

Regenerating Restitution Farms



Four key players

- The farmer
- The beneficiary community CPA
- **Government** - Rural Development and Land Affairs and Provincial Departments of Agriculture
- **Banks** - Commercial or Land Bank

Crucial Relationships

- STARTING POINT IS TRUST BETWEEN
- THE FARMER
- THE BENEFICIARY COMMUNITY CPA, AND
- GOVERNMENT OFFICIALS



Crucial success factors

- **Strong Beneficiary Community Leadership**
 - Danger of disunity among community members
- **Existence of a Legal Entity for contracting with**
 - Proof of Ownership (Title Deed)
 - Trust (Deed) - no illegal Trusts
 - Right to Occupy (documented)
- **Assure direct Community Involvement - no third parties**

Crucial success factors

- Proper due diligence establishing
 - Profitability and Sustainability for contract duration
- Decide on the model
 - JV 50/50? - depends on own capital requirements - higher farmer costs may require 60/40 or 70/30 split
 - Direct long lease with beneficiary community
 - Profit sharing arrangement
 - Combination of all or some

Crucial success factors

- Contracts
 - Long Term Lease or Shareholders Agreement or both
 - Management Agreement - must define the detail of :-
 - how a farm will be managed and developed
 - ensure independence of farming operations
 - regular report back - non negotiables are sound corporate management norms and transparency

Crucial success factors

- Assurance and control of cashflow
 - Government grants - linked to budgetary cycle - difficult because of annual budgets with a danger of diversion
 - Wise if reliant on government funding, to have a back up arrangement with commercial or Land Bank for a stand-by loan to meet contractual obligations if payments are late
 - Acceptance that the farmer must be capable of carrying commercially sourced funding at the right cost
 - If possible use own funds with an arrangement with Land Bank or Commercial Banks. Subsidised interest rates can be very helpful
 - Be aware that farms with a history of neglect are dependent on Government grants for funding of capital projects. Otherwise it will become too costly to turn around.

The Komati Success Story

- **Hoedspruit Fruit Farms**
 - 600 hectares of citrus owned by the Molotele Community
 - 1 million cartons produced annually
 - **Model used -**
 - Long term lease with profit sharing
 - Process to form a management company
 - After extensive training and skill transfer we reach the stage where we want to involve the community to participate in the management of the farm - Management Company
 - Utilise the Management Company to invest in other projects - restitution farms - agricultural opportunities
 - Staff on the farm are two white



The Komati Success Story

- Letsitele Fruit Farm - Mabete Citrus
 - 400 ha of citrus owned by a company with 33% black shareholding and 67% white
 - Produce 500 000 cartons annually for export
 - Model used -
 - LRAD grants from Government Workers Trust - 150 beneficiaries established in 2005
 - Result very positive with a constant dividend flow to the shareholders

Wish list

That :

- Government will soon identify how many farms need to be rehabilitated and what is their policy on expropriated land
- Government will provide certainty on what any constitutional change will involve in order to eliminate the current state of uncertainty and fear
- Goodwill of farmers who support land reform can be properly recognised in the media
- Acknowledgement of the desire by white farmers to participate in land reform and the willingness of black communities to be their partners to build a common future
- There is a need in each District to have an independent entity to coordinate land reform in an area
- What about land reform business centre
- Set up of these centres can be organized and assisted by the private sector eg Afgri, Kaap Agri and local farmers

Goal of Land Reform Business Centres

- Procure information on local land reform projects
- Compile a data base of farmers (black and white) and CPA's who want to embark on land reform projects
- Serve as a liaison - network building centre to match needs of beneficiary communities and farmers
- Point of local coordination of land reform information for government, farmers and beneficiary communities
- A lot has been done at National level- Agri SA, Agbiz etc
- Next strategy must be to get land reform on track at ground level
- How are you going to assist land reform at grass root level??



Thank You

