

# STELLENBOSCH SMALL FARM HOLDINGS TRUST

## Farm 502 Land Reform Project

### PROJECT SUMMARY

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#### PURPOSE OF DOCUMENT

This document provides basic information on the origins, subsequent development and current challenges of this land reform project. It incorporates and updates previous accounts, as at **November 2007**.

#### BACKGROUND

The project was initiated in **October 2002** when a group of fourteen small farmers, from historically disadvantaged backgrounds, moved on to 65 hectares of land leased by Spier Estate from Stellenbosch Municipality. Some of these farmers had been engaged in a earlier failed land reform project sponsored by Spier. Others were small market-gardeners from neighbouring areas who were seeking land.

The 65 hectares formed part of a larger portion of land leased by Spier Estate on a 50 year lease that commenced in 1991, to terminate in 2041. This land is owned by the Municipality of Stellenbosch. It was granted to the Municipality, by the State, free of charge as public **municipal commonage** in 1883 in terms of the **Crown Lands Disposal Act** of 1878. Stellenbosch Municipality also owns an estimated 2,500 hectares of municipal commonage which is leased out to white commercial farmers, portions of which could be considered potentially available to emerging black farmers within a land reform programme.

In **December 2002** the farmers founded a Trust – the **Stellenbosch Small Farm Holdings Trust**. The Trust was registered in **March 2003** as a not-for-profit trust governed by seven appointed trustees all of whom were beneficiaries and involved in farming the land. The founding chair of the Trust was **Gerrit Hendriks**, who previously had been the farm manager of **Go Organic at Spier**, the earlier land reform project.

The sole **Object** of Trust is

“promoting, supporting and facilitating access to land and use of land on an equitable basis for the benefit of the Beneficiaries”,

**Beneficiaries** are defined as

“small farmers from historically disadvantaged communities within the Stellenbosch area, who are seeking to farm sustainably using organic methods, wherever possible, and whose tenure is insecure as a result of past discriminatory laws and practices, as identified by the Trustees from time to time”.

On **31 March 2003** Spier formally agreed with the Municipality and the Trust, that the Trust would substitute Spier as the lessee of the land. In terms of the substitution agreement, all the rights, liabilities, obligations and interests of Spier were transferred to the Trust. In addition, Spier agreed that should the Trust (as Substitute Lessee) for any reason whatsoever fail to comply with any condition pertaining to the lease, Spier would incur the liability.

At this time Spier undertook to cover the lease and water charges for the land for a period of five years, ending December 2007. This, along with other forms of assistance (including use of a tractor and a monthly contribution of R 2 000 for one year towards administration costs) were formalised in terms of a **Memorandum of Agreement** between Spier and the Trust signed in **July 2004**. The Memorandum covered a number of conditions regarding farmer selection, land development and reporting requirements. There was also an expectation on the part of Spier that the Trust farmers would market produce directly to Spier restaurants.

## **PROJECT DESIGN: MAIN ELEMENTS**

### ***Land-Holding Trust***

The Trust is not-for-profit and does not own or seek to own land. Rather it aims to facilitate the conclusion of appropriate land holding and management arrangements that will ensure security of tenure to the Beneficiaries and certain shared facilities for small farmers who, as a result of “past racially discriminatory laws or practices”, have been excluded from access to land.

It is assumed that it is more economic for small “emerging” farmers to lease or rent rather than to purchase land. This avoids the set-up costs for land purchase and the management difficulties of loan repayments where profitability margins may be very small. One of the means it pursues as a not-for-profit trust is the utilising of grants and other assistance from government sources available for these purposes.

The Trust’s aim is to make land available to individuals or groups of farmers for them to develop as separate sustainable units. As a not-for-profit land reform agency, the Trust can equip the land by utilising or accessing, through the local authority, grants and other assistance from government sources available for these purposes.

At the outset the Trust held the land by virtue of the substituted lease agreement so that further steps could be taken to secure the tenancy of each individual small farmer.

The Trust therefore provides the necessary security of tenure, along with a supportive environment, for small farming enterprises which carry recognisable risk.

### ***Commonage***

The leased land in question is a special category of State Land, viz. “Municipal Commonage”. This is seen as a key element of the project’s design. It is land which is held in the public interest. By virtue of the conditions of grant imposed in 1883, the Stellenbosch Municipality is not at liberty to alienate the land, but obliged to hold it in the public interest. It is therefore land that is eminently suitable and, indeed by condition of title, available for land reform purposes.

