

Nominee - Dr. John Purchase



Table of Contents

Introduction

The candidate

Value to agriculture and farmers

Adapting to change

Achievements

APPENDICES*

** Dear judges, I include this material to showcase the thorough contribution Dr Purchase has made to certain agricultural topics such as the Greenpaper on Land Reform. You do not need to struggle through everything, but I thought you should have the right to read it should you want to. Kind regards, Susan Botes.*

Introduction

Many South African agriculturalists can boast that they are leaders when it comes to either genetics or economics or policy creation. However, only a few have distinguished themselves in all of these areas. Dr John Luscombe Purchase (53) is one of these rare jewels and that is why he deserves to be the Agricultural Writers SA's Agriculturalist of the Year for 2012.

Dr Purchase could be described as a brilliant ambassador and the gentleman of organised agriculture.

Besides being a leader in numerous areas of agriculture he also has the distinction of being somebody who hasn't only been a voice to primary agriculture, but he also gave one to agricultural businesses (Agribusiness).

During his career he has constantly adapted to the changing agricultural landscape, both locally and internationally. He enthusiastically embraces changes that will improve agriculture as a whole, while still cherishing the wisdom that still rings true after decades. This type of open mindedness is one of the major reasons why he is a perfect candidate to be the Agriculturalist of the Year.

On a more personal note I need to add that his door is always open to journalists and he encourages active engagement with the media. He is one of the most accessible sources to any journalist and therefore I am proud to be the person that has the honour of nominating Dr Purchase for this award. I only hope that my nomination will do this man justice.

Regards,

Susan Botes

The candidate

Dr John Purchase was born in Lindley, Free State, on December 13, 1958.

He matriculated from Grey College (Bloemfontein) in 1976, where he was a school and house prefect. In 1980 he obtained a B.Sc (Agric) from the University of Pretoria. This was followed by a B.Sc (Agric) Hons from the University of Stellenbosch in 1984. Thereafter he obtained an M.Sc (Agric) from the University of the Orange Free State in 1987 and in 1997 he obtained his Ph.D. from the same institution.

After completing his undergraduate studies he joined the Department of Agriculture as an agricultural researcher (1981-1990), which included two years military service (1981-1982). In 1991 he was appointed as Divisional Research Manager: Crop Science Division of the Agricultural Research Council's Small Grain Institute at Bethlehem. He remained in this position until September of 1999.

From October 1999 he was appointed as the Head of Summer Grain Centre at the ARC-Grain Crops Institute at Potchefstroom. He served there until September 2002 first as Head, Summer Grain Centre, and later as Senior Deputy Director of the Institute.

In October 2002 he joined Grain SA as Manager: Production Inputs and in 2004 he became the organisation's Manager: Strategic Development. In June of 2005 he was appointed General Manager of Grain SA.

Dr Purchase left Grain SA in September 2007 to become the Chief Executive Officer of the Agricultural Business Chamber (Agbiz).

Dr Purchase is also a member of numerous professional societies, such as the South African Society of Crop Production. He was on the Board of this society for eight years, two of which were as President and two as Vice President. He is also still a member of the South African Plant Breeders' Association.

Dr Purchase was a member of the Editorial Board of the South African Journal of Plant and Soil for eight years. He peer reviewed over 40 scientific articles over a five year period - more than any other referee of this scientific journal from 1998 to 2003.

Dr Purchase is currently also an active member of the International Food and Agribusiness Management Association (IFAMA), having participated in their recent meetings in Frankfurt, Germany (2011) and Shanghai, China (2012).

Currently Dr Purchase lives in Brooklyn, Pretoria, with his wife Esté. They have two wonderful daughters, Catherine (22) and Jennifer (18). Catherine is a final year civil engineering student at the University of Pretoria, and Jennifer is matriculating at Pretoria High School for Girls this year.

Value to Agriculture and farmers (50 points)

Dr Purchase's value to agriculture can probably be divided into two areas: Research and influencing agricultural policy development.

As previous Research Manager of the Crop Science Division at the Small Grain Institute of the Agricultural Research Council, Dr Purchase was responsible for various research projects functioning under the seed maintenance/seed laboratory, small-grain cultivar evaluation and crop physiology/agronomy programmes. His specific field of interest and expertise was genotype x environment interaction, plant-water relations and general small-grains crop physiology, agronomy and grain quality. He was also co-ordinator for the SADC Wheat Yield Nursery, being conducted under the auspices of the Maize and Wheat Improvement and Research Network (MWIRNET) of CIMMYT, a CGIAR institution.

The position of Senior Deputy Director of ARC-Grain Crops Institute did not allow hands-on research *per se*, and was exclusively a senior research management position, in other words providing real leadership to the Institute. This entailed the daily and strategic management of a personnel complement of approximately 240 people, of whom more than 65 were scientists and technicians, as well as management of finances and infrastructure.

The position entailed considerable negotiation and co-ordination with various role players across the different sectors of the coarse grains (maize and sorghum) and oil seeds (sunflower, dry beans, groundnuts, soybeans, lupine, etc.) industries. Of critical importance was negotiating external sources of funding and ensuring need-driven research projects. At that stage external sources contributed more than 60% to ARC-GCI's total budget. A major portion was derived from commodity trusts on a competitive bidding basis, but a significant amount was derived from international donor and development agencies. Other major activities entailed taking direct responsibility for project evaluation, personnel evaluation, personnel appointments, public and internal relations, and business development for ARC-GCI.

Managerial achievements were the restructuring of Summer Grain Centre and the Oil and

Protein Seeds Centre into a single functional unit, viz. ARC-Grain Crops Institute. This was done in conjunction with the Director of the Institute at the time, Dr Jan Dreyer. Other initiatives were the introduction of formal project evaluation (on ISNAR recommended basis), monthly seminar discussions on relevant research topics and production constraints, new fleet management procedures and a practical overtime remuneration policy, amongst others. He also initiated the Soybean Rust Task Team to co-ordinate public and private sector initiatives to combat and manage this extremely virulent plant disease.

Previous position within Grain SA entailed research and management regarding the supply of inputs to the grain-producing sector of South Africa. This included:

- monitoring the prices, quality and availability of all inputs used in grain production;
- analysis and interpretation of developments in international and local input markets in order to provide management strategic information to grain producers;
- preparation of presentations and recommendations on regulatory matters within the input environment;
- liaison with input suppliers;
- evaluation and recommendation of research projects for the grain industries;
- managing the Research and Input Working Groups within Grain SA;
- liaison with producers, GSA branches and study groups;
- write articles for SA Grain;
- present papers where applicable;

Grain SA position of Manager: Strategic Development entailed the strategic evaluation and positioning of Grain SA within the realities of a national and global environment, with special emphasis on research and technology to achieve greater competitiveness for the industry. It also entailed developing and implementing a Strategic Grain Plan for the entire grain industry, in partnership with all other role players. Dr Purchase then also served, on behalf of Grain SA and Agri SA, on the Ministerial Committee for AgriBEE that managed the process to draft and gazette the B-BBEE Transformation Charter for the entire Agricultural Sector (Section 12 process of B-BBEE Act).

The position of General Manager of Grain SA entailed directing and managing the interests

of the grain producers of South Africa within the broader grain industry value chain and within the complex environment of South Africa. This also entailed top level negotiation with relevant ministers and senior government officials and right up to the Presidential Working Group for Agriculture under the chairmanship of the President of the country at that time, President Mbeki.

Current position of Chief Executive Officer of the Agricultural Business Chamber (Agbiz) entails directing and managing the common interests of the members of the Agbiz across a number of industries and value chains in the broader agro-food industry, and within the complex South African, African and global environment. The turnover/exposure of members of Agbiz is well in excess of R200 billion, which is considerably higher than the total farm-gate value of primary agricultural production in South Africa, and is thus an important role player and stakeholder in the South African economy. This position entails top level engagement with relevant ministers and senior government officials on critical issues, ranging from land reform to infrastructure development, and many more. It also entails negotiation/interaction on critical agricultural and food policy, as well as legislation issues, with many key international businessmen and politicians/government officials.

To develop and maintain international networks, Agbiz, under Dr Purchase's leadership, hosted and co-organized the international Agribusiness Forum 2009 with EMRC, with over 400 high-level decision-makers, including 6 ministers of Agriculture, and participants from 43 countries.

Dr Purchase currently serves on the AgriBEE Charter Council (ministerial appointment) and is chairman of Working Group 1 that drafted and gazetted the AgriBEE Sector Code (Section 9 process of B-BBEE Act) for adoption by government and industry. He also recently served on the Reference Group appointed by the Minister to develop a new Strategic Plan for South African Agriculture, Forestry and Fisheries, called the Integrated Growth and Development Programme (IGDP) for Agriculture, Forestry and Fisheries. The IGDP is to be submitted to Cabinet this month (October 2012).

Dr Purchase is the current chairman of the CEO Forum, having been elected in 2010 and his

term extended until 2013 at the recent CEO Forum Plenary. The CEO Forum acts as the official and formal engagement structure between the Department of Agriculture, Forestry and Fisheries (DAFF) on the one hand, and the CEO's and MD's of agribusinesses and organized agriculture on the other hand. The Steering Committee of the CEO Forum meets every two months with top management of DAFF to address the critical and strategic challenges facing the broader agricultural industry. He also serves on the National Agricultural Research Forum (NARF) of DAFF, which tabled the National Agricultural Research and Development Strategy for South Africa in 2008. Engaging with DAFF over the past couple of years certainly has provided major challenges, but remains an important function to ensure the effective functioning of the agro-food system in South Africa.

Dr Purchase further served as the Head of the Agriculture Sector within the NEPAD Business Foundation (NBF), a private sector initiative aimed at promoting and developing private sector investment into Africa, before NBF established a fully ledged agricultural/agribusiness desk, called SAADP. He also served on the Steering Committee, representing private sector, for the 'Development of Regional Strategic Food & Agricultural Commodity Value Chains for Africa', a UNECA, FAO and AU initiative to ensure growth, investment, employment and food security for Africa. While this specific initiative was discontinued, much of the work continues in partnership with the United Nations Development Programme (UNDP) and USAID, amongst others.

Dr Purchase currently serves on various Business Unity South Africa (BUSA) committees and task teams with regard to policy and legislation matters impacting on the agro-food industry, such as the new co-operative legislation, consumer protection legislation (GM labeling issue), climate change policy, land reform policy and legislation, expropriation policy, water policy, spatial planning and land use management bill, et cetera. All these matters are also dealt with within NEDLAC, the official government structure through which all policy and legislation must pass before being submitted to Parliament. Government, business, labour and community are represented in NEDLAC as the social partners of society.

Dr Purchase serves as a Director of Grain Farmer Development Association (GFADA), a non-profit company set up by the private sector to receive and disburse funds for the explicit function of developing black grain and maize farmers. He was also recently nominated by Government and appointed to the World Food Security Committee's High Level Panel of Experts (HLPE) of the United Nations' Food and Agriculture Organization (FAO).

He currently serves as a Trustee of the Maize Trust (managing assets close to R1 billion on behalf of the Maize Industry), representing agro-processing, as well as appointed by the Minister of Agriculture, Forestry and Fisheries as a Council member of the National Agricultural Marketing Council (NAMC) (appointment Cabinet approved).

In his capacity as NAMC council member he has been appointed as the chairperson of the newly established grain and oilseed supply and demand estimate committee. The aim of this committee is to ensure greater price stability and food security in South Africa. Purchase hopes that this committee will be able to offer a practical solution to price volatility and uncertain market conditions in the grain industry.

Purchase has also recently (July 2012) been appointed as a board member of the Land Bank by the Minister of Finance (Cabinet approved).

Since the beginning of his career Dr Purchase has contributed to numerous scientific journals and popular magazines. He has also written/co-authored numerous technical reports.

He was responsible for the annual reports of the "Southern African Wheat Evaluation and Improvement Nursery" (SARWEIN) from 1985 to 1995 and the annual reports of the National Small Grain Cultivar Evaluation Programme from 1985 to 1999. Dr Purchase was also the initiator, co-ordinator and compiler of "Guidelines for Wheat Production in the Summer Rainfall Region" that has been published annually since 1992. He initiated, co-ordinated and compiled the "Guidelines for Small Grains Production in the Winter Rainfall Region" that has been published annually since 1993. He also co-authored the 'Socio-

economic impact of the Russian wheat aphid control research programme'. (SACCAR/ARI Report, April 1997.)

Dr Purchase has also made a big contribution to scientific knowledge, by sharing his research in scientific journals. A list of these articles is attached in **Appendix A**.

He has also made a major contribution to congresses. A list of presentations is included in **Appendix B**.

Furthermore Dr Purchase has involved as co-author of a further nine papers delivered at scientific congresses.

Dr Purchase is no stranger in media circles and he has written over 100 articles that have been published in popular media, especially *Wheat Focus*, *Farmer's Weekly* and *Landbouweekblad* and *SA Grain*.

Dr Purchase is also helping other agricultural scientists achieve greatness. He has acted as external examiner for six Ph.D and eight M.Sc students from various South African universities (Universities of Natal, Stellenbosch, Free State and Pretoria). He also co-promoted a PhD student at UFS.

Adapting to change

During Dr Purchase's career the international and local economy has gone through immense changes. On top of this South Africa's political landscape has changed rapidly in a short period of time.

Dr Purchase hasn't only been able to adapt to these changes. He has embraced it and fully participated in it. Probably the greatest single piece of evidence to this is the major role he has played in transformation of the sector, especially in the agribusiness environment, through the AgriBEE Transformation Charter (gazetted 2008) and recently in the gazetting of the AgriBEE Sector Code. In addition he has played, together with Ms Lindie Stroebel of Agbiz, a major role in the National Reference Group on Land Reform, an initiative that is still on-going. Please also see Agbiz' submission on Land Reform (**Appendix D**). This contribution has been publicly acknowledged by Minister Nkwinti.

The freeing up of agricultural markets and dismantling of Agricultural Control Boards is probably the single most important event that has impacted the agricultural landscape over the past couple of decades. South African agricultural business changed rapidly and the majority of former cooperatives, such as Senwes, Suidwes Landbou, Afgri and MGK, became companies. Suddenly their focus changed from a farmer-run and farmer-focussed strategic intent to a shareholder-focussed strategic intent. Agricultural businesses and agricultural unions no longer necessarily shared all priorities anymore. It had become time for the Agbiz to separate from Agri SA as one of three chambers within Agri SA, but at the same time it was something that had to be done with care. Establishing the Agricultural Business Chamber (Agbiz) as a totally independent, voluntary business chamber for agribusinesses was one of the most significant changes that Dr Purchase has brought about since he became the CEO of the Agbiz. Today the chamber is looking better than ever (strong net gain of members) and agricultural businesses that weren't interested in the chamber previously have become members. Agbiz is also recognized by government as representing the agribusiness community.

