

Joint Ventures and Partnership Schemes in Agriculture – some international experiences

By

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EXECUTIVE SUMMARY

JOINT VENTURES and PARTNERSHIP SCHEMES IN AGRICULTURE- SOME INTERNATIONAL EXPERIENCES

The aim of the research was to briefly explain and outline a typology of different joint ventures schemes. The study made use of secondary data of international experiences of joint ventures and partnership schemes. A further aim of the research was to serve as a basis for further research that would be conducted in the Western Cape on joint ventures.

Models

In each model, emphasis was placed on the following:

- Basic nature and type of agreement
- How the land is acquired
- The tenure regime, and
- Financial arrangements.

The research focused on the following types of international joint ventures and partnership schemes:

Contract Farming involves a partnership between a company or agribusiness and small-scale farmers. The company enters into a contract with the small-scale farmers to produce a crop or produce. Government plays a regulatory role by developing legislation that would protect small-scale farmers and create an enabling environment for contract farming to operate. The company or agribusiness usually, depending on the form of contract farming,

provides expertise such as extension, management and inputs. There are various contract farming options with different tenure and financial arrangements. Contracts can be entered into either with individual farmers or groups of small-scale farmers. Contract farming holds numerous benefits for resource-poor farmers who in most cases do not have the resources or capital inputs. Producers are guaranteed a regular outlet for their products. Provision of services to resource poor farmers proves to be one of the potentially significant benefits.

The case examples also illustrated that contract farming might have some pitfalls for resource-poor farmers. The power relations between the company and agribusiness remain unequal. The company usually prescribes to the farmers what to produce, with no protection if there is market failure or an over supply of the product. Risks are therefore transferred away from the company to the small-scale farmers.

Share Produce schemes are usually between the commercial farmers and the workers. In the case of the dairy industry, the worker rents the herd and land from the farmer. The worker then takes a share of the heifer herd produced by the herd. The worker is able to build up his herd and capital with the option to buy land and start his/her own diary business. The scheme reduces the capital spending of the workers or small-scale farmers.

Worker cooperative/state schemes involve former agricultural workers that obtain permanent usufruct rights to state land. The state provides extension and other services, while workers must produce crops to ensure food security. The workers have control over the production process, however the state dictates what should

be produced by the cooperative. Further the workers are also given self-provisioning plots for subsistence production. This scheme is useful to produce products for the domestic market to ensure food security.

Multipartite Leasehold Schemes are a partnership between the municipality, landowners, banks and resource-poor farmers. The landowner cedes part of the land to the municipality (without giving up ownership), which leases it to resource poor farmers. The state provides machinery and technical assistance to the farmers. The farmers provide their labour and the cultivation of the land.

Issues

Key issues have emerged from the case examples that can significantly impact on the efficacy of these joint venture schemes. The current structure of the global agricultural economy has already proven to put downward pressure on this sector. In particular, the World Trade Organisation's Agreement on Agriculture and the European Union's Common Agricultural Policy has affected farmers in the South negatively. While these agreements prohibit countries of the South to subsidize their agricultural sector, farmers in the North are heavily subsidized. These factors impact on farmers who cannot compete with subsidized products from the North that is cheaper. The apple industry in South Africa is a case in point that succumbs under this kind of pressure. Joint ventures tend to assist resource-poor farmers to weather the impact of the global agricultural sector.

The tenure arrangements differ according to the type of joint venture scheme. Key in this regard is that resource-poor farmers have

access to secure rights to land, which is a requisite for any agricultural activity. In cases where farmers lease the land, it is important for them to have unrestricted access to the land, at least for the duration of the contract. Thus the tenure arrangements can vary from freehold, formal lease of state land, lease of land from the company and informal arrangements with landowners. The more secure schemes, however, are those where the tenure arrangements are independent of any business arrangement.

Building the financial independence of the scheme in practice means that it has to provide farmers with income on an ongoing basis, while at the same time building up the capital base of the resource-poor farmers. Financial sustainability appears to be enhanced when there is a spread of products for a diverse market.