Land Tenure System and Agricultural Land Use: The Case of Citrus Farmers in Alice/Kat River Valley, Eastern Cape

by

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ABSTRACT

This study investigates the decline in agricultural production in the Alice/Kat river valley of the Eastern Cape due to the fundamental problem of lack of land ownership by the black citrus farmers.

The results indicate that the problems associated with the acquisition of land by blacks farmers emanate from laws that were passed by the former government to deliberately deny black people's rights to land except to work on white farms as labourers.

Farmers in the Alice/Kat river valley lack land security and experience an unfavorable land tenure system. Thus farmers are unable to access the financial resources from banks to develop the land in order to alleviate poverty and improve their financial status. In addition, the lack of practical skills in land use planning among farmers has led to the under-utilization and low productivity of agricultural land in the Alice/Kat river valley. This study recommends the provision of land as security to financial access and land use skills training as essential inputs to reap the benefits of a profitable citrus industry.

DECLARATION

I declare that the work contained in this dissertation is entirely my own with the exception of such references that have been attributed to their authors or sources and that this thesis has not been submitted for a degree at any other University.

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M.W. Mpukane

Date

Place

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LIST OF ABBREVIATIONS

ARC	Agricultural Research Council
CAB	Ciskei Agricultural Bank
CAC	Ciskei Agricultural Co-operation
CPA	Community Property Association
DBSA	Development Bank of Southern Africa
DLA	Department of Land Affairs
DWAF	Department of Water Affairs and Forestry
GHWCP	Greater Hermanus Water Conservation Programme
IDC	Industrial Development Corporation
IMF	International Monetary Fund
IFC	Infrastructure Financial Co-operation Limited
Katco	Kat River Co-operation
MEC	Member of Executive Council
RMB	Rand Merchant Bank
SPSS	Statistical Package for Social Science
WB	World Bank

CHAPTER I
GENERAL INTRODUCTION

Introduction

Agriculture in the former homeland areas of South Africa is perceived as inefficient and unproductive compared to commercial farming in white settlement areas. The principal cause of this inequality and dualism is the unequal distribution and lack of access to both physical and financial resources and markets.

The history of transfer of land to black commercial farmers is related to the broader issues of land reform and marketing strategies in South Africa. This study will focus on the Released Land Act (No. 18 of 1936). The first period of structural change consisted of the initial steps that were aimed at territorial segregation of white and black farmers. The Native Land Act (No. 27 of 1913) served both to confirm the segregation of ownership and to set in motion the abolition of various forms of tenancy and principally share cropping. The Native Land Act (No. 27 of 1913) set aside seven percent (7%) of the land for occupation by blacks. Before this law was passed blacks were able to buy freehold land in the Cape and Transvaal and did so to a limited extent (Bundy, 1979, 1988; Cooper, 1988). Until the 1980s South African agriculture experienced two period of structural change (Kirsten, 1994).

According to the Released Land Act (No. 18 of 1936), certain areas of land were "released" for occupation by blacks. The Alice/Kat river valley was among the released areas. The reason for releasing more land to the blacks was that a very large portion of the Union of South Africa was occupied and owned by Europeans. The Released Land Act (No. 18 of 1936) gave white farmers almost absolute control over the black people living on white-owned farms either as tenants or labourers.

The Released Land Act (No 18 of 1936), in addition to supplementing the Native Land Act (No. 27. of 1913) was largely responsible for separating land for whites and blacks, instituted the South African Native Trust. The function of this

Trust was to acquire land for black settlement in order to develop such land and promote agriculture in the native reserves. The ultimate objective was to advance the material, moral and social well-being of the blacks. The Released Land Act (No. 18 of 1936) favoured the white farming communities at the expense of the black people. This Release Land Act (No. 18 of 1936) marginalised the black people from owning an equitable proportion of land. Blacks and the Native Trust could acquire the released areas. The Native Trust derived money from revenue paid by blacks under the Native Taxation Act (No. 41 of 1925), commonly known as the Poll Tax or Local Tax. The fine paid by blacks for various offences contributed to the land purchase and other functions (Letsoalo, 1987).

Problem Statement

There is a decline in agricultural production in the Alice/Kat river valley. This is due to the fundamental problem of lack of land ownership by the black citrus farmers. Most of black farmers currently do not have title deeds that would give them ownership of the land. This restricts the black farmers from competing favourably with their white counterparts who are mostly very successful commercial farmers.

The problems associated with the acquisition of land by blacks farmers emanate from laws that were passed by the former minority white South African government to deliberately alienate black people's right to land ownership and force blacks to work on white farmers as labourers. The Alice/Kat river valley was settled in the 19th century by the white farming communities, who practiced intensive irrigation farming in the river valley and extensive grazing on the surrounding plains and hills. The area was recognized as one of the better citrus producing regions in the country. In the late 1970s the land was expropriated by the Nationalist Party led government and handed over to South African Development Trust (the successor to the South African Native Trust) as a caretaker for the Ciskeian government. This led to an out-migration of the white farmers to other areas of the country.

The Alice/Kat river valley fell into what is described as the released area under the apartheid government. The South African Development Trust handed over the released land to the Ciskeian State. The Alice/Kat river valley was transferred to the Ciskeian State in 1984 (Binns, Hill and Nel, 1997). The Alice/Kat river valley was handed over to a central development agency. The development agency was the Ciskei Agricultural Cooperation (CAC), which was commonly known as Ulimocor. This development agent was entrusted to develop, manage and privatize commercial farms. The operations on these farms were livestock production (breeding and commercial), fruit production (citrus, deciduous and subtropical), game farming, crops and horticultural farming.

The privatization in the Alice/Kat river valley citrus farms started in 1988 and ended in 1992. The privatization was planned to have twenty-two citrus farmers by 1994, but by 1992 twenty farmers were already settled. A team consisting of members from CAC, the Development Bank of Southern Africa (DBSA), Ciskei Agricultural Bank (CAB) and the Department of Agriculture of the former Ciskei did the selection. According to one farmer, M. Mfecane (personal communication, June 22, 2001):

> When I was reading a local news paper (Daily Dispatch), I saw the advert that CAC is privatizing some of its land. So I decided to take that opportunity and applied. Then after two weeks of the interviews I received the good news that I was successful. The conditions forwarded to me required me to resign from my current employer and enter into a lease agreement with the CAC. So I decided to terminate my services with my employer. I was told that I would be getting into a lease agreement for a period of five years. So after completing five years I would be in a position to buy that farm outright. So I accepted that offer.

The managers of the farms were identified and the lease agreements and agricultural land use were concluded with them. These farmers entered into five-year lease agreements after which the farmers had an option to purchase the land. However, even today the land is still owned by the state. The present government does not want to honour that lease agreement.

The Alice/Kat river valley farmers are unable to access financial resources from the banks to develop the land in order to alleviate poverty and improve social and economic security. Coupled with the above stated problem, the lack of practical skills in land use planning among farmers has led to the under-utilization and low productivity of the agricultural land in the Alice/Kat river valley.

Hypothesis

The Alice/Kat river valley farmers have the ability to utilize land effectively. They have access to land and water as production resources and the necessary infrastructure, for example, irrigation and electricity for productive land use.

Farmers can utilize land and water natural resources for sustainable agricultural development in the Alice/Kat river valley once they have freehold land tenure rights that are recognized by the banks. Banks required land tenure as the collateral for development.

The Purpose of the Study

The Aim

The aim of this study is to address the weaknesses in the land tenure system and agricultural land use in the Alice/Kat river valley in order to improve living standards of the black farmers.

The Objectives

The objectives of this study are:

(i) To investigate the causes and the factors leading to the under-utilization and low productivity of land in the Alice/Kat river valley.

(ii) To determine the problems related to the land tenure system in the valley.

(iii) To identify the preferred land tenure system in the valley.

(iv) To make recommendations for the efficient and productive use of agricultural land in the study area, thus enabling the people to improve their quality of life.

The Study Area

The citrus producing areas in the Alice/Kat river valley are grouped in three main areas namely Kat river valley, Tyume and Keiskamma river valleys (see Figure 1). The proposed area of study is referred to as the Alice/Kat river valley (Ellis, 1999).

These valleys occur in the former Ciskei and the adjacent area of the Republic of South Africa, and are currently within the Amatole District Municipality. The researcher chooses the Alice/Kat river valley since Alice/Kat river valley is recognized as one of the better citrus producing region in the country and also in the late 1970s the area was experiencing international pressure against the apartheid policies. That resulted in the emergence of black citrus farmers.

Kat river valley

The Kat river valley area is situated on the Fort Beaufort - Seymour road about 25 km from Fort Beaufort. The citrus orchards extend over a distance of approximately 14 km. The Kat river valley is situated in the Nkonkobe Municipality.

Tyume river valley

The Tyume river valley area is situated along the Tyume river about 12 km northeast of Alice.

Keiskamma river valley

There are two citrus units situated along the Keiskamma river, namely, Replemead and Craighead. Replemead is about 30 km southeast from Alice in the vicinity of Peddie.

Craighead unit is situated near the King William's Town - Peddie tar road about 60 km downstream from Ripplemead (see Figure 1).