The Department of Land Affairs has embarked on a Municipal Commonage Programme which aims to enable poorer residents to access commonage land in order to supplement their incomes and enhance food security. The Municipality is entitled to afford land reform

commonage users security of tenure and limit the rental charges to the amount required to cover the costs of administration of the land.

The Trust is committed to seeing municipal commonage developed for land reform purposes and believes that there are sufficient and appropriate resources available through government provision (at local, provincial and national levels) to capacitate programmes of land procurement, and farmer training, support and assistance. This is not to undervalue any possible contribution to be made by local land owners, but simply to recognise that the effective implementation of land reform essentially requires that government must will the means.

### ***Farmer Tenancies***

The individual farmers are autonomous agents and may choose to operate independently of each other. They are bound individually, however, by an agreement which specifies and limits their land allotment to no more than 5 hectares. The agreement also sets conditions on their stewardship of the land (e.g. continuing cultivation using eco-friendly methods), and their use of Trust-owned equipment and facilities. There are also expectations stated regarding farmer's participation in training programmes and their possible involvement in co-operative marketing systems.

The initial round of tenancy agreements was formally concluded on **14 August 2004** after a period of lengthy discussion and negotiation within the Trust and with farmers. They superseded earlier commitments entered into by individual farmers when they moved onto the land. These initial tenancy agreements were framed to last for a period of two years and reflected the Trust's concern to ensure tenant compliance with contract conditions.

### ***Allotment Allocation***

The Trust has developed criteria and procedures for the allocation of allotments. The procedure includes calling for applications from historically disadvantaged communities within the Stellenbosch area and consideration by a Trust screening committee. Preference is given to female applicants. Criteria include, need / indigence, ability to farm and local residency.

### ***Training***

As indicated in the Trust Deed, one of the project's aims is to "promote mutuality of interest among the Beneficiaries, in particular with regard to knowledge of appropriate farming methods and relevant resources".

Although it is expected that those selected as beneficiaries will have experience of farming, it is assumed that there will be a need for training on a range of farming activities. This will include tractor use, irrigation, cultivation methods and cropping. It is also likely to extend to business planning and marketing.

The Trust does not provide such training but seeks to arrange for the delivery of appropriate training to beneficiaries. The expectation is that, for the most part, training will be offered by government agencies who are already charged and resourced for such engagement. It is expected that the facilitation of appropriate and effective training programmes will form a central part in the Trust's dealings with beneficiaries.

### ***Cropping and Marketing***

The main crops cultivated are vegetables, with three of the farmers also growing strawberries. The highest yielding vegetables are green beans and varieties of leaf, in particular spinach and a range of lettuce. Onions have grown well as have carrots. Brassicas have been less successful. Butternut and pumpkin have harvested satisfactorily. The strawberries have had short but successful seasons.

Marketing arrangements vary depending on the individual farmer's contacts. Most sell on the open market. Others have contracts with local wholesalers. Only one of the farmers on the 65 hectares is currently using organic methods of cultivation although all are aware of a growing local market for such produce and of the stated aim of the Trust to encourage this form of cultivation. However there is no use of insecticides and the most commonly used fertiliser is treated chicken manure.

If there is a move to organic farming it will be achieved gradually through training and the careful planning of a period of "in conversion". To be fully effective, this will require the consent of all the farmers. Some are already committed to such a transition. In carrying through such a programme, the marketing of produce will form a critical element in both establishing viability and maximising producer profit.

The Trust's intention is to encourage the creation of a producers' marketing co-operative to cater for a range of local markets. These would include a box scheme, direct selling from a "502 Packshed", selling from local "farmers' markets", and developing supplier contracts with local restaurants, hotels and residences. The marketing initiative would also extend to the large number of local retail outlets but the emphasis would be on direct sales as a means to maximise producer income.

The Trust as a not-for-profit would facilitate the development of a free-standing co-operative by the beneficiaries in ways which were consistent with the Trust Deed. The basic principle of the cooperative would be to cover all management and operational costs and provide for individual producers the optimal value on their produce sold through the co-op.

