

**Assessment of Business Management Competencies among the small-scale  
Farmers in Metsweding District Municipality  
of Gauteng Province**

by

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## DECLARATION

I declare that the Assessment of business management competencies among the small-scale farmers in Metsweding District Municipality of Gauteng Province (mini-dissertation) hereby submitted to the University of Limpopo, for the degree of Masters in Development Studies has not previously been submitted by me for a degree at this or any other university; that it is my work in design and in execution, and that all material contained herein has been duly acknowledged.



**Mosala, KJ (Mr)**

**15 June 2013**

**Date**

## **DEDICATIONS**

This study is dedicated to the Department of Land Reform and Rural Development and Department of Agriculture, Forestry and Fisheries, particularly the directorate: Business and Entrepreneurial Development which has a key strategic mandate of offering business support and advice to agribusinesses and coordinates entrepreneurship development in the agricultural sector. The directorate has made efforts to draft the agribusiness policy for the agricultural sector, and findings of this study could assist their processes. The mandate of the directorate: Business and Entrepreneurial Development stimulated the Researcher to conduct a study which assesses the business management competencies among the small-scale farmers on the land reform programme. Hopefully the outcomes of this study will be of great interest to this directorate since they are entrusted with the responsibility of developing the Agribusiness policy and Agricultural SMME Strategy for agricultural sector.

Personally, I dedicate this study to my late grandmother, Magdalene Seitebogeng Mosala and my late grandfather, Mothibakeledi Abel Mosala. To my son, Phenyso Abele, your presence has brought me energy and inspiration to complete this paper.

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## **ABSTRACT**

Small-scale farmers in the land reform programme are faced with many challenges which affect their operations adversely that they cannot maintain a sustainable farming momentum and grow into competitive farming enterprises. Instead they are failing and recently some are already selling the land back. Some of the challenges facing them include lack of access to the markets, lack of finance, poor business planning and lack of business know-how. This study assesses the business management competencies among the small-scale farmers on the land reform programme. The central desire of this study is to establish whether or not small scale farmers have the necessary business management competencies to drive and grow their farms into competitive commercial farms that can contribute to employment creation, rural poverty alleviation, rural food security and economic growth.

Outcomes from this study reflect that small-scale farmers do not have capacity on the critical functional areas of business management and as a result their business operations are on the brink of collapsing, and thus directly failing the intentions of land reform programme. With all other factors held constant, this study has revealed that business management competency is a huge vacuum amongst the small-scale farmers, and if business oriented training is not prioritized as a post-settlement support, the land reform's small-scale farming performance is heading towards a complete collapse.

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## **CHAPTER 1: INTRODUCTION**

### **1. RESEARCH PROBLEM**

#### **1.1 Background of the study**

Small scale farmers in the land reform fail due to variety of reasons, a problem that is often cited as a major contributor to failure is managerial incompetence and lack of business management competencies. Failure in small scale farming is often attributed to lack of abilities to perform critical managerial functions like financial management, business planning, human resources management, marketing management and information management (Pretorius and Venter, 2006). The Researcher has the view that small-scale farmers who have benefited from the land reform programme are laden with many challenges like farming skills, insufficient background in agriculture and most unfortunately inadequate business management competencies which limit their chances of graduating into commercial farms that can create employment. These challenges when put together impact negatively on the operations of small-scale farmers and this is why many land reform farms fail to sustain themselves and graduate into commercial ones. These small-scale farmers take agriculture as a survivalist operation to generate household income, and not a business enterprise. This mindset contributes to the failure of small-scale farmers graduating into commercial farmers that are competitive and can create employment especially in rural areas.

The FW de Klerk Foundation in 2007 conducted a survey and found that land reform projects in the Western Cape were often unsuccessful because the skills of the beneficiaries had not been timeously upgraded. Their survey also says that, according to the AgriSA, in Limpopo in 2007, seventy one land reform projects had already failed as a result of inadequate support. Mindful of the challenges faced by small-scale farmers and the paradigm of taking agriculture as a subsistence operation rather than a business enterprise, the Department of Agriculture (national) through the directorate: Business and Entrepreneurial Development, has adopted the SMME excellence model which entails creation of business partnerships, networks, linkages, clusters and is aimed at the continuous improvement and enhanced competitiveness of small-scale agriculture. This excellence model is a diagnostic tool for improved management of a business towards excellence in agriculture. The objectives of the directorate Business and Entrepreneurial

Development (BED) sets the direction for research to address the situation. These objectives are to:

- Conscientise farmers to practice agriculture as a business enterprise and not a survivalist operation which caters for household subsistence needs
- Enhance small scale agricultural performance (i.e. through excellence model training), such that farms are sustainable and can create employment (the Department of Agriculture, Forestry and Fisheries, strategic plan 2009/10).

This study is designed to specifically assess business management competencies among small-scale farmers with specific reference to land reform small scale farmers which will be significant for stakeholders. The researcher in this study has identified the Kungwini Local Municipality of the Metsweding District Municipality in the Gauteng Province. The findings of the study will assist the directorate among other things to formulate the small-scale farmers' development strategy and guidelines focusing on business management intervention for development at farmers' operational level. The Department of Agriculture, Forestry and Fisheries in its strategic plan (2009/10) acknowledges that while agricultural development presents the best opportunity to redress rural poverty, recent review exercises of the land reform programmes indicate poor access to farmer support services and / or uncoordinated support programmes as a reason for failure. Non-land-reform smallholder farming is not in any better condition either because of poor access to the same support services, including extension services.

#### 1.1.1 Overview of agriculture in the Gauteng Province

Gauteng's agricultural sector is geared to provide cities and towns of the province with daily fresh produce, including dairy products, vegetables, fruit, meat, eggs and flowers. A large area of the province falls within the maize triangle. Within the province, areas like Bronkhorspruit, Cullinan and Heidelberg hold important agricultural land, where groundnuts, sunflowers, cotton and sorghum are produced (South Africa Yearbook, 2010).

### 1.1.2 Overview of agriculture in the Metsweding District Municipality

The Metsweding District Municipality consists of two local municipalities, namely, Nokeng Tsa Taemane Local Municipality and Kungwini Local Municipality. The district is situated in the north eastern part of the Gauteng Province. It is bordered by City of Tshwane Metropolitan Municipality to the west, Waterberg District Municipality to the north (Limpopo Province), Nkangala District Municipality to the east (Mpumalanga Province). The major urban centers in the district are Rayton, Cullinan, Ekandustria, Silverlakes and Bronkhorspruit (Metsweding District Municipality Draft IDP Review, 2010).

The main agricultural activities in the district include commercial hunting, gaming, fishing, logging and forestry where agriculture contributes 3.7% towards the Metsweding District Municipality's GDP. The district has identified opportunities that require increased investment and introduction of agricultural technologies such as biotechnology, water harvesting, organic farming and hydroponics to increase agricultural potential as well as agro-processing in the area. The area's agricultural production traditionally focuses on maize and cattle, although flowers and agricultural products are also produced. Small scale agriculture has begun to take hold in the district, examples include maize, sorghum, groundnuts, sunflower, soybeans, wheat, vegetables, beef, sheep, game farming and dairy (Metsweding Agricultural Development Strategy and Implementation Plan / MADSIP, 2009). The following "Strengths, Weaknesses, Opportunities, Threats" (SWOT) analysis summarizes the agricultural status of the district:

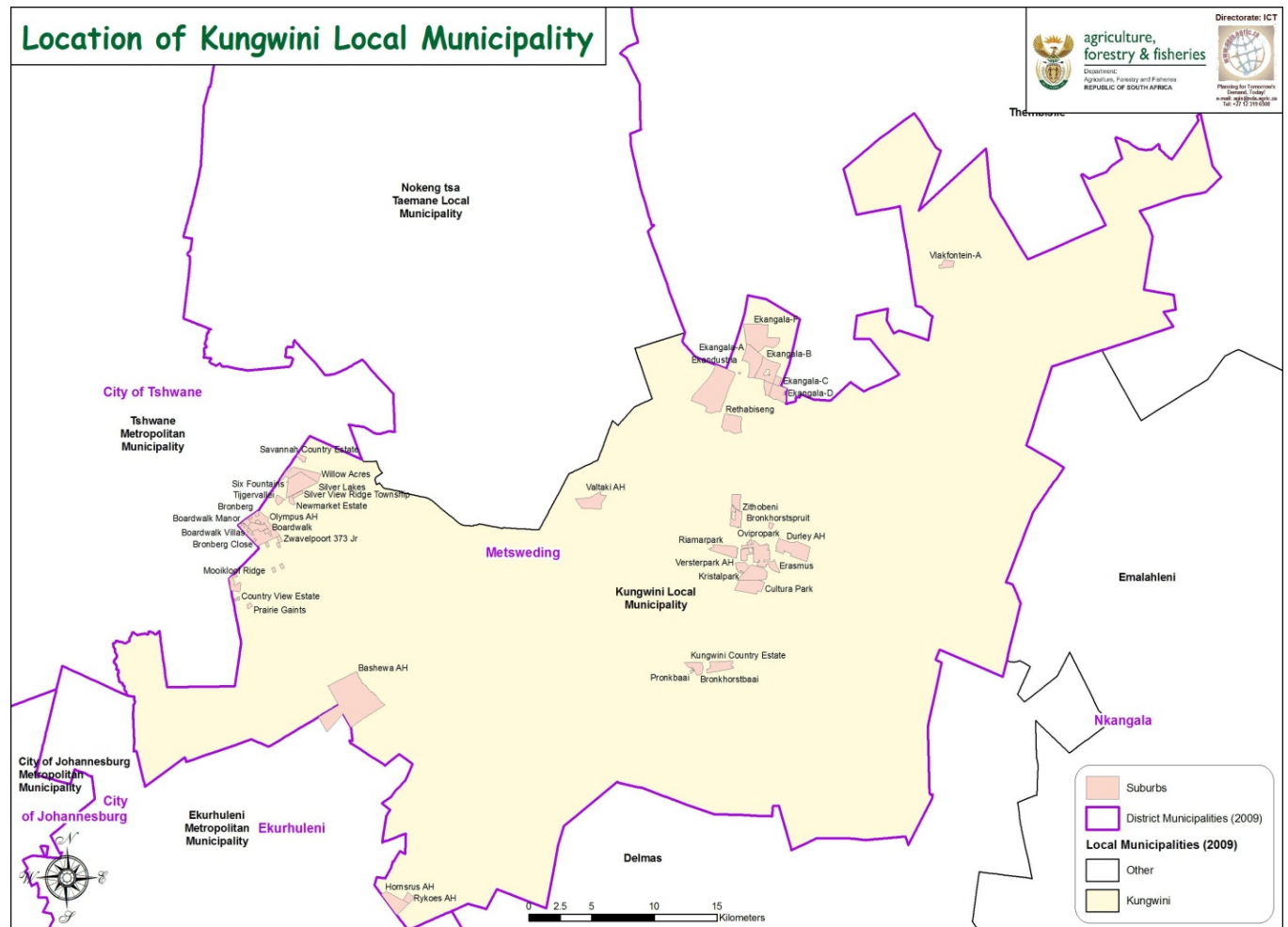
Table 1: Agricultural SWOT analysis for the Metsweding District Municipality

|   |   |
|---|---|
| <p><b>STRENGTHS</b></p> <p>There is available public land for redistribution and farmer settlement, high potential agricultural land to support agricultural enterprises, farmer support and extension services and small business skill development programmes</p>   | <p><b>WEAKNESSES</b></p> <p>The district has limited information systems and infrastructure, shortage of skilled farm labour and no efficient representation of farmers' interests.</p> |
| <p><b>OPPURTUNITIES</b></p> <p>The district has identified production of niche agricultural produce / products e.g. exotic meat, medicinal plants, prickly pear dates, cut flowers, mushrooms; organic food and vegetarian niche products, growing of crops and herbs through hydroponics and agro-processing potential e.g. essential oil extraction from herbal and indigenous plants, dried fruit, essential oils, fruit juice, bakeries</p> | <p><b>THREATS</b></p> <p>The climate change impact on agricultural production and lack of financial and supporting services for the intensive and small scale farmers</p>               |

