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COMMERCIAL FARMERS' SUCCESS FACTORS AS A BENCHMARK IN THE DEVELOPMENT OF EMERGING FARMERS

AS Pelser

North-West University (Mafikeng Campus), South Africa

aspelser@hotmail.com

orcid.org/0000-0002-0384-5901

T Pelser

UKZN, Graduate School of Business & Leadership

pelser@ukzn.ac.za

orcid.org/0000-0001-5935-0185

PJ van Schalkwyk

North-West University (Mafikeng Campus), South Africa

Vanschalkwyk.schalk@nwu.ac.za

orcid.org/0000-0002-6800-4978

—Abstract —

The South African Department of Agriculture allocates substantial development funds to create entrepreneurs in the agricultural sector. The Comprehensive Agricultural Support Programme (CASP) was launched in 2004 for disbursements to farming households as a non-refundable grant. The aim of the CASP fund is to provide capital and post-settlement support to the targeted emerging farmers in order to become successful SMMEs within the agribusiness sector. Most of the funds spent on CASP within the North West Province have been declared as a fruitless and wasteful expenditure, since the grants did not add value and the targeted emerging farmers were unsuccessful year after year. The main objective of this study was to compare emerging farmers to existing commercial farmers and explore the problems faced by emerging farmers. Quantitative data collection was done through questionnaires; responses from

202 emerging farmers and 268 commercial farmers were received. The results from the research revealed that only 11 percent of the emerging farmers received any formal training in agriculture compared to 72 percent of the commercial farmers. It was also found that emerging farmers are not linked to market agencies, whereas commercial farmers are. Most of the commercial farmers indicated that they are connected to experts within agricultural cooperatives, whereas emerging farmers were only assisted by the extension officers from the Department of Agriculture. Most of the commercial farmers are successful entrepreneurs due to education in all fields of management. It is imperative that more attention should be given to training and mentorship in all fields of management. Government should also seek to establish alliances with private institutions (i.e. agribusinesses, financial institutions, organised agricultural) to form public/private partnerships in their search for successful development of emerging farmers in agriculture.

Keywords: Farmer, farming, entrepreneurs, agriculture, skills development

1. INTRODUCTION

The aim of this study is to identify the key success and failure factors of emerging farmers in the agricultural sector in South Africa in general and specifically in the North West Province. A sound foundation to develop SMMEs in the agricultural sector was laid in the North West Province by the Department of Rural, Agriculture, Environmental and Development (READ), which introduced a development fund to assist potential agricultural entrepreneurs in the North West Province, initiated by the National Department of Agriculture. The National Department of Agriculture annually spends a substantial amount of development funds through the functions of the provinces in an effort to create entrepreneurs in the agricultural sector. These development funds are a non-refundable grant. According to Hall and Aliber (2010:9), the development fund, the Comprehensive Agricultural Support Programme (CASP), was launched in 2004 for disbursements to farming households. The aim of the CASP fund is to provide capital and post-settlement support to the targeted previously disadvantaged group (emerging farmers) to become successful SMMEs within the agribusiness sector. Emerging farmers are defined as those previously disadvantaged farmers who want to become successful entrepreneurs in agriculture and then become

commercial farmers, who are now the beneficiaries of the land reform programme (Ducastel & Anseeuw, 2017).

The problem is that the initiatives of growing SMMEs in the emerging farming communities of the North West Province are failing, despite much money spent. At the end of the financial year 2008/2009, the first year this programme was lodged in the North West Province, READ made use of the Directorate Entrepreneurial Development (DED), a parastatal to the READ, as a vehicle to fulfil the function of providing capital and post-settlement support. The annual report of DED (2009:66) states that the success rate on the creation of successful entrepreneurs was extremely poor during the 2008/2009 financial year, as 91 percent of the agricultural projects (emerging farmers) financed by these development grants were not viable and failed. Out of the R68m spent for the 2008/2009 year, R62m was declared fruitless and wasteful expenditure. After the financial year 2008/2009, this function was taken over by READ. However, this did not result in a positive change in the development of successful farmers. During the 2016/2017 financial year, R157m of these CASP funds were declared irregular expenditure and R14m were declared fruitless and wasteful expenditure. This is public money and reflects very negatively on government regarding how taxpayers' monies are spent. This means that there were no contributions made towards food security and the realisation of the government initiative. Clearly, the funding was insufficient or other measures were needed to help agricultural entrepreneurs attain success. Nieuwenhuizen, Groenewald, Davids, Janse van Rensburg and Schachtebech (2016:528-536) state that governments all over the world have recognised the importance of entrepreneurship. The United Nations general passed the resolution, encouraging all emerging and developed nations to pursue entrepreneurship as a policy. This implies the integration of entrepreneurship programmes into the educational system. This will develop the population in South Africa towards a way of thinking that is opportunity oriented and will foster an entrepreneurial culture and economic literacy.

