

PUBLIC-PRIVATE EXTENSION APPROACHES: A CASE STUDY OF THE EASTERN CAPE'S CITRUS INDUSTRY

I. Groenewald¹, J.A. van Niekerk¹, K.P. Whitfield¹ and E. Zwane¹

ABSTRACT

Land reform in South Africa should make an important contribution to social equity in a country whose past was based on a separate development philosophy that became obsolete. Most land reform beneficiaries have struggled to become commercially viable farmers, impeded by a lack of information on up-to-date farming practices and trends and inadequate access to markets. The objective of this research is to find a possible solution to these impediments: if the problem escalates, it could have dire effects on food security with subsequent negative social impacts. This paper examines a public-private partnership in the Eastern Cape province's citrus industry that involves established 'white' commercial farmers with an export market, in an advisory service for

'black' land reform beneficiaries. The research targeted 22 land reform beneficiaries as well as the managers of the advisory service, using questionnaires and interviews to study the effectiveness of this extension approach. The results reveal that the approach was effective in delivering technical information, which included new developments in farming practices, as well as facilitating access to previously established export markets. Land reform beneficiaries also benefited because some of them became more commercially orientated. The paper concludes that public-private partnerships between commercial farmers and government ministries can be an effective extension approach for South Africa and possibly, the rest of Africa.

KEY WORDS: *COMMERCIAL FARMERS, EFFECTIVE, EXPORT MARKETS, LAND REFORM*

¹ Centre for Sustainable Agriculture and Rural Development, South Africa



INTRODUCTION AND OBJECTIVES

Land reform in South Africa is an important aspect in pursuing social equity in a country whose past was mainly based upon a separate development philosophy that became obsolete in the new dispensation (Roodt, 2001). However, the majority of land reform beneficiaries have struggled to become commercially viable farmers. According to van Rooyen *et al.* (1987), inadequate farmer development is due to: lack of information on up-to-date farming practices and new trends, inadequate access to markets and lack of skills. The objective of this research is to find a possible solution to this problem. It is suggested here that the use of a public-private approach to extension will help emerging farmers to become sustainable commercial farmers. The concept of public-private extension is not new as it has been pioneered in countries such as Chile, Colombia and Venezuela (Kraft, 1997; Kidd *et al.*, 1998). India examined a public-private extension partnership and initiated it in Madhya state because of its underlying benefits (i.e., saving public costs, enhancing competition and providing quality and accountable extension services) (Chandra Shekara, 2001). The focus of this study is Riverside Enterprises Ltd. Its advisory service and the emerging farmers involved are examined. The scope and purpose of this research is to determine:

- the extent to which this type of reform has increased accountability, efficiency,

empowerment and impact;

- the mix of regulations, goods and services which is most appropriate for offering extension and advisory services that meet our country's specific goals within the given socio-economic and agro-ecological context;
- the future role of the government in providing extension and advisory services as public goods;
- the policy lessons that can be learned from this reform in agricultural extension and advisory services, in terms of government structures, reduction in public funding and increases in privatisation;
- the research that is needed to fill the knowledge gaps.

These questions need to be answered against the background of global trends and developments in extension and advisory services. According to Rivera and Qamar (2005), the new paradigm of extension is towards market-driven reforms with an agribusiness orientation and in many cases government extension has become irrelevant with NGOs and private commercial extension surpassing its role. Governments still have an important role in funding extension and advisory services as it is not always financially viable for the private sector to do so. Christoplos and Kidd (2000) observed the use of public funds to pay extension workers in the private sector, although this arrangement is still relatively new and more attention will need to be placed on its research and

development. According to Swanson and Rajalahti (2010), with actors from the public, private and NGOs in the extension environment, one needs to identify who is best suited to deliver extension. In addition, most developing countries' governments are aiming to reduce public expenditure (Pesche and Francois, 2007). Swanson and Rajalahti (2010) recommend an extension system funded by the public sector and administered by the private sector, which focuses on farm management, legal services, value-adding and post-harvest handling and not just on increasing production.