Metsweding Agricultural Development Strategy and Implementation Plan, (2009)

### 1.1.3 Background and agriculture in the Kungwini Local Municipality

Figure 1: The Location map of Kungwini Local Municipality



Source: Department of Agriculture, Forestry and Fisheries (2009), Agricultural Information Systems

The population of the Kungwini Local Municipality which is the study area was estimated at 107,063 in 2001 and with an annual growth rate of 3%, it was estimated to be 135,970 in 2010 (Metsweding District Municipality Draft IDP Review, 2010). The total area in hectares of the Kungwini Local Municipality is 210,777. Agriculture contributes 2.9% to the municipality's Gross Domestic Production (GDP), with employment contribution of the sector being 8.8%. Agricultural activities in the municipality include forestry, game farming, fishing and commercial farming, crop and livestock production. Most of the agricultural produce emanates from commercial farms around Bronkhorstspuit, primarily producing maize, beef, groundnuts,

cotton, sunflower and sorghum. The small scale farmers mainly produce vegetables and groundnuts (MADSIP, 2009).

## **1.2 Statement of the problem**

Although small-scale agriculture has the potential for significant numbers in employment, its potential of contributing to rural development and poverty alleviation seem not to be recognized because it is viewed as a subsistence operation other than business enterprise. There is debate that the land reform farmers (popularly referred to as Land Reform Beneficiaries) after settling into their respective farms are faced with the problem of operating in a crisis mode due the vacuum in agricultural business management. Apparently due to no experience in agriculture, insufficient farm management background and lack of business management competencies, these land reform farmers resort to subsistence farming operations. These problems impact negatively on the sustainability of small scale farming and can translate into the debacle of the land reform programme.

It is also very unfortunate that in the post-settlement interventions, some Agricultural Extension Officers appear to have no background in business management either, and thus cannot transfer the required skills to these farmers. The problem is therefore that with all other factors held constant, lack of business management competencies among these farmers probably impacts adversely on their performance since they cannot perform any of the business management tasks. The study is designed to assess what business management competencies small scale farmers possess and whether these impact on their performance.

## **1.3 Aim of the research**

The aim of this research is to assess the business management competencies among the small scale farmers on land reform farms in the Kungwini Local Municipality of the Metsweding District Municipality in the Gauteng Province. The study is intended to describe small-scale farming and its contribution in community development, highlight the dynamics of business management in the land reform farms and the business management challenges thereof. The study's findings will assist the Department of Agriculture, Forestry and Fisheries and the Land Reform and Rural Development Department to formulate strategies, and / or frameworks on how

small-scale farmers must be supported after settlement to ensure that their farms do not collapse, and to formulate guidelines for business management skills programmes that will assist small-scale farmers to be commercially viable, competitive, and sustainable and be able to create employment.

#### **1.4 Objectives of the research**

The objectives of this study are:

1.4.1 To define and describe small scale farming (with specific reference to the land reform programme) and its contribution to community development

1.4.2 To investigate the progress and/or dynamics of business management within the land reform farms

1.4.3 To assess and identify business management competencies required for small scale farmers in the land reform farms and identify challenges facing them in business management

1.4.4 To investigate into the competence of small scale farmers in business planning and its dynamics

#### **1.5 Significance of the study**

The significance of this study is to suggest and/or contribute comprehensive support strategies aimed at enhancing the operations of small-scale farmers within the scope of business management. The study also seeks to put recommendations of how best post-settlement support to small-scale farmers can be intensified by the departments of Agriculture and Land reform. The strategies would be an effort of graduating these small-scale farmers into sustainable, competitive and commercial farms that can contribute to employment creation, food security and poverty alleviation in the rural areas. The gaps identified in terms of business management competencies will be re-prioritized and treated as areas for improvement in the competencies of small-scale farmers. The gaps will be used as the basis to develop remedial action plans for farmers by Agricultural Economists, Extension Officers, and / or Agricultural Advisors to enhance performance of small-scale farmers, and to introduce farmers' business management courses. It will also be imperative that the business management courses be designed for Extension Officers such that they are in good position of transferring the skills to the farmers.

## **1.6 Research questions**

This study's research question is: "do the small-scale farmers on the land reform programme have the required competencies on the critical functional areas of business management to grow, drive and sustain farming businesses that can contribute to employment creation, food security, poverty alleviation and community economic development?" From this premise, the study intends to entertain the following questions:

- 1.6.1 What is small-scale farming in the context of land reform programme and what is its contribution to community development
- 1.6.2 From the point of view of business management, is there progress in the land reform farms
- 1.6.3 What are the required business management competencies for small-scale farmers and what business management challenges face them
- 1.6.4 Do small-scale farmers have capacity in business planning and its dynamics (i.e. can they develop and successfully implement business plans)

## **1.7 Operational definitions**

- Small-scale farming can be a backward agricultural production, a non-productive, or sometimes a non-commercial agricultural production solely used for household income. These types of operations are mostly found in the rural areas, (Kirsten and Van Zyl, 1998). This category of farming involves the utilization of natural resources on a small scale and other inputs for plant and/or animal production purposes for own consumption or and/or marketing (white paper on agriculture, 1995). Small-scale farming is often defined and used in an inconsistent manner, referring, to producers who occasionally sell their products for cash as a supplement to other sources of income, producers who do not have sales forecasts, and have limited access to the markets (Cousins, 2010).
- A farmer is the individual, partnership, close corporation, company, or other enterprise that operates a farming unit for their own account; or the manager, foreman or other person to whom the control of the farming unit is entrusted (Lehohla, 2007). The White paper on Agriculture (1995), defines a farmer as a land user who uses the necessary



resources to engage productively in agriculture, either on full time or on part time basis regardless of whether agriculture is the principal source of income.

- A small scale farmer is one whose scale of operation is too small to attract the provision of the services he / she needs to be able to significantly increase his / her productivity. He produces food for home consumption, and sells surplus produce to the market. This category of farmer is intermediate between subsistence and commercial. (Kirsten and Van Zyl, 1998).
- Farmer support programmes refer to the series of strategic interventions (e.g. Comprehensive Agriculture Support Programme) designed by the Department of Agriculture, Forestry and Fisheries to support policy implementation, achieve strategic objectives and thus address the diagnosed challenges and satisfy the needs of the small-scale farming community across the value chain (Department of Agriculture, Forestry and Fisheries, Agriculture Strategic Plan, 2009/10).
- Farm management is the process whereby a farmer plans, organises, co-ordinates and controls all the production functions of a farm business, namely land, labour and capital, in order to attain certain objectives such as maximum profit, growth, sustainability and an improved standard of living (Van Zyl et al., 1999). According to the Food and Agriculture Organization of the United Nations (2006), business management is the efficient use of available resources and taking decisions to increase profit. It is concerned with achieving the right combination of available inputs in production of crops and livestock.
- Community impact defined in the context of this study refers to the degree to which small-scale farming operations contribute in employment creation, poverty alleviation and food security in the rural communities (Rural Development Framework, 1997).
- For the purpose of this study, community development is realized when employment opportunities are created by small-scale farming operations and income generation for the rural poor is as well derived from small-scale farming (Rural Development Framework, 1997)
- Business management competencies refer to the capabilities, skills, proficiencies, expertise and experience required to effectively run the business towards the desired targets and milestones. Business management competencies are the skills, knowledge and

attribute that shape an individual's ability to perform managerial tasks (Harris, De Long and Donnellon, 2001).

## **1.8 Outline of the research report**

### 1.8.1 Chapter 1- Introduction

It includes, introductory paragraphs, statement of the problem, aims and objectives, research questions and operational definitions

### 1.8.2 Chapter 2 - Literature review

Small-scale farming and business management

### 1.8.3 Chapter 3 - Research design and methodology

Description of the study area, population and sampling, sample size and procedure to arrive at a sample, methods of data collection (i.e. focus group interview), and data analysis methods

### 1.8.4 Chapter 4 – Research findings and interpretation

This chapter presents and interprets the findings

### 1.8.5 Chapter 5 - Conclusions and recommendations

Summary on the findings, discussion and recommendations

### 1.8.6 Conclusion

### 1.8.7 References

List of all references used in the study

### 1.8.8 Appendices

Appendix 1: Questionnaire: focus group interview notes

Appendix 2: Sampling frame: List of small-scale farmers on the Land Redistribution for Agricultural Development (LRAD) in the Kungwini Local Municipality

## **CHAPTER 2: SMALL-SCALE FARMING AND BUSINESS MANAGEMENT**

### **2. SMALL SCALE FARMING AND BUSINESS MANAGEMENT**

#### **2.1 Small-scale farming**

To ensure the success of small-scale farming in a changing environment, the farmer should have not only a good technical knowledge of farming systems, but also a good knowledge of business management principles such that s/he can plan, organise, coordinate and control all the production factors of a farm business, namely land, labour and capital, in order to attain certain objectives such as maximizing profit, growth, sustainability and an improved standard of living (van Zyl et al., 1999). Contents of this subtopic focus on describing small-scale farming and how it can contribute to community development.

##### **2.1.1 Defining and describing small-scale farming**

Agriculture is an important sector for social and economic growth and development in rural areas, it involves the sustainable and productive utilization of natural resources and other inputs by people for plant and / or animal production purposes, either for own consumption or for marketing (White Paper on Agriculture, 1995). In South Africa about 8.5 million people are directly or indirectly dependent on agriculture for employment and income. The total contribution of agriculture to the economy increased from R38 billion in 2002 to R68 billion in 2008 (South Africa Year Book, 2010). The terms relating to small-scale agriculture are numerous and diverse in Southern African literature, due to historical, political and socio-economic conditions (Haese and Kirsten, 2003). In many African developing countries, agriculture is believed to be divided into primary (small and emerging farmers) and secondary (commercial farmers) agriculture. This is evident with the South African Agriculture, which is comprised of mainly two categories of farmers, the subsistence farmers (small-scale) in the rural areas (former homeland areas) and the large-scale commercial (mainly white) farmers. However, this is in contrast with the situation in many other countries in the world where one would find a whole range of farm sizes, ranging from the very small or subsistence farmer to the very large farmer / agribusiness (Kirsten and Van Zyl, 1998). Unlike commercial farming which contributes 3% to the country's gross domestic production (GDP) and about 7% to formal employment,

small-scale farming does not have any records to which it contributes to either GDP or formal employment (South Africa Year Book, 2010).