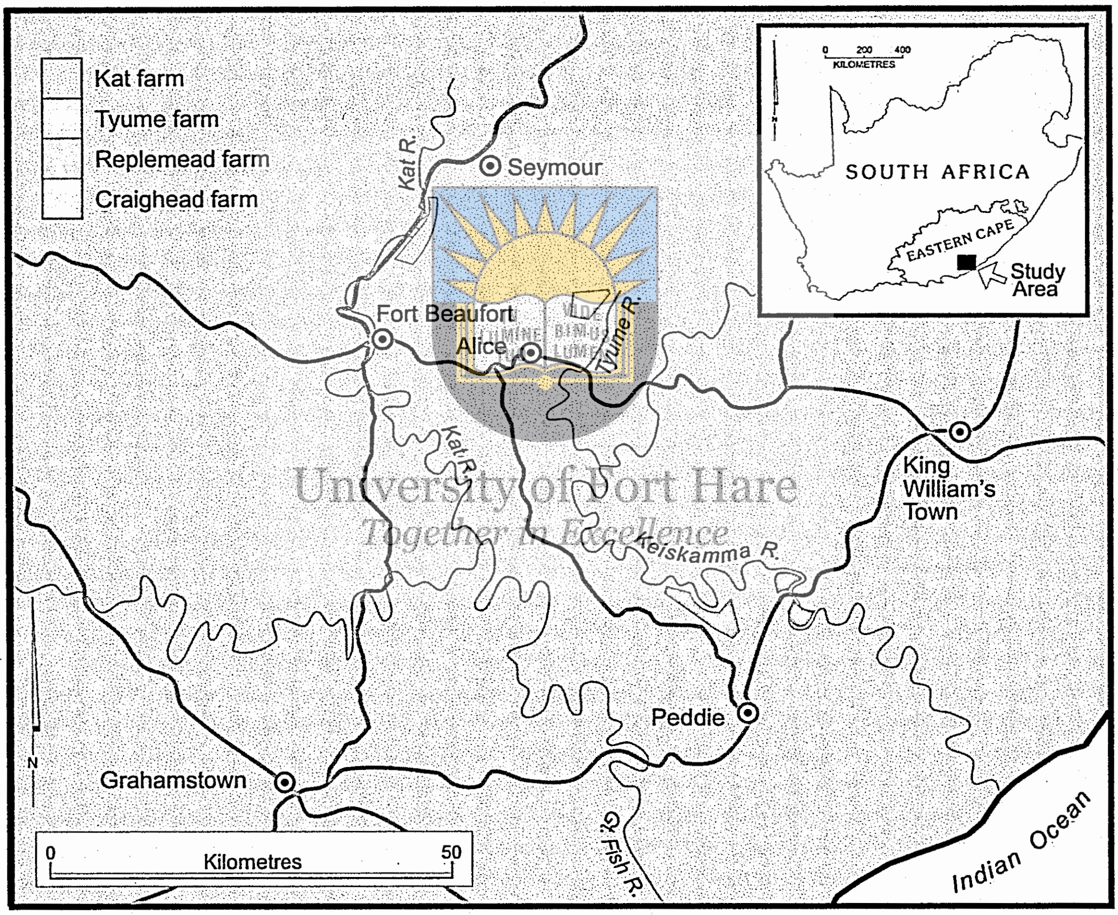

Figure 1. Alice/Kat river valley, Eastern Cape

The Significance of the Study

The ultimate goal of privatization was never realized in the Alice/Kat river valleys and the new government is sitting with unproductive citrus land schemes with no leadership and under-utilization of land resources. If these schemes can be revived, the schemes could promote the vision of job creation and industries in process plants.

The significance of the study would be to formulate a model that could be used to address the problems that are encountered by the Alice/Kat river valley citrus farming communities. If these problems can be addressed the Alice/Kat valley can became one of the foremost citrus producing areas in the Eastern Cape.

The implementation of the findings of this study would promote job creation with positive ripple effects on the different sectors of the economy. The sustainable utilization of the land in the study area will attract small business and reduce out-migration by community members to urban and peri-urban areas to search for a better life. The creation of jobs in the study area will improve the financial status, living standard and quality of the population thus alleviating poverty.

This chapter has introduced the context, the problem statement, hypothesis, the aims and objectives of the study. It has also highlighted the geographical location and historical background of the study areas.

The structure of the thesis is: Chapter two will deal with review of literature that shows land reform and the land redistribution in South Africa are considerably political and emotional issues. Chapter Three involves the methods used to acquire data on citrus production and marketing problems that are faced by black emerging citrus farmers in the Alice/Kat river valley. Thereafter the researcher will analyse and present the data. The last part of the research will be the discussion and recommendation.

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CHAPTER II

REVIEW OF LITERATURE

Introduction

This chapter shows that land reform and the issue of land redistribution in South Africa are of considerable political and emotional importance. One of the challenges for the post-apartheid government is the redistribution of land resources and the restoration of land to dispossessed communities. Land reform programmes in post-colonial African countries based particularly on the willing-seller and willing-buyer approach, and the introduction of the upgrading of land tenure programmes have set important precedents and hold critical lessons for South Africa (Weiner, 1988; Christopher, 1996).

It is necessary to look at the variety of land tenure systems found in South Africa. According to Meer (1997) there are three basic kinds of legal tenure in rural African areas. The first is the state land system that is controlled by the community headman, council, and the agricultural officers who act on behalf of the district magistrate or national government. In this system fields cannot be legally subdivided, most areas under state tenure have long waiting lists for arable fields, and male candidates are still preferred. In 1991, the Abolition of Racially Based Land Measures Act repealed laws related to African rural tenure.

The second is the communal tenure system that is for the most part still subject to the chief's trusteeship but land transfers are usually negotiated informally between families at the neighborhood level and then approved by the chief. Fields are informally lent and subdivided and may be switched to residential use in accommodating married children. Some chiefs now seem to see land as their private property.

The third land tenure system is the freehold system. In this instance a private owner rather than a group holds the land. Freehold tenure derives from the state and gives the beneficiary near absolute ownership of land. The land is normally allocated or transferred only with the approval of the landowner. The advantage of freehold tenure is that it maximizes the collateral value of the land

and enables the occupant to recover the full added value of improvements. This advantage of freehold tenure acts as a powerful incentive to stimulating investment in land. This tenure system is one that is recognised by the banks (Meer, 1997; Payne, 1997).

African perspective

Land redistribution and resettlement programmes in Kenya and Zimbabwe especially between 1980 and 2001 provide important directions for South Africa's land reform programme. However, many researchers have identified important constraints to land reform programmes in these countries and in particular the impact of structural adjustment programmes (Leo, 1981; 1984; Weiner, 1988). Land reforms in post-colonial Africa have been limited to a large extent by the World Bank (WB) and the International Monetary Fund's (IMF) policy recommendations as well as the structural adjustment programmes that the former colonies such as Kenya and Zimbabwe implemented to meet the demands of debt repayments programmes. The willing-seller and willing-buyer principle also means that isolated and scattered pieces of land become available for redistribution. This prevents a more comprehensive land use planning programme that would be the case when a larger block of land is required for redistribution.

There is also strong evidence from other regions in Africa that a broadly based farm support strategy is an effective way of promoting agricultural development. The implementation of this strategy in Zimbabwe before the year 2001, with the development of institutional support and the incentive for the small-scale farmers to improve production, has led to large increases in their contribution to the total agricultural product. The researcher chooses Zimbabwe since Zimbabwe's colonial history resembles that of South Africa and has a similar dualistic agricultural sector.

The Zimbabwe government has committed increased resources to the agricultural sector to enhance production. It was acknowledged that farmers need to have access to agricultural research and extension services, land and credit, agricultural implements and markets. In this regard the improvement of infrastructure was considered an important strategy. The provision of the above-mentioned services was considered to be the responsibility not only of the central or local government, but also of the private sector (Kirsten, 1994).

South African perspective

South Africa's land reform programme rests on three pillars: Land redistribution, land restitution and land tenure reform (Republic of South Africa, 1997). The primary objectives of all these are to transfer land to the disadvantaged communities and to enhance access of land resources. Land redistribution is premised on assisting groups and individuals to acquire land through the land market, with substantial grants and subsidies from the state as well as making state land available where appropriate. The recent land invasions in Zimbabwe have sent clear signals to the South African government regarding the importance of land redistribution (Mini, 2000).

The willing-seller and willing-buyer principle of South Africa's land redistribution programme has two major problems. The first one is that only marginal lands became available for redistribution through the market. It is largely the struggling commercial farmers on marginal lands who are ready to sell their properties, and the redistribution programme provides such farmers with an opportunity to leave farming as subsidies are no longer available. To transfer marginal land to peasant farmers who lack capital resources can hardly be expected to lead to sustainable land use development.

The second land use problem associated with the willing-seller and willing-buyer principle is that very often the cost of buying a farm requires that individuals join hands and pool together their resources to purchase the farm. It is largely through a group effort that commercial farms are accessible to peasants and the larger the group the more affordable the price of the farm becomes. To facilitate this form of group ownership the government passed the Communal Property Associations Act No. 11 of 1996. Through this provision villagers are able to pool together their resources and purchase land that becomes available on the land market. The implications of this approach are that the farm is divided into smaller units to resettle as many people as possible. This resembles very closely the situation in the former homelands where resettlement through betterment planning led to the division of land into small uneconomic units, leading to overcrowding and over-exploitation of land resources (Christopher, 1996; Cobbet, 1987; De Wet, 1987).

The Communal Property Associations Act No.11 of 1996 does not provide a proper institutional framework or guidelines for the use and management of land resources once land has been transferred. There are weaknesses in the government policy particularly in regard to the willing-seller and willing-buyer approach. The Department of Agriculture and Land Affair's intentions of transferring 30% of white owned land to the landless rural African population has not been achieved (Levin and Weiner, 1991).

In spite of numerous studies pointing to the weaknesses and constraints of land redistribution programmes in Kenya, Zimbabwe and in other countries, South Africa adopted a similar approach to land redistribution (Christopher, 1996 Leo, 1981; 1984; Moyo, 1995; Zinyama, 1991). Poor productivity and low priority for agriculture in the former bantustans are often mentioned as evidence of lack of need of land for agricultural purposes, and land hunger is restricted only to the needs for residential sites. Secondly, the fact that in South Africa there is a great number of industrial centers than any other southern African country has been assumed to imply that in South Africa land hunger is much less acute as rural landless people have an urban alternative. Since 1990, almost 20% of formal jobs have disappeared (Mini, 2000). There are clear indications that the urban industrial labour market is not growing fast enough to provide alternative sources of income for the landless masses.

The former South African Nationalist government's policy was to maximize the number of white farmers on the land, while conserving water and soil resources. Farmers were offered cheap credit, loans or grants to conserve soil and water resources, and to improve farm workers living conditions through housing and school building subsidies. Farm subsidies were also provided to encourage production (Cooper, 1988).

Provincial perspective in South Africa

A development model should be introduced in the Alice/Kat river valley like that on the construction of the Greater Hermanus Water Conservation Programme (GHWCP) where a package of incentives and disincentives aimed at promoting equity, efficiency and sustainability in the supply and use of water in that coastal town in Western Cape, South Africa. The development of GHWCP was a collaboration effort by the National Department of Water Affairs and Forestry and Greater Hermanus Municipality in response to the rapid increase in demand for limited water supplies in Greater Hermanus.

The Greater Hermanus Water Conservation Programme can be adopted for development in other areas to access to resources for the empowerment of communities. This provides a lesson that various communities despite the racial divides can share the benefit of having equal access to all natural resources. Furthermore, Greater Hermanus Water Conservation Programme can serve as an example, to address the imbalances, which were created by the legacies of the past based on racial divides.

The Ceres Koeke-Dow dam in the Western Province where the following financial agencies together with the government department maintain an active involvement in ensuring that the emerging farm project is successful. Rand Merchant Bank (RMB), Infrastructure Financial Corporation Limited (Inc) provided sixty-five million Rand and the Department of Water Affairs and Forestry subsidised this project with twenty two million Rand. This can serve as an example that joint ventures between Non Governmental organizations and Government departments ensure successful development projects like the Ceres

Koek-Dow Dam. Municipality and emerging farmers took the bulk of water for the first twenty years and will pay a small levy to fund a portion of the project by the emerging farmers in Ceres District.

