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New model for land reform at Riemvasmaak

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A joint venture safeguards investors from risk of community-based farming, writes Stephan Hofstatter

THE launch of a R200m citrus project at Riemvasmaak in the Northern Cape provides a case study of how the government hopes to run its comprehensive rural development programme presented to Parliament earlier this month.

On Friday, Rural Development and Land Reform Minister Gugile Nkwinti handed 172 families title deeds to scores of commercial farms totalling 47 000ha bordering on the Augrabies Falls National Park, north of the Gariep River.

Nkwinti is expected to co-ordinate an integrated development effort with the departments of Agriculture; Trade and Industry; Public Works; Arts and Culture; Education and Health to upgrade infrastructure, facilities and market access.

The ceremony marked the final stage of settling one of South Africa's most prominent land claims. It could signal the start of a more pragmatic approach to land reforms that have so far failed to live up to promises of bringing prosperity to rural backwaters, including Riemvasmaak.

A recent study showed more than half of all land reform farms have collapsed, but anecdotal evidence suggests the figure is far higher, lending urgency to efforts to adopt a more commercially sustainable approach.

The hundreds of families who had occupied Riemvasmaak for centuries were forcibly removed in the 1970s when the apartheid government decided to turn their land into a military camp . Those classified "coloured" were relocated to Gordonia, near the Vaal River; Xhosa speakers were trucked to the former homeland of Ciskei in Eastern Cape, and Namas were dumped in southern Namibia.

Under post-apartheid restitution law, anyone dispossessed under racist laws was entitled to reclaim ancestral land. In 1994, the Riemvasmaak community became one of the first to do so successfully. Within two years many had returned, although it took more than a decade for them to be granted full title to the 74000ha they were awarded, including a 4000ha chunk of the Augrabies Falls National Park that was deproclaimed by Parliament in 2004.

Since then, several promising projects have been launched. They include farming joint ventures and ecotourism projects in partnership with the World Wildlife Fund. But poverty levels remain high because larger commercial ventures have failed to take off. This is partly because weak institutional arrangements at community level resulted in infighting and corruption, discouraging investment at the level needed.

The community trust that owns the land is dysfunctional after two members were arrested in March for allegedly embezzling funds, Northern Cape officials say. The trust is under court administration until the case is concluded.

These events are enough to scare off many investors, especially after the collapse of SA's most prominent land reform joint venture company, South African Farm Management (SAFM). The company is being liquidated by Absa, which is owed about R100m in overdrafts and operational loans to 17 entities, including prominent Mpumalanga export farm Lisbon Estates.

But SAFM CEO Charles Boyes tells Business Day this should not be seen as an indicator that land reform farms are doomed to fail. Late grant disbursal, a ban on using land reform farms to raise capital, and the poor state of farms inherited by beneficiaries had contributed .

Some improvements being mooted or implemented, including up-front grant disbursal and buying movable assets together with land, are partly thanks to SAFM's experiences, he says. "We were the guinea pigs of land reform.

Now policies are changing."

At Riemvasmaak, this has been translated into a joint venture that safeguards investors from institutional failures inherent in the current communitybased land reform model.

A consortium led by Cape- based CitroGold, which develops high-quality fruit cultivars based on extensive market research though its holding company, BioGold International, will lease up to 700ha of high-quality land from the beneficiaries. This will be developed into a high-volume horticultural concern producing citrus, grapes, pomegranates and figs, mostly for export.

The estimated R200m investment will pay for vine and orchard establishment, farm infrastructure including dams, pump houses and a road network, and processing facilities such as state-of- the-art pack-houses. It is expected to create 200 permanent and 400 temporary jobs, and serve as a catalyst for commercial agricultural production in the district.

The community will hold an indirect stake in the consortium paid for by the Industrial Development Corporation, full ownership and management of an incubator pilot funded by the Development Bank of SA , and a majority stake in goat-rearing operations on surrounding land.

The consortium has also set aside a portion of development costs for an education fund that will train locals in skills ranging from supervisory to scientific. This must provide the expertise to run the project once CitroGold exits after 20 years.

CitroGold MD Bruce Cook cites several reasons why he believes the venture will succeed where others failed.

"We are making leading-edge horticultural intellectual property available to new farmers," he says. "Many fail because they are using old technology."

Keeping the business entity separate from the community trust and allowing for a realistic incubation period are key factors.

"The main reason for failure has been bringing the community in too early," he says. A structured programme of skills transfer followed by the transfer of assets is far more sustainable, he says. "In agriculture, you farm for your children. I think government is beginning to understand this."

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