The concept of small-scale farming in South Africa is laden with many challenges and has been associated with non-productive and non-commercially viable agriculture. In recent years, some effort has been made to find a socio-economically accurate definition of a small-scale farmer that was relevant to South Africa. According to Kirsten and Van Zyl (1998), a small-scale farmer is one whose scale of operation is too small to attract the provision of the services he / she needs to be able to significantly increase his / her productivity. Small-scale farming is often defined and used in an inconsistent manner, referring, to producers who occasionally sell their products for cash as a supplement to other sources of income, producers who do not have sales forecasts, and have limited access to the markets (Cousins, 2010). Greenberg (2010) holds the view that small-scale farmers are associated with plots of 1 hectare or less. The researcher holds the view that small-scale farmers can also be associated with the gross turnover, labour and / or the type of market to which they supply, the quantity and quality supplied or the number of customers per production cycle. The problem is that small-scale farmers are not a homogenous group and a number of them cannot be defined as small-scale, whether small refers to land size, income or labour utilization. These farmers generally have problems with insecure and fragmented land rights, communal tenure arrangements, non-viable and small farm units, overstocking and deterioration of land (Groenewald, 1995). The buzzwords in South African small-scale farming, is how to enhance the performance (i.e. productivity) of small-scale farmers so they can grow into commercial ones. Furthermore, increasing productivity in small scale agriculture will have significant broader economic benefits (Ministry of Agriculture and Land Affairs, 1998). It is also argued in the World Development Report (2008) that increasing the productivity, profitability and sustainability of small holder farming is the main pathway out of poverty in using agriculture for development.

### 2.1.1.1 Categorical description of small scale farmers

Table 2: Category of small scale farmers

| <b>Class category</b>          | <b>Description</b>   |
|--------------------------------|--|
| Supplementary food producers   | Work on small plots or gardens, do not have access to wage income, and rely on additional forms of income such as social grant, craftwork or petty trading for their simple reproduction |
| Allotment holding wage workers | Work on small plots or gardens but are primarily dependent on wages for their simple reproduction  |
| Worker-peasants                | Farm on substantial scale but are also engaged in wage labour, and combine these in their simple reproduction  |
| Petty commodity producers      | Are able to produce themselves from farming alone (or with only minor additional forms of income)  |
| Small-scale capitalist farmers | Rely substantially on hired labour and can begin to engage in expanded reproduction and capital accumulation   |

(Cousins, 2010)

### 2.1.1.2 The role of small scale farming in community development

The World Development Report (2008) indicates that 75% of the world's poor people live in rural areas and the majority of them are completely dependent of small-scale farming. This makes small-scale farming the cornerstone of the community development agenda since the efforts aimed at reducing rural poverty and food insecurity are commonly concerned with small-scale farming which is practiced mainly in the rural areas (Magingxa, 2006; Vinciani, Stmoulis & Zezza, 2001). One of the objectives of this study is to establish whether or not the small-scale farming impacts on community development. The Word Development Report argues that the successful rural livelihood strategies to overcome poverty can be led by small-scale farming due to its potential of employment creation, poverty alleviation and ensuring food security. The study

acknowledges that rural development is about enabling rural people to take control of their destiny, thereby dealing effectively with rural poverty through the optimal use and management of natural resources for employment creation, food security, income generation and household food consumption (The Comprehensive Rural Development Programme Framework, 2009). The researcher finds it relevant to investigate into the social responsibility of small-scale farmers in the rural community, how the rural community benefits from small-scale farming. The small-scale farming operations that benefited from the Land Reform Programme are usually expected to create employment, alleviate poverty, promote food security and improve the livelihood of communities through the production of agricultural production. With all other factors held constant, small-scale agriculture offers new opportunities to hundreds of millions of rural poor communities to move out of poverty. Pathways out of poverty include farming in animal husbandry, crop farming, and employment in the new agriculture of high-value products. Agriculture can help reduce rural poverty if small-scale farmers are capacitated such that they become direct suppliers in modern food markets and exploit the export opportunities. To ensure that small-scale agriculture contributes to rural community development, it should get support from the local and the national Department of Agriculture. This should see capacity building focused entirely on small-scale farmers so they are in a good position of running successful farming enterprises (World Development Report, 2008). From the point of view of the White Paper on Agriculture (1995), the researcher holds the view that agriculture is an important economic sector for social and economic growth and development in rural areas. It is therefore imperative that small-scale farmers receive the necessary support in the form of capacity building so they could match the needs in the market, create employment and be sustainable since they are the driving force in rural areas.

#### 2.1.1.3 What can small scale farming do for the community?

According to the World Development Report (2008), small-scale farming contributes to development in many ways of which some include the following:

##### 2.1.1.3.1 Small-scale farming as a community economic activity

A majority of people in the rural areas are completely dependent on agriculture to earn a living, to be food secured and to generate a small income to cater for family needs. Although some

small-scale farmers do not have the required business management competencies, their farms do create temporary solution to employment, poverty alleviation and food insecurity. This usually happens during the times of peak production, and harvest where people from the community are employed to intensify labour on the farm.

#### 2.1.1.3.2 Small-scale farming as a livelihood

It is estimated that 86% of the rural poor use small-scale farming as a source of livelihood. This is common in South Africa where rural people are employed on small-scale farms to earn a living. In the process, wealth is created for the community (in the form of jobs) and wealth for the farmers in the form of profits (Badenhorst et al., 2003).

#### 2.1.1.3.3 Small-scale farming as rural economic development approach

Small-scale farming has numerous roles to play in the community; the most obvious is to produce food for rural community food security and household food security and to create employment for the community (e.g. temporary, casuals or permanent jobs). Having mentioned employment creation, those benefiting from the small-scale farming operations earn some income which in turn assists the families to alleviate poverty and to access basic needs like electricity, water, health care centers, schools, etc (Greenberg, 2010).

#### 2.1.1.3.4 Small-scale farming as a rural economic driver

The expected outcomes from small-scale farmers on the Land Reform Programme are reduced poverty, increased wealth creation and sustainable employment especially at rural community level, improved rural household food security through farm produce, and improved small scale farming efficiency. Small-scale farming, since it is mainly dominant in the rural areas, should promote the development of participating financial intermediaries (e.g. village banks), and stimulate community economic growth by attracting foreign investors in agricultural activities at rural level. If small scale farmers get joint support from the Department of Agriculture, Forestry and Fisheries and from the Department of Rural Development and Land Reform, they can with no doubt contribute tremendously to rural economic enterprise development, and thus attract regional, national and international trading partners (Progress Report on the Implementation of CASP, 2004).

## **2.2 Business management competencies and challenges facing small-scale farmers in the land reform programme**

### **2.2.1 What is business management and why is it important for small-scale farmers?**

Business management, as an applied science, is concerned with individual businesses wherein managers (farmers) are expected to possess certain competencies to carry out management activities such as controlling, planning, organizing and leading to achieve the highest possible output with the lowest possible input means of production. Managing a business (farm) requires that farmers must use their skills for the examination of production factors, methods and principles that will enable the farm to function as efficiently and as productively as possible in order to maximize profits and realize its objectives. It is therefore important that farmers have improved management and business skills to increase profits and farm income for a sustainable farm business that can create employment and be competitive in the market environment (Badenhorst et al., 2003). Unfortunately the small scale farmers who have benefited from the land reform programme have not been productive due to inexperience in agriculture and lack of fundamentals in business management, which has seen many land reform farms collapsing. This is evident with the introduction of the Land and Agrarian Reform Project (LARP) which aims at speeding up the acquisition of land for redistribution and at ensuring that all small scale farmers (referred to as “new farmers”) receive intensive agricultural training and assistance especially from Agricultural Extension Officers and White Commercial Farmers (The LARP Concept Document, 2008). Business management is the science which concerns itself in more or less free market system (i.e. the system of free enterprise) with a study of what an enterprise is and how it can be best established and managed (Marx et al., 1998). Management in general, can be defined as the process followed by managers to accomplish a business’ goals and objectives. More precisely, it may be said that management is a process of activities that are carried out to enable a business to accomplish its goals by employing human, financial and physical resources for that purpose (Badenhorst et al., 2003). Management sets and keeps operations of the business on a balanced course. While many small business owners perceive themselves as entrepreneurs, running a small business and being an entrepreneur is not the same thing. For Corman and Lussier (1996) the ability to operate an organization requires different skills and abilities from those required for being entrepreneur. For example, successful long-term operation of a business requires managerial skills, while being an entrepreneur requires innovation skills (McElwee,



Anderson and Vesala, 2006). The management of a business, whether uncomplicated or sophisticated, involves various functional areas of management. Each of these areas (e.g. financial management, marketing management) should receive careful consideration, although they are not all of equal importance in all businesses (Nieman, 2002). With all other factors held constant, lack of business management competencies among the small scale farmers directly impacts negatively on their performance since they cannot perform any of the business management tasks which are to:

- Lead farm operations (in case of farm managers)
- Do business planning and strategy formulation,
- Manage customers and markets,
- Manage resources and information management,
- Manage people (human resources),
- Manage processes,
- Manage finance
- Ensure supplier and partnership relationships

Given the insufficient competencies in business management, small scale farmers fail to:

- Sustain their operations and this leads to the collapse of land reform farms
- Comprehend viable business plans for cooperative advantage in the market
- Create employment for poverty alleviation in rural areas
- Reduce the risk associated with the farm
- Measure their targets
- Develop constitutions to govern the farm operations (Nieman, 2002)

### **2.2.2 Business management competencies required for the small scale farmers**

The success of a farm business does not only need technical know-how and business attitudes, it needs business management competencies which must contribute effectively to the success and sustainability of the farm. Diverse competencies like financial management, leadership, customer management are needed to grow the farm into a successful business (Boehlje, Dobbins, Miller, Bechman and Rausch 2000). The required business management competencies may however, differ based on the mode of operation of a business, but this should not stop the two departments

to engage in a non-formal business management education to reflect a post-settlement support to small scale farmers. According to Badenhorst et al. (2003) and McElwee and Robson (2005), and Smit & Cronje (2002), the crucial business management capacity building must include:

- Strategy skills - the ability to consider the business as a whole, to understand how it fits within its marketplace, how it can organise itself to deliver value to its customers, and the ways in which it does this better than its competitor.
- Planning skills - the ability to consider what the future might offer, how this will impact on the business, and what needs to be done now to prepare for it.
- Marketing skills - the ability to see past the firm's offerings and their features, to be able to see how these satisfy the customer's needs and why the customer finds them attractive
- Financial skills - the ability to manage money, to be able to keep track of expenditure and monitor cash flow, but also the ability to assess investments in terms of their potential and their risks
- Human relations skills - the ability to deal with people, which includes leadership skills, motivational skills and communication skills
- Cooperation and networking skills - which refer to the ability to work with people, to understand their behaviour, to communicate with them and to motivate groups and individuals.
- Technical and professional (i.e. farming skills) - which refers to the ability to use the knowledge or techniques of a specific discipline to achieve goals. Knowledge of accountancy or engineering can be used as an example of technical skill.