The funding and involvement of the government in projects like the Ceres Koeke-Dow irrigation scheme is viable since it can empower previously disadvantage communities to become commercial irrigation farmers. The Koeke-Dow dam project view was acceptable as the farmers had real needs for water to be used for irrigation. Developing hectares of irrigated land led to more job opportunities in the agricultural sector and also the increase in fruit production, which will have spin-off from local industries resulting in additional job opportunities in the industrial sectors (Cape Business News, July 1997).

The implementation of programmes like the GHWCP can be used as a focus to achieve goals like equity, efficiency and sustainability in terms of land use for all the black citrus farmers in the Alice/Kat river valley. The GHWCP has a strong emphasis on enhancing quality of life, directly through providing access to efficient and affordable financial assistance, and indirectly through land tenure security and inheritance security for development. Revenue generated through development of the new citrus trees should be reinvested in the programme. This generates a host of benefits such as job creation, development and training.

What has been happening in Zimbabwe for the last few months of 2000 has led to concern amongst most people, especially white businesses. The White business people have fears that the land invasion may spread to South Africa. This land invasion in Zimbabwe shows a similar situation in South Africa. Black people in South Africa were allowed to occupy only 13% of the land yet a few years ago it was stated that they own 13% of the land.

The South African constitution has frozen sensitive land reform issues as they were in the past by its property clause. Alice/Kat river valley farmers have no ownership of land. The land still remains in white hands because they bought it. There were situations when some tribes were given back their land but this still makes less than 1% of land owned by black people in South Africa although they occupy more than 1% of the land (Ntsebeza, 1998). Hence many black people are frustrated, as the land issue is not being addressed adequately as there is a fear of an outcry from white people. It is feared that they might leave South Africa with their companies and this will aggravate a higher unemployment rate in the country. This shows that economic power in South Africa still lies in the hands of the Whites owned business enterprises.

The successful smallholding development projects like those which were implemented by the former South African government or countries such as Kenya and Zimbabwe can be used to show the fundamental role of a government which aims at improving the welfare of its citizens by providing basic public goods, services, access to land and credit.

CHAPTER III
RESEARCH METHODOLOGY

Introduction

This chapter involves the methods used to acquire data on citrus production and marketing problems that are faced by the black emerging citrus farmers in the Alice/Kat river valley.

Primary and secondary data collection techniques were employed in the acquisition of data. The information was drawn from published and unpublished documents on commodity chains and small-scale agriculture in Africa and elsewhere. Journal articles, books, relevant studies and research articles, the internet and magazines were used to gather the information. It was supplemented with government policy documents, annual reports, statistical abstracts and newspaper reports.

Mapping Techniques

Aerial photography and topographic maps were used to demarcate the study area and also to identify the land use pattern in the Alice Kat river valley. The researcher used aerial photography and topographic maps to determine the landscape and the land use pattern. The 1: 50 000, 3226DA Healdtown second edition 1979 and 3226DB Seymour edition 1979 maps were used to identify population settlement and land use within the citrus farms during the time when the white farming communities practised farming in the valley.

The results obtained were compared with data derived from observations made by the researcher and from the research survey. The aerial photograph map at a scale of 1:50 000 was used. At this scale all citrus areas, planted or suitable for planting, and the surrounding communities could be identified. The topographical map was also used in delimiting the study area and to identify both cultivated and abandoned agricultural lands. These topographic maps were used to identify land use in terms of citrus development in the study area. The spatial pattern of citrus farms and the communities around the Alice/Kat river valley are identified whether the farm dwellers started to invade land or not.

Observation Method

The observation method was adopted in this study. The purpose of adopting the observation method was to assess whether the Alice/Kat river farmers are utilizing the available land and water in a sustainable manner. The infrastructure, structure and condition of the farms was observed. Data gathered through this technique were used to supplement data gathered through interviews. The actual planning of the citrus farms was also observed. This involves the observation of landscape planning, that is, the physical separation of the residential and arable land. The purpose was to establish whether the carrying capacity of the land has not been exceeded. The observation patterns were recorded and compared with data extracted from map analysis.

Field researches were conducted during the months of June and July 2001. In this period the researcher interviewed a number of black citrus farmers and government officials in the Department of Agriculture and Land Affairs. The researcher also attended the workshop at Fort Beaufort organized by Capespan focusing on the revitalization of the Alice/Kat river valley. The purpose of the workshop was to come up with a good strategy of how to convince the Department of Agriculture and Land Affairs in the province to issue grants for land ownership.

Structured and semi-structured interviews were used and conducted together the information received from respondents. Interviews using the questionnaire form the basis of the survey research methods. In the study the questionnaire was designed first to translate the research objective into specific questions, and the responses would be used to provide the data for hypothesis testing. Moreover semi-structured interview questions were designed to help the interviewer in motivating the respondents so that the required data were obtained. The nature of the study necessitated the inclusion of structured questions to explore all the problems that the Alice/Kat river valley citrus farmers experience.

Questionnaire Technique

Both open-ended and closed types of questions were used. Open-ended questions were used for their many advantages. First, they gave respondents the freedom to express their feelings. Secondly, they allowed informants to provide their own answers. If the answers to open-ended questions were unclear it was possible to probe and ask the respondent to explain further.

Closed types of questions were used where the respondents were provided with an answer and they had to choose the one that represents their views. Closed types of questions were useful where the purpose was to divide respondents into specific categories, for example, income from the farm. The closed type of question was useful for confidential information. The leading questions formed part of the questionnaire technique.

Personal Communication

The researcher was also engaged in personal communication with the farmers. Some of the data were gathered through personal communication with the informants. The snowball method was used thereafter to set up further interviews.

Interviews were conducted with three groups of farm dwellers to get the information about the causes and the factors leading to underutilization and low productivity of land in the Alice/Kat river valley. Villages were selected on the basis of their proximity to the farms being studied in the Kat river Valley. Farm dwellers living in two river valleys (Tyume and Replemead) were also interviewed. In addition, interviews were conducted with farm workers; these interviews were conducted on the weekends to ensure that the farm workers were at home. This proved to be an acceptable and effective method of gaining the attendance of the workers.

A cross-section of dwellers was interviewed, including the farmers and the workers (seasonal and permanent workers), men and women pensioners and youth. The purpose of adopting a cross-section of interviewees was to get different views from the different age groups.

The researcher also conducted a series of interviews with other role players in the citrus industry. These included agricultural extension officers, Kat River Cooperation (Katco) staff, government officials from the provincial Department of Agriculture and Land Affairs, a formal meeting with the provincial MEC of Agriculture and Land Affairs and the local accountant of Capespan. These informants provided valuable insights into the state of the Alice/Kat river valley citrus industry. These interviews were also semi-structured.

The provincial Department of Agriculture and Land Affairs in the Eastern Cape organized a meeting with the relevant stakeholders such as the Alice/Kat river valley surrounding communities, in order to hear the views of other role players. All those that are affected by the lack of land ownership in the Alice/Kat river valley should participate in all decision making processes.

Public Participation Method

According to Manyaka (2001) public participation was conducted to improve decision making concerning the making of recommendations for the efficient and productive use of agricultural land in the Alice/Kat river valley, thus enabling the people to improve their quality of life. Fair and improved decision making is the goal that the researcher strives towards, and decision quality should be a central aspect for the design of the research project through public participation process. The public participation process is a vehicle or tool used in this study to help in gathering or expanding the content of privatization, based on scientific and technical study, and statistical or technical data (Manyaka, 2001; Modiakgotla, Norman and Siebert, 1994). The process included all sectors, perspectives and interested societies. All stakeholders expressed their concern and views regarding the process of land ownership in the Alice/Kat river valley citrus farms. Therefore the recommendations that should be taken would be flexible to accommodate local needs and local circumstances.

The data were analyzed using the Statistical Package for Social Science (SPSS) method. Some of the results of the study were presented as tables and graphs. Recommendations and conclusions were drawn from information gathered from the data analysis.

This study used different methods in order to get relevant data from the respondents. It is important in any research to understand the type of method and tools that are used in collecting data. The above mentioned data methods were very useful in this study. The findings are presented in Chapter Four.

CHAPTER IV
DATA ANALYSIS AND PRESENTATION

Introduction

This chapter presents the research information that was collected during the study. The information was collected to test the hypothesis that Alice/Kat river farmers have the ability to utilize land effectively. However, land is legally owned by the state without any recognition of black citrus farmers as the legitimate owners of the land. The farmers in the basin therefore lack land inheritance security, and experience an unfavourable land tenure system. Citrus farmers are therefore unable to access the financial resources from banks to develop the land in order to alleviate poverty and improve security in the Alice/Kat river basin.

Demographic profile of the African farmers in the Alice/Kat river valley

There are twenty-two African citrus farmers in the Alice/Kat river valley. Today the number is declining at an increasing rate due to the fundamental problem of ownership of land by the black citrus farmers in the valley (Appendix 2). Out of twenty-two farmers in Alice/Kat river valley, fifteen were from Kat river valley, three were from Tyumie and four from Replemead (Appendix 3). Both Tyume and Replemead river valleys are commonly known as the Alice river valley. In the Kat river valley out of fifteen, seven left the industry and in the Alice river valley three out of seven left the citrus industry due to the land tenure crisis that prevents them from having access to finance in order to recapitalise production in the valleys.

According to farmer, G Metula (personal communication, June 20, 2001):

> All the money we earn from exports goes to repaying the debts, and we get the change. I am not getting financial assistance from anybody. I was using my pocket money to run the farm last year. If Ciskei Agricultural Bank (CAB) did not take all our money we would not be in this situation.

Even the remaining twelve farmers out of twenty-two are confronted with extreme difficulties in establishing themselves commercially. These farmers are caught in a vicious circle from which it appears difficult to escape. An inter-related set of problems revolving around formal ownership of land, access to credit and political decision-making dominates discussions between black farmers and various agencies (e.g., Katco Packing Agent, Capespan Marketing Agent, DBSA, Land Bank, IDC, 'Uvimba Provincial Development Bank' formally known as CAB) working with them in the Alice/Kat river valley.

Neither Katco nor Capespan are geared to providing loans and they found themselves in a difficult position in the Year 2000. When there was a disastrous season in the European market the prices were not good (for all citrus exporters in South Africa). This meant that farmers were unable to repay the loans. Katco and Capespan decided that they would only support those farmers they believed would be able to repay their loans. According to T. Gxotiwe (personal communication, June 20, 2000):

> Last year we asked Capespan to lend us money to carry on, with our activities. But Capespan said, "Gentlemen, I'm going to lend to those people who I see are still surviving". Out of twenty-two farmers they lent to twelve. The other farmers that are already washed away by the floods of poverty and hunger and are still there are in a problem.