Rural development, food security and land reform were priority areas listed in the African National Congress (ANC) election manifesto of 2009 (ANC, 2009). The manifesto also declared, under the heading of rural development, the following:

> The ANC government will intensify the land reform programme to ensure that more land is in the hands of rural poor and will provide them with technical skills and financial resources to productively use

> the land to create sustainable livelihoods and decent work in rural areas, expand the agrarian reform programme, which will focus on the systematic promotion of agricultural cooperatives throughout the value chain, including agro-processing in the agricultural areas. (ANC, 2009).

National Treasury (2019:12) confirms the R176m budgeted for the 2018/2019 financial year for the North West Province, compared to the total budget of R1 750m for South Africa, which represent 10% of the total budget.

In South Africa, the search for sustainable and productive emerging farmers is important for food security, as mentioned by Mmbengwa (2010:2753). It also brings the previously-disadvantaged farming entrepreneurs into the mainstream of the agricultural economy. According to Hall and Aliber (2010:9), CASP has six pillars for which funds can be made available, namely infrastructure, information and knowledge management, training and capacity building, technical and advisory services, financing mechanisms as well as marketing and business development.

Gumede (2018) mentions in News24 that the Zimbabwe's failed populist-based land reform is a useful lesson for South Africa. He further highlights that, in 2016, the Zimbabwean president declared a state of disaster for agriculture, a declaration that allowed international donors to help. This declaration was also a clear admittance that the development of agricultural entrepreneurs had failed. Consequently, this paper will discuss the factors that lead to successful entrepreneurship in farming in South Africa made possible by emerging farmers.

2. METHODOLOGY

The study followed a quantitative approach and the target population was emerging farmers and commercial farmers. The *emerging farmers* who received financial assistance from READ were targeted for the current study. A list of these emerging farmers (projects) was obtained from READ. All these emerging farmers (projects) are registered with the Provincial Treasury as a beneficiary to these development CASP funds. The *commercial farmers* selected were based in the North West Province. The information needed from this target group is to determine the success factors that lead to the financial sustainability of commercial farmers.

2.1 Sampling strategies

The **first target population** (emerging farmers) comprised 410 emerging farmers where a quantitative research approach was implemented. A list of these emerging farmers (projects) was obtained from READ and they are all registered with the Provincial Treasury as a beneficiary to these development CASP funds.

A questionnaire was distributed to all 410 emerging farmers. This survey is "the collection of a large quantity of evidence usually numeric, or evidence that will be converted to numbers, normally by means of a questionnaire" (Remenyi *et al.*, 2002:290). The **total population sampling method** was used for this target group. Total population sampling is a type of **purposive sampling technique** that involves examining the **entire population** (i.e. the **total population**) that has a particular set of **characteristics** (e.g. specific attributes/traits, experience, knowledge, skills, exposure to an event).

The **second target population** (commercial farmers), comprising 500 farmers, was also based on a quantitative research approach. For this second target group, the **probability sampling method** was used. In particular, the **simple random sampling** was used, as it is the least sophisticated method of all sampling designs. According to Leedy and Ormrod (2010:207), this sample is chosen by simple random selection, where every member of the population has an equal chance of being selected. According to Cooper and Schindler (2011:369), probability sampling is based on the concept of random selection.

Within the **first target population,** the researcher of this study was employed as consultant to assist with the total administration of this public entity (parastatal), DED, and the result of this financial administration was the setting of the financial statements at the end of the financial year for auditing purposes. DED was responsible for the total administration to the development of emerging farmers. In 2009, this function was taken over by READ and the parastatal DED was closed. The researcher was contracted to DED as a consultant for eight years, and therefore knew the administration of the enterprise very well.