McElwee and Robson (2005) in their study recognised that farmers need to develop their strategic and entrepreneurial capacity if they want to continue in business. Their research study further suggests that a major challenge for the agricultural sector is to enable farmers to develop their strategic skills, not only in diversified activities, but in core businesses. Moreover this will only be achieved if farmers are prepared to change their attitudes.

The failure of many farm businesses is sometimes associated with lack of funds, lack of access to the market and / or limited support from the Government. No careful consideration has been given to the competencies possessed by small-scale farmers as to whether or not they contribute to the success or failure of the businesses. The key question in this regard is what competencies are required for a farmer to run a profitable and sustainable business that can create employment

and compete well in the market. By competencies we refer to sets of knowledge, skills, behaviours and attitudes that a small scale farmer needs to be effective in a wide range of business management tasks (Hellriegel, John, & Slocum 2008). The competencies necessary to run a successful business can be listed as leadership, self-development, networking, relationship marketing, time management, stress management, presentation, negotiation, general business management, record keeping, financial management, computer skills, management and risk management (Nieman, 2002. Perks & Struwig, 2003). To bring these competencies close to the mode of operation of small scale farmers, such that they seem not to be cumbersome or inapplicable, the researcher decided to compress them as follow:

- Leadership
- Strategic planning
- Customer relations and market focus
- People management
- Financial management
- Resources and information management
- Process management
- Supplier and partnership relations

Most of small farm businesses in South Africa are informally operated with at most 5 employees, and this makes their growth, survival and development inconclusive. Many of the business management competencies that can be found listed in any literature may not necessarily be applicable to them in the same fashion as to commercial farm businesses (Perks & Struwig, 2005). However, regardless of how small or big the business is, the business management competencies remain the core as long as the business is profit oriented (Badenhorst, et al. 2003).

#### 2.2.2.1 Leadership competency

Although many small scale farmers do not have the required leadership qualities or skills, leadership still remain the fundamental management principle that should take the farm to new heights. It is expected that a farm manager or farm committee communicates the goals clearly and motivates all the employees to work hard towards the accomplishment of the goals (Hellriegel, John & Slocum, 2008). The performance of a farm, regardless of the number of employees or the size, is entirely dependent on the quality of leadership which among other

things requires that the farm manager as a leader must motivate all the employees such that they work together voluntarily to achieve the objectives of the farm. The farm manager must be willing to create a conducive and harmonized working environment so all people cannot think of leaving the farm. This means he or she should be able to motivate, influence the behaviour of employees and direct the activities leading to the attainment of business objectives (de Beer et al., 2008). It is also very important that the farm manager aligns the activities of the employees with the plans and goals of the farm so that they do not deviate from the theme line of what the farm wants to achieve (Badenhorst et al., 2003).

Leadership in farm businesses is the responsibility of farm managers (known as “Chairpersons” in many farm settings) to provide direction, energize employees and make sure that she or he obtains a full commitment from them such that their work is aligned to the farm’s vision. Like in any other business setting farm managers are expected to create the vision, goals and smart objectives that lead to the successful running of the farm (Bloisi, Cook and Hunsaker, 2003). In a farm business leadership, the farm manager needs to reflect both the management and leadership qualities by identifying the needs, generating goals and objectives, locating resources, identifying constraints, finding and employing the right people to work in the business, determining important things such as budgets for the business, monitoring methods, clarifying roles and tasks. Leaders of farm business must make sure that all employees understand the vision, goals and objectives of the business, and most importantly that they know what is expected of them to contribute towards the profit making in the business. Since leadership is the process of influencing others towards the achievement of business goals, it becomes imperative that farm managers take upon themselves the lead to bridge the gap between formulating and reaching goals, thus translating plans into reality, involve the employees in setting goals and objectives, motivate people to do the work individually or in groups, manage conflict, lead by example, reward good performance where it is due, and, very crucially, make sure the business makes profit for a sustainable production (Brevis, 2007). This should be a fundamental principle to a farm manager who intends to establish a winning team work approach amongst the employees. A farm business cannot be operated by machines and / or automated processes only; it is through the machines and people who are the drivers of all activities that the farm will achieve the target results (Brevis, 2007). This is why it is important that farm managers involve all the employees

in their strategic planning whereby the business plan is comprehended and / or reviewed. This is a good motivation as employees feel valued and involved by their leaders in identifying and describing the nature of the business opportunity and explaining the key variables for the success of the business (Badenhorst et al., 2003).

#### 2.2.2.2 Strategic planning competency

Strategic planning is an important aspect of business management which requires that small scale farmers determine in advance what they want to attain with the business and draw a plan on how it will be done. This should usually include the setting of SMART (i.e. specific, measurable, achievable, realistic, time bound) objectives (de Beer et al., 2008). The planning focus for small scale farmers should be concentrated entirely on the production process and sales given their mode of operations. It does not matter whether the farmers involve themselves in formal or informal strategic planning, what is crucial is to formalize the planning and engage all people within the farm. It is usually in this process of planning that farmers are expected to comprehend the business plan which allows them to exploit the market opportunities, competitors and how the farm will be financed. This is not only important in exploiting the opportunities but also necessary for farmers to determine the resources required, and skills required to run the farm. The planning process should see the farm manager mobilize all the employees and stakeholders of the farm such that they begin to understand their roles in the plan and also be afforded the opportunity to contribute in the business plan development (Nieman, 2002). This should then lead farmers to the formulation of suitable organizational structure which reflects the roles and responsibilities of each person in the farm. Planning must also determine which leadership style will be applicable to support the farm in achieving the goals and objectives. Having gone through these dynamics, farm managers must ensure that they take it upon themselves to motivate employees, provide them with necessary training in pursuit of the goals stipulated in the plan (Smit & Cronjé, 2002).

#### 2.2.2.3 Customers and market competency

Marketing is an important component of a business plan and the most critical success factor of the business should be aimed at satisfying the customers and gaining competitive advantage over other businesses that exist. According to the Food and Agriculture Organization (FAO) of the

United Nations (2006), marketing is an important part of any successful farm business. It connects what the customer wants with what the farmer can produce and supply at a profit. It is just unfortunate that many small scale farmers fail to exploit existing and potential market opportunities because they do not have sufficient marketing skills and access to knowledge about the markets. Knowledge of marketing is crucial to allow farmers to know their customers and their needs. Having this knowledge assist farmers in the development of a market plan on how the entire farm will operate in relation to its customers and the market competitors, how products and services will be presented to attract the buy-in (Nieman, 2002). Many small scale farmers in South Africa have limited access to market information and markets, and this, in essence, means having little skills on marketing. There are four variables (known as the marketing mix) about which the small scale farmers have to take decisions, namely, the product itself, the place (where it is to be sold), promotion and the price. Unfortunately due to small scale farmers neglecting these variables and not basing their decisions on them they find it difficult to make informed market decisions that will satisfy the customers and give the business competitive advantage over other producers. Marketing as a key competency in the farming business must constitute producing, grading, transporting, distributing, selling and buying, retailing, processing, market identification, financing and most importantly the ability to ensure customer satisfaction through timely response to customers' needs (Perks & Struwig, 2005). On the one hand, customers cannot be compelled to sacrifice money for any product offered by the farmers, while they have freedom to decide for themselves, on the other hand farmers must use their customer relations skills and strategies to persuade consumers to buy their products. The farmers should also include the ideas and / opinions from customers and employees on how the quality of products and services can be improved (Badenhorst et al., 2003). People employed by the business are viewed as the producers of the service offering and they play a decisive role in the shaping of the entire business operations (Jordan & Prinslo, 2004).

#### 2.2.2.4 People management competency

The skill of people management in a farm business encompasses managing working relationships, conflicts, the satisfaction of people, assigning tasks to people, training and development, performance management and motivation. The question often arising if people management is contextualized into farm business is how many skills and competencies farmers

in general need to be able to recruit the right people to the farm such that there is a harmonized working environment leading to crisis free management (Nieman, 2002). The problem is that the farm failure can be attributed to poor people management or the dissatisfaction from people in the farm. This then makes people management very important since small scale farmers often rely on people, not machines, the farm employees are able to make or break the farm success. People management can be interlinked to leadership and thus those entrusted with the responsibility of managing people must understand the employees, value and respond to their needs. Motivated employees are likely to produce good work and be loyal to the farm (Jordan & Prinslo, 2004). It is therefore the crucial responsibility of leaders within the farm to motivate and inspire people to reach the objectives of the farm, persuade them to join the farm and work together in an effective team (Marx et al., 1998).

#### 2.2.2.4.1 Organizing people and other resources

Organizing as a management function must constitute actions whereby the human, financial and physical resources of the farm are allocated by the farm leadership to the relevant people. Duties must be defined, and procedures fixed to enable the farm to reach its goals. Organizing as a competency requires that small scale farmers develop the framework or organizational structure to reflect how people, farm equipments and materials will be employed to reach the set goals. Without organizing, the implementation of plans and strategies could be cumbersome for small scale farmers. The task of organizing by farmers must include (Badenhorst et al., 2003):

- A detailed analysis of work to be done and resources to be used to achieve the goals of the farm. It should be through organizing that the farm tasks and resources, and methods or processes are systematized such that everyone knows his duty, authority and responsibility
- Dividing the total workload into activities that can be performed an individual or a group of employees
- Allocating tasks according the qualifications, experience and / or convenience
- Establishing teams as per the specific activities in the farm

Some small scale farmers sometimes are faced with the dilemma of managing working and business relationships in the farm and the most common problem is the lack of professional or specialized staff to carry the mandate and how to get people into the right tasks at the right time

(Longenecker, Moore & Petty, 2003). This is why the process of organizing by small scale farmers is important since it ensures (Smit & Cronjé, 2002):

- that responsibilities are allocated accordingly
- that there is accountability
- clear channels of communication
- coordination of the work
- worker relationships are defined

#### 2.2.2.4.2 Control and performance management

The terms “control” and “performance management” can be used interchangeably in any business set up especially where people are available as resources to get the business moving. The term control implies that the behaviour of employees in the farm can be influenced in the course of activities and events. Small scale farmers should use control procedures to ensure that they are progressing towards their planned goals and their resources are being used productively. Control as a management process should be viewed by farmers as a tool to measure whether things transpire according to plan and if not what remedies must be put in place to address the problems (Smit & Cronje, 2002). This process in a farming set-up should also involve determining realistic standards by which farm employees performance can be measured, so that, if there are any deviations from the initial plan, they can be traced timeously (de Beer et al., 2008). In a summary form, Badenhorst et al. (2003) support this discussion and have identified the following steps of control process:

- Step 1 - Establishing standards

This is where the farm manager needs to establish standards against which the actual performance of farm employees will be compared

- Step 2 - Measuring the actual performance

Having developed the standards, the farm manager should now collect all the information (e.g. reports) on the activities of employees and compare it with the agreed standards



- Step 3- Evaluating deviations

This should measure the gap between the performance standard and the actual performance. If the Farm Manager finds it that there were loop holes in performance, he must find the cause and suggest the correct performance improvement plan.

- Step 4 Taking corrective actions

This is the final step where now the improvement plan that has been suggested must be put in place to ensure that deviations do not occur again and that performance will improve.