Nevertheless, the Kat river valley farmers have continued production despite the collapse of state support with the closure of CAC. Even before the closure of CAC, Katco had been providing production inputs to its members, including the black farmers. Therefore the closure of the parastatal did not seriously hamper the supply of chemicals and fertilizers to the farmers. For Katco members, inputs are provided on credit and the cost deducted from proceeds at the end of the season before the farmers get their money.

Katco also has its own extension service, provides farmers with maintenance and repair support, and seems to be an adequate alternative support from the co-op and Capespan in particular. Mark Fry of Katco explains:

> The co-op provides information. I give feed back, and the technical guys that come in here from the industry give information. ... The co-op has a

technical section. We have a packing facility here where we put the fruit away into the boxes that people want it in. But we have a section here that supports farmers with advice on fertilization and pest control. Anything the farmer needs to know he can find out (M. Fry, personal communication, June 25, 2001).

The major problem with Katco is the running cost of their administration of the packhouse. Katco therefore is not meant for emerging farmers due to its administration costs that alone affect farmers income. The administration of Katco is run by highly qualified personnel. Katco is good for well-established commercial farmers, but not for emerging farmers. The problems of the high administration costs that are faced by the black citrus farmers are also faced by white small-scale farmers. The export markets always compensate the local markets when farmer's revenue from local sales is low. Once the export market declines as reflected in the Year 2000 when the price of citrus decreased the income from returns is considerable reduced. There is a need for the Kat river valley farmers to consider cutting down their costs (for example, transport costs, service cost, maintenance cost) in the long run by forming or establishing their packing house.

Table 1. Gender of citrus farmers

Sex	Number of farmers	Percentage
Male	18	90
Female	2	10
Total	20	100

<u>Black citrus farmers by gender</u>

The dominating gender on the citrus farms is male, comprising 90% of the total percentage of the farmers (Table 1). Female farmers in the valley constitute 10% of the total percentage of farmers. One of the female farmers inherited the farm from her husband and gained possession of her farm after the male farmer left the area. Therefore the males are the majority decision makers on activities in so far as black citrus farmers are concerned.

Family size

The majority of the citrus farmers did not have many family members living with them. Seventy-five (75%) of the farmers have less than five family members living with them (Table 2).

Table 2. Family Size (Kat river valley citrus farmers)

Family Size	Number of farmer households
1-2	7
3-4	8
5-6	4
7-8	1
9-10	2

Age of farmers

Young people dominate the farming industry. The majority of the farmers working are in the age group of 31 – 40 years (Table 3). There is therefore no need for the financial institutions to be reluctant to finance these farmers on the basis of their age group, minus other factors.

Table 3. Age Group of Farmers

Age Group	Number of Farmers
31-40	13
41-50	7
51-60	2
Total	22

Educational Qualifications

The standard of education of farmers is generally high (see Table 4). Just under Forty-five percent of the Alice/Kat river citrus farmers have post-matriculation qualifications and approximate 40% have qualifications ranging between standard seven and ten. Ninety five percent (95%) of the farmers are literate. This study shows the capacity of literacy among these farmers on the basis of their qualifications and other practical skills. The farmers have sound technical skills but lack practical entrepreneurship skills. The case of one farmer is given below:

> In the first place I qualified as an agricultural officer from Fort Cox in 1986. So I worked there for a period from 1987 to August 1990. Then while I was at Fort Cox I heard that CAC is privatizing some of its land. So I decided to grab the chance and applied. There were two farms that were being privatized during that time (M. Siko, personal communication, June 20, 2001).

Seventeen out of twenty-two citrus farmers selected to take over the farms had extensive experience in farming. Some of the selected farmers also hold formal qualifications in agriculture with diplomas from the University of Fort Hare or induction citrus training courses at Fort Cox Agricultural College.

Table 4. Education Qualification

Education	Number of Farmers
No schooling	0
Std. 3 or less	1
Std. 4-6	4
Std. 7-8	2
Std. 9-10	6
Post matric level	9

Access to Land and Water Resources

This section provides data on the distribution and access to land and water resources. The availability of land and water, despite the degraded state of the infrastructure and orchards, can uplift the economy of the Alice/Kat river valley.

Land Resources

The majority view amongst the farmers is that the transfer of the title deeds to them will provide them with collateral with which to access credit for replanting and enhancing production.

> The conditions under which we are farming at the moment are very bad, because we cannot get funding for the production input. At the end of the season we will go and pay whatever we have used during the process of producing the crop that has been harvested. Those are the conditions under which we are now farming. Until we get title to the land we are unable to go to any financial institutions for further financial assistance. I'm still waiting for the government to transfer the title deed to me so that development can start within the farm itself (D. Skotile, personal communication, June 20, 2001).

Present Land Utilization

The total area involved in the Alice/Kat river valley is summarized in Table 5

Table 5. Land Utilization in the Kat river valley

Area	Citrus (ha)	Veld and Arable (ha)	Total (ha)
Kat river	360	634	994
Tyumie river	144	1045	1189
Keiskamma river	115	447	562
Total	619	2126	2745

The total area under citrus according to different cultivars in the Alice/Kat river valley is shown in Table 6

Table 6. Total area under citrus according to cultivars

Cultivar	Area (ha)	Trees (Number)
Navels	516	252 020
Clemantines	49	31 582
Satsumas	27	20 803
Valencia	24	9 975
Lemons	4	1 490
Total	619	315 870

The majority of the area is planted with navel oranges. Soft skin varieties like clemantines and satsumas are becoming popular and it is expected that these varieties will expand in the future since the current prices for soft skin citrus are also higher than the other varieties.

The total area and the tree numbers according to age group for the total citrus plantings are shown in Table 7

Table 7. Total Area and Citrus Trees According to Age Group for Alice/Kat river valley

Age Group (Year)	Area (ha)	Number of Trees	Percentage (%)
0 – 5	0	0	0
6 - 10	90	55533	14
11 – 15	231	137783	37
16 – 20	100	49537	16
21 – 25	10	4832	2
26 – 30	33	12436	5
31 – 35	59	18649	10
36 – 40	27	10398	5
41 – 45	36	13757	6
51 – 60	33	12945	6
Total	619	315870	100

The majority of trees are currently in a young productive stage as the optimum economic life of a citrus tree is approximately 31 - 35 years (Netterville, 1996). Sixty-seven percent of the trees are 20 years and younger. A balanced situation would reflect 43 percent in this age category. Thirty-three percent is 36 years and older. Some of these trees are still producing economic yields but the majority should be removed.

There were twenty-two farmers that were still leasing the land but now the number is decreasing due to lack of access to finance. Some farmers failed to maintain their trees due to the fact that they have no surety for funding.

Access to Water Resources

A major advantage of the Alice/Kat river valley to citrus farmers in the Eastern Cape is the availability of water throughout the year. The Binfield and the Kat dams are the major sources of water in the valley. These dams provide water under the management of the Department of Water Affairs and Forestry to citrus farmers along valleys. The amount of water distributed to individual farms depends on the number of hectares under irrigation. The charge for water is based on the units consumed per hectare per annum.

Infrastructure such as irrigation, electricity, canals and reserve dams for water

The infrastructure already in place in the Alice/Kat river valley needs some refurbishment and maintenance. The first farmers, who were largely white farmers, used canals and furrows to transport water from the rivers to their reserve dams. The farmers of today use electric pumps to pump water from the river to their reserve dams and for irrigation of orchards from the reserve dams. The cost of electricity is high and due to the extensive usage of electricity, there are farmers that are no longer operating the electric pumps due to the failure to pay for the cost of electricity.

A farmer, M. Mfecane (personal communication, June 22, 2001) explains:

> Oranges need a lot of water. In order to irrigate, you need electricity. Now this month we are not going to be able to pay for electricity. Our financial resources are exhausted since we are coming from the picking season. We are still negotiating and we are desperately in need of finance to solve the problem.

The citrus trees of the Alice/Kat river valley started dying because of the lack of irrigation and fertilizers. This resulted in the surrounding community cutting down the trees for firewood. The type of irrigation system installed plays an important role in citrus farming.

Table 8. Total Area and Tree Numbers According to Irrigation System

Irrigation System	Area (ha)	Trees (Number)	Percentage of Total Area (%)
Permanent Micro	409	221 948	67
Permanent Mini sprinkler	31	13 388	5
Drip	33	18 796	5
Overhead Sprinkler	34	12 990	5
Dragline Hose sprinkler	36	18 853	6
Flood	76	29 895	12
Total	619	315 870	100

The majority of the area, 67 percent, is equipped with a permanent micro irrigation system. The area under drip and mini sprinklers and permanent micro irrigation is 77 per cent. The area under flood irrigation will be phased out soon due to the relative high age of trees and poor yields. The area will be equipped with a permanent irrigation system.

Farming and Movable Assets

Farmers in the Alice/Kat river valley own tractors for spraying the fruit and packing the fruit in their own packshed, which they inherited from the former Ciskei Agricultural Cooperation. The Alice and Replemead citrus estates are good examples that have tractors and packsheds that are old, dilapidated and in need of maintenance. These assets, cannot serve as surety for loans from financial institutions.

Socio-economic status of the communities in Alice/Kat river valley

The Alice/Kat river valley presents a case of poverty in the Eastern Cape Province although it is by no means the worst. The working age group is young and poverty is rampant. The inhabitants of the Alice/Kat river valley are poorly educated and social services such as clinics, schools and hospitals are inadequate. Citrus is the major available resource. The production of the citrus should be revitalized to earn substantial revenue to be used in alleviating the problems prevailing in the area.

The Alice/Kat River Valley has high agricultural potential, with well-developed infrastructure and a ready market for citrus, with packing agents and extension officers coming from Capespan and Katco for export production. The Kat river valley farmers use Katco as their packing agents while the Alice river valley farmers use their dilapidated packingsheds (one in Tyumie and the other at Replemead) which prevent them from sending their products to the European markets throughout the year. Katco always keeps up with the market standards and their farmers still get good returns in comparison with the farmers from the Alice river valley. The white farming communities dominate Katco whose administration operates efficiently throughout the year.

Production and Marketing

Local fruit from Katco is sold on the fresh produce markets in Fort Beaufort town. The prices projected for local fruit are shown in Table 9. Citrus packed at Tyumie, not suitable for export, is marketed to local people. Hawkers collect the fruit at the packshed with the result that no transport cost is levied against the farmers. The majority of the fruit packed at Replemead for the local market is sold to the local hawkers. A portion is however sold at fresh produce markets in the towns. The transport cost is added for produce sent to the towns.