The North West Province is divided into four regions, namely Ngaka Modiri Molema District, Bojanala District, Dr Ruth Segomati Mompati District and Dr Kenneth Kaunda District. Within READ, a regional manager is appointed for each of the four regions. A field officer (extension officer) is also appointed for each of

these four regions responsible for the management and development of the emerging farmers.

With the help of these extension officers within READ, well known to the researcher because of the employment as consultant, all 410 questionnaires to the emerging farmers were distributed. The extension officers also assisted in the completing of the questionnaires with the emerging farmers (if some questions were unclear, with their excellent background in this field) and the collection of these questionnaires was also done by them. The extension officers know where each project or emerging farmer is situated in the North West Province.

Within the **second target population,** the researcher, with the assistance of various farmer unions, obtained e-mail addresses of the commercial farmers and questionnaires were e-mailed to each participant's e-mail address. Participants were requested to respond and send back the questionnaire at their earliest convenience. A total of 500 questionnaires were e-mailed.

3. RESULTS

3.1. Response rate

In the first target population (**emerging farmers**), 410 questionnaires were distributed, wherefrom 202 questionnaires were collected, meaning a response rate of 49%.

In the second target population (**commercial farmers**), 500 questionnaires were distributed, wherefrom 268 questionnaires were collected, meaning a response rate of 54%.

3.2. Training

Emerging farmers: 89% did not receive any training in farming and only 6% did receive some training in farming. 5% of the farmers did not respond to this question.

Commercial farmers: 71% replied that they did receive training in farming and 26% did not receive training in farming. 3% of the farmers did not respond to this question.

3.3 Number of years in farming

Emerging farmers: 94% of *the* farmers fall in the bracket of 0 to 5 years and 6% in the bracket of 6 to 10 years.

Table 1: Age distribution

Age group	Emerging farmers		Commercial farmers	
	Frequency	**Percentage**	**Frequency**	**Percentage**
20-29 years	12	6	0	0
30-39 years	180	89	3	1
40-49 years	3	1	191	71
50-59 years	1	0	66	25
No response	6	3	8	3
Total	202	100	268	100

Commercial farmers: 69% of the farmers have been farming for 11years and longer, and 28% for 6 to 10 years. 3% of the farmers did not respond to this question.

Table 2: Size of government grant

	Emerging farmers		Commercial farmers	
	Frequency	**Percentage**	**Frequency**	**Percentage**
R0	5	3	258	96
R1-R100 000	96	48	0	0
R100 001-R200 000	79	39	0	0
R200 001-R300 000	21	10	0	0
R300 001+	0	0	0	0
No response	1	0	10	4
Total	202	100	268	100

Table 3: Funding to start farming activities

	Emerging farmers			Commercial farmers		
	Yes	**No**	**No response**	**Yes**	**No**	**No response**
Did you submit a business plan to apply for a grant?	198	4	0	0	259	9
Did professional people assist you in preparing the grant?	198	4	0	0	259	9
Have you been interviewed by an approving panel for the grant?	185	16	1	0	258	10

Table 4: Ability to service the debt: Evaluating the effect size with Cohen's *d*

	Commercial farmer		Emerging farmer		
	Mean	Standard deviation	Mean	Standard deviation	*d*
Do you think you are a successful farmer?	3.00	0.150	1.03	0.289	6.8

The effect size with Cohen's *d* on this question is large (6.8), because most of the average commercial farmers intend to be more successful, and most of the emerging farmers agree not being successful at all.

Table 5: Sustainable operation activities- Evaluating the effect size with Cohen's *d*

	Commercial farmer		Emerging farmer		
	Mean	Standard deviation	Mean	Standard deviation	*d*
Are you linked with experts/scientists?	4.01	0.844	1.04	0.336	3.5

The effect size with Cohen's *d* on this question is large (3.5), because most of the commercial farmers indicated an average or to a larger extent connected to experts in the agricultural industry

Table 6: Strategic development: Evaluating the effect size with Cohen's *d*

	Commercial farmer		Emerging farmer		
	Mean	Standard deviation	Mean	Standard deviation	*d*
Does your business have strategic plan?	3.29	0.454	1.04	0.299	5.0

The effect size with Cohen's *d* on this question is large (5.0), because the average commercial farmers have a strategic plan for the year ahead as compared with the emerging farmer who does not have a strategic plan.

