

STEP 2: Follow state or private procedures

State – land reform programme: If a farmer opts for the state route via the land reform programme, a request is sent to the Department of Rural Development and Land Reform, either via the Proactive Land Acquisition Strategy, for outright sale of land, or the Strengthening of Relative Rights of Those Working the Land Programme, to enter a 50/50 partnership. Further steps for the state option then follow the department's internal processes.

Private sector initiative: If a farmer opts for a private sector initiative, an application is made to a financier such as

Table 1: Departmental programme vs private financing.

Department of Land Reform programme		Private financier	
Pros	Cons	Pros	Cons
Grant funding	Land belongs to the state, entity thus cannot build equity on the land	Land belongs to the entity and can build equity, or used for additional development/production loans	Interest rate offered by the financier may not be sustainable for the project/entity
Long process flow	Difficult to obtain post transaction financial support, due to the lack of surety	Process flow is short	Term period for the repayment will determine the sustainability of the project

Afgri or the Land Bank. This application is accompanied by a business case study which includes a production plan and a financial report. A projection report might also be included as well as the empowerment venture to be entered into. The process then follows the internal processes of the specific financier.

should include details of how profit shares will work as well as other aspects of the project such as roles and responsibilities. It should also include details on training that will be provided, particularly in terms of business management on the farm or enterprise.

Models for partnerships depend greatly on the type of enterprise of a farm and the type of commodity that is produced on the farm. Models can be tailor-made to suit the project and its partners.

The steps ahead

"These are only the basic steps involved in initiating a land reform project," explains Greeve. "A lot more detail and time goes into a final project that achieves the goals it has set out."

"Farmers also need to know that they do not have to complete all of the steps mentioned above by themselves. There are expert consultants such as Agri-Dev Consulting that offer a service to assist farmers in undertaking these processes. Hence, farmers can get a consultant not only for advisory services, but also to assist with applications and other admin involved in establishing a land reform project."

"No matter how you approach a land reform partnership, the main point of such an activity should always be to improve the socio-economic conditions of farm workers and other previously disadvantaged members in the agricultural sector. Most importantly, it creates the opportunity for shared growth in the sector," Greeve concludes. 🌱

For more information, contact Elton Greeve on 073 891 7637 or elton@agri-dev.co.za.

"No matter how you approach a land reform partnership, the main point of such an activity should always be to improve the socio-economic conditions of farm workers and other previously disadvantaged members in the agricultural sector."

STEP 3: Formalising the partnership model

The third step, whether you have chosen the state or private option, for BEE partnerships is to formalise the model that will be used to facilitate the project. The business plan for a BEE partnership is essential and should clarify the model that will be used to facilitate the partnership.

A major part of formalising the partnership is to give clarity as to the business structure and model. Information