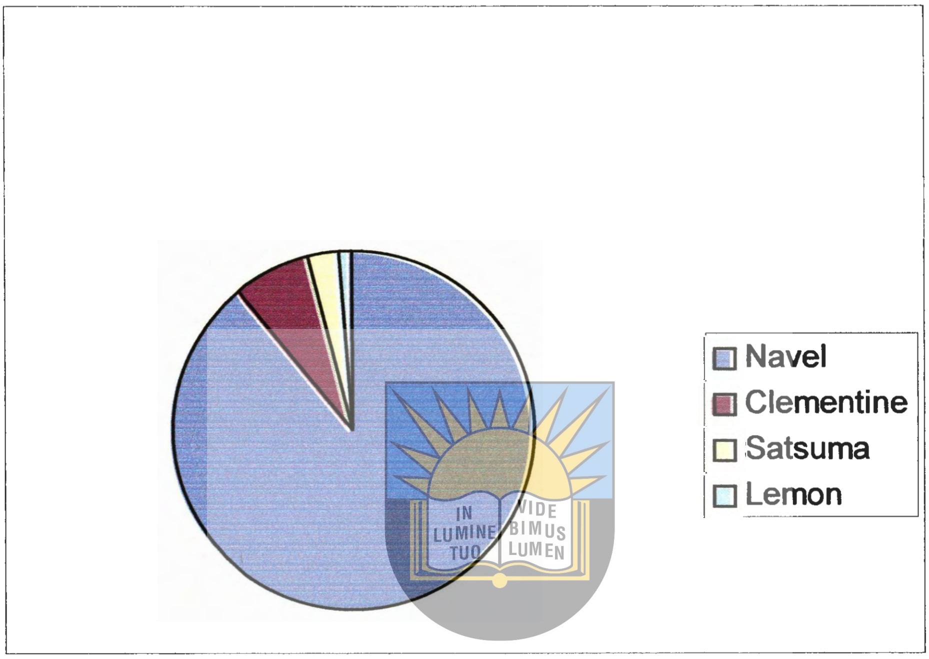
Therefore the citrus industry is a significant component of the rural economy of both the Eastern Cape as a whole and Alice/Kat river valley.

Table 9. Price projected for local market (in Rand)

Item	Tyumie	Katco	Replemead
Selling Price (R per Ton)	355	388	363
Less Transport	0	86	18
Net Selling Cost	355	302	345
Packing Cost	105	248	114
Net After Packing	250	54	231

The Alice river valley packshed (Tyumie and Replemead) is still operating during the packing season, although the previous mistakes during the packing season have not been corrected and the machinery is in a state of disrepair. There are only black citrus farmers grading their fruit at the two Cooperatives. The Tyumie and Replemead packsheds are still using dilapidated machinery and there is no proper administration during the packing season.

The farmers in the Kat river valley are citrus farmers. There are four citrus varieties that are planted in the valleys, that is the navel variety, soft citrus such as clemantine, satsuma (easy peel variety) and lemon. The dominating one is the navel variety in the valleys with 89% navels, 6.7% clemantines, 3% satsumas and 1% lemon (Figure 2).



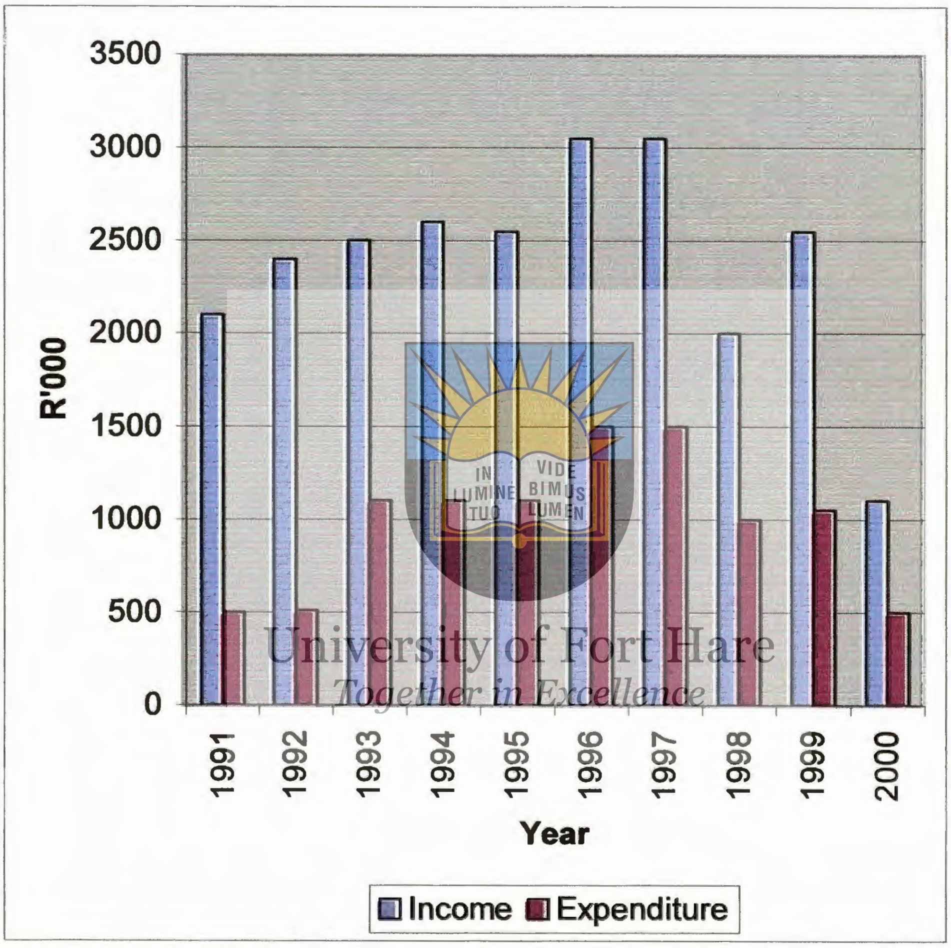
Source: Katco orchard planting date and production records, 2000

Figure 2. The dominating citrus varieties planted in the Alice/Kat river valley

The average production of citrus per farmer is one thousand two hundred bins (400kg/bin). About 60% of the produce is exported to international markets in cartons. (Note: One bin is equal to twenty-four cartons). Therefore, each farmer is producing an average of about seventeen thousand cartons to the international markets.

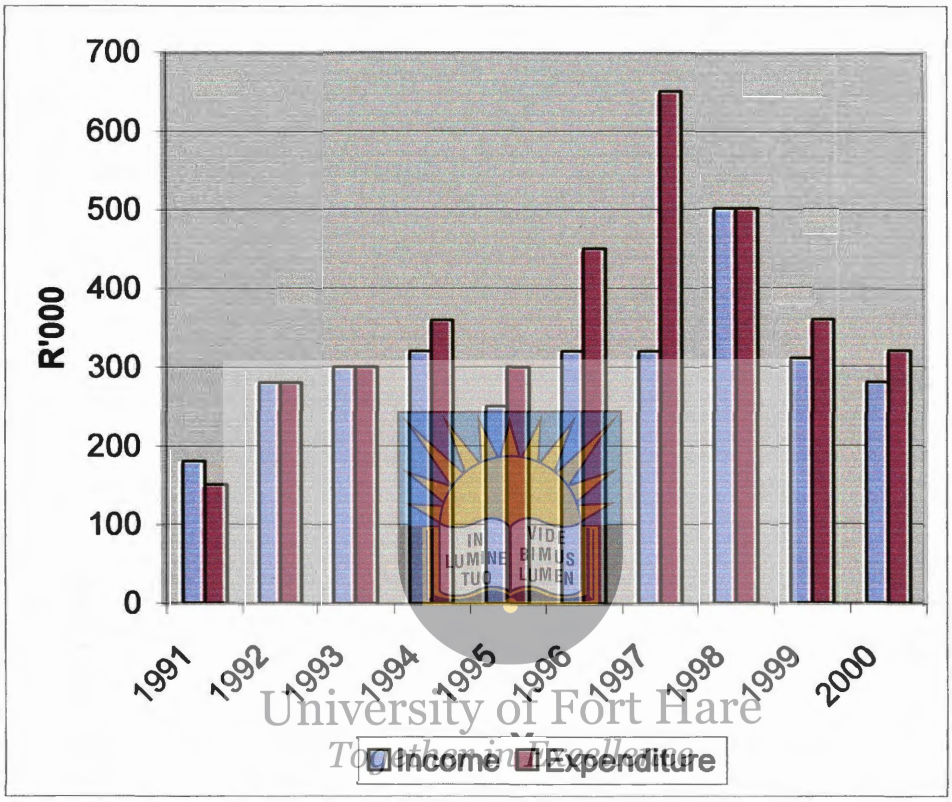
Value of production from Katco (1991-2000) Local and Export sales

Export markets yield a high income as compared with the local markets (see Figure 3 and 4). It is therefore economically better for farmers to concentrate on international markets as opposed to local markets (see Figure 4).



Source: Katco annual reports

Figure 3. Value of Katco Export Sales, 1991 - 2000



Source: Katco annual reports

Figure 4. Value of Katco Local Sales, 1991 - 2000

The Citrus production characteristics in the Alice/Kat river valley

Table 10. Yields tonnage per hectare according to tree age, expected lifespan and expected yield tonnage per hectare, per variety

	Yield ton per ha	Yield ton per ha	Yield ton per ha
Tree age	Navel	Lemon	Easy peel (Clem/Sats)
1	-	-	-
2	-	-	-
3	-	12	-
4	9	24	9
5	19.2	36.8	19
6	25.2	43.3	21
7	30	52	28
8	34.8	57.6	38.25
9	39.6	64.8	47.25
10	43.8	72	52.5
11	46.8	77	58.5
12	51.6	80	63.8
13	55		69.8
14	57.6		72.8
15	59.4		75
16	60		
Expected lifespan	33yr	25yr	25yr
Potential production tons/ha	60	80	75
Likely production tons/ha	40	55	45
Conservative production tons/ha	30	40	35

Source: Netterville, 1996

The likely production tons per hectare for the different varieties are navel - 40 tons/ha, lemon - 55 tons/ha, and the soft citrus - 45 tons/ha.

The income from citrus varieties for the last ten years

The citrus products have slow returns but these returns provide the farmer with a high income. The farmer produces an average of seventeen thousand cartons at a rate of fifteen Rand per carton per annum. That is a good return to compare with other agricultural produce as citrus products have a higher demand on the international markets. The income derived from the export of citrus products fluctuates every year as this product competes with products like deciduous fruit.