The dismantling of Agricultural Control Boards left a huge information gap in the industry. Fear of persecution by the Competition Commission hasn't helped the matter as numerous industry bodies have lost capacity to collect the information that is so crucial for investment. Dr Purchase is currently attempting to overcome some of these information obstacles by chairing the newly formed Supply and Demand Estimates Committee for grain and oilseeds. This committee and its operations are still in the establishment phase, but Dr Purchase is committed to turning this initiative into a useful tool that will take considerable guesswork out of the equation.

Dr Purchase is also proactive in building relationships between the public and private sector. He has played a key role in the development of the new Integrated Growth and Development Plan for South African Agriculture, Forestry and Fisheries, while engaging with DRDLR on land reform and post-settlement support, with Economic Development Department on the New Growth Path and infrastructure development for the agro-food industry, with DTI on agricultural trade matters, GM labeling, B-BBEE, Co-operatives Amendment Bill and agro-processing, and with National Treasury on development finance, as well as engaged with other government departments and institutions on various matters affecting the agro-food environment.

Dr Purchase has also organized the first workshop on development finance for agriculture, in partnership with the Banking Association and the South African Insurance Association (**Appendix C**).

Achievements

Dr Purchase has already received numerous awards. These include:

- 1995 - Winner of the Wenwig Lime Trophy at the 1995 SASCP Congress.
- 1991 - Director's Award for Service Excellence, ARC-Grain Crops Institute.
- 1997 - ARC Board Award for Interdisciplinary Research (For contribution to the release of very successful Russian wheat aphid resistant wheat cultivars).
- 1998 - Nico Viljoen Trophy for best paper at 1998 SASCP Congress.
- 1999 - Second Best Paper at 4th Africa Crop Science Congress in Casablanca, Morocco.
- 2001 - Finalist for Sanachem prize (Best paper in SA Journal for Plant & Soil)
- 2001 - SA Boss of the Year finalist (one of six).
- 2002 - Made a fellow of the SASCP.
- 2005 - Koster Shield for best series of articles in SA Grain magazine in 2004
- 2011 - University of the Free State Alumnus of the Year

As mentioned before, Dr Purchase isn't only recognized as a knowledgeable agricultural leader locally. He is also an international force to be reckoned with. His appointment to the World Food Security Committee's High Level Panel of Experts (HLPE) of the United Nations' Food and Agriculture Organization (FAO) alone serves as evidence to the high esteem in which Dr Purchase is held internationally.

His international exposure started early in his career when he traveled to several southern African countries. A timeline on his international travels are provided below:

- 1983-1995 : Several visits to southern African countries (Malawi, Botswana, Lesotho, Namibia and Swaziland) as co-ordinator of the Southern African Regional Wheat Evaluation and Improvement Nursery.
- 1989 : Universities in the USA on a study tour.
Visited Oklahoma, Kansas, Nebraska and Washington State

- Universities.
- 1990 : Visited Zimbabwe at the invitation of the Zimbabwe Cereal Producers Association to address their Annual General Meeting.
- 1995 : Delivered a paper at the 9th Regional Wheat Workshop for Africa in Ethiopia at the invitation of CIMMYT.
- 1999 : Delivered paper at the 4th Africa Crop Science Congress in Casablanca, Morocco.
- 2001 : Part of SADC Team drawing up Phase II MWIRNET funding proposal to EU. Gaborone, Botswana.
- 2002 : Invited by CIMMYT to Zimbabwe to assist planning of their regional maize programme.
- 2004 : Participated in IFAP World Congress in Washington DC, USA.
- 2005 : Participated in IFAP Commodities Congress in Bruges, Belgium and WTO Public Symposium in Geneva, Switzerland.
- 2006 : Represented SACAU on African Union Drafting Team for a Harmonized Seed Policy for Africa. Addis Ababa, Ethiopia.
- 2007 : Visited USA as guest of Monsanto on Ethanol-from-Maize study tour.
- 2007 : Trade Mission to Uganda (Met with President Museveni).
- 2008 : Europe-Africa Business Summit, Hamburg, Germany.
- 2008 : Alliance for a Green Revolution for Africa Conference, Oslo, Norway.

- 2009 : OECD/BIAC Meeting on the Future of Agriculture, Paris, France.
- 2009 : Aid for Trade: Agricultural Trade Strategies for SADC Conference, Windhoek, Namibia.
- 2009 : Addressed Austrian Federal Economic Chamber in Vienna and Klagenfurt, Austria, at their invitation.
- 2010 : Invited by the FAO as keynote speaker to their East Africa Agribusiness. Investment Workshop in Addis Ababa in April 2010.
- 2011 : Invited by FAO, AU and UNECA to be part of Expert Group Panel on 'The Development of Regional Strategic Food & Agricultural Commodity Value Chains for Africa', an initiative to ensure growth, investment, employment and food security for Africa. Meeting held in Addis Ababa, Ethiopia in January 2011.
- 2011 : Invited by Standard Bank to be key note speaker at the opening of their 5th Agribusiness Branch in Choma, Zambia.
- 2011 : Invited by the International Institute for Research (IIR) to deliver keynote address at the 1st Agribusiness Conference in Luanda, Angola, in April 2011.
- 2011 : Participated in International Food and Agribusiness Management Association Conference in Frankfurt, Germany, in June 2011.
- 2011 : Invited keynote speaker to First Asia Agchem Conference in Shanghai, China, in October 2011.

- 2012 : Invited as a keynote speaker on agro-food value chain development at SACAU Policy Conference in Antananarivo, Madagascar in May 2012.
- 2012 : Presented two papers at IFAMA Global Forum in Shanghai, China in June 2012.
- 2012 : Invited to address the Africa Forum in Brussels (EU Commission) on developmenst in Agriculture in South and southern Africa. Brussels, June 2012.
- 2012 : Invited by SA Government as part of team participating in COP-MOP6 Cartagena Protocol meeting in Hyderabad, India in October 2012.

APPENDIX A

Contributions to scientific publications.

As main author:

1. PURCHASE, J.L., LE ROUX, J. AND VAN TONDER, H.A., 1992. The effects of various seed treatments on the germination, coleoptile length and emergence of South African winter wheat (*Triticum aestivum L.*). S. Afr. J. Plant Soil 1992, 9(3), 139-143.
2. PURCHASE, J.L., RAUTENBACH, A.J. & VAN DE VENTER, H.A., 1985. Effect of foliar sprays of coal-derived sodium humate on the yield of dryland wheat (*Triticum aestivum spp. vulgare*) in the Eastern Free State. Applied Plant Science 1995, 9 (2), 60-62.
3. PURCHASE, J.L., HATTING, H. & VAN DEVENTER, C.S., 2000. Genotype X environment interaction of winter wheat (*Triticum aestivum L.*) in South Africa: I. AMMI analysis of yield performance. S. Afr. J. Plant Soil 2000, 17(3), 95-100.
4. PURCHASE, J.L., HATTING, H. & VAN DEVENTER, C.S., 2000. Genotype X environment interaction of winter wheat (*Triticum aestivum L.*) in South Africa: II. Stability analysis of yield performance. S. Afr. J. Plant Soil 2000, 17(3), 101-107.

As co-author

5. PRETORIUS, Z.A. & PURCHASE, J.L., 1990. Virulence characteristics of wheat leaf rust in Zimbabwe, Zambia and Malawi. Phytomycolactica 22, 141-142.
6. VAN LILL, D., PURCHASE, J.L., DE VILLIERS, O.T. & SMITH, MARIE F., 1993.
Effect of cropping systems on five South African winter wheat cultivars. I. Yield

- and protein content. *South African Journal of Food Science and Nutrition* 5 (1): 18-21.
7. VAN LILL, D., PURCHASE, J.L., DE VILLIERS, O.T & SMITH, MARIE F., 1993.
Effect of cropping systems on five South African winter wheat cultivars. II. Bread-making quality and quantitative protein composition. *South African Journal of Food Science and Nutrition* 5 (1) : 22-26.
 8. VAN LILL, D. & PURCHASE, J.L., 1993. The impact of cultivar, environment and their interaction on South African winter wheat yield and quality. *Proceedings of the ICC'93 International Symposium* (Eds. J R N Taylor, P G Randall & J H Viljoen). Impact on a changing Africa, CSIR Conference Centre, Pretoria, 10-13 May 1993, pp 381-396.
 9. BOTHA, A.H., PURCHASE, J.L. & WILKENS, D.E., 1994. Small grain precision planter for dryland experimental plots. *Agron. J.* 86 : 359-362.
 10. VAN LILL, D & PURCHASE, J.L., 1995. Directions in breeding for winter wheat yield and quality in South Africa from 1930 to 1990. *Euphytica* (82 : 79-87).
 11. VAN LILL, D., PURCHASE, J.L., SMITH, MARIE F., AGENBAG, G.A., & DE VILLIERS, O.T, 1991. Multivariate assessment of environmental effects on hard red winter wheat. I. Principal-components analysis of yield and bread-making characteristics. *S. Afr. J. Plant Soil* 1995, 12 (4), 158-163.
 12. VAN LILL, D., PURCHASE, J.L., SMITH, MARIE F., AGENBAG, G.A., & DE VILLIERS, O.T, 1995. Multivariate assessment of environmental effects on hard red winter wheat. II. Canonical correlation and canonical variate analysis of yield, biochemical and bread-making characteristics. *S. Afr. J. Plant Soil* 1995, 12 (4),

- 164-169.
13. DU TOIT, W.H.O., PURCHASE, J.L. & HENSLEY, M., 1997. Evaluation of CERES-wheat v2-10: Soil water content under rainfed conditions. S. Afr. J. Plant Soil 1997, 14(4), 139-145.
 14. BARNARD, Annelie, PURCHASE, J. L., SMITH, Marie & VAN LILL, D., 1997. S.Afr. J. Plant Soil 1997, 14(1), 4-8.
 15. NEL, A.A. & PURCHASE, J.L., 1998. Opbrengsresultate van vier jaar van wisselbou in die oostelike Vrystaat (Yield results of four years of crop rotation systems in the eastern Free State). Appl. Plant Sci. 1998, 12(1), 15-19.
 16. BARNARD, Annelie & PURCHASE, J.L., 1998. The relationship of preharvest sprouted seed and seed treatment to emergence and yield of winter wheat (*Triticum aestivum* L.) in the Eastern Free State. Seed Science and Technology.
 17. SMIT, H.A., TOLMAY, V.L., BARNARD, A., JORDAAN, J.A., KOEKEMOER, F.P., OTTO, W.M., PRETORIUS, Z.A., PURCHASE, J.L. & TOLMAY, J.P.C., 2010. An overview of the context and scope of wheat (*Triticum aestivum*) research in South Africa from 1983 to 2008. S. Afr. J. Plant & Soil, 27(1): 25th Anniversary Edition 1983-2008.

APPENDIX B

Scientific Congress contributions

1. PURCHASE, J.L. & JOUBERT, G.D., 1986. The evaluation of yield components as a norm of the adaptation of wheat cultivars in the EOFS. 16th SASCP Congress, Pretoria.
2. PURCHASE, J.L. & JOUBERT, G.D., & HUMAN, J.J., 1987. The soil water use of wheat cultivars in the EOFS. 17th SASCP Congress, Stellenbosch.
3. PURCHASE, J.L. & JOUBERT, G.D., 1988. The adaptability of wheat cultivars in the Western and Central Orange Free State. 18th SASCP Congress, Bloemfontein.
4. PURCHASE, J.L. & VAN TONDER. H.A., 1989. Planting date in relation to yield and yield components of wheat cultivars in the EOFS. 19th SASCP Congress, Wild Coast Sun.
5. PURCHASE, J.L., LE ROUX, J. & VAN TONDER. H.A., 1991. The effects of various seed treatments on the germination, coleoptile length and emergence of winter wheat (*Triticum aestivum L.*). 21st SASCP Congress, Stellenbosch.
6. PURCHASE, J.L., BOTHA, A.H., MARITZ., M & VAN TONDER. H.A., 1993. Interpretation of winter wheat genotype x environment interaction in the Orange Free State using regression analysis and the AMMI-model. South African Society for Crop Production. 22nd SASCP Annual Congress, Rustenburg, South Africa.
7. PURCHASE, J.L., RAUTENBACH, A.J., SINGELS, A & DU PLESSIS JEANETTE, 1993. Air temperature as a basis for predicting the development of winter wheat cultivars in the Eastern Free State. South African Society for Crop Production. 22nd Annual Congress, Rustenburg, South Africa.

8. PURCHASE, J.L., LE ROUX, J. & HATTING, H.A., 1994. The effects of various seed treatments on the germination, coleoptile length and emergence of South African winter wheat (*Triticum aestivum* L.) Margaretha Mes Institute/SANSOR Seed Symposium, University of Pretoria.
9. PURCHASE, J.L., LE ROUX, J. & HATTING, H.A., 1995. Progress of the Southern African Regional Wheat Evaluation and Improvement Nursery (SARWEIN) over the period 1976 to 1993. Combined Congress, Stellenbosch.
10. PURCHASE, J.L., RAUTENBACH, A.J., & EISENBURG, B.E., 1995. Field determination of the tolerance of South African wheat cultivars to toxicity using nearest neighbour analysis and the AMMI-model. Combined Congress, Stellenbosch.
11. PURCHASE, J.L., BURGER, W.W. & POTGIETER, H.J.L., 1995. Determination of yield performance trends of spring wheat cultivars in the Western Cape, using the AMMI-model. Combined Congress, Stellenbosch.
12. PURCHASE, J.L. VAN DEVENTER, C.S. & HATTING, Hesta, 1998. Parametric analysis to describe yield stability in winter wheat. (*Triticum aestivum* L). Combined SASCP/SSSSA Congress, Alpine Geath, January 1998.
13. PURCHASE, J.L. VAN DEVENTER, C.S & HATTING, Hesta, 1998. Use of the AMMI Model and AMMI Stability Value to describe genotype x environment interaction and yield stability in winter wheat (*Triticum aestivum* L.) South African Plant Breeders Association Congress, Golden Gate, March.