MATERIALS, METHODS AND DATA SOURCES

This enquiry uses qualitative research in the form of a case-study to determine the feasibility and effectiveness of this extension and advisory service. A case-study typically involves the gathering of in-depth data that is relative to a single entity within its natural settings. This is performed for the purpose of learning more about an unknown or poorly understood situation. The methods of data collection can involve observations, interviews, appropriate written documents and/or audiovisual material. Thereafter, methods of data analysis include the categorisation and interpretation of data in terms of common themes, or data is synthesised into an overall portrait of the case (Leedy and Ormrod, 2005). A single case is examined here as this case is unique and has exceptional qualities that can help



promote understanding and inform practices in similar situations. They can also be used to provide preliminary support for hypotheses that can be later supported by quantitative data. According to Leedy and Ormrod (2005), when a single case is used, it has a major weakness in that one cannot be sure that the findings can be generalised or applied to other situations. Therefore, one needs to be tentative in constructing generalisations and should await support from further studies. The method used in this research entails the collection of data through documents, past records, extensive observations of the situation and unstructured interviews and interactions with four of 22 farmers and the managing director of the organisation.

RESULTS AND DISCUSSION

Origins

The present-day Riverside Enterprises Ltd. Company is the evolution of a family farm over a period of approximately 100 years. They have always been actively involved in packing their own produce, except when the market became regulated and their produce was packed at the local co-operative. In 1998, the market was deregulated and Riverside started their own packhouse again and used the services of an agent to sell their produce. From here the business grew organically. In 1999, two white commercial citrus farmers joined the packhouse and in 2000 a

black citrus farmer joined.

At this time, Riverside started doing its own logistics and direct export marketing due to gaps in the market, building relationships with customers and understanding industry structures. Riverside aligned its operations with three other like-minded citrus packhouses in South Africa which have similar intentions, markets and attention to detail. Each of these packhouses has a specific export market and together they could bulk up volumes and save on logistic costs. As a group they could produce approximately two million cartons a year, which would fill approximately 2000 containers. The group found that they could cut more costs by performing logistics themselves than actual marketing, thus they started their own shipping company, so that they could negotiate their own shipping rates. Each packhouse, and their produce suppliers, would then receive a rebate from their shipping company according to the amount of containers they supplied.

During this period, demand for their produce grew. The best way to meet the demand was to acquire more suppliers, especially the emerging farmers.

Riverside Advisory Services (RAS)

The private advisory service, started by Riverside Enterprises Ltd, is used to advise emerging citrus farmers on how to become independent commercial farmers through guidance and on-the-

job training in holistic farm management – such as tractor equipment calibration, fruit production, financial management, governance, computer literacy and running a company. While many of these emerging farmers are already operating on a commercial scale, most lack the business-related skills of a commercial enterprise. In this regard, Riverside provides technical assistance and an administration service and helps farmers financially while they learn the required skills. Riverside provides a set of books with accounts for each farmer. It also procures inputs for the farmers as joint purchasing creates greater buying power and reduces input costs.

Due to the high costs of running such a service, Riverside approached the Department of Agriculture and Department of Land Reform for funding (through the Land Redistribution for Agricultural Development [LRAD] and Proactive Land Acquisition Strategy [PLAS] programmes).. Funds were approved, but were not always paid when needed (e.g. before the planting season) and Riverside funded the emerging farmers' operations as required and has been exposed to a significant amount of debt in the period before these farms became productive as a result. In the season of 2005/2006, the Industrial Development Corporation (IDC) – a government-owned funding company – approached Riverside to partner with them and the emerging farmers in order to revitalise the old citrus growing schemes that had



been curtailed under the old dispensation. Riverside could not finance more emerging farmers, especially since most of these farms were in distress and needed to be replanted and the IDC agreed to fund these farms under strict conditions and financial management.

Under the funding arrangement, three phases of emerging farmers were introduced into the system. In the first phase, which the IDC approved in 2006 and recapitalised in 2010, there are nine farmers. Initially in the second phase there were eight farmers, but one farmer decided to withdraw from the scheme to pursue other farming interests. There are six farmers in the third phase. Although there are more farmers wanting assistance, Riverside intends to complete the first three phases, to check that the approach is effective and to start getting returns on their investment before expanding further. During the time that Riverside has worked with the IDC, it has learned how to comply with the IDC's rules and regulations and efforts could easily be scaled-up, especially if the management team acquires the right skills.