## **DEVELOPMENT ISSUES**

### ***Infrastructure***

Having secured lease of the land from the Municipality and having concluded a related MoA with Spier covering lease and water charges, the most important issue to be tackled by the Trust was the provision of adequate irrigation to the land.

The 65.5 hectares was serviced by a single old asbestos pipe-line which could only support irrigation of half of the area. An additional difficulty was that the allocation of irrigation water by the Water Board was only for 25 hectares and below the standard applied to vegetable production. The existing pipe-line, though serviceable, required replacement. Of greater immediate importance was the installation of a new pipeline to allow cultivation of the un-irrigated 50% of the land.

In **September 2003** the Trust applied to the then **Boland District Municipality** for financial assistance for infrastructure development.. In principle approval was given by the end of 2003 by the District Municipality for **R 220 000** toward the installation costs of additional irrigation. Around the same time the Trust applied to the **Department of Agriculture** for assistance and was granted **R 90 000** for the supply of a tractor and equipment. Access to expert advice and assistance on land care was also agreed.

The conditions attaching to the release of irrigation funding comprised the initial agenda of a **Project Steering Group** set up by the **District Municipality** to include the main project stake-holders – viz. **Stellenbosch Municipality, Department of Land Affairs, Department of Agriculture, Spier** and the **Trust**. These conditions included, most critically, access to sufficient water rights for the land, the representation of women in the Trust's activities, selection criteria for farmers, and some analysis of economic viability.

This Project Steering Group first met in **January 2004** and continued intermittently for four meetings, concluding in **May 2004**. It potentially offered an important forum for information exchange and for negotiation and co-ordination around resource planning. It also had the potential to extend its interests to engage strategically, at political and administrative levels, in the articulation of local land reform policies. The importance of these matters continues to be

acute. Their articulation is still awaited by those historically disadvantaged communities hoping to benefit.

The additional irrigation system was installed by the District in **August 2004**. A tractor and equipment was provided by the Department of Agriculture in **September 2004**.

A second set of development issues related to the funding of general infrastructure and to farmer set-up costs. The **Comprehensive Agricultural Support Programme (CASP)** was introduced by the **Department of Agriculture** in 2004 and offers a means of funding services to emerging farmers. The Trust initially applied for finance to construct a Pack-shed for the use of farmers, replace the old asbestos pipe-line, and plant wind-breaks and nature-strips. A rough calculation was included of set-up costs for individual farmers for one year. The application also identified the need for funding to create administrative / management capacity for the Trust. This application was unsuccessful.

The Trust applied for CASP the following year, essentially for the same elements, but again was unsuccessful. Trustees were also unsuccessful in obtaining satisfactory information from the Department regarding reasons for the application's failure and were greatly frustrated by what they saw as continued misunderstanding of their position by officials of the Department. Largely as a result of persistent appeals for clarification and assistance, the Trust was awarded a **PIG (Provincial Infrastructure Grant)** by the Department in **February 2006**, in the sum of **R 220,000**, towards the costs of a Pack-shed. Work on this commenced in **September 2006** by **Casidra**, the financial agency contracted by the Department to progress grant expenditures. Expenditure of the budget allocated was concluded in **October 2007** with the construction of a Pack-shed structure without necessary services or equipment.

The Trust's CASP application for 2007 repeated previous unfunded items of infrastructure including the balance of costs required to complete construction of the Pack-shed. It also included costs for a Seedling Nursery for use of farmers. For the first time, and after further appeals to the Department for help in preparing an application, the Trust received direct assistance from the Department's community worker. The outcome of this application is awaited.

The Trust's efforts to obtain infrastructure investment for Farm 502 was also directed to the **Municipality** as land-owner and to the **Department of Land Affairs** which administers the **Commonage Infrastructure Grant**. In principle, the Department can fund infrastructure costs up to 25% of the land value (Farm 502 land is valued at c. R13m as agricultural land). The availability of this grant reflects the recognition by national government that a significant component of their land reform programme should be the extension and equipping of municipal commonage. Although the fund was introduced in 1998, it had not been applied for by Stellenbosch (or indeed other municipalities in the Cape).

The Trust attempted unsuccessfully over an extended period to influence the local authority to apply. After the municipal elections in March 2006, motivation on this was re-engaged and steps taken by the Municipality to apply. This process is now entered and involves DLA, the Department of Agriculture, and the Municipality in detailed pre-planning, surveying, and costing work.