APPENDIX C



Programme

Agriculture Development Finance Workshop

19 October 2012

Venue: Grain Building, The Willows, Pretoria

09:00 - 09:10	Opening and Welcome	Dr John Purchase, Agbiz CEO, Programme Director
09:10 - 09:40	Keynote and opening address	The Honourable Minister Pravin Gordhan, Minister of Finance
09:40 - 10:10	Farmer's perspective	Mr Mike Mlengana, President of AFASA
10:10 - 10:40	Land Bank Strategy and Progress	Dr Litha Magingxa, Head of Strategy at Land Bank.
10:40 - 11:00	Coffee/Tea	
11:00 - 11:30	Save Act Savings and Credit Group & Small Enterprise Development	Mr Anton Krone, Director, Save Act.
11:30 - 12:00	DAFF strategy and progress	Mr Nkhangwe Ramashia, Chief Director: Development Finance Coordination, DAFF.
12:30 - 13:00	DRDLR Strategy and Progress	Mr Magape Moshabele, Director: Recap Programme, DRDLR.
13:00 - 13:40	Lunch	
13:40 - 14:10	A Commercial bank approach and perspective	Mr Pierre Venter, General Manager, Banking & Financial Services Division, Banking Association
14:10 - 14:40	SAIA Insurance Initiative	Mr Andries Mahlase, Chairperson of SAIA Agric Technical Working Group and Manager with Munich Re (SA).
14:40 - 15:10	The potential role of AFD in South Africa to support agricultural development	Mr Roger Luhawe, Agence Francaise de Development (AFD).
15:10 - 15:40	World Bank experiences in agricultural development finance.	Mr Guo Li, Senior Agric Economist, World Bank (SA)
15:40 - 16:15	Way forward and wrap-up	Prof Gerhard Coetzee, Inclusive Banking, Absa

APPENDIX D

Submission by the Agricultural Business Chamber on the gazetted Green Paper on Land Reform, Notice No. 34656 of 30 September 2011.

Background

The **Agricultural Business Chamber (ABC)** is a voluntary and dynamic **association of agribusinesses** with the mission to negotiate and position for a favourable agribusiness environment so that its members can perform competitively and profitably, and prosper as a result. The ABC's function is also to ensure that agribusiness plays a constructive role in the country's economic growth, development and transformation, and to create an environment in which agribusinesses of all sizes and in all sectors can thrive, expand and be competitive.

The turnover/exposure of members of the ABC is in excess of R150 billion per annum and is a very significant employer, making it not only a major role player and stakeholder in the agro-food and related industries of South Africa, but also in the economy of South Africa as a whole. Members of the ABC are active in all the major agro-food value chains in South Africa, including the grain, wine, fruit, red meat, poultry, dairy and vegetable value chains. As the principal representative of agribusiness in South Africa, the ABC represents the views of its members in a number of national structures and bodies, both statutory and non-statutory. The ABC is also a member of Business Unity South Africa (BUSA) and participates fully in its activities and programmes.

1. Points of departure: the DRDLR position

In a presentation on the Green Paper on Land Reform¹, representatives of the Department of Land Reform and Rural Development (DRDLR) addressed what in their view were the key questions in addressing land reform in South Africa:

1. Why should the State continue to invest in transforming land relations, especially as it was a disruptive process, and the international experience on the success of land reform was mixed at best?
2. Concomitantly, how important is land reform in South Africa?
3. In this regard, is South Africa still an agrarian society? The research of the Centre for Development and Enterprise (CDE) argued that this was no longer the case;
4. Given the historic dispossession of land in South Africa, is there agreement in the country about a) the demand for land; and b) the purpose of land reform; and c) who are the prospective beneficiaries of land reform?

¹ At a meeting with the ABC in Pretoria on 27 September 2011

5. Can land reform represent a break from the past without disrupting agricultural production and food security?

Based on this analysis, the Department argued that the rationale for land reform lay in:

1. The need to instill national identity, shared citizenship and autonomy, and that this would foster better service delivery;
2. Recognition that those who have land got it through dispossession (i.e. through accumulation by dispossession);
3. Recognition that the current economic structure of the country was disempowering to a large majority of the population.

In this regard, the Department then argued that the objectives of land reform should be to:

1. Create a reconfigured four-tiered system of land tenure with reasonable access and secure rights to land;
2. Create clearly defined property rights sustained by an efficient land administration system;
3. Secure long-term tenure for non-citizens which enhance South Africa's sovereignty as well as food security; and
4. Ensure that effective land use planning and regulatory systems are in place.

The three principles, on which the objectives in the Green Paper are based, are listed below. As the principles are not self-explanatory, they are open for own, and perhaps wrongful, interpretation. The ABC therefore comments on the principles, based on the explanation provided by the Minister Rural Development and Land Reform, Minister Gungile Nkwinti.

The three principles on which these objectives are based, are:

1. Deracialisation of the rural economy;

Minister's explanation:

The pace of land reform has been slower than anticipated and intended; and has not produced the intended results, with the result that a change in approach has to be affected. The Green Paper on Land Reform is proposing a reformed tenure system to ensure shared ownership by citizens and legitimate non-citizen residents and investors. We have said that government would not be able to achieve the ideals of land reform programme on its own. It took a joint effort to achieve the ideal of national reconciliation and a shared understanding and enjoyment of our cherished democracy. The same must be true with regard to achieving shared land ownership and prosperity.

ABC's comment and suggestion:

The focus should, in essence, be on creating economic opportunity for previously disadvantaged and marginalized individuals in the rural areas. Through land reform previously disadvantaged individuals can be empowered through land ownership and specifically the optimal economic utilization of that land. Such land ownership provides the right to exercise an economic option, which they can only do through full ownership of the land. The resulting investment and production on the land will realize numerous

multiplier effects, such as income, food security, employment, production output (with its own multipliers along the value chain), opportunities for value addition, possible foreign earning from exports and general economic activity and growth.

With mere wholesale transfer of land, without the necessary government support, participation with and by private sector and ultimately the incorporation of beneficiaries into the commercial agricultural mainstream, this principle will be defied. The mere wholesale transfer of land will also open up opportunities for corruption, as was experienced in cases where land reform, and the outcomes thereof, were not controlled and sufficiently supervised.

2. Democratic and equitable land allocation and land use across gender, race and class;

Minister's explanation:

It is a constitutional imperative for the state to ensure equitable access to land by all citizens. This injunction can only be ensured if all people participate in matters of land allocation and use. The Department will ensure full participation by all sectors and groups in those decisions by traditional institutions, municipalities, organised and unorganised producers and consumers, communities and landowners. Institutional support forms part of the land reform system.

ABC's comment and suggestion:

The essence of democracy should be encompassed in equal opportunity for all citizens of the country. Essentially, the land reform programme is structured to provide opportunity to those who were previously denied opportunity to own land. Again secure ownership of land is emphasised as critical to enable equal economic opportunity. Enabling institutions are therefore necessary to ensure meaningful land reform (the Green Paper suggested institutions, such as the Valuer-General, Land Management Commission and the Land Right Management Board are commented on in detail later in this document). It is necessary for these institutions to be in place, with clear objectives and functions, and to be staffed with skilled people. The concern is however that a bloated and cost inefficient bureaucracy will be created and this needs to be avoided at all cost.

“Equitable land allocation” should be market-based and done in a fair and transparent manner by government, as was originally intended through the Restitution and the redistribution programmes (LRAD and PLAS). It should be recognised that not everyone will be able to own land, and that representation of the demographic compilation of the population will probably not be able to be achieved in land ownership, especially not in the short and medium term.

Even though incentives can be created and support provided to ensure productive use of land, prescriptive enforcement thereof will be very difficult to administer and even more difficult to determine. A well-functioning land and agricultural market, together with sufficient support mechanisms and structures for new entrants, should be promoted to provide equal opportunity for all. The notion that decision-making on farm management and production processes should be determined and influenced by democratically represented institutions, such as through municipal structures, will impede entrepreneurship and investment. Without entrepreneurship and investment by the individual producer, farm management and timely decision-making with regard to

farming operations will not be possible.

3. Strict production discipline for food security.

Minister's explanation:

In order to create a strong production discipline culture, there is a need to ensure that land use management is institutionalised with strict enforcement. State support to farmers will be conditional on their commitment and passion to farm, as well as land being used for production. The principle of “*production discipline*” will apply strictly in cases of leased state land support, as well as in terms of social and economic infrastructure, professional services, inputs and institutions, such as markets and credit facilities, provided. It is imperative that emerging farmers are productive, and remain so. Commercial farmers have to play a vital role in this regard.

ABC's comment and suggestion:

The inclusive term of “Competitive” production is more applicable in this context to achieve the set objective of food security. The concept of ‘Strict production discipline’ goes against the concepts of sustainable and competitive production, the globally acknowledged concepts. ‘Strict production discipline’ also implies agricultural production on marginal land, which will, in effect, result in more losses than gains. Production on marginal and sub-marginal land will require heavy subsidisation of inputs and will in all probability not provide for the required productivity in order to be profitable. Loan repayments will not be met and the farm will go out of production. An enabling environment should be created for farmers to be competitive. Then food security will be an obvious outcome of this environment.

2. A general response to the Green Paper

It is clear that the analysis of the DRDLR focuses largely on the history of land dispossession in South Africa – a history that is definitive in understanding the past development trajectory and hence the future development path of the country, but that represents only one element of the history of land relations. The development path must surely consist of more than mere redress if the pressing needs of the rural poor are to be met satisfactorily.

This, the ABC would argue, is where the Green Paper falls short: in its focus on the land and not on the people. The central argument in this document is that the reason for this failure is to be found in the fact that the state, under pressure from technocrats in institutions such as the World Bank, has designed and redesigned a land reform programme whose focus of attention has always been the land rather than the people. The bureaucratic structures that were put up and that are now being proposed in the Green Paper have reinforced this focus on land, and have ensured that most attention has been given to the less intractable (or ‘easier’) elements of land reform rather than to ensuring that all people in South Africa can exercise the rights in property that are enshrined in the Constitution. This attention to land has, unfortunately, come at the expense of the proper focus of a land reform programme, i.e. the people involved in it.

Dispossession has taken place in South Africa for longer than our recorded history. The modern phenomenon of dualism between South Africa's commercial farming areas and the former homelands, where most land is held under communal forms of tenure, was built upon this history of dispossession. In its turn, the creation of the Bantustans in the apartheid era was built on the dualistic structure of agriculture, and of course reinforced that structure. Almost two decades of land reform have not succeeded in changing this situation fundamentally. What then are the most important elements of the legacy of land rights in South Africa? There are three of these elements that have to be taken into account in the design of successful land reform in this country:

- The Land Acts of 1913 and 1937, which were the main instruments of **spatial segregation** in South Africa's rural areas. The main effect, if not purpose, of these Acts was to create parallel land markets through the clauses that allowed black people to buy land only from other black people and likewise for whites, and to keep land in communal ownership from reverting to private property (through the definition of Scheduled and Released land respectively). Note that these parallel markets were for people who had the means to buy land, however constrained their choices – for those who did not have the means the choices were starker. If you were white (and male) you could qualify for financial assistance from the State (via the Land Bank and specialised schemes such as those set up under the Resettlement Act), while if you were black you were relegated to communal areas with inferior tenure. As noted below, the current proposals of the DRDLR in the Green paper do nothing to correct this situation.
- The distortions that were created within the communal areas as a result of the 'betterment' policies of the 1950s and the 1960s, mostly promulgated under the provisions of the Administration Act of 1927, represented the spearhead of efforts to **suppress economic activity**, especially successful farming enterprises, in the communal areas. Of course, despite the best efforts at suppression, it remains true that there are between 50 000 and 100 000 farmers in these areas who are farming on more than 5 hectares of land, but who are constrained in their ability to expand production because of traditional forms of tenure which generally provide little security, especially in the case of arable land.
- Even less well known are the distortions that were created within the commercial farming areas as a result of six decades of intervention in agricultural markets through the Control Boards that were set up under the Marketing Act of 1937. The Marketing Act was, of course, one of the main instruments of **support to commercial farmers**, and was accompanied by a host of other measures (the establishment of the Land Bank, the protection of cooperatives, state-funded technology development, direct subsidies to farmers, etc.) Importantly, white farmers had access to the Land Bank (later supplemented by the establishment of the Agricultural Credit Board) whose sole purpose initially was to grant mortgage loans under extremely favourable conditions (duration of 40 years at subsidised interest rates) in order to overcome the liquidity trap inherent in establishing farming businesses.

Therefore, the spatial organisation of South Africa's rural areas is the direct result of the triptych of measures (**segregation, suppression and support**) that made up the main policy

thrust towards rural areas and rural people throughout most of the 20th century. Unfortunately, this has not been addressed (and may even have been exacerbated) by the land reform programme, which has been unsuccessful largely because these spatial realities have been ignored. This had five particularly pernicious consequences for South Africa's rural areas:

- South Africa's rural areas have remained separated, with no land market (and little commercial production) in the communal areas and an increasingly embattled land market (and declining investment trends) in the commercial farming areas.
- Small scale farmers in the former homelands have not had the opportunity to expand their farming businesses, either in those areas or in the commercial farming areas. In short, the majority of the black farmers in the country who actually have any farming experience have largely been ignored in the land reform programme. As a result the commercial farming sector has continued to shed jobs, while small scale farming has not been given the opportunity to create new employment opportunities.
- Food security among the rural poor has not improved, and may have worsened for some rural people, including the farm workers who used to be employed in commercial agriculture.
- When farmers were newly settled in the commercial farming areas there was insufficient recognition of the havoc that the Control Board system played with market access in these areas, especially for small-scale farmers
- Beneficiaries of land reform were saddled with debts that were impossible to repay; and commercial farmers' confidence was undermined, leading to less investment and less employment, the latter accompanied by large-scale evictions off farms.

The agribusiness sector has not been unaffected by these changes. The processes of deregulation in the commercial farming areas that started in the 1980s, trade liberalisation under the Uruguay Round in 1994, the 'big bang' deregulation of the Control Boards in 1997, changes to the Companies Act and the Competition Act, the new Labour Laws and a host of other shifts in policy have directly and indirectly impacted on the manner in which food, fibre and beverage supply chains operate in South Africa. In this regard it is clear that the manner in which land reform has been implemented and the failure to provide small farmers generally and land reform beneficiaries specifically with market access has been one of the biggest obstacles to transformation in the agribusiness sector.

The DRDLR has stated that the objectives of land reform are to reconfigure land rights in the country based on the principles of a deracialised rural economy, democratic and equitable land allocation and use, and strict production discipline. **Yet we would argue that there is a discontinuity between these objectives and principles and the actual policy proposals that the Department is making:**

1. No matter how people gain access to land, it is a truism that successful and sustainable farming is not possible without comprehensive farmer support services, typically provided by the state on its own, or in partnership with the private sector and civil society. These range from the infrastructure required to link farmers to consumer markets and to the markets for inputs across the institutional infrastructure required to allow farmers to make use of their greater physical access to markets to more direct

services such as research, development and extension, financial services and tenure security. The Green Paper mentions the need for support services, but does not identify how these are to be delivered. It is not sufficient to say that the proposed Land Rights Management Board (LRMB) will take responsibility to coordinate this function, as farmer support services are primarily a function of the Department of Agriculture, Forestry and Fisheries.