#### 2.2.2.5 Financial management competency

Management of funds in the farm is a critical element, because if farmers do not keep proper financial records, this may impact adversely on their success. The most essential skill needed is keeping a daily accounts record regardless of the size of the farm. Financial record keeping in most small scale farmer operations are in the form of writing down chronologically all transactions involving money coming into and going out of the farm. Small scale farmers who keep good records of income and expenditures are more likely to keep track of their income and expenses, and are more able to make more sound farming decisions. Financial decisions revolve around acquiring and maximizing the use of inputs in the farm (Levy & Weitz, 2004). Financial management by small scale farmers mainly revolves around the following:

- What was bought
- When was it bought
- How much was paid
- When and what was sold
- How much was received
- Whether it was bought on credit
- Amount of money paid out every day, week, monthly, year
- What is the surplus and what is done with it
- How much money does the farm has to spend

If the management of funds is based on this, small scale farmers will know how much money is needed to run the farm. If farmers do not know their financial positions and cannot calculate the income and costs, then this will land them into serious problems (Nieman, 2002). It is therefore

the responsibility of the farm managers to have the required financial management skills so they are in good position of managing farm accounts, evaluating alternative investment, determining whether the investments are profitable and deciding whether they present an acceptable risk-return trade-off (Perks & Struwig, 2005). According to Perks & Struwig (2005), the major financial management responsibilities expected of a farm manager are categorized as follow:

#### 2.2.2.5.1 Business analysis / control

These include:

- implementation of a financial control system to ensure solvency, profitability and liquidity
- Identifying and monitoring key measures of business performance
- Preparing and monitoring farm financial budgets
- Securing inputs at an acceptable price

#### 2.2.2.5.2 Investment analysis and decision making

These include:

- Identifying possible capital investment opportunities
- Obtaining relevant information on opportunities
- Making cash flow projections for capital asset purchases
- Analysing investments for profitability and feasibility

#### 2.2.2.5.3 Capital acquisition

Capital acquisition refers to the process of raising debt and equity funds. In agriculture and particularly in small scale agriculture most farms raise equity funds through standard loan agreement. The responsibilities include:

- Identifying and evaluating alternative lenders
- Evaluating the financial terms of loan or lease (if applicable)
- Evaluating the information and non-financial benefits provided by lenders
- Securing credit from desired lenders

#### 2.2.2.6 Resources and Information Management competency

Comprehensive information about agricultural conditions, technologies, practices, including physical and marketing conditions as well as production constraints (such as lack of access to credit or equipment, or lack of suitable equipment for small scale farmers) is essential for planning by farmers. Small scale farmers require information on production methods and possibilities, market opportunities and technical information (White Paper on Agriculture, 1995). The resources of any business are scarce and limited assets that are used to make, produce or supply products and services to customers. These resources include people, money, information, suppliers, partners, machinery and equipment. Resources such as capital, natural resources, labour and technology are required before economical innovations can be produced by the farmer. Without information, management in the farm cannot take informed decisions to further the vision, mission and objectives of the farm. The primary objective of information management is to secure relevant information in time, in the correct form and at an acceptable cost and make it available for sound decision making in the farm (e.g. business plan review, diversification, etc). Managing information in many small scale farming operations is mainly the responsibility of the farm managers but it also requires the attention of each employee to pay attention to the information they need for their work. Information acquired by farmers usually is used to plan against competitors, to attract customers and / or include their ideas into the plans of the business (Marx et al., 1998).

#### 2.2.2.7 Processes management competency

Process management involves a series of actions that use resources to produce the final agricultural product. For this to happen, the product moves through various stages in the value chain until it reaches the final consumer. Having mentioned that the product moves through stages, it is important to develop a product strategy / channel which will describe how the product will flow from initial point of production until the market (Nieman, 2002).

##### 2.2.2.7.1 Product development process

This is the first stage of new product development. The development of new product may emerge from customers, competitors and / or employees of the business. Everybody in the business or from outside must be involved in the process, consumers can provide valuable information about

the product design, marketers can keep in touch with the needs in the marketplace, manufacturers can make sure of the viability of the production process and financial advisors can look into production costs. Product development by farmers entails the planning or branding, packaging and other supporting efforts such as pricing and promotion (Badenhorst et al., 2003: Longenecker et al., 2003).

#### 2.2.2.7.2 Pricing process

After the product has been developed the next step is pricing decision. This is one of the critical elements and farmers need to take it as one of the instruments used to achieve the farm objectives. It is critical that they conduct a break-even analysis to compare the alternative cost and revenue estimates in order to determine the acceptability of each price. An understanding of pricing determination is valuable since it provides the farmer with an awareness of pricing practices of intermediaries, wholesalers and retailers (Badenhorst et al., 2003: Longenecker et al., 2003).

#### 2.2.2.7.3 Place / distribution

Distribution should involve the dissemination of products and services all over the country and / or outside to provide time and place utility, the right product at the right time in the right place to the targeted buyers (du Plessis, Jooste & Strydom, 2005). Farmers should decide on their preferred distribution channel that will best suit their mode of operation. Amongst others the methods of distribution from which farmers can choose are:

- Farmer to consumer
- Farmer to retailer to consumer
- Farmer to wholesaler to consumer
- Farmer to wholesaler to retailer to consumer

The type of product, the type of market and the existing distribution structure usually determine which of the channels will offer greater benefits and advantages (Badenhorst et al., 2003).

#### 2.2.2.7.4 Promotion process

Small-scale farmers should take this process as the element in the farm's marketing mix that serves to inform, persuade or remind the market (particularly customers) about the farm's products. These should include advertising, personal selling, sales promotion and publicity (Rix, 2004).

#### 2.2.2.8 Strategic partners' relationship competency (the skill of networking with relevant partners and securing good business deals)

Small-scale farmers need to establish and maintain strategic relationships with people who have an interest in the success of the farm like the Provincial Departments of Agriculture, suppliers of agricultural inputs, parastatals of the Department of Agriculture like the National Agricultural Marketing Council (NAMC), the National African Farmers Union (NAFU). Having this type of relationship assists since these strategic partners will contribute strategic inputs and advice on how the small-scale farmers should plan and / or establish measures of improving the farm performance and operate sustainable. This requires that the farm manager or the entire leadership in the farm focus on involving strategic partners and on making sure that they understand the goals, accept them and are committed to assist in their achievement. These partners, particularly the Department of Agriculture must be viewed as complementary competencies (knowledge, skills and value orientation) to the farm (Smit and Cronjé, 2002). The reasons why small scale farmers must establish partnership relations include:

- Innovation

Partners may come from different backgrounds and bring a variety of experience and expertise to help farmers work on a common goal. Extension Officers from the Department of Agriculture offer technical advice and update farmers on new and improved technologies as per their mode of operations.

- Quality

Suppliers of agricultural inputs normally offer advice and strategic information to farmers on how they can improve their performance, and produce the quality products that will satisfy the customers (Smit and Cronjé, 2002).

### **2.2.3 Business management challenges facing the small-scale farmers**

It is true that many small-scale farming businesses never grow into commercial farms. Instead they continue to operate as survivalist enterprises that cannot create employment and compete in the market due to a number of reasons of which some are the lack of fundamentals of managing a business and the lack of support in the form of business management training from the government (i.e. from the Department of Agriculture). However, since the running and decision makings of a farm business revolve around management, it can be deduced that lack of management skills is the main reason for farm businesses to collapse (Marx et al., 1998).

The main objective of this study is to assess business management competencies among the small-scale farmers who have benefited from the land reform programme. The researcher finds it imperative to reflect on the challenges faced by small-scale farmers in the context of business management competencies. Having identified the competencies required for small-scale farmers to run their farms profitably, it is equally important to highlight the challenges of business management and explain how they impact on the performance of small scale farmers.

#### **2.2.3.1 What causes land reform small scale farming to collapse?**

Small-scale farmers of the land reform programme fail due to many reasons. The failure in most small-scale farming operations is due to factors in the areas of management, labour and / or financial resources. Many small-scale farmers, after they have been given land as a result of the land reform programme (i.e. land redistribution programme), go into farming business without adequate skills, planning and without analysing the returns associated with their business ventures. Too many small-scale farming operations have poor record keeping and insufficient management information systems, and this in essence means they are unable to control costs, identify and correct problems, and recognize profit opportunities. Presently in South Africa, the pre-settlement support has not reflected any results since farmers still go into farming business with little or no experience and training on farming. It is crucial that during pre-settlement the Department of Rural Development and Land Reform ensures that farmers understand record-keeping, labour regulations, local business laws, markets, sales taxes credit, pricing methods, inventory management, human relations and general business procedures (Nieman 2002).

Nieman (2002) identified the following factors as contributors to the collapse of small scale farm businesses:

#### 2.2.3.1.1 Lack of business planning and strategy

Most small-scale farmers find themselves wanting during the times of business planning and strategy formulations. They fairly have good business ideas but to strategize and put them into action is always a challenge which in most cases will need the intervention of Extension Officers and Agricultural Economists. These Extension Officers and / or Economists are expected to facilitate the planning process which sometimes takes time and delays the actual running of the farm. If there is no intervention, these small-scale farmers are found with informal and incomprehensive business plans that cannot be used to either source funding or sell the idea in the market.

#### 2.2.3.1.2 No marketing plan

A market plan is an attraction of customers into the business and also should serve as the voice of the business in the market. The absence of this automatically impacts adversely on the farm's progress. However, if this plan is comprehended well, when implemented effectively, efficiently and consistently, it can bring success to the farm. Some informal marketing plans that small-scale farmers produce do not indicate how each of the basic marketing instrument, products, price, distribution and advertising would be used. Information on the size of the market (existing customers, competitors) is sometimes not collected to allow them to plan competitively.

#### 2.2.3.1.3 Not knowing the customers (poor customer relations)

The customers are the main source of income for every business and thus it is important that farmers know their customers, their preferences, products they need, the type of quality and quantity they need. If farmers ignore their customers, their businesses are left in a disadvantaged position.

#### 2.2.3.1.4 Failing to manage people in the business

Like customers, business employees can influence the operations of the farm. This makes it imperative that the farm leadership bears the responsibility of motivating, coaching and

mentoring the employees regardless of the internal challenges. Without people satisfaction, problems can multiply quickly, and morale, productivity and profits can easily be destroyed. Some of the small-scale farmers do not have organizational structures which indicate the functions performed by individuals. This usually makes it difficult for them to know who must do what and why, who should lead people and monitor the operations.

#### 2.2.3.1.5 Poor sales forecasting

Without sales plan / forecast, there is no way to measure the financial growth and the entire progress of the farm. Small-scale farmers usually do not have sales plans and this makes it difficult for them to measure their progress such that if there are challenges remedial interventions can be put in place. It is essential that farmers develop sales forecasting so they can measure them against the intended targets. It is normally expected that a farm business will do sales forecasts for at least three years, but unfortunately that does not happen. Even the Extension Officers sometimes struggle to assist in this regard.