Table 7: Entrepreneurial capacity: Evaluating the effect size with Cohen's *d*

	Commercial farmer		Emerging farmer		
	Mean	Standard deviation	Mean	Standard deviation	*d*
Do you have passion for agricultural business?	3.29	0.456	3.03	0.223	0.6

The effect size with Cohen's *d* on this question has a medium effect (0.6), as most commercial and emerging farmers believe that they have a passion for the agricultural business.

Table 8: Professional support: Evaluating the effect size with Cohen's *d*

	Commercial farmer		Emerging farmer		
	Mean	Standard deviation	Mean	Standard deviation	*d*
Do private sectors/co-operatives supply you with any support?	3.70	0.467	2.01	0.174	3.6

The effect size with Cohen's *d* on this question is large (3.6), because the average commercial farmer asks for assistance of any support by agricultural co-operatives as compared with the emerging farmer.

Table 9: Agree with below mentioned statement: Evaluating the effect size with Cohen's *d*

	Commercial farmer		Emerging farmer		
	Mean	Standard deviation	Mean	Standard deviation	*d*
Most of the emerging farmers are succeeding	4.00	0.137	4.97	0.186	5.3

The effect size with Cohen's *d* on this question is large (5.3), because the average emerging farmer disagrees with this statement.

Table 10: Solutions to improve farming operations of emerging farmers: Evaluating the effect size with Cohen's *d*

	Commercial farmer		Emerging farmer		
	Mean	**Standard deviation**	**Mean**	**Standard deviation**	***d***
Skills training (financial-, farming- and technical skills)	1.71	0.463	1.01	0.099	1.5
Do you think private organisations should join hands with government to assist with training and finances?	3.29	0.456	3.03	0.223	0.6

- **Is it important to do training on an ongoing basis to improve farm management (financial-, farming- and technical skills)?**

The effect size with Cohen's *d* on this question is large (1.5), because the emerging farmer thinks that financial-, farming- and technical skills are very important to improve management; however, both parties mentioned in the answer sheet either agree or strongly agree.

- **Do you think private organisations should join hands with government to assist with training and finances?**

The effect size with Cohen's *d* on this question has a medium effect (0.6), as most commercial and emerging farmers believe that they have a passion for the agricultural business.

Table 11: Sustainable markets: Evaluating the effect size with Cohen's *d*

	Commercial farmer		Emerging farmer		
	Mean	Standard deviation	Mean	Standard deviation	*d*
Are you linked to market agencies?	1.71	0.455	1.01	0.211	1.5
Do you anticipate potential growth in your market?	4.71	0.465	2.00	0.234	5.8

- **Is the farmer linked to market agencies?**

The effect size with Cohen's *d* (1.5) on this question is large, because emerging farmers are not linked to market agencies, while commercial farmers are.

- **Is there any anticipated growth in the market for the product selling?**

The effect size with Cohen's *d* (5.8) on this question is large, because emerging farmers indicated some growth in the market and most of the commercial farmers indicate an average growth rate in the market.

4. FACTORS OF IMPORTANCE

From the **descriptive statistics** mentioned, the following aspects were of importance:

- Training in farming: 89% of the emerging farmers did not receive any formal training in agriculture, while 71% of the commercial farmers did. Consequently, this might be one of the reasons why commercial farmers are more successful.
- Number of years in farming: 69% of the commercial farmers have been farming for 11 years and longer, while most of the emerging farmers (94%) could only survive in farming for up until five years. None of the emerging farmers have been in business for longer than 11 years.

- Government grant: 97% of the emerging farmers received government grants, while 96% of the commercial farmers did not receive a government grant, yet were more successful in the farming industry.

With the **evaluation done on the effect size**, almost all the aspects mentioned above have a large effect of more than 0.8 with Cohen's *d*. Some emphasis should be placed on the following:

- **Marketing strategy**
  - Emerging farmers are not linked to market agencies and commercial farmers are. It was discovered in the study that the emerging farmer was selling to friends, family and the informal market as the cheapest way of selling is to have links with market agencies and this is very expensive. Commercial farmers are linked to market agencies and indicated some growth in the market.
- **Operations strategy**
  - Most of the commercial farmers indicated an average or to a larger extent, being connected to experts in the agricultural industry. Even though emerging farmers are assisted by extension officers from the Department of Agriculture, the emerging farmers continue to fail in the farming industry.
  - Most of the average commercial farmer intend to be more successful than most of the emerging farmers.
  - The average commercial farmer has a strategic plan for the year ahead as compared to the emerging farmer. The emerging farmer needs much more training concerning overall business management.
  - The average commercial farmer asks for assistance or any support by agricultural co-operatives compared to the emerging farmer.
  - The emerging farmer thinks that financial-, farming- and technical skills are very important to improve management; however, both parties mentioned in the answer sheet either agree or strongly agree.