The most important pre-condition for the DLA to fund the up-grading of infrastructure is that the Municipality agrees to register a set of restrictive conditions against the title deed of 502 BH, in terms of a Decree of Commonage Servitude. This requires that the land may not be alienated or transferred and in future be made available for poorer previously disadvantaged inhabitants of Stellenbosch as Commonage allotments. The fulfilment of this condition is clearly important if poor farmers are to obtain secure access to farm land and is a vital component in any extended land reform strategy to be articulated by the Municipality.

A necessary implication for the Trust is that the Municipality will be obliged to agree to a significant abatement in the rental charges. The DLA has indicated that it will, as part of its grant, settle the capital element of the water charges.

The Trust is hopeful that an Infrastructure Grant will be successfully processed and implemented and that the land and the farmers be appropriately resourced for small-scale sustainable farming. It is also hoped that this will set a precedent and provide a model for introducing a Municipal Commonage land reform programme.

### **Governance**

In its five years of operation the Trust and the farmers have come through a number of difficulties and periods of significant change. An early point of difficulty related to the **application of criteria for selection of beneficiaries**. Following the initial setting-up stage when no clear formal criteria were in place, the Trust was faced with the need to review the situation that had emerged and ensure that those farming the land met the criteria, as contained in the Deed, the Memorandum of Agreement with Spier, and the farmers' tenancy agreement. A number of the original trustees were seen not to come within these terms in relation to income and employment status. These trustees were eventually replaced as trustees by full-time farmers. They also gave up their land, as did a number of other farmers who were unable to comply with the conditions of the tenancy agreement. As a consequence of these changes, the number of farmers fell to seven and the Trust was in a position to reallocate vacant allotments. This included the allocation of an allotment to the first woman farmer who later became a trustee and Trust secretary..

Since this time there has been a **consolidation of farmer numbers and of trustees**. Presently all land is allocated to 13 tenants each on 5 hectares. All are full-time farmers. Ten are on 5 year tenancy contracts and three are on one year probationary terms. A Women's Co-operative, comprising 3 primary co-ops (from Simondium, Klapmuts and Elsenburg) and involving some 30 women, is now established on the land and is funded to cultivate mushrooms. As allotment vacancies arise it is hoped that other individual or groups of women will apply for land.

The **Trust administration** itself has not been problem-free. The responsibilities of trustees to administer Trust business equitably and efficiently, operating in their own time and without remuneration, can be stressful and costly in terms of working relationships. The fact that the Trust has maintained itself throughout periods of organisational strain, often exacerbated by harsh conditions on the land, is clear expression of the imperative to survive on the part of the farmers.

Some difficulties in Trust management occur in relation to the **allocation of irrigation** (particularly when water restrictions are imposed), and to the **use of tractors and equipment**. The devising of rotas and protocols, the delegation of responsibilities within the group for particular management oversight, and the necessity for self-policing of practice by members, can be demanding and a possible source of conflict. Over the years, however, the Trust has developed ways of governing its operations which are appropriate and effective.

A **financial management** arrangement introduced to significant effect has been to use the **Stellenbosch Savings and Credit Co-operative (SACCO)**, which is based at Lynedoch and whose membership is drawn mainly from farm workers, to administer farmer levies and tenancy payments. The Trust banks with the SACCO and all farmers are members with individual accounts. The SACCO collects levies, makes payments and issues financial statements to the Trust and to farmers.

Within a wider view of governance embracing **relationships with external agencies** and stakeholders, it has been noted that the early creation of a project steering group was short-lived. There has been no attempt to revive such a forum for the project. One reason, from the Trust side, is that It has been difficult to engage relevant Departmental officials on a consistent or committed basis to advise or assist the Trust and the farmers, or to access training and support programmes.. This has been particularly lacking on practical matters of enhancing soil conditions, sustainable land care practices, and suitable crop cultivation. Contacts with officials have invariably have been initiated and pursued by the Trust on one-off issues, often inconclusively.

It is now expected, however, that within the framework of relationships to be negotiated around the delivery of the DLA Infrastructure Grant to the Municipality, there will necessarily arise forums and accountability arrangements which engage all stake-holders in defined and substantive ways over the next stage of the project's development..