2. As noted, the main narrative of the Green Paper is the history of dispossession, while the DRDLR also envisages implementing 'strict production discipline' in the future. Yet the land reform programme includes restitution as one of the three main pillars, and when looked at from the point of view of the people involved the land restitution programme has been a resounding success. Some 1.5 million urban and rural people in South Africa whose land was stolen by legal processes under apartheid have been reassured that the state will go to great lengths to redress such injustices, while South African society as a whole has seen confirmation that property will be protected. To be sure, society as a whole has paid the price for the farms that had to be bought or the cash compensation that had to be paid; for the impact of some spurious and frivolous claims on investor confidence; and for the loss in production on most restitution farms; but society has also benefited from a wrong undone. To restore land and to keep it productive is less important than to restore hope, livelihoods and a future for people who suffered unnecessarily in the past. Recall also that the communities and individuals who lost their land in this manner were not necessarily farmers – in fact there is every reason to believe that only a few were. Yet now they are to be forced into farming through 'strict production discipline'? Far better to negotiate with the beneficiaries about what they want from the future, and about means to get there.
3. Security of tenure is important for successful farming. Without land rights, farmers will not invest and will not expand, hence there can be no growth in agriculture and no growth in employment, and agriculture will not contribute to poverty alleviation and food security. Yet private property rights in land are not without problems. It is for this reason that private property rights should under most conditions be seen as one of the aims of the development of agriculture, and not necessarily as a point of departure. In the commercial farming areas the immediate vesting of private property rights has the added disadvantage that land reform beneficiaries have to fund land purchase up front, making it virtually impossible to farm profitably because of the high debt burden: alternatively, if the land is given as a grant the state has to provide the funding – and PLAS has shown that the state has limited means. Here it is desirable to learn the lessons of the past: the Land Bank was established to address this specific problem of entry into commercial farming, and could use explicit and eventually implicit subsidies from the state to provide mortgage loans for up to 40 years duration. So a stepped programme of financing (e.g. giving successful applicants a two or three years rent-free probation period and if they successfully demonstrate that they are capable of farming they then move to a long-term lease of say 40 years with the full commercial rental phased in over four years and a part of the rental fee applied to a sinking fund held at the Land Bank that eventually gives them full title to the land) would address most of the financing problems of land reform beneficiaries, gives the implementers of land reform the comfort that beneficiaries have the necessary skills for successful farming, and spreads the fiscal cost of the programme between future earnings of the farmer and the pockets of the taxpayer.

4. Secure tenure is also necessary for farmers on communal forms of tenure in the former homelands. Here the Green Paper seems to be short on good ideas – in fact is largely silent on the matter, relegating it to a separate policy process, no doubt because of the political sensitivities around CLaRA and traditional leaders. Yet this need not be the case, and it seems as if the main problem with the approach taken by DRDLR thus far is that land access in these areas has been treated as if land rights for different forms of land use are undifferentiated. In practice, however, land rights for agricultural purposes differ according to whether people use land to live on, to plough (and here there's a difference between dryland and irrigated land) and to graze and use for hunting and gathering. Secure tenure for the purposes of securing investment is most important with respect to land used to plough (it is also important for commercial animal production, but that represents a very different problem that requires very different solutions). Hence we believe that the focus should be on cooperating with traditional leaders in securing secure tenure on arable and irrigable land in a manner that will eventually lead to more fully defined property rights and that allows for a gradual evolution, but at the same time gives prospective financiers (realistically the state via the Land Bank in the beginning) the security they require.
5. The Green Paper talks of a single land tenure system with four tiers. However, this is semantics. What is being proposed is a perpetuation in very slightly modified form of the apartheid segregation in land ownership, and this is proposed to last into perpetuity. Under apartheid white people could, by their own means or with assistance from the state, acquire private rights in land, while black people could theoretically buy land with private rights from other black people – but only on those few hectares that were left over after the decades of forced removals. Otherwise black people were relegated to inferior forms of tenure in urban and rural (communal) areas. In the post-apartheid state black people in urban and rural areas can buy property by their own means. In the rural areas, however, as soon as a black person wants to access land for agriculture using the assistance of the state under land reform, they are to be relegated to second-class land rights. Those who remain in communal areas remain without substantive rights in land. Thus, the foundation of dualism in agriculture, with the bulk of the production coming off land with full property rights and the bulk of the poverty from land without sufficient rights in land, has been left unchanged and is still largely racially defined.

3. What kind of land reform do South Africans deserve?

Land redistribution in South Africa has not worked, nor has tenure reform delivered the protection of land rights that it promised, and the distribution of assets in South African agriculture still looks very much as it did in the past. Why, then, is the tail wagging the dog? Why can't South Africa design and implement a land reform programme that better serves the needs and desires of all those involved in it? To begin to answer these questions, it is necessary to turn to the need for land reform in the first place.

As noted above, the dualism that exists between farming in South Africa's commercial farming areas, where land is held under individual title, and the former homeland areas where land is held under a wide range of tenure systems that invariably provide less protection to property (i.e. to investments), is a creation of past land and agricultural policies. The impacts of these policies are, in turn, determined by South Africa's agricultural

resource endowment and the history of land legislation within the context of South Africa's development path. It is necessary to understand these factors in order to understand the nature of access to land, and hence the land reform policy in this country.

In physical terms, South Africa is a medium-sized country of some 122 million hectares, which makes it the same size as Angola, and twice the size of France. Some 100 million hectares are available for agriculture (with the rest land used for urban settlement, nature conservation and infrastructure such as roads, rail lines, etc.), of which only some 17 million hectares are arable (i.e. have sufficient rainfall to support dryland crop farming), and only some 10% of the arable land is under irrigation. More than a third of total agricultural output is produced on this roughly 1.6 million hectares of irrigated land. The former homeland areas comprise about 13% of the total land and, despite claims to the contrary, agricultural land there is on average of the same natural potential as land in the commercial farming areas.

With over 85 million hectares of natural grazing in desert (Kalahari) and semi-desert (Karoo) zones, stocking rates are low; hence average commercial farms are large by international standards. Yet even commercial farms dedicated to the production of field crops under dryland conditions and irrigated farms are larger than global averages. This is mostly the result of the use of hired labour.

Thus, taking the realities of South Africa's history and resource endowment into account, any vision of what South Africa's agricultural sector should look like in the future has to contain elements of at least the following:

1. A sector that is afforded the political and administrative priority it deserves because of the key direct and indirect role that it should play in the lives of the people involved in it, in the development of South Africa's economy and in the alleviation of poverty.
2. A sector that provides security of expectations to all those involved in it, whether as a defence against poverty, as a means of gaining a livelihood, or as a lifestyle choice. Bad laws that protect the rights or the property of the few against the many militate against achieving this goal, as do obstacles to the more flexible functioning of land rental markets and a greater variety of livelihood choices such as part-time farming.
3. A sector that has overcome the problem of entry into agricultural production, i.e. which affords fair opportunities to new and emerging farmers from all population groups to farm, again whether to ensure food security for a household, to create a livelihood, or as a lifestyle choice. At the same time, a sector that offers dignified exit opportunities to those who are incapable of making a livelihood in the sector through old age or other factors, or because they no longer wish to do so.
4. Increased production from areas under irrigation. Since more than a third of total agricultural output is produced on the roughly 1.5 million hectares currently under irrigation it stands to reason that the country should optimise production under irrigation, both by improving the efficiency of areas currently under irrigation (i.e. by more appropriate water pricing and by rehabilitation of irrigation in the former homeland areas) and by expanding irrigation to the extent possible. This is a programme that needs long term attention.
5. A pattern of trade that reflects the county's comparative advantage in agriculture, and also better reflects the comparative advantage of the countries to our north, in southern

and eastern Africa. More than 60% of South Africa's agricultural exports currently come from the Western Cape, while we are a) net exporters of maize to Southern and Eastern African countries that have natural resources that are far more suited to maize production than South Africa, and b) we are net importers of other commodities such as wheat, soya beans, sunflower, etc. that can be produced in South Africa and elsewhere in the region, and c) the trade in processed agricultural goods in the region is still in its infancy. Furthermore, South Africa has a skewed pattern of trade in the region, importing less than a fifth of the value of its exports to a market that is becoming increasingly important to the future of our agricultural sector.

6. A more vibrant agribusiness sector that improves access by all farmers to the markets for input supplies and for their produce, and increasingly helps to integrate supply chains between consumers in the different types of retail markets and producers of different types and in different countries across the subcontinent.
7. A state apparatus that serves the best interests of society as a whole as well as of the agricultural community in particular by protecting consumers against unsafe food, whether domestically produced or imported; promoting the values and virtues of rural living; protecting and supporting all farmers in a smart and affordable manner; and protecting farm animals.

Successful land reform is key to achieving this vision, yet the land reform debate in South Africa is characterised by mutual distrust and finger-pointing between Government and the private sector, while the supposed beneficiaries have not been as vocal in their dissatisfaction with the programme as have their urban counterparts in relation to, for example, municipal service delivery. The debate also seems to be characterised by a lot of misconceptions – after all billions of Rand have been spent, and the lives of hundreds of thousands of rural people have been positively affected.

Nevertheless, it is fair to ask whether large-scale land reform can be achieved by further tinkering at the margins of a set of policies and instruments that have not worked. What, then, are the necessary conditions for land reform to work? It seems evident that there are at least five such conditions if the country is to avoid committing either “political suicide” by benefiting too few or “agricultural suicide” by benefiting too many:

1. **Streamline the administration of land reform.** The separation of land and agriculture at the national level has not favoured the implementation of land reform in South Africa's rural areas. The presence of functions such as land administration and land restitution that cut across urban and rural areas should not obscure the need for a tighter integration between the administration of agriculture, the most important rural economic activity, and land redistribution and tenure reform. To this end, there should be serious consideration of the need to merge the rural development, land redistribution and tenure reform functions with agriculture, while moving the land administration programme to the Department of Public Works and keeping the land restitution programme as a separate entity until such time as it has been completed.
2. **Provide tenure security in the communal (former homeland) areas.** StatsSA estimates² show that there are 85000 households in South Africa who have access to more than 5 hectares of land. Given that there are fewer than 40000 commercial farmers,

² StatsSA, 2006. General Household Survey 2006. Pretoria.

this means that there are some 45000 farmers in the communal areas who farm seriously, but who cannot expand because of tenure insecurity. These farmers should form the core of the land reform beneficiaries: they should be afforded the opportunity to expand their landholding where they are, or to move to the commercial farming areas.

3. **Amend the Subdivision Act.** The Subdivision Act was ostensibly repealed in 1998 after many years of pressure by a wide range of interest groups. However, the Subdivision of Agricultural Land Act Repeal Act (64 of 1998) has yet to be signed into law by the President. The original purpose of the Act was to prevent subdivision of land, yet the Act was also widely used to prevent land subdivision for residential use, and unauthorized change of use away from agriculture. In effect, this Act places a floor on the size of land holdings in a situation where ‘new’ farmers cannot afford to buy land and state programmes to subsidize land access are ineffectual. Hence, efforts should be made to amend the Act in a way that removes this obstacle. In addition to the measures proposed in section 2 of this report and below, consideration should be given to lowering the overall cost of land transfer by doing away with the monopoly on land transfer and registration.
4. **Lower the cost of land purchase.** One way of characterising the current land reform programmes is that they represent an attempt to alleviate poverty through debt. Land reform beneficiaries are given grants that are too small to buy land parcels that are too large, resulting in a liquidity trap that cannot be eliminated through farming profits. Yet there are many ways of financing land purchases that avoid this trap. These all build on long repayment periods where monthly payments are back-loaded (i.e. the beneficiary starts out paying smaller premiums). These can be used in conjunction with lease/rental systems that end with the transfer of title rather than begin at that point. The funds currently allocated for the land reform grants will be far better utilized in this manner.
5. **Increase the supply of land available for land reform.** One of the most important economic characteristics of the agricultural sector is the difficulty of exit from farming, the result of ‘asset fixity’. Because agriculture is a geographically spread activity, and because it is dependent on nature, it suffers from covariant risk. The result is that when a farmer gets into financial difficulty, it is difficult to sell his/her assets at a fair price, either because the farmer wants to shift to new enterprises, or because they want to exit farming. Yet this feature of the sector provides a golden opportunity for accessing land for the land reform programme. To this end, the state should devise programmes that assist farmers to exit from the sector when they so desire, and to make that land available for land reform. Mechanisms to identify such farmers and such land should be put in place at the local level (e.g. a land committee consisting of leading farmers and key municipal and land and agricultural officials), and instruments to purchase such land should be provided (e.g. PLAS).

These are necessary conditions, but they are not sufficient. This core of policies needs to be surrounded by more efficient institutions (the Land Bank, the Agricultural Research Council, the National Agricultural Marketing Council, national and provincial Departments, etc.); supported by better coordination (also with the private sector); and provided with the hard infrastructure required to make supply chains to farmers and from farmers to consumers more efficient, no matter where the farmers are to be found. In short, a comprehensive farmer support system is required rather than *ad hoc* interventions for only some farmers.

4. Need to focus on Post Settlement Support

Recapitalisation and Development Programme, in relation to the role agribusinesses can play in post settlement support of land reform beneficiaries.

The Recapitalisation and Development Programme (RADP) is seen as an important driver to enable the Communal Property Associations (CPA's), as well as restitution beneficiaries, in becoming commercially viable farmers. The ABC is concerned about the sustainability of this proposal, considering the financial strain the government is currently in and the possible limitation to "full funding" of restitution beneficiaries. Currently the Recapitalisation and Development Fund is based on only 25% of the value of the transaction and is already not available to all land reform and restitution projects, which, in itself, proves problematic. The process of allocating funds is very slow and results in various farms going out of production and making it extremely difficult and expensive to resuscitate such projects. The extent of the "full funding" in the first year, together with the gradual reduction over the following 4 years, are not based on any economic research regarding the actual need to enable optimal production, and business plans submitted to and approved by DRDLR are frequently regarded to be inadequate.

The ABC supports the need for state support, such as through the RADP, but emphasizes that it cannot be considered separate from involvement of stakeholders in the commercial agricultural sector, beyond mentors and strategic partners, as proposed in the RADP documentation. In addition it is inevitable to broaden the ownership of land, rather than limiting it, to enable beneficiaries to obtain financing and to create an incentive for them to produce and utilize the land productively and efficiently.

The ABC proposes a Post Settlement Support structure to be incorporated with the RADP:

Agricultural Business Chamber's input on Agribusiness in Post-Settlement Support for Land Reform beneficiaries

Land reform is a national project led by government under a legal framework as stipulated in Section 25 (5) of the Constitution of the Republic of South Africa. The Constitution stipulates that the state must adopt reasonable legislative and other measures, within its available resources to foster conditions, which enable citizens to gain access to land on an equitable basis. To give effect to this framework, the DRDLR has enacted several pieces of legislation to enable compliance with the land reform provision.