5. CONCLUSION AND RECOMMENDATIONS

The aim of the study was to create a comprehensive, sustainable and appropriate capacity-building framework for emerging farmer SMMEs in order to contribute

to food security, eradication of poverty, reduction of unemployment in rural areas and commonages through the creation of sustainable and market-driven farming SMMEs.

With this in mind, the external role players in agriculture, together with government should follow the aspects that should be highlighted towards the implementation of a framework in the development of emerging farmers:

- The importance of partnerships between the government and private agribusiness (e.g. Senwes Cooperation, North West Cooperation, development financial institutions, processing companies, marketing institutions, commercial farmers, etc.)
- Marketing channels need to be explored to ensure that the produce of emerging farmers is marketed properly.
- The role of research and partnership with universities is also critical in imparting and interpreting technical matters for emerging farmers.
- A mentorship programme needs to be put in place and partnerships with commercial farmers, in a well-structured way, should be established.

It is the researcher's aim to get a framework in place where both government and private agribusinesses could be involved in the development of successful emerging farmers. It would be the proposal that the government, in particular the Department of Agriculture in the North West Province, should establish a provincial public entity, Schedule 3 Part C. In terms of the Public Financial Management Act (PFMA) (1 of 1999 as amended by Act 29 of 1999), a provincial public entity means a provincial government business enterprise, or board, commission, company, corporation, fund or other entity (other than a provincial government business enterprise), which is:

- established in terms of legislation and provincial constitution
- fully or substantially funded either from provincial funds or by tax, levy or other money imposed in terms of legislation

There should be a possibility that such an institution should be South African Qualification Authority (SAQA) accredited. This is not to replace an agricultural college, but on-the-job training is very important. Members of the board on such an institution should be from the private sector (based on their contribution) as

well as members from the public institution (Department of Agriculture) (based on agricultural expertise).

This is not to replace an agricultural college, but on-the-job training is very important. This means that an emerging farmer funded (CASP funding) by this institution will graduate after a period of three years. During these three years, an emerging farmer will be educated and trained on specific farming activities in the agricultural activity the farmer wants to specialise in, as well as in other theoretical fields, for example financial and marketing management. A mentorship programme needs to be put in place and the partnership with commercial farmers should be established in a well-structured way. These emerging farmers will be monitored by the extension officers and other external officials; they will report on a quarterly basis on their performance to the advisory council, according to SAQA specifications. If an emerging farmer does not perform, the person will be expelled from the three-year training programme.

After the end of every year, the council will (according to the performance of the emerging farmer - SAQA specifications) decide to promote the emerging farmer to the next level. After the successful completion of the three-year period, the emerging farmer will graduate. During this period, the emerging farmer would have accumulated equity and should be introduced to the land redistributing programme. After the three-year programme, the external role players in agriculture and private organisations will be acquainted with these graduated emerging farmers and will not hesitate to assist them with a production loan and whatever is necessary to become an achiever.

The funding arrangement for implementation of an emerging farmer ought to be as follows:

- First year: 100% grant on the approved business plan of that year in the agricultural activities
- Second tear: 80% grant on the approved business plan of that year in the agricultural activities and 20% agriculture loan
- Third year: 60% the approved business plan of that year in the agricultural activities grant and 40% agricultural loan
- Fourth year: In the fourth year, these emerging farmers who have successfully graduated have built equity and can now apply for a production loan from

agricultural cooperatives and other financial institutions and also to be introduced to the land distributing programme.

In conclusion, government should seek to establish alliances with private institutions (i.e. agribusinesses, banks, organised agricultural) to form public/private partnerships in their search for successful development. However, government should seek out partners and create alliances to ensure that, collectively, the key ingredients that a farmer requires to be successful are delivered.

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