### ***Financial Frameworks***

The Trust maintains its operations on the basis of much unremunerated effort on the part of the chair and fellow trustees, supported by a volunteer community worker and a Commonage lawyer who does not charge for his services. Both have been involved from the beginning of the Trust. The only income received by the Trust is from the farmers' monthly payment of levies and tractor charges. These are intended to self-finance the services provided and are largely effective in achieving this.

The single most important source of the project's viability to date has been the financial assistance received from Spier in payment of lease and water charges for the land.. The terms of these payments do not extend beyond 2007. If these costs cannot be covered in greater part by the Municipality and DLA, as earlier indicated, the cost to the Trust of meeting these charges in full after January 2008 will have to be borne by the farmers through significantly increased levies. Given the financial position of the farmers and of the limited profitability of their operations, this increase cannot realistically be found. It is critical to the Project's continuance, therefore, that the Municipality acts within its powers as Commonage land-owner to abate the lease charge, and that the DLA funds the capital element of water charges as it is enabled to do.

Whatever the extent of any reductions of charges, the Trust must assume responsibility for payments as lessee after 1 January 2008 and must ensure that individual payments are made by farmers which aggregate to the required amounts for lease and water charges. This cannot be assured since the profitability of individual farms is always uncertain and dependent on many factors, not least the personal efforts of the farmer and on the variables of soil fertility and weather. In consequence, the capacity of the Trust to meet in full the annual rental and water charges for the land as a whole, is not guaranteed and must remain an issue of potential financial difficulty. Currently the Trust is committed to undertake these responsibilities competently but alternative means of the Municipality charging for individual allotments and collecting payments should be explored within any future framework for Commonage management.

A crucial element in determining initial and longer-term viability of units is access by farmers to start-up finance. This applies particularly to those farmers who come to the enterprise with no capital to invest and whose access to loan finance is limited or problematic. The Trust has not taken a direct role in facilitating loan finance for individual farmers since it has no means of covering liability for loan default. The Trust did apply within the first CASP Programme for start-up finance for farmers, to be administered through an arms-length financial agency. The application was not considered acceptable by the Department of Agriculture. This aspect of financial provision for farmers remains critically important to establishing viable small farm units and determining the longer-term success of these enterprises.

For its ongoing effectiveness the Trust must be able to sustain its own operations and maintain its organisational credibility in this field. In its earliest stage the Trust benefitted from a monthly grant of R2000 from Spier for one year. The Trust's administrative costs are now met largely by the farmer levy. It has tried unsuccessfully to attract monies to fund its core management function. As the need for agency liaison and negotiation increases, the management and administrative demand becomes more complex. The issue of a paid manager with an associated administration budget is now pressing.

## **Long-term Viability**

Broadly speaking, the viability of the project is dependent on two sets of conditions being met. The first of these is the effective securing and equipping of land for small farming through the agency of the Trust. The second is the establishing of autonomous small farm units which benefit from the use of shared facilities and which operate profitably and can cover their rental and water charges.

The first set of conditions is being met in large part. The Trust has secured the lease of the land and is instrumental in negotiating government grant assistance to provide basic infrastructure and equipment. The second set of conditions are now in place. All land is allocated to individuals or groups and is being farmed appropriately. But there is much that remains to be done to fully equip the land and the farmers for profitable production and secure long-term viability. This sets the agenda for the next stage of the project's development.

The principal motivation for this will be through the process generating the **implementation of the Commonage Infrastructure Grant** and involving the key planning and resource agencies. The role of the Trust (as "client") within this needs to be clearly defined in order that the contribution of the farmers to planning is optimised and their engagement in implementation appropriately identified.. This will present a major, and unprecedented, opportunity to invest in the land. The challenge to inter-agency working, co-ordinated resource planning, and programme integration is considerable. The Trust's involvement will require time commitment and effort.

In addition to this main challenge, the Trust must address outstanding issues of farmer support including

- **training and assistance** on land care and crop management
- a fully **operational Pack-shed** to maximise farmer use and enhance profitability;
- the creation of a **Seedling Nursery** to reduce farmer costs;
- the formation of a farmers' **Producer and Marketing Co-operative** to increase and consolidate resource access.

There is a further and important. Challenge. This is to continue to promote the development of **local programmes of land reform** which engage relevant agencies and deploy necessary resources, and within which the Project finds its place as an early working example.