However, land reform did not go the way it was initially proposed and many newly settled black farmers happened to be worse off after acquiring land. Various reasons can be linked to this problem but for the purpose of this document the problem to be addressed is the lack of sufficient post-settlement support for land reform beneficiaries. The question on the table

is how an enabling and favourable environment can be created where the private sector and government can jointly participate effectively in achieving the goals set out in the National Project on Land Reform. The main purpose is to determine and accentuate agribusiness' role in supporting newly settled black farmers. The overall objective of this study is to contribute to improvement of government policy so as to enable the private sector to play a more constructive and appropriate role, and to outline the private sector's commitment to contribute towards successful land reform.

The *Strategic Plan for South African Agriculture* adds to the legislation by emphasising the need to deal with land reform in a fast and efficient manner. It also elaborates on the fact that it is important that land should be used productively and that this could only happen if support services, as well as training programmes, are provided. To date, **Post-Settlement Support** services to land reform and restitution beneficiaries relied on the extension services programme of the Department of Agriculture, Forestry and Fisheries. While support programmes in former homelands totally collapsed, the Department's extension programme proved to be highly insufficient due to the lack of extension officers with the relevant capacity and necessary commitment, together with the Department's inability to manage an accessible and relevant extension programme to the benefit of new black farmers. The sector plan also stipulates that if new farmers are to be empowered to play a constructive role, it is necessary that they should have access to support services. Therefore the emphasis is placed on proper follow-through action, such as a business and funding structure, infrastructure and marketing structure.

A new approach to land reform is being proposed. The business approach should be implemented to change the face of the farmer, not the production. The new approach includes private sector involvement in the two settlement phases; pre-settlement and post-settlement phase. The discussion on adherence to the phases of settlement could hopefully pave the way towards a more effective land reform process.

Pre-settlement includes a "package deal" starting with land, infrastructure, financial structure, marketing framework, training and skills improvement. It is therefore inevitable to find the right "jockey" for the particular farming enterprise to conclude the "package deal". Many land reform beneficiaries have no intention or incentive to use the land for competitive agricultural production purposes. Some beneficiaries have no farming background or experience and many have very few, if any implements and/or production inputs. Leadership and management skills are lacking and there is a generalization that beneficiaries are unwilling to take responsibility for their farming activities. The community and families often also impose unrealistic financial expectations on the beneficiaries/new black farmers. As part of the "package deal" provision of a viable farm unit is essential. A "viable farming unit" was defined as a farm with the potential to offer fair economic returns under acceptable management. Determining the size of a farm, which is considered to be economically viable, should take in consideration the size of the family/community depending on the profit from the farm, the desired household income, the resource capacity and the farming competency.

It is a fact that a deficient pre-settlement process complicates the post-settlement process. Beneficiaries are then fully informed on the realistic assistance they can expect from government and agribusinesses, and what the government and agribusinesses expect from

them.

The need for **Post-Settlement Support** can basically be justified by the fact that land reform beneficiaries cannot be left to fend for themselves too soon after settlement. Targeted mechanisms need to be in place to address the identified capacity constraints. This will be in the form of continued mentoring, training and guidance beyond land transfer. The scale, intensity and length of such support will be project specific and be informed by the outcome of on-going project-level monitoring and evaluation. Service providers should be retained and rewarded to provide post-settlement support based on performance.

There is still little or **no coherence and synergy** to provide the necessary support, both financially and technically, to land reform beneficiaries. The demand for land and the need for finance to fund land reform and rural development have led to a range of financial products being available in the market. The institutions offering these financial products include the private sector, government and parastatals. This is particularly true in respect of first time or emerging black farmers. Currently role players, in government as well as in the private sector, are working on an ad hoc basis and often in a fragmented manner. Each party appears to be working in isolation and conducting its own due diligence, which in some cases proves to be repetitive. Such repetition results in underutilisation and misuse of resources, which causes delays in the land transfer process. Even within government departments there are different grants and soft loan products available for similar outcomes.

Considering the different roles of stakeholders, it is important to study the specific role of agribusinesses. This type of business form has a long and formidable history in the sector, ranging from the local agricultural cooperative to the giants in processing of agricultural products. The footprint, skills and capacity of the businesses are an untapped source that could be brought to the table.

It is in this context that it would be advantageous for government to implement a series of initiatives to leverage agribusiness resources and infrastructure, expanding the engagement of small farmers, especially black farmers and land reform beneficiaries, in commercial agriculture and viable supply chains.

The **current and proposed role of agribusiness** can be both with the Pre-Settlement and Post-Settlement phases.

- Agribusinesses, in various, regions are already involved in assessing production capacity, compiling business plans and structuring implementation on **Restitution** land. However, it remains important to consider that Agribusinesses have limitations with regard to providing support to the restitution process and cannot support beneficiaries that have no incentive to become commercial food producers.
- Acquiring **Production / Cycle Financing** during and after settlement of the new black farmers is of the utmost importance. Government could channel funds (such as the Recapitalisation and Development Programme Fund), with strict supervision thereof, through commercial banks and agribusinesses to ensure effective allocation of it within the financial planning structure of the new farming enterprises. Commercial banks and

agribusinesses can assist new black farmers with long term financial planning, risk management and acquiring insurance solutions. An additional goal would be to transfer financial skills to these farmers to enable them to become financially and managerially independent in future.

- Agribusinesses have been providing outstanding **Extension and Training** to commercial farmers since the deterioration of government extension programmes. Agribusinesses can support new black farmers (groups, communities and/or individuals) with on-farm extension services and long term guidance, but this will have to be on a cost-recovery basis. Agribusiness actively engage in forming study groups, establishing mentorship programmes and providing effective and relevant training to new black farmers.
- **Access to Markets** is essential for new black farmers to sell their produce and thereby enter into the commercial agriculture value chains. Agribusinesses provide farmers with market information, market infrastructure, logistical solutions and marketing training. In the case of smaller farmers, agribusinesses are also well positioned to assist new black farmers by coordinating collective marketing.
- An **Exit Strategy** needs to be imposed to ensure that a dependency syndrome for the new black farmers is not established. To enable these farmers to be independent commercial food producers in future, agribusinesses can assist in structured long term financial planning and guidance – resulting in capital accumulation and future on-farm investment schemes.

Agribusinesses and agricultural cooperatives are essential structures towards supporting new black farmers and providing sufficient post-settlement support. It is their commitment towards creating a sustainable and competitive agricultural sector, with economically viable commercial farmers, which creates the incentive to provide support to new black farmers. Agribusinesses also acknowledge the fact that they have, together with the entire South African business community, a social responsibility towards promoting previously disadvantaged and new black farmers by supporting them towards entering the market as commercial producers.

It is clear that private sector participation will not only be essential, but critical in making land reform efficient and effective in creating commercially sustainable black food producers in South Africa.

5. Focussed responses and positions in terms of DRDLR NAREG Workstreams

Emanating from the above general response, principles and positions, the ABC has taken specific positions in DRDLR's six National Reference Group Workstreams, as well as pro-actively and constructively proposing alternatives, where necessary, to make Land Reform workable.

5.1 ABC Comments on the proposed 4-Tier Tenure System in the Land Reform Green Paper

1. Introduction

The proposed 4-Tier Tenure System is one of the elements introduced for an **Improved Trajectory for Land Reform**, and needs to be read in conjunction with the other elements indicated. There are also **specific conditions** set that the Improved Trajectory for Land Reform must meet, viz.:

- (a) improve on past perspectives, without significantly disrupting agricultural production and food security; and,
- (b) avoid or minimise redistribution and restitution which do not generate sustainable livelihoods, employment and incomes.

The 4 –Tier Tenure System is proposed as follows:

A single land tenure framework has been fashioned out, integrating the current multiple forms of land ownership - communal, state, public and private - into **a single 4-tier tenure system**:

- (a) State and public land: **Leasehold**;
- (b) Privately owned land: **Freehold**, with limited extent;
- (c) Land owned by Foreigners: Freehold, but **Precarious Tenure**, with obligations and conditions; and,
- (d) Communally owned land: **Communal Tenure**, with institutionalised use rights. (Communal Tenure is addressed separately)

The ABC strongly supports the specific conditions indicated in the first introductory paragraph and its comments on the 4-Tier System are primarily premised on this approach.

2. State and Public Land: Leasehold

- It is acknowledged that the state, and its various departments and entities, **own** extensive and very significant tracts of land in many forms and for a wide range of purposes. A full audit of state land and its current use and potential (agriculture and other) is absolutely essential to can effectively manage this national asset. It is the old adage of: “If you measure, you can manage”.
- Where excess state and public land is available for private sector endeavour (agriculture or other), there are in effect only two realistic options to consider, viz. either selling the land in economically viable units to entrepreneurs (BEE beneficiaries) and backing a sale up with post settlement support, or leasing the land to beneficiaries under specific leasing conditions. The ABC certainly advocates the first option as we believe government should in principle considerably broaden and extend property ownership and ownership rights to far more previously disadvantaged individuals, especially to those

that have not generally benefitted from BBBEE to date. **This principle must be applicable to both rural and urban state-owned land.** However, from the Green Paper it is common knowledge that the latter option of leasehold is government's preferred option. If this option were to be implemented, the ABC would advocate that the leasehold be effective for a period of at least 49 years, but preferably for 99 years, and be transferable (tradable). In this way the lessee could use the land as security (collateral) to access finance for his venture(s), as well as invest in improvements/capital structures to enhance the value and productivity of the property, and then be able to recoup the investment and hopefully profit therefrom when he/she wishes to sell/trade the leasehold. That is the by far the most effective way of wealth/value creation. (As an aside: Focus should be on wealth/value creation, not poverty alleviation).

- The ABC is concerned that government is essentially becoming an accumulator of land (nationalization) through its PLAS programme and while there is understanding for certain reasons for wanting the state to retain full property rights of such acquired land, in the long run it will be counter-productive as it will strongly discourage investment and essentially condemn the 'beneficiary' to poverty. A compromise proposal would be to hold the land for a period of 3-5 years until the beneficiary has been established in a sustainable venture, and then to arrange a transfer of ownership through viable and practical processes. The end objective should be to transfer property rights to the individual.
- Leasehold agreements for PLAS land acquired in the commercial agricultural areas will have to be clarified and made investment friendly.
- State support to beneficiaries qualifying for state leasehold land is absolutely essential and should be done in the way that is least disruptive to the market, and this would be through soft loans and extended repayment periods through Land Bank, Mafisa, etc. There are other support measures for consideration as well, e.g. mentoring, skills development, facilitating market access, et cetera. This should be in line with the Pre- and Post-Settlement Support advocated in the previous section, and government's Recapitalisation and Development programme, with its deficiencies, can assist in this regard.

3. Privately owned land: Freehold, with limited extent

- The proposed freehold system of tenure (title deed and full ownership rights) for the commercial agriculture area of South Africa is supported by the ABC. This is necessary to maintain the integrity of the land market and agriculture markets in general since the markets are by far the best driving force to ensure optimal use of land and stewardship of the resource within a globally competitive agro-food system. It is the market system that drives competition and ensures efficiencies in the value chains, thus ensuring national food security.

- The ABC can however not support the **limited extent** rider or condition proposed as this essentially goes against the grain of the market argument indicated in the aforementioned bullet. It is also impossible, from an agricultural economics point of view, to determine what sort of threshold should be imposed in which farming areas and on what grounds, also given the range of enterprises, often mixed and vertically integrated, in the industry. It must also be recognized that certain large-scale or mega farmers have invested their life savings into this land and most often use it productively and sustainably in the competitive agro-food industry.
- The ABC however recognizes the concern of government in terms of land owners that may hold large tracts of land that are not used productively or for sustainable economic activity (just as an aside, game farming can also be profitable and sustainable economic activity). Alternatives should be sought to address this problem and this could be through certain measures such as a land tax on unused land (there is already a municipal land tax that strongly discourages land ownership if the land is not used productively- also see additional qualification of the land tax statement below), or through some regulatory process/measure managed by the LMC, but a blunt threshold system we believe would severely constrain investment and most certainly impact negatively on competitive production and national food security in South Africa. It would also be extremely costly and difficult to manage such a threshold or land capping system.
- Given the proposed 4-Tier Tenure System, of which freehold in the commercial areas is one aspect, it certainly raises the specter of a dual land ownership model evolving which will in effect keep beneficiaries (HDI's) in the poverty trap. Essentially the long term objective should be to create one large freehold system in South Africa in which property rights are extended to a considerably broader spectrum of the population, especially to HDI's. The ABC recognizes that this will be a process that will take time, even a generation or two, but the long term goal should be clear and indicated as such.

Additional qualification of the land tax statement:

Taxing as a disincentive to owning unutilized land, and as an alternative to limiting unproductive privately owned land

Background

The Agricultural Business Chamber (ABC) does not support any measure that limits the extent of land ownership or enterprise, as ownership is essential to maintaining the integrity of the land and agricultural markets in general. Markets are by far the best driving force to ensure optimal use of land and stewardship of the resource within a globally competitive agro-food system.

In respect of the first and the third of the three underlying principles of the green paper for land reform, being [1] Deracialisation of the rural economy, and [3] Strict production discipline for guaranteed national food security, the ABC recognizes government's

challenge with unutilized and unproductive land. It is clear that government wants to impose limitations to land lying fallow, not being utilized productively, or going out of production after transfer.

The ABC, however, strongly feels that limiting the extent of private ownership will be a counter-productive mechanism/measure to address this challenge and will have detrimental effects on the competitiveness of the South African agricultural sector, as well as on national food security.

As an alternative to limiting private ownership of land, and accordingly ensuring productive utilization of land and food security, it is proposed that the imposition of a tax on land not being utilized productively, could be considered.

Referring to many previous scholars attempting to analyse it, it has been found to be impossible to determine sufficient size of land needed for productive, profitable and competitive farming enterprises. This is basically due to the nature of the industry in South Africa, considering varying resource capabilities, the necessity for crop rotation and producing a range of agricultural products, as well as the changing nature of the markets. The resource capabilities and the comparative advantage³ cannot be used independently to determine the size of land required, because of the change and variability of climatic conditions (e.g. rainfall), sustainability of resources, (e.g. deteriorating water sources, maintenance of soil capacity), or changes in weather patterns (e.g. climate change), the changing markets, as well as factors influencing the competitiveness of the sector. The following are a few examples of factors influencing the competitiveness of the sector, or the individual operations:

1. Availability of, access to and cost of using infrastructure, such as roads, rail, ports, etc.
2. Availability of input and service providers
3. Cost and availability of credit
4. Changes in the market; referring to demand for different products and the purchasing power and sophistication of consumers.
5. Availability of supporting institutions
6. Access to sufficient research and development
7. Etc.

As these factors, together with many more, influence each farmer differently and as the impact thereof changes over time, it is impossible to link the competitiveness of one farmer, as opposed to another, to the size of land required by each to be productive, profitable and competitive.

The major concern is land that is not utilized productively; excess land not being utilized productively, land simply lying fallow and productive land going out of production due to various reasons.