Riverside has experienced the following problems in starting this development initiative:

- lack of political will to get funds moving, although this has improved in recent times;
- large expenses for the advisory service with little returns while waiting for fruit trees to become productive;
- although funding has been approved, production

cannot start due to land issues such as absence of long lease deals and title deeds.

The emerging farmers

The emerging farmers have been mentored by Riverside for between 5 and 11 years. They all received training in agricultural production (informal training, public extension officers, the local agricultural college) before joining Riverside.

The farmers' citrus orchards are between 20 and 40 ha, and most farmers have diversified into cash crops to generate income while waiting for their orchards come into production. Farmers who maintained their original orchards or replanted earlier are currently reaping good rewards.

All the farmers reported that they were happy working with Riverside and its advisory service as it has helped to solve management and financing problems, which they had struggled with previously. Riverside helped to solve technical and administration problems through mentoring. The only problems they now face are adverse weather conditions, livestock occasionally eating citrus trees and the need to further develop their farms. All of the farmers had three or four permanent labourers and hired casual labourers when necessary.

Sustainability of Riverside and its farmers

Riverside constantly strives to become increasingly sustainable. According to Dumanski (1997),

sustainability consists of five aims:

- maintain or enhance production capacity;
- reduce levels of production risk;
- protect natural resources and prevention of degradation;
- be economically viable;
- be socially acceptable.

Maintaining or enhancing production levels

While the owners of Riverside maintain production levels on their own farms, production levels will continue to increase as the emerging farmers' citrus orchards come into production.

Reducing the level of production risk

All the emerging farmers have diversified into other cash crops to minimise risks associated with monocultures. The packhouse has also diversified into packing other fruit such as pomegranates and berries. This will help to prolong the packing season – as at present, packhouse staff work for six months and are then unemployed. Riverside also keeps up-to-date with new technologies and cultivars.

Protection of natural resources and prevention of degradation

Due to Riverside's export market, they must comply with certain international practices in order to retain their market share. All of the farms supplying Riverside are inspected for GLOBALG.A.P. (good



agricultural practices) compliance. According to FAO (2007), the GLOBALG.A.P. concept aims to ensure food safety and quality and environmental sustainability.

Economic viability

Riverside is an economically viable enterprise, but although it is making a profit from sales, resources are being used to develop emerging farmers. This is adversely affecting cash flow. Although this does not make economic sense in the short-term, Riverside is in the business for the long-term and it is confident that future returns will make it worthwhile.

Social acceptability

Riverside's business model includes components on ethics, social acceptability and community improvement. The business and farms are Fair Trade Alliance certified. Fair Trade Alliance is an organisation that ensures small-scale farmers and farm labourers receive fair prices for their produce and have better working and living conditions. Riverside was rated in the top three socially conscious companies to work for or with in South Africa (<http://fairtradelabel.org.za>, 2011). With their Fairtrade premiums, it has helped build a community learning centre and a crèche in the local community. With the next premium, they are planning to build a vermin-composting facility – to be owned and run by local community members

– to sell compost to the citrus farmers. Their black economic empowerment (BEE) scorecard is excellent in terms of enterprise development and corporate investment, although their management control is not. This will be improved in the future by selling shares to the packhouse workers. They also plan to sell one of their farms – through the state – to their farm labourers and packers as a part of their community improvement programme.

CONCLUSIONS, RECOMMENDATIONS AND IMPLICATIONS

Riverside Enterprises Ltd and its advisory service have improved the livelihoods of the farmers involved through mentoring and guidance and by providing an established market, financing and administration. This has been in line with findings of other researchers (Umali and Schwartz, 1994). Riverside has also helped the surrounding community through their community improvement programme. This type of development initiative is an effective way of developing South Africa's emerging farmers into sustainable and commercial farmers. Experience from other countries further proves that the approach has promising benefits if it can be implemented (Zijip, 1992).