#### 2.2.3.1.6 Poor financial plan and record keeping

Financial statements provide important information about the farm's performance and financial status. Failing to keep records of the inflow and outflow of funds in the business is a setback because it misleads the decision making process in the farm. Most small-scale farmers do not know how to keep records of the monthly inflow and outflow of money. They cannot prepare balance sheets and income statements which should provide a true reflection of the financial status of the farm.

#### 2.2.3.1.7 Limited extension advisory services

Kirsten and Machete (2005) in their study found that small-scale farmers in the land reform projects get a very limited advice from Agricultural Extension Officers. They do not offer commodity specific information hence they are somewhat not subject specialist in business management and its dynamics. The Extension Officers do not make regular follow-ups to ensure that challenges faced by small scale farmers are given the necessary attention. For Marx et al. (1998), factors which cause the collapse of small scale farmers are:



- Deciding to farm with products that are not highly demanded in the market, small-scale farmers sometimes do not conduct a market analysis prior to product decision making and this going forward affects their overall operations.
- The lack of marketing competencies about the needs existing in the market and a lack of ability to react timeously to those needs. Small-scale farmers do not take advantage of the opportunities (e.g. export) that exist in the market and this always leaves them lagging behind in terms growing into commercial operations.
- A lack of necessary technical skills and knowledge of how agricultural products should be manufactured successfully
- The lack of management competencies in general makes it cumbersome for farmers to drive and grow their businesses effectively. Running a farm business requires skills and expertise in planning, organizing, leading, coordinating and controlling. The absence of these puts the farm on the brink of collapsing.

#### **2.2.4 Business planning and its dynamics**

Business planning in the context of land reform has seen small-scale farmers depending mostly on the external agencies, and particularly the private business consultants who do not have any formal agricultural background. Small-scale farmers probably find this to be a quick fix for them since the business planning assistance from the Department of Agriculture and / or Land Affairs seems to take a long time. The limited background of these private consultants has created a gap between the vision of farmers and that of consultants. In the process business plans are not being used at all or when used, they are not realistic and do not reflect the intentions of the farmers (Kirsten & Machete, 2005). In the context of land reform, especially prior to settlement, Kirsten & Machete (2005) suggest that the best business planning processes for a small-scale farmer must include:

- Identifying the prevailing farming systems on the surrounding farms
- Determining in detail the suitability of the land on the farm for the different potential commodities
- Identifying opportunities to modify particular elements in the farming systems of suitable commodities
- Determining the economic viability of the farming systems being proposed

- Determining whether or not the farm owners have the relevant technical and managerial capability to implement and manage the proposed farming system
- Determining the required training and technical support needed to grow and drive the farm and
- Ensuring that the proposed farm plan will produce the intended results within a short period of time

Having contextualized business planning into the land reform programme, the researcher maintains that regardless of the size of the farm or commodity, it is crucial for small-scale farmers to know and understand the business planning dynamics and principles. In essence they must be formally trained on business planning so they are in a good position of developing their own plans that reflect their ideas and intentions.

#### 2.2.4.1 What is a business plan?

A business plan is a comprehensive document which maps the route by which farmers intend to organize a farming endeavour and implement necessary activities for the farm business plan to be put into action. It is a written document by small-scale farmers to source funding or sell the business idea to investors (Badenhorst et al., 2003; Nieuwenhuizen, 2004).

#### 2.2.4.2 The importance of farm business planning

Planning is the fundamental element of business management, and it predetermines what the business proposes to achieve within a specified period of production. It is therefore crucial that the beginning of every small-scale farm should start with the development of a business plan which among other things must reflect the vision, mission, goals and objectives. These are the points of departure for the planning, organizing, leading, coordinating and controlling of the farm business (Marx et al., 1998). All businesses engage in planning regardless of whether it is formal or informal. Planning in any business is concerned with what is to be done as well as how it is to be done. Therefore, for as long as a farm exists for profit oriented purposes, sound knowledge of strategic planning and the relevant skills to develop the business plan are essential to successfully apply the planning principles (Brevis, 2007). For small-scale farmers to run their farm businesses successfully they need to treat business planning as the fundamental element of management

which predetermines what the farm proposes to achieve, and how this is to be achieved. Badenhorst et al. (2003) identified 8 reasons why farmers must develop business plans:

- To sell the business's idea to investors
- To obtain financial assistance
- To obtain investment funds
- To arrange strategic alliances
- To obtain long contracts
- To attract key employees for the business
- To complete merges and acquisitions
- To motivate and focus the business's management team

Nieuwenhuizen (2004) from the entrepreneurship perspective shares the same view with Badenhorst, he also emphasizes that the objective of a business plan for farmers is to communicate a viable idea to employees, suppliers, investors, financial institutions and strategic partners / stakeholders. The researcher holds the view that business planning competency is linked to the leadership competency since it is the responsibility of farm managers to take the lead in ensuring that the farm has a comprehensive business plan and a consolidated strategy. Planning and strategy formulation for small-scale farmers should mean that they establish a clear direction for the business, collect and analyse information on their customer needs, existing competitors, possible risks and the market at large. It is always after such information has been collected that a farm manager should facilitate the development of a business plan (Badenhorst et al., 2005; Hellriegel et al., 2008).

#### 2.2.4.3 Who must develop a business plan in the farm?

The development of a business plan is not the job of farm leadership only, it requires that farm managers engage all the employees and consult with the farm's stakeholders and / or strategic partners (e.g. the Department of Agriculture) to assist in the process. Having mentioned the issue of consultation, when farm managers, employees and the strategic partners are all taking part in the business planning process and contribute inputs, it is a reflection that they are automatically committed to putting plans into actions (Marx et al., 1998). Since the business plan is a route map to business's success, farmers must ensure that it reflects above all the key variables for success or failure, thereby helping them to prepare for different situations that may occur by

thinking about what could go right or wrong (Longenecker et al., 2003). This is crucial for small scale farmers to be always strategically prepared for any changes or innovations that may occur particularly from the market. By developing a better understanding of the market, they will become well informed about the customers, their needs, values, norms and standards (Cant, Geber-Nel, Nel & Kotze 2003).

#### 2.2.4.4 Steps in drafting a business plan

The researcher holds the view that small-scale farmers must follow the following aspects when drafting the business plan for a new farm business:

- Secure the identified land
- Decide on the commodity to be farmed (e.g. tomato, potatoes, beef, etc)
- Source information on the chosen commodity
- Source information on the different forms of business
- Decide on what business form will be best for the situation (e.g. project farming, family farming, contract farming, etc)
- Register the business form, if there is a need for registration

##### 2.2.4.4.1 Planning a horticultural farming

Small-scale farmers intending to venture into horticultural farming need to take the following issues into cognizance:

- The soil must be analysed
- The element of risk should be considered
- Farmers must source information on the rainfall statistics for the farming area
- Information should be sourced on the chemicals and fertilizers that would be required for the specific commodity to be produced
- Rotational crops, if any, must be identified
- A crop production plan should be formulated

#### 2.2.4.4.2 Planning a livestock farming

Livestock farmers need to:

- Consider all risks
- Source information on all regulations especially if the business is close to town
- Seek technical advice on the number of animals that can be placed on the available land for grazing
- Start drafting the business once the relevant information has been obtained

Schematic summary of the steps in business planning by Nieuwenhuizen (2004) are illustrated as follows:

Figure 2: Illustration of the steps in business planning



#### 2.2.4.5 Components of a business plan

In light of the components of a business plan discussed by Badenhorst et al. (2005), Nieuwenhuizen (2004) and the Department of Agriculture, Forestry and Fisheries (2009), draft Business Plan Guidelines Document developed by the Directorate Business and Entrepreneurial, the researcher argues that regardless of the format, every business plan should include the following information:

##### 2.2.4.5.1 The cover page

It should reflect business name, physical and postal address, telephone / cell-phone / fax / e-mail numbers of business and contact person

##### 2.2.4.5.2 The executive summary

This should be a summary of each aspect of the plan. Farmers should only complete this after the entire business plan document has been consolidated. The executive summary should be followed by the introduction which should reflect an overview of the business, vision, mission, goals and objectives

##### 2.2.4.5.3 Index of contents / bibliography

This part provides an overview of the contents of the business plan with headings for major sections and sub-sections cross referenced to page numbers.

##### 2.2.4.5.4 Business description

In describing the business, small-scale farmers should provide the name of the business, when was it formed, where is it located, who are the owners, what does it do in farming. This part needs to be related to the introduction and objectives; farmers need to indicate planting seasons, harvesting periods, and other relevant farming procedures.

##### 2.2.4.5.5 Development impact

The business plan should define how the farm will impact on the community economic development by qualifying how many youth are involved in the ownership and management of the business, how many employees the business does / will expect to employ, how many women

and disabled people does / will the business employ or involve in the ownership. What skills development does the farm have?

#### 2.2.4.5.6 Financing plan

The following questions need to be considered:

How much of finance is required? What type of finance is required (grant, loan)? How long is the finance required? What security is available to secure the loan? If there is the loan, what will the funds be used for (supplying quotes for assets to be financed)? What is the farmer's contribution of own capital and who else was approached for funding?

#### 2.2.4.5.7 Products and / or services

Farmers should describe in full the product / service offered by the business in terms of its benefit to the customers, the innovative features of these products and services and the competitive edge they afford the business over rivals in the market. What are products / services used for? Where are they sold? How much do they cost? How do the customer benefit from the products and services? What is the expected life cycle / production cycle if applicable to the farm? The description should also include description of key technologies employed and current and future research and development.

#### 2.2.4.5.8 Business concept and opportunities

The business concept should grab the attention of the reader / investor / financial institution. This is often best achieved by explaining why a farm is different and unique as opposed those existing in the market. Farmers must clarify the business advantages, how they will break into the market and have a competitive advantage.

#### 2.2.4.5.9 The past operating performance

In this section, a farmer prepares a summary on the past operating years in respect of sales, cost of sales, operating expenses, earnings before interest, tax depreciation etc. If there were challenges experienced, this part should unpack such challenges.

#### 2.2.4.5.10 Market overview

Overview and segmentation: Farmers must describe the overall market broadly, explain who the business's competitors are, how large the market is, what the different segments are, and why they are different. They give brief characteristics of the different segments, what the advantages and disadvantages of each segment are, why the farm has selected a particular segment; what are the barriers to entry?

Price: How is the price for the product determined? How often is it increased? How price-sensitive are customers to the product? What is the price of the competing products? Small-scale farmers need to justify why the business' price may be different to competitors. Is there a multiple-pricing strategy and if so why? They should describe the price elasticity of demand (how responsive is demand to changes in price?) How does the business respond to changes in its competitors' prices and what resources does the business require to execute the strategy?

Distribution: How are products distributed (distribution channel) and how accessible are they to the customers?

Customer analysis: Who are the customers of the farm? What proportion of total sale does each one comprise? Who are the priority customers and what preferential treatment do they enjoy? What customer retention strategy does the farm have?

#### 2.2.4.5.11 Management plan

The farmers

- They must include a description of the skills and experience of the employees / farm owners covering the key areas of technology and product development, production, sales, marketing finance and administration.
- Describe the position and specific function and responsibilities of each employee and of the farm owner

Management structure of the farm, it must:

- Show farm ownership structure, farm units and subsidiaries, where applicable.