Firstly it is important to sufficiently research the definition and scope of “*productive*” use of land. The productive output, together with the multiplier effect (economic activity and growth, employment, etc.) thereof, should be considered. Different farming operations will provide different output and multipliers. (Extensive research hereon is being done by the Development Bank of Southern Africa, in partnership with the Land Bank and various other institutions). The available resources, factors determining competitiveness and ultimately the market mechanism, will determine the use of the land in this context. Food security is an

³ Comparative advantage is a situation in which a country, individual, company or region can produce a good at a lower opportunity cost than a competitor, based on its Domestic Resource Capabilities.

important factor to take into consideration, but as food security does not solely refer to volumes of staple food produced, but also to income of the consumers, allowing them to afford the food, distribution of food, etc., other utilization of the land, with higher multipliers, especially regarding wealth generation and employment, can be of higher value where applicable. For instance, game farming is also considered a very productive use of land. Utilizing marginal land for production of staple foods can be more costly, in aggregate terms, to an economy and to food security than beneficial. Further research into the criteria for productive land, should be done in this regard.

The free market cannot be the sole incentive to ensure productive use

No interventionist action, such as the intervention (in this case being land reform) created to achieve the underlying principles in the green paper, can be left unsupported within the free market system. The free market remains the most efficient way to ensure optimal use of land and stewardship of the resource within a globally competitive agro-food system. An intervention already implies a regulation of some sort, which in actual fact goes against a free market; hence this intervention cannot be without regulated incentives or disincentives to achieve successes in this regard.

One could consider the free land and agricultural market being an incentive for farmers/land owners to utilize the land productively. It will commonly be assumed that, within the free market, farmers with excess land will sell that land. However, for land reform beneficiaries, this incentive would be under the assumption that the land owners, lessees or occupiers, have sufficient support mechanisms in place and have equal opportunity to be competitive (with other words having equal access to the factors determining their competitiveness; see examples listed above). Considering that to date 90% (a generally accepted figure) of land reform projects failed, the assumption of sufficient support and equal opportunity cannot be made. The success of beneficiaries can also not rely solely on the Recapitalization and Development Programme, as many concerns with it have also been raised and very few successes have yet progressed there from.

If a farmer/community cannot compete in the open market he/she/they will then be forced to sell the land in the open market, which would, in all honesty, defy the purpose of land reform, specifically referring to the first and third underlying principle in the green paper of land reform, because land will, either be sold back to the previous (most probably white) land owner, or it will simply go out of production, lay fallow or be used for other purposes, such as human settlement, or illegal sub-letting. If the beneficiary would choose to sell the farm, with the possible intention to use the proceeds for another economic option, it should be allowed within the free market. The concern arises when the beneficiary chooses to utilise the land productively, but, for whatever reason, simply cannot do so and is then forced to sell on the open market. The incentive provided for by the open market, whereby unproductive land can be sold, will therefore not be sufficient on its own, as sufficient support and equal opportunity cannot be assumed and government or other partners in that regard cannot be held accountable for the adequate provision of such support.

Taxing as a disincentive to own or lease land, and not utilize it productively

A disincentive to land not being utilized productively is suggested as an alternative to imposing limitations to the extent of land ownership. Taxing unproductive land will provide

a cost factor to owning land and not utilizing it productively. If, for any reason, the land is not being utilized, the tax burden will be a mechanism to ensuring the problem and challenges inhibiting productive utilization, such as insufficient support, delay in allocation of government support, lack of sufficient means for production, are addressed. This disincentive to leave land to lie fallow, will create an incentive to become innovative, entrepreneurial and to ensure allocation of support if the land owner has the intention to utilize that land. If the owner does not have the intention to utilize the land, this tax burden will force him/her/them to sell it on the open market (perhaps providing government the first right of refusal), instead of merely leaving the land to lie fallow or be used for other purposes, such as human settlement, etc. In case the land owner does not have the means or the intention to utilize the land, the tax burden could also ensure him to consider the option to sub-let the land to farmers who can, or want to utilize it productively. Ownership, especially for land reform beneficiaries, should also be structured in such a way to legalize sub-letting, as it could be a significant economic option for them and creates greater access to land.

It is noted that there is a concern regarding the definition and evaluation of “productive use” of land. Again the ABC wants to emphasize the need to investigate this further and in-depth to provide clear understanding thereon, rather than to eliminate the proposal on the ground of unclear understanding thereof.

It is inevitable that the evaluation of productively utilized land should not be discriminatory and should apply to all land owners/lessees or occupiers, across race and tenure structure. This will entail that the tax burden on unproductive land should be imposed on commercial farmers, land reform beneficiaries, communities or families (Communities Property Associations, trusts, companies, etc.), traditional leaders and other occupiers of communal or commonage land, etc., and for all purposes, farming models, enterprises and utilization, such as extensive, intensive, large scale, small scale, subsistence, recreational or lifestyle farming, as well as tourism and some sports.

The monitoring and enforcement thereof, especially in a non-discriminatory manner, should be researched further, with clear criteria set and clear penalty, or taxing structures, as well as implementation and enforcement structures.

It must also be clear that the tax burden on unproductive land does not have the intention to punish farmers, but rather to incentivize optimal productive use of land in South Africa. As explained above, the proposal should be well researched and informed on economic studies to ensure no or limited unintended consequences, as well as to minimize the administrative burden of implementation. The proposed **national land audit**, which intends to provide means to measure and manage land ownership and land use, can be incorporated as a basis to implement the identification of unproductive land.

Under no circumstances must the tax option be an extra cost to business that undermines the competitiveness of that business, since that would be defeating the very purpose of growing/expanding competitive production.

4. Land owned by Foreigners: Freehold, but Precarious Tenure, with obligations and conditions

- The ABC agrees that some sort of precarious tenure should be instituted for foreign landownership, in line with what is also the case in many developed and advanced developing countries, but it **should not be a disincentive** to foreign direct investment into our economy, especially also in the agricultural sector. The agriculture sector is already starting to battle under the strain of relatively poor investment into the sector.
- Legislation can tie up the conditions under this form of tenure and clearly indicate the conditions under which such investment would be welcome and sought.
- The proposed conditions would need to be debated further, especially with those individuals (especially foreigners whom already own land in South Africa) and countries (embassies) that will be affected by such conditions.

5. Communally owned land: Communal Tenure, with institutionalized use rights

- The ABC will comment separately on this aspect, in line with the specific NAREG Workstream established to address this complex and politically sensitive issue. The principle, however, is to extend property and landownership rights to people in the communal land areas (former homelands).

6. Final remarks

While these comments are specific to the 3-Tier Workstream, they cannot be seen and considered in isolation of ABC comments and positions taken in the other six Workstreams. The comments and positions articulated by the Agricultural Business Chamber will be finalized and consolidated, and then submitted to the DRDLR as a holistic position, as called for in the Government Gazette Notice No. 34656 of 30 September 2011.

5.2 ABC comment on Land Management Commission (LMC) Discussion Document

1. Prologue

To balance the argument of South Africa's history being riddled with inequitable land and property relations; and as per South Africa's Constitution (Section 25 specifically), government recognizes the Property clause and citizens' right to hold property, and no law may permit arbitrary deprivation of property. This was also confirmed by Deputy President Motlanthe in Parliament on the 8th of November 2011.

While it is also acknowledged, universally, that the State has a role to play in land management, the question is what that role should be to ensure economic growth and food security, but also peace, stability and greater equity. **As such it should be stated that markets are in principle the best determinant of the optimal utilization of resources, including land, obviously within a regulatory and facilitating framework.**

2. Background

The ABC is not in principle against a LMC as an overarching institution to facilitate and co-ordinate land management in South Africa, and in fact agrees that it may in certain cases be of value, especially in a co-ordination function and in maintaining a land register (land audit). If properly structured (including significant private sector representation) with a clear mandate and the concomitant authority, it can play role to address the land question. However, the powers currently assigned to it in the Green Paper are draconian and require checks and balances to curb those powers.

3. Introduction

Discussion Document: *Effective land management is an essential activity for a State that is determined to ensure economic development of its citizens. It is undoubted that the State cannot effectively manage land without the engagement and participation of all relevant organs of civil society. It goes without saying, in the development of a realistic land management policy, that clear determination of what land management is and the identification and consultation with relevant stakeholders are indispensable.*

ABC comment: The ABC essentially agrees, but it is **how** the State assigns powers and authority to itself, and then dispenses that authority, that is the concern. It is especially the relationship that the LMC will have with Parliament and the Courts, including especially with the Constitutional Court, that lies at the heart of the checks and balances of power.

4. Powers of the Land Management Commission

Discussion Document (as per Green Paper): *The Commission will be a statutory body, which will be autonomous, but accountable to the Minister of Rural Development and Land Reform or other Minister that the government might deem appropriate. It should be composed of South Africans of high integrity and esteem, because of the sensitive nature of its mandate and responsibility; and it should conduct its work in an accountable, transparent and professional manner.*

Its primary role will be to establish, protect, and sustain the credibility and integrity of South Africa's land register. In this regard, its powers will be as follows:

- *The power to subpoena anyone and any entity, private or public, to appear before it, and answer any question relating to their landholding or land interest;*
- *The power to enquire about any legitimate land question, of its own initiative or at the instance of interested parties;*
- *The power to verify and/or validate/invalidate individual or corporate title deeds;*

ABC Comment: This clause is typical of excessive power being granted to the LMC. The conditions under which such powers may be dispensed need to be very clearly spelt out, while recourse to the Courts, through an appeal process, has to be stipulated as well. As the clause stands here, it is unacceptable and would in all probability be unconstitutional as the administrative function needs to be separated from the legal function of the courts. Furthermore, the power of the Commission to validate/invalidate title deeds is questionable in view of the provisions of section 6 of the Deeds Registries Act, 1937 (Act 47 of 1937) that provides for deeds of transfer/ deeds of grant, etc., to be cancelled upon court order only. The transfer of land may only be effected by means of registration in terms of the Deeds Registries Act, 1937 and the Sectional Titles Act, 1986 (Act 95 of 1986) – hence the

inability of the Commission to validate title deeds

- *The power to demand a declaration of any landholding, with all the necessary documentation relevant to such a declaration; and*
- *The power to grant amnesty and/or to initiate prosecution, whichever the case might be or at its discretion.*

ABC Comment: This clause is also problematic as the process and relationship through the legal system (judiciary) needs to be clearly indicated and spelt out.

5. Functions of the Land Management Commission

Discussion Document (as per Green Paper):

(c) Regulatory

The Commission should become the regulatory authority of all state, public and private land in South Africa. The role has two dimensions. The first covers the role of protection of all land, which includes the prevention of illegal occupation, preventing environmental degradation, particularly, illegal land use and ensuring compliance with legislation. The second entails optimal land utilization to ensure food security, employment creation and investment. This will require the Commission to maintain an accurate regularly updated land register on land holdings, by both nationals and foreigners, monitor change of ownership, land use and optimal land utilization. All land owners and custodians of state and public land should be required by law to declare the extent of their land holding and periodically update the Commission on any changes.

ABC Comment: The ABC has a major problem with this clause and the regulatory powers assigned to the LMC in this regard, especially in terms of the ‘land utilization’ principle. History has proven markets, when regulated properly, to be far more efficient determinants of optimal land utilization than governments or state bureaucracies. As it is stated here, the powers are far too open-ended and draconian – this ‘regulatory function’ requires greater clarity, as well as checks and balances on powers afforded to the LMC in the Green Paper.

Discussion Document (as per Green Paper):

(d) Auditing

The Commission will conduct and commission periodic compliance audits on land utilization, policy and legislation on the extent of declared land holding, land use and verify such information against the register of declared landholdings, issue compliance reports and exercise its powers where necessary.

ABC Comment: The ABC’s concern is that a massive bureaucracy is being created at huge cost to the fiscus and taxpayer, and we seriously doubt whether it will be money well spent (ROI). While a case can be made for auditing of property ownership, compliance auditing on land use on private sector land is certainly questionable, and clarity is required as to what such ‘compliance auditing’ would entail, especially from an agricultural perspective.

In general terms, what is being implied in terms of the functions of the LMC, is a substantial

additional bureaucratic structure, and the ABC questions the affordability of such a structure, as well as whether the requisite skills and capacity are available to manage such a structure.

6. Further proposed functions of the Land Management Commission

Discussion Document (as per Green Paper):

(c) *Advise the Minister and make recommendations regarding different land tenure policy options (Green Paper, page 4). Citizens must continue to hold freehold title to land but limitations of the extent of land held by citizens must be introduced. The ideal situation is for State land to be held under leasehold. Provision must also be made for foreigners to hold land under leasehold.*

ABC Comment: The ABC disagrees with the content of the above section referring to ‘limitations of the extent of land held by citizens’. In principle we are against land ceilings and we need to seek other alternatives to this issue. Also need further discussion on leasehold arrangements and the broadening of access to land, especially state land and communal land. There should also be a broadening of ownership (freehold to beneficiaries), otherwise they are never going to invest in their properties to create wealth, as previously stated in this document.

7. Composition

Discussion Document (as per Green Paper):

Legislation must also provide for the appointment of one or more persons or organizations with particular knowledge or specific expertise relevant to the achievement of the Commission’s objects to advise the Commission regarding any matter connected with the performance of its functions.

ABC Comment: With regard to the above paragraph, the ABC agrees with the principle that there should be knowledgeable/expert representation from private sector, but would argue that representatives from private sector should be representative of major stakeholders, otherwise so-called representation is devoid of meaning. In other words and for example, ABC or/and Agri SA, etc., should be afforded a seat and they should be afforded the right to nominate their representative.

5.3 Input by ABC on the Land Reform Green Paper proposal for a Valuer-General

The input is a consolidated effort by the Agricultural Business Chamber (ABC). Recognition for their valuable inputs goes to the respective representatives from First National Bank, Standard Bank and Absa Bank, as participating members of the ABC.

The ABC recognizes **land as a national asset**, in as much as it equally recognizes the right of every South African to own land/property in line with Article 25, and its subsections, of the Constitution of South Africa. However, in the context of Land Reform, land ownership should be the end result, not the point of departure. To achieve ‘Agrarian transformation’, the ABC regards Land Reform in South Africa a necessity in order to right the wrongs of

forced removals (restitution), to ensure business confidence, investment and economic growth, to ensure national and household food security, to create wealth and jobs, and to provide a more equitable land ownership pattern between races and gender. The ABC prioritizes **access to land** and **preserving/growing capital and wealth**.

Comments on the section in the Green Paper, referring to the Valuer-General

Problem Statement in Green Paper and relevant ABC comments:

6.6 *The Land Valuer-General (LVG)*ⁱ

6.6.1 *Problem Statement*

a) South Africa lacks a nationwide comprehensive, reliable and collated hub of property values;

ABC Comment: The completion of the national land audit should be imperative to the process, so that it can be linked to the database of land ownership structures as well as land values, which should be a factor therein.