This case-study shows that this public-private initiative has resulted in increased accountability, as all of the funds spent in the projects are fully accounted for in the packhouses' and farmers' books. This initiative is also efficient in farmers'

development because all concerned parties' interests are to see farmers increase their production levels. Furthermore, this initiative empowers, and will continue to empower, the farmers and packhouse staff as they undergo training to take ownership of their business. This initiative has potential to create jobs and improve the communities. The combinations of regulations, goods and services appear to be appropriate in delivery of extension and advisory services that meet South Africa's specific goals within the existing socio-economic and agro-ecological context.

If this type of extension and advisory service is set to take over the role of the public extension service, then the government's role could be reduced to funding such initiatives. There are policy lessons that can be learned from a public-private extension service, for example the private sector can provide advisory services, but mechanisms need to be in place to ensure accountability. The outstanding lesson derived from this case-study is that more research must be conducted to fill the knowledge gaps surrounding public-private extension before drawing concrete conclusions.

LITERATURE CITED

Chandra Shekara, P. 2001. 'Private extension dissemination. Public private partnership.' *Manage Bulletin* 7(5/6) November/December. National Institute of Agricultural Extension Management (MANAGE).



Christoplos, I. and Kidd, A. 2000. *Guide for Monitoring, Evaluation and Joint Analyses of Pluralistic Extension Support.* Neuchâtel Group, Lindau, Switzerland.

Dumanski, J. 1997. 'Planning for sustainability in agricultural development projects.' *Journal for Agriculture and Rural Development* 1(97): 15–18.

Fairtradelabel.org.za 2011. Fairtrade Certified Riverside in Top 3 Social Entrepreneurs List. Available online: <http://www.fairtradelabel.org.za/news/fairtrade-certified-riverside-in-top-3-social-entrepreneurs-list.87.html> Accessed: 29-09-2011.

FAO 2007. *Good Agricultural Practices (GAP).* Food and Agriculture Organization, Rome.

Kidd, A., Lammers, J., Ficarelli, P. and Hoffman, V. 1998. *Privatising Agricultural Extension: Caveat Emptor.* Department of Agricultural Communication and Extension. University of Hohenheim, Germany.

Kraft, J.N. 1997. 'Public and private extension: Who pays and provides?' Proceedings of the South African Society for Agricultural Extension. Aventura, Warmbad, South Africa.

Leedy, P.D. and Ormrod, J.E. 2005. *Practical Research: Planning and Design* (8th edn). Pearson Merrill Prentice Hall, New Jersey, USA.

Pesche, D. and Francois, J.L. 2007. *Common Framework on Agricultural Extension.* Neuchâtel Group, Lindau, Switzerland.

Rivera, W. and Qamar, M.K. 2005. *Agricultural Knowledge and Information Systems for Rural Development: A Comparative Review of Ten Country Case Studies on AKIS/RD.* FAO, Rome, Italy.

Roodt, M. 2001. *Development, Theory, Policy and Practice. Land Restitution.* Oxford University Press, Cape Town, South Africa.

Swanson, B.E. and Rajalahti, R. 2010. 'Strengthening agricultural extension and advisory systems: Procedures for assessing, transforming, and evaluating extension systems.' Agriculture and Rural Development Discussion Paper 45, World Bank, Washington, DC, USA.

Umali, D.L. and Schwartz, L. 1994. 'Public and private agricultural extension: Beyond traditional frontiers. Agricultural extension: Some country experiences.' World Bank Discussion Paper No. 236. World Bank Washington, DC, USA.

van Rooyen, C.J., Vink, N. and Christodoulou, N.T. 1987. 'Access to the agricultural market for small farmers in Southern Africa: The farmer support programme.' *Development Southern Africa* 4(2).

Zijip, W. 1992. 'Agricultural delivery systems: From agricultural extension to rural information management investment in extension.' In Anderson, J.R. and de Haan, C. (eds), *Public and Private Roles in Agricultural Development.* Proceedings of the Twelfth Agricultural Sector Symposium. World Bank, Washington, DC, USA.