- Formulate remuneration, incentives, share options and conditions of employment of key management.
- Give an analysis of any deficiencies in management and how these positions are to be filled
- Comment on current and future employment levels, labour relations and union membership.
- Include details of systems to be implemented, information technology, accounting, administration, management information and stock control systems

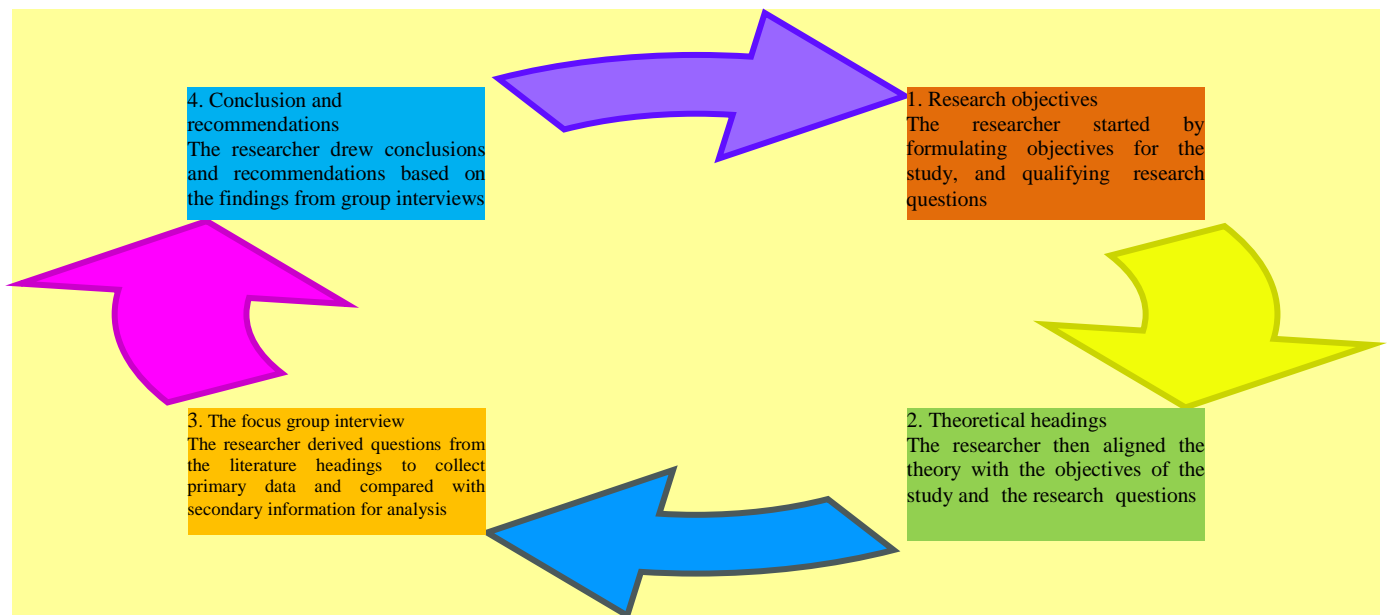
#### 2.2.4.5.12 Strengths, Weaknesses, Opportunities and Threats (SWOT)

This should focus on the key strengths and weakness of the business in each critical area of the business (e.g. marketing, finance, administration, human resources, plant and equipment, logistics, raw materials, etc). What plans are in place for the farm to eliminate or reduce these weaknesses and capitalize on its strengths, what opportunities exist for the business? What is the capability of competitors to exploit these opportunities and are they better placed to exploit these opportunities? What are the impediments to access these opportunities? What threats does the farm face in each of the critical areas mentioned in the production plan of the farm and how does the business manage these threats?

### **2.3 An integrated framework for conducting this research**

The primary purpose of this section is to present in sequence how the literature reviewed was used to achieve the objectives, and answer some research questions. The literature part should relate to the objectives and talk to the research questions. This then builds up to the focus group interview. The focus group interview was the data collection method used by the researcher to collect primary information from small-scale farmers about their business management competencies and in particular the Section headings of the study. The collected information was matched with the contents of Section headings to determine whether there are similarities or differences. This information also answered the research questions and served as the basis for to the drawing of conclusion and making recommendations. The diagram below illustrates how the researcher sequentially arrived at the conclusion and recommendations:

Figure 3: Diagrammatic illustration for conducting the research



The integrated framework is unpacked in sequence as follows:

### 2.3.1 Research objectives

This study intends to meet the following objectives:

2.3.1.1 To define and describe small scale farming (with specific reference to the land reform programme) and its contribution to community development

2.3.1.2 To investigate the progress and/or dynamics of business management within the land reform farms

2.3.1.3 To assess and identify business management competencies required for small scale farmers in the land reform farms and identify challenges facing them in business management

2.3.1.4 To investigate into the competence of small scale farmers in business planning and its dynamics

### 2.3.2 Literature headings of the study

#### a) Small-scale farming

In this section, the researcher defines and describes small-scale farming and also discusses its impact on community. This implies that the researcher had to use the focus group interview to gain primary information about the impact of small-scale operations on the community and also

determine whether or not the small-scale farming modalities in the study area talk to the small-scale farming theory.

b) Business management competencies and challenges facing the small scale farmers

This is the core section of the theory. In the literature, under this section, the researcher had identified business management competencies required for small-scale farmers. Using the focus group interviews, the researcher derived questions from the identified competencies to determine whether or not small-scale farmers have the required business management competencies to be sustainable, competitive and create employment. In light of the Land Reform Programme, the study wanted to detect from farmers, the factors which contribute to the collapse of small scale farming. The information was matched with the challenges discussed in the literature (i.e. no marketing plan, lack of business planning, poor sales forecasting, etc).

c) Business planning and its dynamics

The business planning theory is being put separately since it draws together a workable framework for the entire business management. Questions regarding business planning were based on the following topics:

- The importance of business planning

-Do farmers understand how important a business plan is in their respective farms?

- Who develops a business plan in the farm?

-who has the responsibility of facilitating the business plan development?

-how do farmers participate in business plan development and do they understand their roles in the plan?

- Steps in drafting the business plan

-the researcher is interested in knowing the steps followed by small scale farmers to draft a business plan

-how do they relate the business planning to the intended agricultural business?

- Components of the business plan

-do they know what constitute a comprehensive business plan?

-how do they conduct a SWOT analysis for the intended business?

Answers to these questions assisted the researcher to draw some conclusion as to whether small-scale farmers have the capacity to develop business plans, and do they know business elements which must constitute a business plan.

### 2.3.3 The research design

In the next chapter the research design will be developed.

To gather actual information from the small-scale farmers, the researcher decided to collect primary data on the theoretical topics of the study through focus group interviews. This implies engaging identified small-scale farmers in the group interviews to collect data on the following topics:

2.3.3.1 Small-scale farming and its contribution in community development

2.3.3.2 The progress of land reform from the business management perspective

2.3.3.3 Business management competencies and challenges facing small-scale farmers

2.3.3.4 The capacity of small-scale farmers for business planning and its dynamics

The information will be analysed to allow the researcher to interpret it and compare with the theory in the study in chapter 4. This will be followed by the drawing of conclusion and recommendations in chapter 5.

### 2.3.4 Conclusion and recommendations

2.3.4.1 Conclusion: It is drawn based on the findings of the study

2.3.4.2 Recommendations: Are directed to the Department of Agriculture, Forestry and Fisheries and Land Reform and Rural Development. The recommended remedial actions must assist the two department to draw tailor made policies and/or strategies that will address among other things the gaps identified by this study.

## **CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY**

### **3. RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

The research design is a plan to be followed to realize the objectives of the study. It reflects on the plan that specifies the methods and procedures applied for collecting and analysing the required information (Tustin et al., 2005). The purpose of this chapter is to present the research design and rationale behind the decision, to unpack the methodology that has been applied to collect, collate and analyse data, to describe the study area, the population and methods used for sampling.

#### **3.2 Research design**

This study follows the qualitative method of research which is typically used to answer questions about the nature of phenomena (i.e. the business management competencies, small-scale farming, and the land reform progress from the point of view of business management) with the purpose of describing and understanding them. It is a case study approach with qualitative and quantitative assessment. The researcher has decided on a qualitative study because the primary objective is to gather theoretical information which does not have any qualitative implications which could warrant qualitative consideration. A qualitative methodology has been chosen to gather opinions, views and facts from the selected small-scale farmers on business management competencies and challenges, small-scale farming, and the land reform progress from the point of view of business management. The information should assist to conclude as to whether or not the small scale farmers have the necessary competencies to drive, grow and sustain their farms businesses. Since the study is qualitative, conclusions and recommendations will be drawn to assist the policy and strategy development.

#### **3.3 Research methodology**

##### **3.3.1 The study area: Kungwini Local Municipality**

The study was conducted in Kungwini Local Municipality in the Gauteng Province. Kungwini is primarily a rural area with a significant but somewhat underdeveloped agricultural base. The municipality is classified as a Category B Municipality in terms of Chapter 7 of the Constitution

of South Africa Act, 1996 (Act 108 of 1996), (Metsweding Agricultural Development Strategy and Implementation Plan / MADSIP, 2009).

### 3.3.2 Population

The Researcher was presented with the list of 14 small-scale farmers of the Land Reform Programme (i.e. LRAD) in the Kungwini Local Municipality. These 14 small scale farmers according to the Gauteng Provincial Land Reform Office in Pretoria, was the total number of small scale farmers farming on the land reform programme. The primary activities of the farmers varied from crop farming (i.e. maize producers), vegetables and poultry farmers (i.e. eggs producers and broilers producers).

### 3.3.3 Sample size and selection method

The unit of analysis for this study was the small-scale farmers whom the researcher recognizes as beneficiaries of the Land Reform Programme. The sampling frame was a list of all Land Reform Beneficiaries in the Kungwini Local Municipality who acquired the land through the Land Redistribution for Agricultural Development (LRAD grant) which is a component of land redistribution. This study chose a probabilistic sampling approach, and the researcher used a simple random sampling method to select 9 farmers for the research interview. This in essence implies that 9 small-scale farmers on the LRAD programme were identified as research participants to collect primary / raw data for analysis and comparison. These farmers were interviewed during the focus group interview.

### 3.3.4 Data collection methods

Data collection was informed by the research questions as stated in chapter one. The table below gives a synopsis of what questions were derived from the key research questions, and what direction the focus group interview took using open and closed-ended questions. The data collection process follows after the table and the findings are presented in Chapter 4 of the study.