It is not clear if the wording in the document refers to “hub of property values” or hub of Property Valuers”?ⁱⁱ

If it refers to “Hub of property values”, we cannot agree with the statement as all property transactions are registered in the various Deeds Offices throughout the country and various independent Deeds date base websites are available to access these transactions and data, for instance, SAPTG (South African Property Transfer Guide), Lightstone and Windeed. The value in the information is however not in the data itself, but in the analyses of each transaction to enable a valuer/person to apply correctly in determining market values.

If it refers to “Hub of Property Valuers”, we also have to disagree due to the fact that South Africa is one of only a few countries around the world regulating the “Property Valuers Profession” through legislation. The property valuers’ profession is currently being controlled in terms of the Property Valuers Profession Act, No. 47 of 2000, and is being administered by the S.A. Council for the Property Valuers Profession (SACPVP). A person who is not registered with the SACPVP cannot perform a property valuation for a customer. The SACPVP keeps an up to date nationwide database of all registered property valuers in the following categories:

- (a) Professional Valuer
- (b) Professional Associated Valuer
- (c) Candidate Valuer
- (d) In addition, the database also provides information of deregistered valuers.

b) Absence of a legislative framework to determine when ‘market value’ is one of the variables in determining value, as opposed to being the only criterion;

ABC Comment: There are various different “values” one can determine and it depends on the instruction and/or the purpose of the valuation. The following values can be determined:

(a) Market value:

This is the norm in determining values for arms-length property transactions, expropriations, rating purposes, income tax purposes and security purposes.

(b) Replacement value:

To be used when the reconstruction value of improvements/buildings are to be determined.

(c) Insurance value:

Used with replacement value as basis with provision for demolition cost, professional fees and escalation in building costs.

For the purposes of Land Restitution, **market value of the property** would be regarded as the only guide in determining the value of a property with the most recognized and appropriate methodology accepted by the courts being the comparable sales approach.

The deficiencies or failures within the market should be addressed, rather than doing away with the principle of market values. Ultimately the capital base and land market must not be compromised, in order to ensure optimal economic activity and competitive food production.

All banks, or accredited financial services providers are also compelled by the **Banks Act and BASEL III, in terms of capital requirements**, to determine **mortgage security values** based on the **market value of a property** and if any other method will be applied in determining values for restitution purposes, the banks may suffer huge losses.

c) Probity of some of the valuation is questionable;

ABC Comment: The suggestion that some valuations are questionable is considered valid. However, the existing structures and regulatory framework in this regard should be sufficient in addressing such problems. All registered valuers are subject to the code of conduct of the SACPVP and should conduct valuations with integrity and honesty. Agricultural or farm valuations are however complex and require a high level of experience and skill and should only be conducted by valuers with the necessary skills. Thus the right person(s) should be appointed to conduct the valuations and it is imperative that only suitably qualified valuers, registered with the SACPVP, be appointed. Certainly, unregistered persons should not be appointed. Any valuation where misconduct or dishonesty is suspected should be referred to the SACPVP for the necessary investigation and action if applicable.

d) Conflict of interest and malpractices;

ABC Comment: Any malpractice should be referred/reported to the SACPVP for the necessary investigations and action. It is recommended that every valuation report includes a declaration of interest and a valuer should NOT accept an instruction for valuation where there is or might be a conflict of interest.

Commercial Banks and Development Finance Institutions, such as the Land Bank, are the most neutral role players in this regard and too high and too low valuations are hugely problematic to them. As in many cases, they have little or no conflict of interest and their independent involvement could assist in addressing the issue of conflict of interest and malpractices.

e) Improper or hurried valuations in order to meet deadlines or compliance planning;

ABC Comment: Sufficient time should be allowed/afforded for valuations, especially for complex farm valuations that require in depth market research and analysis. The time lines of negotiations should thus be planned accordingly to enable a valuer to thoroughly conduct the inspection, market research and valuation report. Second valuations can also be imposed to address the issue. The professional standards for evaluators, as managed by the SACPVP, should be considered in this regards.

f) A historical or mechanical approach to valuation.

ABC Comment: A historical approach will refer to the analyses of the most recent sales of similar properties to determine the value, in essence the comparable sales approach, and we consider this the only suitable method in determining the market value of a property.

A mechanical approach would probably refer to mass appraisals or computer assisted valuations. Due to the complexity of farm properties and the different land uses and infrastructure, it will be difficult to apply such an approach and the accuracy of such an approach will be doubtful and open to debate, especially where litigation will take place.

6.6.2 Responsibilities of the Office of the Valuer-General (OVG)

The Valuer-General will be a statutory office responsible for:

a) The provision of fair and consistent land values for rating and taxing purposes;

ABC Comment: It is not clear what is meant by “fair and consistent values”ⁱⁱⁱ. As mentioned before, the market value of a property based on demand and supply is the backbone of the property market/economy and any interference in determining or manipulating values for any purpose would be catastrophic. Property values for rates and tax purposes are legislated by the Property Rates Act. These property values should be based on the market value of the land and improvements on a specific property.

b) Determining financial compensation in cases of land expropriation, under the Expropriation Act, or any other policy and legislation, in compliance with the Constitution;

ABC Comment: The process and compensation for land/property expropriation is legislated by the Expropriation Act. The office of the Valuer-General can assist in determining compensation for expropriation purposes if the office is established and operating

independently and the compensation is based on the terms and conditions of the Expropriation Act and Land Restitution Act.

c) The provision of specialist valuation and property-related advice to government;

ABC Comment: Agreed, if the information is based on the information obtained/submitted from professionally registered valuers.

d) Setting norms and standards, and monitoring service delivery;

e) Undertaking market and sales analysis;

f) Setting guidelines, norms and standards required to validate the integrity of the valuation data; and,

g) Creating and maintaining a data-base of valuation information.

ABC Comment: The above items/deliverables (Point d, e, f and g) can only be achieved if the correct structures and processes are put in place. For this purpose we believe the office will have to appoint professionally qualified valuers into the internal structure to manage and to collate the process. Such a structure would then be able to allocate instructions to suitably qualified valuers on the pre-selected panel of qualified valuers and be able to validate the valuation data and methodology on receipt of the finalized report. If a system is created for the valuations to be processed, all data will then be available for analyses and the maintaining of a data base with valuation information and values.

ⁱ Clarity requested on whether the Green Paper refers to a Land Valuer General (as written in the Green Paper), or a Valuer General (as referred to during consultations)

ⁱⁱ Request for clarity on whether the wording in the document refers to “hub of property values” or hub of Property Valuers”

ⁱⁱⁱ Clarity requested on the term “fair and consistent land values”

General ABC comments and proposals on the proposed Valuer-General, as also discussed in the relevant NAREG Workstream

1. Institutional Framework of the OVG

The need for and value of an OVG, as opposed to elaborating on the mandate of existing structures such as the SACPVP, especially in consideration of the overlapping of institutions, is suggested as such:

- Tasking all property valuations that are required by government.
- Determine payment of valuers.
- Vetting of all valuations compiled.
- Compiling, updating and enforcing valuation policies.

-
- Maintaining property value database.
 - Manage appeal procedure and/or recourse to the court.
 - Must be independent and autonomous.

It is imperative that the OVG operates as an independent structure in assistance to the Government departments and does not take over the functions of the SACPVP, which regulates the profession in terms of the Property Valuers Profession Act.

2. Identification of the objectives and functions of the OVG

The objectives and functions of the VG should be clearly defined. With the correct structures and processes, it will also be in a position to serve and assist all other government departments with property valuations and negotiations. The suggested objectives and functions should include:

- The VG must task all property valuations that are required by government. These would include acquisition of fixed property for restitution due to land claims, expropriation, general valuation of government assets, etc. The OVG must source suitably qualified professional valuers to compile the required valuations.
- The VG must set down guidelines regarding the payment structure of valuers. They must upfront negotiate suitable payment with the valuer that should not only be a function of the value determined. Complexity of valuation, as well as level of experience in the field, should also be taken into consideration.
- The VG has to vet all valuations compiled to ensure that they comply with valuation standards, as set out by the SACPVP. The VG must furthermore source and/or appoint suitably qualified valuers to assist with the vetting of valuations where the existing valuers in service lack experience in a specific field of valuation done. Only once the VG is satisfied that the valuation is compliant and that the value reflected is a fair indication of market value, then the valuation can be provided to the requesting government department.
- The VG is responsible for all policies regarding the valuations done for government and enforcing it on tasked valuers.
- The Deeds office holds all the information regarding property transactions. There is however a need to analyze the deeds data to understand how property values change over time. In respect of farm properties the composition of the farm land plays a major role in the final value determined. The VG needs to maintain an up-to-date database of comparable sales which can be used to provide guidance to valuers regarding the valuation of properties.
- The VG must conduct the appeal procedure in conjunction with the SACPVP, where a valuation is disputed. Where the seller is disputing government's offer based on an approved valuation, then the VG must conduct the appeal. Should recourse to the courts

be required, then the VG must avail them to defend the valuation that has been signed off.

- The OVG must be an independent and autonomous office serving the whole of government.

3. Consideration of the practical and realistic implications of an OVG

It goes without saying that without the correct structures and qualified valuers, the Department of Rural Development and Land Reform will not be in a position to negotiate settlements/prices effectively and this might result in concluding transactions at inflated or over-valued prices, or result in lengthy and costly court proceedings.

A business case will have to be built to justify the OVG. This must contain the required capacity, reporting structures (internally and externally), costing structure, timelines and scope of the operations.ⁱⁱⁱ

- Capacity:
 - How many valuers, specialising in what industries, at what experience level must be employed? What support staff do they require?
- Reporting structure:
 - Internally: Depending on the value found, type and complexity of the valuation, there must be a referral structure to the sign-off of valuations to ensure compliance with laid down policy.
 - External: To whom will the VG report?
- Costing structure:
 - Office expenses: Infrastructure (fixed and loose), staff costs, overheads, travel and accommodation.
 - Valuation expenses: How will the compensation for a valuation be determined? How will it be validated as equitable for the work done? What penalty system is required if not done according to specification or on time?
 - Appeal and court expenses.
 - Requesting government department must reimburse the VG for valuations commissioned on a full cost recovery basis.
- Timelines:
 - Requests: What is the maximum timeline allowed from the time the requesting department has submitted the valuation request until it is allocated to a valuer?
 - Valuer: What is the timelines for specific types of valuations? Valuer must provide timeline and comply. Non-compliance must incur a financial penalty.
 - Vetting: Timeline from when it was received by the OVG until it is sent to the relevant department. Build in rework timelines if VG does not agree with valuation.

-
- Payment: Timeline when valuer has to be paid after the valuation has been signed-off. Timeline when payment has to be effected after valuation has been provided to the relevant government department.
 - Appeal: Timelines regarding appeal process need to be set.
 - Scope of operations:
 - Location of offices – national and/or provincial.

4. Function of addressing problems regarding valuations

With a structure of qualified staff as mentioned above, such an office would be in a position to arbitrate differences in valuations over the same property and will most likely be able to negotiate an outcome suitable to both parties (government as purchaser and seller).

- In the past the DRDLR took valuations done by valuers at face value and paid the seller without ensuring that the value determined was actually a realistic market value. Some of the values were inflated due the fact that inexperienced valuers were doing the valuations. This resulted in government over paying for land, thus artificially increasing the property values.
- There is also the problem of a lack of funds. Many valuations were done, but due to the fact that no funds were available to settle a claim, the payment was delayed for up to year before payment could be made. Due to the delay the property valuation had to be revised. In most cases the value of the land had increased or is over-valued again. This caused a spike in farm property values and the funds approved for the purchasing of the land were not adequate, hence payment was again delayed and the cycle repeated itself.
- The valuers profession is already well regulated. The problem is that without the proper screening of the valuers, who were tasked to do the valuations, it did happen that inexperienced and unknowledgeable valuers did conduct valuations that arrived at property values that w not market related.

5. Construction, maintenance and availability of a comprehensive information database

With a uniform system such a data base can be maintained at minimal cost with information sourced from valuations conducted by Professional Valuers.

- A well maintained, publicly available and comprehensive database will be critical for the OVG to function effectively.
- Trends in property values need to be assessed to understand what a realistic value would be in the valuation of a property.
- It will ensure consistency in the value placed on properties since guidelines regarding the value of land will be available to all parties concerned.

-
- The database will help to pre-empt what a property would be worth in a year or so and thereby assist government in determining what to budget to ensure adequate funds when the sale transpires.
 - The database must be specific, with as much detail as possible, to inform the user. On farm properties it must provide detail on the composition of the land and specific values attached thereto. A weighted average value will not be adequate and would be open to too much generalization and misinterpretation.

6. Powers and authority of the VG

It is also regarded as imperative that an appeal process form part of the implementation of such office, similar to the appeal processes contained in the Property Rates Act and Expropriation Act.

- **Appeal procedure/mechanism:** The VG must conduct appeal procedure in conjunction with the SACVP where a valuation is disputed. Where the seller is disputing government's offer based on an approved valuation, then the VG must conduct the appeal.
- **Audit, supervision, monitoring:** The VG has to vet all valuations compiled to ensure that it complies with valuation standards as set out by the SA Council of Valuers (SACV). The VG must furthermore source and/or appoint suitably qualified valuers to assist with the vetting of valuations where the existing valuers in service lack experience in a specific field of valuation done. Only once the VG is satisfied that the valuation is compliant and that the value reflected is a fair indication of market value, then the valuation can be provided to the requesting government department. The VG is furthermore responsible for all policies regarding the valuations done for government and enforcing it on tasked valuers.
- **Recourse to the courts:** Should recourse to the courts be required then the VG must avail themselves to defend the valuation that has been signed-off.

7. Unintended consequences: Impact of under or over valuation of land in the land market, agricultural sector and food security.

If valuations are conducted by suitably qualified/experienced valuers, the above scenario should not be a concern. Demand and supply will determine prices and values based on the analyses of comparable sales (historical data).

The determination of an accurate market value of any property is paramount to ensure the proper functioning of the market system. When the property transaction is concluded this value can be used as a possible comparable sale. If the value is not a true reflection of the market this will distort the market value of properties going forward.

Various supplementary factors could influence the market value of the farm properties.

These supplementary factors may have either a positive or negative influence on the value of the land.