Therefore the market is the controlling factor of the price and determines the income that the farmers derive. The average price of the exported navel is R23.30 per carton, (i.e., 15kg carton) from the international markets (for example, European and Asian markets) to delivery in port (DIP), lemon is R27.36 per carton, clematines is R24.30 per carton and satsuma is R23.50 per carton while local market (for example, farm gate prices) shows some negativity due to the Rand constrains in the market (Katco 2000) that is between negative of R0.50 to - R2.00. The above figures show that the income per carton for lemon is more than the other citrus varieties.

The current situation of the black citrus farmers in the Alice/Kat river valley

The study is significant in that it indicates that despite producing for export and being members of an establish cooperative, the farmers are confronted with extreme difficulties in establishing themselves commercially. Despite their advantageous position related to those who were discriminated against under apartheid, the commercial black farmers of the Alice/Kat river valley have to overcome the legacy of apartheid in that the land does not belong to them and financial institutions are not willing to assist them, coupled with a hostile neo-liberal environment. This is manifested in the difficulties they continue to face with regard to ownership and access to productive resources and to socially embedded networks of control and power.

Farmers are caught in a vicious cycle from which it appears difficult to escape. An interrelated set of problems revolving around formal ownership of land, access to credit and political decision-making dominate discussions with black farmers and the various agencies working with them in the Alice/Kat River valley. (The problems are interrelated because each one relies on the solution of others to kick-start the process of its own resolution).

The situation, in outline, is as follows. The farmers are unable to produce at the quality and quantity required for export unless they get access to credit for production inputs and for orchard expansion and upgrading. However, they are unable to get required credit because they do not have formal ownership of the land that would serve as collateral. The reason for the farmer's failure to get formal title is that they have debts outstanding with the CAB, which wants repayment before title can be given.

The farmers need to develop and plant new trees in order to increase their quality for export production to generate enough income to cover running costs and repay the debt. In turn, increase in export production requires a regular and timely supply of inputs in the short term and replanting of trees in the short and medium term. This leads back to the beginning of the cycle, which is need for access to credit.

The CAC (Ulimocor) offers the farmers five-year leases with the option to buy the farm, and after that period for those farmers who are in good stead. However, to date none of the farmers has taken ownership of the farms. At present the national government (DLA) is the legal owner of the land. The post-apartheid constitution established that all properties owned by former homeland governments were to be vested in the government, be it at national or provincial level and Ciskei state land went to the national government. Nine out of twenty-two farmers in the Alice/Kat River valley were given letters of occupation by the national government (DLA), while the rest continued to operate under the expired lease agreements.

Loest a principal planner, (personal communication, July 2, 2001) explains:

> Most of the farmers have deeds of sale. This means they can get title only by going to an attorney and paying the purchase price of the farm. If a farmer chooses to do this, the lease payments they have made to date will be subtracted from the price.

To understand why the farmers have not yet taken up the offer it is necessary to look at both the mechanisms for land transfer and at the debt situation of the farmers. The debts on most of the farms exceed the security value of the property. If it is to be recovered through seizure of assets, it is the farmers personal assets that will be seized. It is for this reason that the farmers do not want to accept the title deeds before an agreement to restructure or write-off the debt has been reached. If the farmer accept the title deeds before restructuring, it is likely that the farms will immediately be seized to recover the debts.

The policy of the post-apartheid government is that an operational land market is desired, and that this should extend into the communal areas as soon as possible. Yet the government has not resolved the tenure issue, or moved to implement the proposal for restructuring the citrus farms that have been on the table for years. The present government is facing a dilemma of empowerment and fair equitable sharing of benefits arising from land reform as its own policies favour the establishment and support of a commercial black farming class, but it must also be seen to be widening the access to resources to include others who have been discriminated against in the past. According to Ellis (1999), given that land and water resources are publicly owned, the state has the responsibility to ensure that these resources are used to the best advantage, not only for the benefit of a handful of individual farmers but also for the broader community and the economy of the province.

The post-apartheid government is finding it difficult to justify continued large-scale support to such a small group of individuals when other commercial farmers and indeed the majority of the rural population are bound into a far lower level of potential support through official policies. Writing off the debt or transferring title to the individual farmers is likely to be very unpopular in a region where most people have limited access to land and their formal rights to land are tenuous, and where insignificant state support has devolved for agricultural production. At the same time, the Alice/Kat River valley farmers could be a very successful example of the government's export-oriented path. The government therefore finds it difficult to just drop the farmers and let the 'market' do what it will. The farmers are potentially eligible for a state grant under the Land Reform and Agricultural Development programme (LRAD) of the Ministry of Agriculture and Land Affairs. However, they will be unable to access the grant until they have legal ownership of the land.

Another problem is that there is uncertainty about whom the land should go to and who has claim to it. The history of the area indicates that although restitution only recognizes claims from 1913 onwards, the resolution of tenure issue will have to take into account the valid claims to the land by a range of groups. These include the descendents of the Ngika, the 'coloureds' of the Kat River Settlement, the Mfegu, the current occupiers and those who have used the land productively in recent times. Without resolving the overlapping claims of these entire groups, the question of access to land for residence and production will continue to dog development efforts. While the current farmers may have a legitimate claim to the land since they have put their own resources into the land, it must be recognized that they were given this opportunity to the detriment of others, including those who were living on and around the farms before they arrived.

As far as the communities running farms near Alice are concerned, the situation is one of an uneasy maintenance of the status quo, that is, the communities remain on the farms and continue producing as well as they can but without much hope of any significant production or marketing support from government. At present, the government is unlikely to interfere with the way the farms are operating.

The regional director of planning and development in the Department of Agriculture and Land Affairs, Zukile Pityi (personal communication, June 30, 2001) says:

> I don't think that the Alice/Kat river valley security on that land is threatened. No, it's not threatened. Because they are utilizing those farms for their own benefit I don't think government will ever take the chance of jeopardizing their future by taking them out of those farms.

Under one interpretation of tenure legislation the land could actually be donated to a community body on the basis of beneficial occupation. This would therefore mean that all dwellers who have occupied the land for significant periods of time would become landowners. However this policy has not yet been formally approved by the National Treasury, which has to pass it because it involves the transfer of state resources although ad hoc cases using this policy have been approved in the past. The Provincial MEC for Agriculture has expressed his willingness to donate the equipment being used in the past to the community run farms that are still owned by the Department of Agriculture.

For the commercial farmers the result of the general approach to land reform is that an ability to pay for the land and to repay loans outstanding on the land are prerequisites for land transfer. Redistribution is therefore underpinned by the market and hence by the ability of potential beneficiaries to engage in transactions with the market. Part of the dilemma for the government is that failure to recover the debt has implications for the viability of the newly formed provincial financial institution (Uvimba) because the debt represents 66% of it loan portfolio (Uvimba Management). Full debt repayments therefore become a key element in the equation in Alice/Kat River valley.

Debt and Accumulation

The debts on the farms have a long history. A loan to the value of R1.6 million was granted by the Department of Foreign Affairs of the apartheid government to the Ciskei Government in 1983 to maintain the citrus farms. This loan was refunded in 1997 by the Department of Finance as a part of the consolidation and repayment of bantustan loans incurred under apartheid (CAB, 1998). In 1985 the DBSA provided a further R6.75 million to CAC for replanting and installation of irrigation equipment and moveable assets (CAB, 1998). Finally, in 1994 short-term (production) loans worth R3.1 million and long term (crop and fixed improvements) loans worth R6.25 million were approved while only R1 million of production loan was disbursed (CAB, 1998).

The citrus industry requires a huge capital for smooth development. The farmers are disadvantaged as they are saddled with a debt of R25 million with annual interest, which keeps accumulating (Ellis, 1999). Therefore, the citrus farmers are unable to access finance as a short, medium or long term loan to improve their farms.

The liquidation of CAC saw the transfer of the loans of same farmers to CAB. The outstanding debt to the DBSA was included in the liquidation process of CAC (Ciskei Agricultural Bank, 1998). It is therefore difficult to track precisely to what extent the farmers themselves are accountable for the loans.

> Quite a lot of money was spent by the state in upgrading these farms when they took over and a lot of money was transferred onto the farm accounts. So the farmers have ended up with inherited debt as well as their own debt from loans when they took over the farms individually. But they might have actually become a manager of the farm after another guy and the previous person might have spent a lot of money through the parastatal, which would have been transferred to the account of the farmer that takes over (M. Fry, personal communication, June 25, 2001).

In 1999 the CAB was merged with the Agricultural Bank of Transkei into Uvimba Bank, a provincial development bank. This put more pressure on the provincial government to recover the loans since up to two-thirds of its new portfolio rested with CAB. Without recovering the capital that will be used to get the new institution up and running it is possible that the whole plan will be stillborn. Other political pressures have also been brought to bear on the government of the day.

According to the regional director of the provincial Department of Agriculture and Land Affairs, D. Fadana (personal communication, June 22, 2000):

> It is not going to be easy to have these debts written off. That's going to be a political decision; it's up to the politicians to decide to write them off. Because what has happened is some of these farmers were good and other farmer can manage to repay the debt with the agricultural bank. And once you say no, you are going to write off the debt of others, and then it's going to raise some problems. The others will say, we also need assistance, why do you write off the debt of these other farmers while we paid up our dues?

The issue of debt and land tenure with the citrus farmers is like a chicken and egg situation. The government does not want to give citrus farmers title deeds unless the issue of the debt is resolved. The state has therefore held a tight line regarding the debt, insisting that it should be repaid in full in one way or another. There are various options being considered including a transfer of the value of the debt from central government to the provincial bank or a restructuring of the debt to allow the farmers to access credit and begin producing before having to start repaying the debt.

The bottom line is that all capital on outstanding debt will have to be paid back and the farmers should receive no further support from the government. If farmers are unable to repay the debt even after restructuring, then the banks should foreclose as in any commercial situation (Ellis, 1999). A difficulty is that the farms are only valued at R3.7 million in total with debts far higher than farm value (Ellis, 1999). If the leases were cancelled and the farms sold on the open market according to 'business principles' only their value in terms of 'for sale' prices would be recovered. The orchards will be neglected which will result in rapid deterioration.

The market value of the farms is determined by a number of factors including condition of trees, cultivars, irrigation systems, the age distribution of the trees and so on. In the face of debt load like this even increased yields do not necessarily lead to high income (Bembridge, 1987). Meanwhile, yields have been declining and not growing. In 1998, the average age of the citrus trees on the upper Kat farms was 20 years, which put them close to the end of their economic life. The banks are unwilling to open up access to finance the farmer because the farmers owe the banks huge sum of money with accumulated interests, thus regarding farmers as defaulters for not servicing their debt.

The Alice/Kat river valley farmers have been waiting for many years without ownership of the land. Furthermore these farmers are locked into old agreements such as lease agreements and faced with huge debt. Their capacity to pay the debts is limited due to various constrains mentioned previously. The Department of Agriculture and Land Affairs needs to understand the importance for immediate ownership of land by these farmers and come up with a contingency plan for them.