- **Geographic location and aesthetic value:** A farm may be located in a well sought-after geographic area, often influenced by aesthetic appeal. Although this positively influences the market value, it may change overnight (e.g. neighbouring informal settlement). Under such circumstances the farm may sell at below the acceptable market value. Extreme caution should be exercised when adding or subtracting a value for this reason.
- **Urban, business location of the farm:** It is not uncommon for farms to be close to or adjoining residential, industrial or urban areas. Should a farm be situated in the development path of an industrial or residential area of a growing town or city, a premium could be placed on the market value as it may be sold for development purposes in the near future. Caution should be exercised as these developments could often take many years, if ever, to materialize.
- **Physical size of the farm:** Small farming units sell more easily and at a higher Rand per hectare price than that of larger farms. The market liquidity of funds is the determining factor. Large amounts of money are not always readily available to buy larger units. Smaller units require lower purchase amounts and are thus sold more easily. However, this is a subjective process and it is not recommended to add any premium and is dependent on comparable sales within a specific area. Should a farmer own several portions of land this could also be a negative factor as the market within that particular magisterial district might be flooded should all the farms be offered for sale at the same time.
- **Exhorted supply and demand:** When the supply or availability of land within a particular demarcated area becomes scarce, usually associated with a restricted supply and limited opportunities for further development of much sought after land, the demand for such land will consequently increase. This exhorted increase in the demand for land will definitely exceed the historic going market price.
- **Uncommon practices:** Agricultural areas or districts are usually differentiated according to the potential gross margin of certain well-known crops/products cultivated in the area under discussion. Should the cultivation of either year-on-year or long-term crops be classified as uncommon practices for the specific area, cautious investigation is needed into the viability of such projects. This will most definitely reduce the quantity of potential buyers and therefore lower the market value.

8. Consideration that the VG should fulfil a regulating role, rather than an interventionist authority influencing or determining value and market price of land.

With reference to the role, the VG must never determine the market value of a property. The VG must ensure that due process was followed in the determination of the market value

of a valued property and take the appropriate action if this was not done.

The office of the VG should be an independent body and its functions should not duplicate or undermine the functions of the SACPVP regulating the profession. At the same time, the function of the office should also not be to manipulate market forces or values, but rather to fulfil the function of an auditing body ensuring valuations were conducted by suitably qualified persons and the correct methodology had been applied.

9. Market values and the willing buyer, willing seller principle

The basis of compensation should always be market value based on values determined by demand and supply. The market approach finds its rationale in the economic principle of substitution. Informed buyers will not pay more for given properties than the cost of comparable substitute properties. The VG must therefore play the role of the informed buyer where government intend to acquire a property or an informed seller where the property will be sold. In order to do this, the VG must be knowledgeable about local market conditions, changes that have occurred in that market since the comparable sales occurred, as well as the physical characteristics of the property. This is sometimes a highly specialised task and the VG must therefore ensure that they have people with proper experience to ensure a true market value is reflected in the valuation.

The willing buyer, willing seller principle is the internationally accepted way of determining the value of a property. A valuer will start with a given property and try to determine a value that reflects the current attitude of typically informed users and investors as to the probable future utility of that property. They try to discover the market price at which properties would sell in a willing buyer/willing seller market. To ensure this, a valuer is highly dependent on the assembly of pertinent information concerning individual properties and to provide realistic interpretations of these data in light of present market conditions and probable future trends. Although the definition of market refers to a transaction between a willing buyer and willing seller, in this context where the buyer and seller might not be willing parties, we will rather refer to a well-informed buyer and a well-informed seller to conclude the transaction and it is for this reason we recommended that the necessary structures and processes be in place to enable the DRDLR to act from a point of knowledge.

Concluding remarks

The proposed VG and the OVG could suggest an enhancing role within the functionality of the land market as well as the procurement of land by the government for land reform, expropriation and other functions. It is beneficial to the entire economy when problem factors are eliminated and people are made accountable. Inevitably the Valuer-General's objective and functions and the responsibilities of the Office of the Valuer-General should remain within the framework set under the Constitution and ensure that a functional land market prevails.

5.4 ABC Comments and Input into the Legislative Amendments Workstream for the National Reference Group on the Land Reform Green Paper

The Legislative Amendment work stream, reporting to the National Reference Group (NAREG) on the Land Reform Green Paper, was specifically tasked to address the proposed Communal Property Association Amendment Bill as well as the Restitution of Land Rights Amendment Bill.

Input by Agricultural Business Chamber on the Communal Property Associations (CPA) Amendment Bill and the Restitution of Land Rights Amendment Bill

In principle the ABC, representing agribusinesses and the agri-banks, perceive the Communal Property Associations vehicle to currently being the best available option for land ownership for communities benefitting from the land restitution programme. The effort of the DRDLR to improve the governance and functioning of these associations, with these amendments to the CPA Act, is welcomed. Especially in the case of restitution, whereby leases cannot be provided, as it is a “rights based programme”; it makes sense for CPA’s to be formed to create an entity to take ownership of the land, considering that it incorporates the qualities of transparency, accountability and participation. However, the ABC would like to emphasise that there should be an extensive broadening of ownership of land to enable wealth creation, competitive production and food security, and that the CPA’s rights on the land, in accordance to Section 25 of the Constitution, be respected. Government’s intention to protect the communities and individuals in this regard is understood, but it is suggested that they should therefore be supported in enabling them to succeed, rather than in limiting their rights to exercise the economic alternatives and options after acquiring the land, immovable property and movable property.

The major concern with the CPA Amendment Bill, 2011, lies within Clause 12, which restricts the use of restituted land as collateral or security, as well as the use of leases. As was explained, CPA’s are to give notice to the Department of the intention to sell immovable properties. If this function is merely to oversee operations and protect CPA against reckless decision-making, as well as to ensure that the land remains the property of the beneficiaries, the intention is understood. The explanation that government’s objective is to prevent CPA’s from using the land as security for funding from commercial banks is, however, of concern. It is accepted that the government has specific objectives of ensuring that the land restituted to the CPAs remains in their hands as it cannot be encumbered. However, the same objective can limit the ability of the CPAs to raise funds for farming on their properties and this may influence economic activities in the rural agricultural areas. The CPA should have the option to exercise their rights to the land allocated to them, even more so, as to use the land as security to obtain funding for production and economic purposes. Banks, in compliance of the National Credit Act and the Basel requirements, cannot lend without some form of security and proof of repayment ability being provided. Agribusinesses and Agri-banks have the incentive to make sure that farmers have the required repayment ability and consider repossession of the land as last resort. It is

recognised that government proposes to restrict this clause to a period of 5 years, which could be more acceptable to lenders. Government should consider alternatives to limiting beneficiaries to using their land as security. A few examples, such as; [1] other forms of security, such as government guarantees during the 5 year “lock-in” period could be provided, [2] support via the Recapitalisation and Development Programme by DRDLR to enable their ability to produce and therefore enhance their repayment ability and [3] formal engagement with agribusinesses and other private sector role-players to minimise their risk (technical, financial and managerial), can be considered.

Note:

The ABC includes another section below, in support to this input document, which includes suggestions to Agribusinesses’ role in Post Settlement Support to land reform beneficiaries, which are to be considered alongside the Recapitalisation and Development Programme, to address the short coming therein and to ensure sustainable development and food security.

There are basically three main challenges that the agribusinesses and the agri-banks experience with regard to financing CPA’s:

- (a) Lack of sufficient security: There is often little or no security at all in transactions or enterprises undertaken by CPA’s,
- (b) Lack of Management ability: CPA’s tend to lack the necessary skills (technical and financial) to manage agricultural enterprises sustainably and therefore increases their risk profile significantly,
- (c) Profitability: CPA’s in general do not generate enough revenue, especially regarding the number of people in a community expecting to benefit from the economic outcomes of the farming enterprises, which reduces their general profitability and repayment ability.

To address the challenges in funding CPA’s, the following should be considered:

- (a) Acceptable security instruments may need to be introduced either directly or indirectly (such as the example identified above).
- (b) CPA projects should have strong agricultural managers who understands the specific industries very well to mitigate or manage both the production and/or market risks (this could be done by directly hiring qualified managers, through farming in partnership with experienced farmers who are willing to assume of the risks with the CPA, or through direct involvement or contracting of, or from agribusinesses and other relevant service providers).

If these conditions are addressed, agribusinesses and agri-banks can definitely play an instrumental role of ensuring entering into the commercial agricultural mainstream after the 5 year supporting framework suggested by the Recapitalisation and Development Programme.

Another important consideration, which is neglected in the supporting of CPA’s are the creation of a longer term financial history for these CPA’s. The state should either assist the CPAs to build up other securable assets over time apart from the land in question, or actively lobby the DFI’s, such as the Land Bank, to finance the CPA’s with cheap funding. This will ensure that sustainability can be built into projects and acceptable credit history could be established. Commercial banks could start to finance when the foundation for the projects is

robust with potential of cash reserves especially since land cannot be securitised.

The ABC also suggests that Section 10 in the CPA Amendment Bill, which deals with dispute resolution within CPA's, be taken into consideration by the Land Rights Management Board Workstream within NAREG. It is proposed in the Green Paper that the LRMB establish a structure to address dispute resolutions with regard to land rights and related issues. It can easily incorporate a dispute resolution mechanism for community members in a CPA in the same structure.

5.5 ABC Comments and inputs into Land Rights Management Board (LRMB) NAREG Workstream

ABC comments according to section in Green Paper on LRMB

6.7 Land Rights Management Board (LRMB) and Land Rights Management Committees

6.7.1 *The LRMB will be composed of representatives of sectors which hold rights to land and persons appointed by the Minister because of their special knowledge and capacity to provide professional services to the Board.*

ABC Comment: Agree

The Land Rights Management Committees, on the other hand, will be composed of representatives of residents in a specific rural environment or settlement: farm workers and dwellers, commercial farmers, relevant municipal councils, government departments such as the DRDLR, Human Settlement, as well as the South African Police Service

ABC Comment: In principle agree, but there is concern around increased bureaucracy and the availability of skilled capacity, especially at 3rd tier government.

6.7.2 Functions of the LRMB

- a) *communication of legal reforms to farm owners, farm-dwellers and potential land beneficiaries;*
- b) *build institutional capacity to advise and support rights-holders, and facilitate their active use of the law;*
- c) *in collaboration with the Chief Deeds Registrar, develop accessible and efficient systems for recording and registering rights on land;*

ABC Comment: Important to link it to the Land Audit and central database.

- d) *to encourage the primacy of social solutions to social problems and disputes;*
- e) *to provide legal representation, where necessary, e. g. unlawful evictions;*

ABC Comment: If current capacity does not manage to succeed, such as in the case of the

collapse of IMSA (Independent Mediator SA), how will new capacity be generated to fulfil the need?

f) to establish a co-ordinated and integrated support system for state, civil society and private sector participation in integrated development measures in rural settlements.

ABC Comment: Participation at district level is critically important. It is also important to be involved at provincial level, as too much power/authority is assigned at municipal level. Risks need to be managed when decisions are made at municipal level. At provincial level there is generally better capability/capacity currently.

6.7.3 Powers of the LRMB

(a) establish and, or, dissolve Land Rights Management Committees (LRMCs);

ABC Comment: LRMC's to function at 3rd tier of government where capacity and skills are often lacking. Participation by private sector, especially also agribusinesses in the rural areas, will be of the utmost importance.

(b) set norms and standards for the LRMCs;

(c) delegate certain powers to the LRMCs;

(d) enforce compliance with norms and standards, as well as land rights management policies and laws;

(e) hear appeals on matters handled by the LRMCs;

(f) to over-turn decisions of the LRMCs; and,

(g) enforce respect for, and observance of, rights of fellow dwellers.

ABC Comment: Board should not mediate disputes, but should rather make sure that the requisite services are provided. The LMC should rather mediate disputes to assist in preventing too many cases going to court, considering the major cost aspect and drawn out court process in this regard.

LRMB Workstream Inception Meeting on 12 October 2011

In general the understanding is that the problem which gave rise to the concept of LRMB or LMC's is that people, especially in the rural areas do not know, and don't have the means to obtain knowledge, about their rights. With regard to land rights, this is even more so. Secondly the LRMB will be tasked with the engineering and management of **Agri-villages**.

A discussion was held regarding what the LRMB is supposed to do:

Land Rights aspects

- Various problems arose for farm dwellers due to uncertainty and a lack of understanding about their rights on the land they reside on. DRDLR could not cope in providing support, especially legal support in this regard. It was also noted that DRDLR cannot provide these services directly through its procurement system.
- The above also applied to mediation services. IMSA (Independent Mediation SA) collapsed.

Problematic communication of rights

- Weakness is that there are no mechanisms to communicate the provisions of the Act to those who are affected by the Act. Problems occur due to misunderstanding of the rights.

Agri-villages proposed in Bill

- 2,8 million people are living in settlements on farm land. Their positioning makes it difficult for government to provide basic services to them and the burden cannot be placed on the farm owners. They want to better plan these settlements to ensure service development and provision.
- Government requires a mechanism to play a role in planning and establishing Agri-villages.
- Agri-villages would require some rules and management structures. The LRMB could assist Agri-village committees.
- LRMB could serve the purpose of assisting in sorting out of disputes.

Other considerations

- Land Tenure Security Bill
- Spatial Planning and Land Use Management Bill
- Comparison to a typical Sectional titles regulation board, e.g. Body corporate
- NB – Economic development intention
- Measure effectiveness:
 1. Cost effectiveness
 2. Administrative effectiveness
 3. Legal effectiveness
 4. Constitutionality

5.6 Communally owned land NAREG Workstream

This workstream has not met, probably due to the politically sensitive nature of communal land.

However, the broad position of the ABC is that considerable agricultural and economic growth potential exists in these communal areas (primarily former homelands) and that to

unlock this potential, a major rethink and mindset shift is necessary in order to broaden and strengthen property and tenure rights for people living there.

6 Concluding remarks

The ABC welcomes the opportunity to comment constructively on the gazetted Green Paper on Land Reform, as well as welcomes the constructive engagement through the National Reference Group Workstreams. Land Reform is a politically sensitive issue and has the potential to derail South Africa if nothing is done, or if radical reforms take place that destroy the solid commercial agriculture sector that has been established and provides national food security. The question is thus more on **how** we must do it!

To this end the ABC has in principle adopted a position in which markets play the fundamental role, especially the land market, but where government plays a regulatory role through policy, legislation and statutory institutions, and a pro-active role in acquiring land through the market mechanism and supporting beneficiaries. There is thus in principle support for addressing land reform anew, and the Green Paper is an attempt at this new approach.

However, the ABC has reservations and concerns around the practical implementation of certain fundamental proposals contained in the Green Paper and has highlighted these concerns in this document. It has also gone further and proposed measures and mechanisms that we believe are more practical and cost efficient to effect sustainable land reform, without impacting negatively on food production and food security. The essence is that land and property ownership/tenure rights need to be broadened and strengthened, and not undermined, in order to create value and wealth. Farmers and beneficiaries need to be supported to ensure they can produce sustainably and competitively.

To measure progress with land reform and to institute corrective policies and measures, it is absolutely essential that a **land audit** be conducted of all land, including state-owned land, and that an in-time, universally accepted database with integrity, be established.

Essentially, greater access to land should be created for many more people, while property and landownership rights should be broadened and expanded to many more people, but not at the expense of undermining food security. Getting the balance right is crucial.



John Purchase (Ph.D)

CEO: Agricultural Business Chamber