CHAPTER V
LAND AND WATER RESOURCES

Introduction

The hypothesis that is being tested is that the Alice/Kat river valley farmers have the ability to utilize land effectively due to the fact that they have the land and water resources and the necessary infrastructure for productive land use. The land is legally owned by the state without any recognition of farmers as the legitimate owners of the land.

Land Resources

The data presented in Chapter Four together with the historical review in Chapter Three indicate that the lack of land tenure is the primary cause of the ineffective use of land in the Alice/Kat river valley. The farmers are still holding the expired lease agreement of the then Ciskeian government and they also have the letters of occupation from the national government of the new South Africa. The banks do not recognize these types of lease.

The farmers are unable to access the financial resources from banks to develop the land in order to alleviate poverty and improve security. If outside bodies such as the Department of Agriculture and Land Affairs control the land, the citrus farmers do not have entrepreneurial freedom. Land has varied meanings to different people. It is property. This means that the owner is generally free to use his land as he pleases, and that his or her selection of land uses depends on the forces that direct his own preferences and activities (Ely and Wehrwein, 1964).

Tenure and access to credit

Land title is accepted throughout the world as a secure form of collateral for large loans and this goes a long way to explaining the land importance for credit. However many African farmers in the developing countries, especially poor ones, do not require large loans, since they do not earn enough to service them. What African farmers require is access to small loans to enable them to obtain land, connect to basic service and improve the quality of life.

There are few economic factors more important than land, its ownership and tenure. Land tenure determines the right of access to key factors of production in an agrarian economy. It therefore influences both the macro-economy and distribution of income among individuals. The researcher stated in Chapter Four that these farmers are owning old assets and infrastructure, which are sunken goods that require a huge amount of capital for renovation. The principle of credit worthiness under capitalism states that credit should be only with a guarantee of fixed assets (Letsoalo, 1987; Payne 1997).

Access to Water Resource

Water availability is critical for citrus trees. This resource became a problem in the Alice/Kat River Basin due to the fact that to have this resource the farmer used electricity instead of the canals and furrows to pump water from the Kat River. Electricity is expensive and demands lots of money from the farmers concerned to transport the water from the river to the reservoir dams for irrigation use. Farmers were unable to pay electricity bills and Eskom, the electrical company, therefore closed its services to the farmers who failed to pay for the services. This resulted in irrigation being halted on most farms and this affected the production of citrus in the Alice/Kat river valley.

There is need to improve farmers access to water to correct this problem. This could be done through repairing the existing canals and furrows, which are in a poor state, in order to cut down the cost of the electricity. The government should also have to subsidize the on-going cost of the running of the farms to sustain the small-scale farmers, at least for the first five years after which the farmers should be able to stand on their own.

Clear policy and strategies are now needed to address aspects such as financial mechanisms at interdepartmental, departmental, project and production levels. In the light of this, the Department of Water Affairs and Forestry (DWAF) has signed a contract with the ARC-Institute for Agricultural Engineering for the draft of a policy on implementation strategies on integrated water management for small scale agricultural use. The objective of ARC draft policy has been identified for the revitalization of the agricultural water-use sector and improved food security through own production.

Development model

The purchase of the farms in the Alice/Kat river valley would not be easy unless special development packages are provided. The development packages should be designed to use the different types of land ownership to meet the disparate demands. The development packages are likely to have the best chance of success. These development packages should aim at improving the land reform procedure with an appropriate land transfer system, form of credit for loans and farm support services, which can improve the production of citrus in the Alice/Kat river valley.

The key findings which are the evidence of land use are not sustainable in the Alice/Kat river valley under the black farmers due to the lack of land ownership and failing to service debt that prevent farmer's access to credit. This means that the Alice/Kat river valley citrus farmers should get all the financial privileges for farming purposes that the white farmers have been getting during the apartheid government. The farmers are not replacing the old trees and thus are frustrated more than thirteen years from the date of privatization to the present time.

Recommendation

The researcher recommends that the following issues should be addressed in order to increase the citrus production in the Alice/Kat river valley: The land issue, debt restructuring, access to water, farm support services, management company, and the conditions for loan should be in place in order to address the problem of poverty of the communities that are trapped on the released areas.

Debt Management Programme

The core of the research is that the Alice/Kat river valley farms should be privatized. This can enable the current tenure to use these farms as collateral which could assist them in acquiring loans to improve the sustainability and profitability of their farming activities. In due course, this will enable them to pay and recover all outstanding debts. The adverse impact of this action would be such that an alternative protection should be recommended to keep the farmers in place and support them until the Alice/Kat valley farmers can function efficiently in the market.

There is a need of the following recommendations: To transfer the ownership of the farms from the state to the farmers by deed of sale without delay, to put in place a financial restructuring package which will enable the farmers to pay for their farms and satisfy their creditors while still allowing the farmers to rehabilitate themselves over time and to provide a coherent and comprehensive support package to the farmers using existing institutions which will ensure they do not finally fail through lack of state and private sector support.

Each of the above recommendation could be implemented in isolation from the others but to extract full benefit from all of the recommendations, they need to be implemented as a coherent programme. Each programme should be linked to or affected by the others. The common factor affecting the programme is the financial decision made regarding the outstanding farm debt.

Debt restructuring

The debt will not be written off but will be restructured so that the farmer will have a reasonable chance of surviving. The farmers should be given normal financial disciplines such as the low interest rate for debt. This interest should be kept at a given percentage and also there should be a moratorium on capital repayment for a given period. This debt restructuring model is held to offer the optimum incentives for those farms, which can be rehabilitated.

This debt-restructuring programme will be implemented within the framework of normal relationships between lender and borrower. That is to say, continuation of arrangement should depend on the farmer adhering to the financial arrangements agreed and contracted to. The recommendation of restructuring the debt is to create a new platform from which the farmers can proceed into commercialization.

Financing future operations

The debt restructuring outlined above is to place the Alice/Kat river valley farmers on the same standing as other emerging or developed farmers, the financial requirements for redevelopment of Alice/Kat river valley should be based on operating capital to maintain the current operation and an additional financing for redevelopment. The Alice/Kat river valley citrus farmers would require low interest financing to ensure success, as redevelopment requires time to establish. The cost of redevelopment of the Alice/Kat river valley citrus farms would depend largely on the cost of capital, the cash flow improvemet in the third season and would increase gradually with capacity to serve outstanding debt from the third year of redevelopment. Once this is in place, the farmer's financial status would be such that they can be funded quite normally.

Tenure options for Alice/Kat river valley

There are currently options for tenure security in the rural areas of the Eastern Cape, namely, individual freehold tenure and 'group/communal' ownership. The communal ownership exists as an option, but would be difficult to implement. The key problem is that communal land in the former bantustans is unregistered and not surveyed. It is estimated that the cost of surveying and registering the land would be exorbitant. Given the budget cut and the perception that rural areas are not a priority for the state, it is unlikely that the government will commit itself to shouldering these costs (Ntsebeza, 1998). This suggests that individuals who want freehold titles must find the means themselves. As the great majority of rural people are poor, this is not the viable option for them.

Communities applying as groups for transfer of land must constitute themselves as a land-holding entity. There are a number of legal entities, for example, companies in their various forms, trusts, 'tribes' in terms of Nationalist government legislation and so on. According to Ntsebeza (1998), in terms of the Community Property Association, members who defined in terms of households must agree to a set of rules and regulations for land ownership. These rules and regulations need to be written into a Constitution that will be lodged in the Department of Agriculture and Land Affairs.

A third alternative is currently being drafted into legislation. This applies in instances where the transfer of land from the state has not been applied. In this case the state remains the nominal owner of land but unlike in the past, will strengthen the land rights of the farmer. The Land Right Bill proposes a category of protected rights created by law to secure the basic right of the farmer in the former bantustans. These rights are registerable in the Deeds of Registry although this will not be compulsory. In short, protected rights holders do not take transfer of land ownership, but their rights to land are secured by law.

Tenure and land use

Freehold tenure and property rights can exert a significant influence over land use and land values. Freehold tenure offers occupants the greatest degree of autonomy and freedom to use land as they wish and realize its full market value.

The concept of land tenure involves the whole social relation of the rural people to one another. An acceleration of the process of transferring land from the state to the qualifying Alice/Kat river valley farmers would significantly improve the land use.

Land reform had the potential to make a direct impact on poverty through targeted resources transfer, particularly in the rural areas. It is viewed as an instrument for redressing the inequities in access to economic opportunities and resources. The land reform literature is saturated with empirical arguments arguing the case for land reform. These arguments relate to the economic benefits derived from tenure security, the desirability of transferring land to more efficient users through land sales and rental markets.

<u>The formation of the management company</u>

All the stakeholders (government, IDC, banks and farmers) should come together, to form a joint venture and establish a management company as an interim organization to manage farms in the Alice/Kat river valley. This company should be disbanded once the situation favours agricultural production. The farmers in the valley should be the shareholders of the management company. Farmers must pay levies based on the tonnage sent to the packhouse. The profit generated to the company should be divided according to the tonnage delivered by the farmer. The dividends should be based according to the tonnage delivered by the farmer, and the payments should be made for the first five years.

The Alice/Kat river valley citrus farmers should participate in the company's constitution formation. Farmers with higher tonnages should get a higher vote percentage than those with lower tonnage for the decision-making and the company's leadership. The company should have a working capital deposited in the bank, which is the strategic partner with the farmers, and should act as a lender to render technical services. Financial services, citrus farming uses extensive capital resources, which require financial, strategic management and technical skills. The farmers concerned should pay, with interest, for the management, technical, financial and strategic planning services.

The packhouse should capitalize the debt. The financial institutions that financed other citrus farmers in the Alice/Kat river valley should fund annual operating cost. A Management company is necessary to provide funds from external sources for Alice/Kat river valley farmers, with the management company acting as an intermediary applying all its credit criteria (Figure 5).

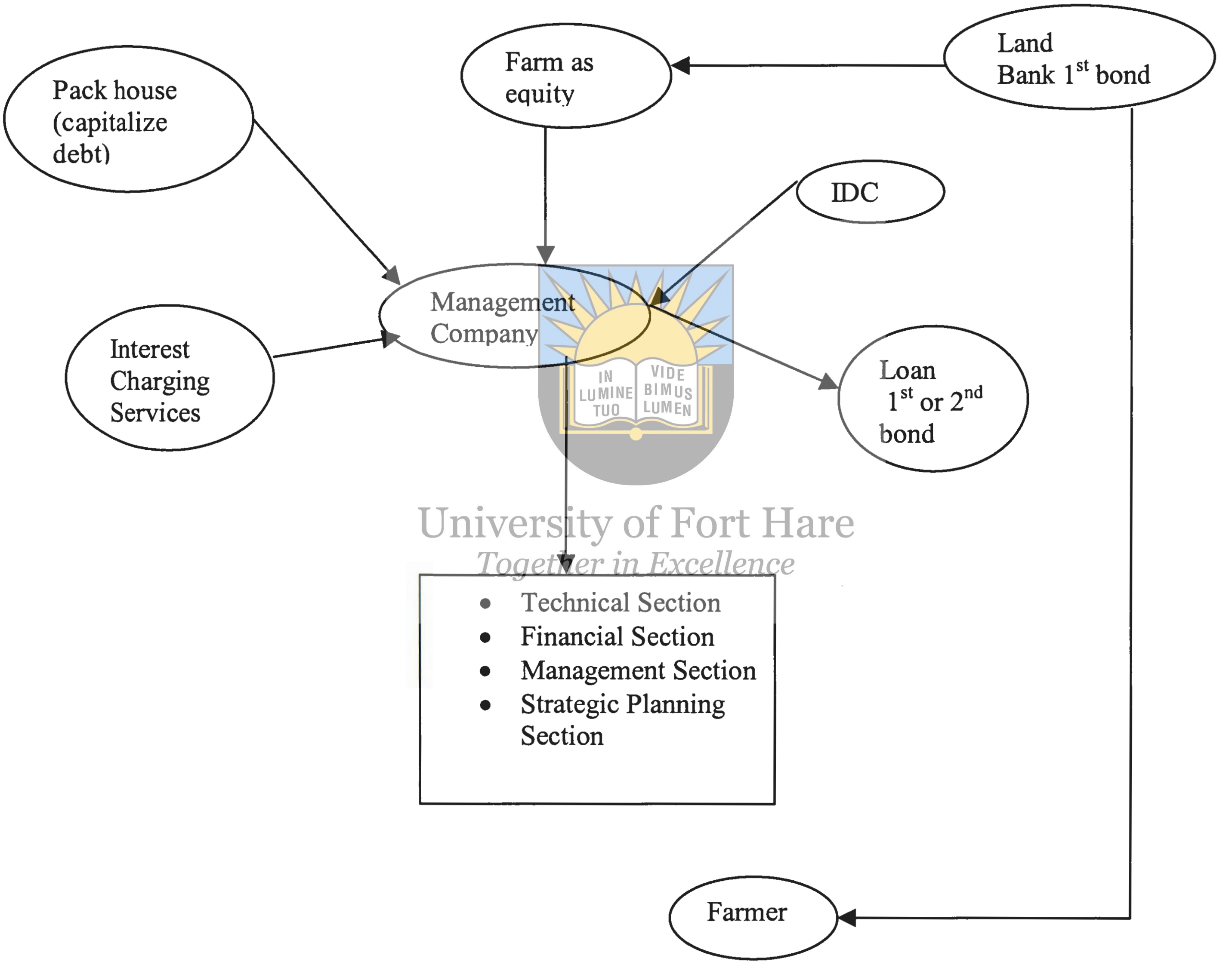


Figure 5. The formation of the management company

Conclusion

The development of the citrus industry in the Alice/Kat river valley is not easy under the management of black farmers unless special development packages are provided. These packages should be in a form of improving the land reform procedure with a proper land transfer system, the availability of credit for loans and farm support services, which can improve the production of citrus in the Alice/Kat river valley.

Once these issues are well addressed there will be security, confidence, increased citrus productivity and economic development in the region. The government should take into consideration the development of the emerging farmers, and government should implement programmes that might rehabilitate the irrigation schemes that were established during the "homeland" system. The following directives were adopted: that of food security, job creation opportunities and alleviating poverty. These directive approaches produced plans, which have no economic benefit. Failure to address the need for increasing citrus productivity, to provide opportunity for revitalization of the citrus industry in the Alice/Kat river valley, will mean the continuous and accelerating the better life for all, and the improvement of the living standard of the communities in the Amatolo District Municipality.

Appendix 1. Structured and Semi Structured Questions used for stakeholders

The researcher structured his questions by using the following format for information gathering in order to achieve the purpose of the study.

1.Technical (Experts, service providers and government officials)

(a) Extension and Training

How many farmers are farming in the, Kat, Tyumie and Keiskamma river valley?

What kind of extension message do extension workers give to farmers?

How do extension workers contact the farmers?

How frequently do farmers receive training from extension workers?

What management information system is in place to assist citrus farmers?

Are farmers trained in financial management?

(b) Credit based on financial institution and government

What kind of credit is given to farmers?

How much money do financial institutions allocate yearly for supporting citrus farmers?

What are the credit issues and recovery system?

Does each farmer know what his/her individual debt is?

How is credit repayment?

(c) Infrastructure

What infrastructure exists at each farm and who established them?

Is the infrastructure adequate to support the existing production?

Is the existing infrastructure in a good condition? (To sustain the farming activity)

(d) Production question based on the packing and marketing agents

What is the export percentage v/s local percentage tonne per tree?

What types of cultivars are planted?

What is the long-term plan concerning production?

Institutional

(a) Co-operative (Farmers)

Is there any existing cooperative of farmers?

How were they formed?

Are members of the co-operative management trained?

Are co-operatives benefiting non-members?

(b) Department of Agriculture/Deeds Office (Government officials)

How did farmers obtain the citrus land?

Are they beneficiaries of land reform?

Are farmers having title to land? If no, when do they expect to get it?

Who is the owner of land?

Are farmers happy with the present system of the land tenure system?

What does the land tenure mean to them?

What services do the government give to sustain the farming industry in the Alice/Kat River valley?

What other government parastatal bodies are involved in the farming operation?

If any, how is co-ordination between the farmers and funding institution undertaken?

(c) Private Sector

Are there any private bodies involved in partnership or joint ventures with farmers?

How are private sectors involved to sustain citrus farming production in the Alice/Kat river valley?

What linkages existed between local grouping individuals for farming and private sector in terms of financial assistance?

(d) Economic (farm dwellers and farmers and Katco officials)

Has the privatization of citrus scheme by Ciskei Agricultural Co-operation;

- Increased economic opportunities in the region?
- Increased business activities?
- Increased interaction with other economic activities?
- Benefited to non-scheme farmers?

Increased profit margins to citrus holders?

(e) Financial (Government officials and Katco official)

What is the intention of Government regarding the recovery of land rent and the cost for services rendered to the farmers?

What is the total cost of each farm?

What is the contribution by Government towards the cost of citrus farming in the Alice/Kat valley?

What is the total overhead cost of each citrus farm (including the costs associated with the extension officer)?

What levies are currently paid by farmers to Government?

What is the net annual income per farmer at each farm?

(f) Alice Kat river valley farmers and farm dwellers Participation

(i) Project initiation and design

Who made the decision to have the citrus project privatized -chief, local authority, entire community?

How were the project participants selected to lease the farm?

Were the participants involved in the planning of the project, the designed and implementation of infrastructure?

(ii) Management Committee (Farmers)

How was the management committee formed and what is its composition?

Are government officials observers or full members of the committee?

Who calls the meetings and draws up agenda?

How often do government official attend the management committee meetings?

Does the committee report back to the members? If so how and how often?

Are full meeting of all the members held? If so, on what occasions?

Appendix 2. List of interviews conducted

Experts, Service providers and government officials
(All interviews conducted by M Mpukane)

Mr. Daniel Motsoane, Alice/Kat extension officer, Capespan – Fort Beaufort, June 2001

Mr. Mark Fry, Marketing Manager, Kat River Citrus Co-operative (Katco) – Fort Beaufort (Informal discussions)

Mr. Dumisani Fadana Regional Director, Eastern Cape, Department of Agriculture and Land Affairs – East London (Formal meeting regarding land tenureship)

Mr. Zukile Pityi. Director: Planning and Development in Department of Agriculture - Bisho (Meeting concerning with Land tenureship)

Mr. John Allwood, Acting Permanent Secretary Department of Agriculture- Bisho (Meeting concerned with the debt restructuring)

Mr Viv Loest, Principal Planner, Eastern Cape Department of Land Affairs, Queenstown – Fort Beaufort Country Club

Farmers

All interview conducted by M Mpukane

Mr Themba Gxothiwe, Woburn farm (Tyumie Estate) Alice/Kat River Development Trust Chairman - Alice Informal discussion

Mr Eric Nohamba, Konzi farm, Secretary of the Alice/Kat River Development Trust and Board Member At Katco representing Upper Kat Black Farmer

Mr Mthiwekhaya Siko, Oakden farm

Mr Ncamile Dyonase, Leta's farm

Ms Gladys Metula, Top Kat farm

Ms Noluthando Mbilase, Greenwood

Mr Malusi Mfecane, Liddell farm

Mr Daniel Skotile, Krila farm

Mr Thozamile Lukalo Eden farm

Mr Mcebisi Ndzoyi, former Orange Grange farm

Appendix 3. Farms investigated in the case study

Farm	Farmer	Area	Packhouse	Area under Citrus (ha)
Liddell	Mr M Mfecane	Upperkat	Katco	23
Leta's	Mr C Dyonasi	Upperkat	Katco***	12
Topkat	Ms Metula	Upperkat	Katco***	22
O/Grange	Mr M Ndzoyi	Upperkat	Katco*	20
Greenwood	Ms Mbilase	Upperkat	Katco**	24
Jerusalem	Mr M Futuse	Upperkat	Katco	37
Eden	Mr E Nohamba	Upperkat	Katco**	17
Konzi	Mr E. Nohamba	Upperkat	Katco	26
Jerico	Mr M Mpambani	Upperkat	Katco	19
Krila	Mr D Skotile	Upperkat	Katco***	26
Jordan	Mr S Ndlangalavu	Upperkat	Katco	22
White's	Mr M Mpukane	Upperkat	Katco	20
Torties	Mr S Skotile	Upperkat	Riverside	40
Oakdene	Mr H. Siko	Upperkat	Katco***	10
Gonzana	Mr S Mqoma	Upperkat	Katco	20
Tyume	Mr H Gxothiwe	Tyumie	Tyumie	40
Thorndale	Mr M Noqekwa	Tyumie	Tyumie	40
Good hope	Mr M May	Alice	Katco***	20
Replemead	Mr L Mgadle	Peddie	Replemead	50
Nodeshoek	Mr S K Mpahla	Peddie	Replemead	48
Replemead	Mr H Nyamezelo	Peddie	Replemead***	15
Craighead	Mr M Titiman	Peddie	Replemead***	65

Source: Ciskei Agricultural Bank, 1998; Katco orchard data, 1999

*CAB liquidated Orange Grange Farm in 1998

** Farms were taken over by other farmers when their owners abandoned the farms

*** Their owners abandoned farms

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