Table 3: Synopsis of the questions asked during the focus group interview

| RESEARCH QUESTION   | Structured closed ended questions  | Structured open ended questions  |
|---|--|--|
| (a) Who are the small-scale farmers, what is small-scale farming in the context of the Land Reform Program and what is the contribution of small-scale farming in community economic development? | <p>The study gathered information on the demographic details of small-scale farmers (i.e. age, and education status), farming information on the farm size, years of experience in farming, farm’s vision, source of farm information</p> <p>What is the contribution of small-scale farming in community economic development How do small-scale farmers rate their contribution into community economic development?</p> | <p>Question were asked on what do small-scale farmers do, their objectives, experience in farming, sources of farm information.</p> <p>What is the contribution of small-scale farming in community economic development? How do small-scale farmers plan to improve their contribution in community economic development?</p> |
| (b) From the point of view of business management, is there progress in the Land Reform farms   | <p>Do the farmers possess the required business acumen to drive and grow their farms such that the objectives of land reform are achieved?</p>   | <p>What causes land reform small scale farming to collapse</p>   |
| (c) What is business management, what are the required competencies for small farmers, and what are the challenges facing   | <p>What do farmers understand about business management, what challenges do they face and what contributes to the collapse of their farms?</p>   | <p>Farmers were asked to describe their business management competencies and expatiate on whether or not they were trained before or after settlement. The challenges on business</p>  |

|  |  |   |
|--|--|---|
| them in business management?   |  | management and assistance received thereof.   |
| (d) What capacity do farmers have in business planning and its dynamics? | Questions included: do small-scale farmers have a farm business plan? do they know what information to collect in developing a business plan, the steps to follow when developing a business plan? | They were asked to elaborate on their understanding of business planning, importance of business planning and whether or not their operations follow the business plans |

The table shows that each research question as indicated in the table had list of questions which were asked during the focus group interview. In light of the problem (i.e. business management competencies) being investigated in this study the researcher pre-planned and determined the type of questions to be asked. Structuring questions into open-ended and close-ended was a strategy to enable the researcher to examine the level of understanding respondents had on the topic business management. The reason for the structured close ended questions was to establish a base from which exploratory open ended questions could be asked. In choosing this combination, the researcher was mindful of the fact that close-ended questions limit the respondent to the set of alternatives provided in the questionnaire while open ended questions allow the respondent to adequately express an opinion without being influenced or guided by the researcher's alternatives, thus avoiding the bias that might have resulted from suggesting alternatives in the case of close-ended questions..

#### 3.3.4.1 Primary data sources

The exercise of collecting primary data from the identified sample of farmers happened on the 17<sup>th</sup> March 2011 at the Bronkhorspruit in the Gauteng Department of Agriculture offices where farmers usually meet for study groups. The meeting was organized by the Extension Officer in charge of the Bronkhorspruit area. In this group interview the information was collected from 9 small-scale farmers on the LRAD programme. The researcher structured a list of open-ended and close-ended questions in the questionnaire format. The questions were entertained during the focus group interview. The literature review topics were the focal points for the interviews and



further discussions. The Extension Officers present during the interviews assisted to facilitate the interviews and also made notes. The researcher designed a list of structure close-ended and open-ended questions which were both asked during the focus group interview.

#### 3.3.4.2 Secondary data sources

For literature review purposes, the researcher reviewed among others, the following secondary sources and all the information used was properly referenced:

- Journals
- Books (academic)
- Electronic sources (Sabinet website, Ebscohost)
- Newspapers
- Internet sources (e.g. government documents on agriculture)
- STATS SA reports
- Government Documents (e.g. White Paper on Agriculture)
- Annual Reports (e.g. Department of Agriculture, Forestry and Fisheries)

#### 3.3.4.3. Focus group interviews

A focus group interview was the primary data collection method where 9 small scale farmers (research participants in this case) were brought together under the guidance of a researcher (referred to as moderator) and assistant moderators (Extension Officers in this study) to focus on business management competencies. This method was used to solicit views and range of opinions on business management competencies, challenges in business management, factors causing the collapse of small scale farming. In this data collection method, the researcher introduced the research topic, purpose, aim and objectives to the 9 research participants to establish a common understanding of what the study intends to achieve. The researcher posed questions to the group while the assistant moderator/s made(s) notes. This allowed the researcher to give everybody the equal opportunity of expressing the views and opinions on the topics discussed.

#### 3.3.4.3.1 How was the interview conducted?

The researcher arranged with the Extension Officers (referred to as research assistants in the study) in the Bronkhorspruit area (east of Pretoria) to have a time slot in their usual study groups in order to facilitate the focus group interview. Extension Officers assisted the interview process by making notes (i.e. capturing answers from farmers and noting critical issues). Where applicable, Extension Officers also made some follow up questions and clarified some issues which needed their attention or response. From the beginning of the interview, the researcher started by introducing himself and explaining how the interview is to be conducted. He then presented the research topic, purpose, aim and objectives, introduced the topics from which the questions were asked. Designed structured open-ended questions and close-ended ones were both entertained in the focus group interview.

##### 3.3.4.3.1.1 Structured open-ended questions

The open-ended questions were developed in light of the research questions of the study. During this session, questions on small scale farming and its impact in community development, business management challenges facing small scale farmers, business planning, and business management were directed to the group and no individual farmer was targeted, but participation was encouraged. All answers were treated equally and no farmer was given superiority over others. If the answer given by two or three farmers was a common sentiment, it was then taken as a group's answer. However, the researcher always checked with farmers, if they wanted to say something before proceeding to the next question or topic. In essence, this was a strategy to let everybody talk and entertain each and every question posed. Farmers had different views, and for that reason the platform was immediately created for individual elaboration on own answers. The interview was not limited to structured questions only, other follow-up questions were derived during the interview and this made the discussion more fruitful. The follow-up questions were triggered by different answers from the farmers hence they were encouraged to feel at liberty to express their views and opinions on the topics of the day.

#### 3.3.4.3.1.2 Structured close-ended questions

The structured close-ended questions were also selected in light of the research questions. The close-ended questions were derived from small scale farming and its impact in community development, business management challenges facing small scale farmers, business planning, and business management. Questions were posed individually to the participants by the researcher. The few close-ended questions focused on demographic details, small-scale farming and its impact in community development, Land Reform status and the challenges of the Reform Programme, government farmer support programme, business management competencies and challenges, business planning and its dynamics. From this short interview, follow up issues were noted and reserved for the main interview of the day to avoid confusion amongst the farmers. After completion of the close-ended questions, the researcher refreshed the minds of farmers by introducing the topics from which the main interview focused.

#### 3.3.4.3.1.3 Notes taking (i.e. capturing of answers, views, and opinions)

The three Extension Officers, who assisted the researcher during the interview, had the responsibility of capturing notes from introductions until the end of the discussions. During the interview the Extension Officers (referred to as research assistants) focused on taking notes of all the discussions. The researcher facilitated the entire interview session, asked questions and where necessary also made some notes of key information provided by farmers. Where the researcher felt that the answers and / or information provided by farmers was critical, the Extension Officers were given time to capture that at a very slow pace to allow proper capturing of the information. The researcher in those instances, checked with the Extension Officers to ensure that the critical information is properly captured.

#### 3.3.4.3.2 Limitations of the data collection method (i.e. focus group interview)

The researcher had to deviate from the planned sequence of structured topics and questions due to answers provided and follow-ups made. This however, did not affect the focus of the interview, all structured questions were asked and all the topics were also entertained interchangeably. Some farmers wanted to use political connotation to entertain the Land Reform topic, but the researcher maintained neutrality so they could not politicize the interview. Since most the farmers were old people, it was difficult for them to recall some of the critical

information required for the purpose of this study. A voice recorder was not used in the interview as initially intended, this somewhat delayed the discussions because the researcher had to ask farmers to pause so he could capture the answers and also allow the Extension Officers to capture the details.

Some of the answers given by the small-scale farmers were not relevant to the discussion and to specific questions especially on business management and business planning. The researcher had to simplify the questions and even rephrase some to suit the discussion. The questions in business management competencies and business planning were not adequately answered since farmers indicated that they did not have the actual capacity to entertain questions relating to business management and business planning. The researcher had to customize questions to the mode of operation of small-scale farmers to at least drive them towards the required information.

In instances where questions could not be answered adequately, particularly in business management and business planning, the researcher had to discuss the dynamics around the topics (i.e. business management and business planning) to stimulate participation.

#### 3.3.4.3.3 Ethical considerations

The researcher valued ethical conduct during the course of the interview and in that regard, he ensured that during and after the interview, no farmer / participant was individually linked to the records of the interview and the ultimate findings / recommendations of the study. At the beginning of the interview, all farmers were informed that the data collected was only for research purposes. Farmers were informed about the research (i.e. purposes, aims, objectives, benefits) and were not in any way forced to participate in the study. Farmers signed the confidentiality statement prior to the beginning of the interview. All farmers identified as the sample size voluntarily agreed to participate in the focus group interview. Researcher made it clear that the ultimate findings and / or recommendations of the study do not automatically guarantee solutions to the problems and challenges discussed during the interview. The researcher guaranteed the farmers that the records of the interview will be used for evidence purposes to the University of Limpopo and not any purpose other than that.

#### 3.3.4.3.4 Closing the interview

In closure, the researcher expressed thankful regards to the farmers for their participation and time. The Extension Officer gave vote of thanks and the interview was closed.

#### 3.3.4.4 Reliability and validity

Reliability in a qualitative study refers to the extent to which the results (i.e. findings from the focus group interview in this study) are consistent over time should the study be reproduced under the similar methodology (i.e. focus group interview in this study). Validity determines whether the research has truly assessed that which it was intended to assess; it looks at how truthful the research results are (Joppe, 2000 in Golafshani, 2003).

##### 3.3.4.4.1 Reliability

The information reliability has been ensured in this study, this was evident by the lively discussion during the focus group interview which left the researcher with no doubt that the answers were true facts by the farmers. The focus group interview presents itself as an equal and fair discussion platform wherein the identified sample (i.e. 9 LRAD small scale farmers) from the population deliberate on their opinions and views as per the questions asked during the interview. This type of data collection methodology provided the researcher with reliable and “raw from the horse mouth” information which if applied again will be consistent with the findings. The method used (i.e. focus group interview) would only provide completely different results on this study if the Land Reform Programme became a success overnight and small-scale farmers had all the required business management acumen moving forward to commercial farming enterprises. As long as the implementation of the Land Reform Programme remains at the current snail pace and challenges continue to exist, the researcher believes findings of this study will remain reliable and representative of the entire population of the study area.

##### 3.3.4.4.2 Validity

In this study, the researcher ensured validity of the results from the focus group interview by comparing them with findings from other researchers (i.e. relevant theory in this study). The answers / results of a given topic (e.g. business management) discussed during the interview were matched with those contained in Chapter 2 of the study to determine whether they give the

researcher a true reflection of what has been found by others. The researcher took cognizance of the current status of land reform vis-à-vis the primary information gathered during the interview to determine whether the gathered information has relevance to the current status and debate around the Land Reform Programme. In light of the main objective of the study (i.e. to assess the business management competencies among the small-scale farmers in the land reform farms), the researcher also compared the results (i.e. answers from the interview) on business management competencies against findings of other researchers discussed in Chapter 2 of this study to validate the findings of the study.

### 3.3.5 Methods of data analysis, presentation and interpretation

In light of the research questions, the researcher summarised all the answers (as shown in appendix 1) from the interview under each topic and research question to build up towards the analysis. All answers which were relevant to the research questions were identified and coded to assist the researcher in his analysis. The answers were analysed and interpreted in light of the research questions and the objectives of the study. Presentation of the results took into cognizance the objectives of the study and providing answers to the research questions. Since the study is qualitative, the researcher used graphs, charts (i.e. pie charts, simple bar charts, and multiple bar charts) and tables to analyse, present and interpret data. No inferential statistics were applied in the study.

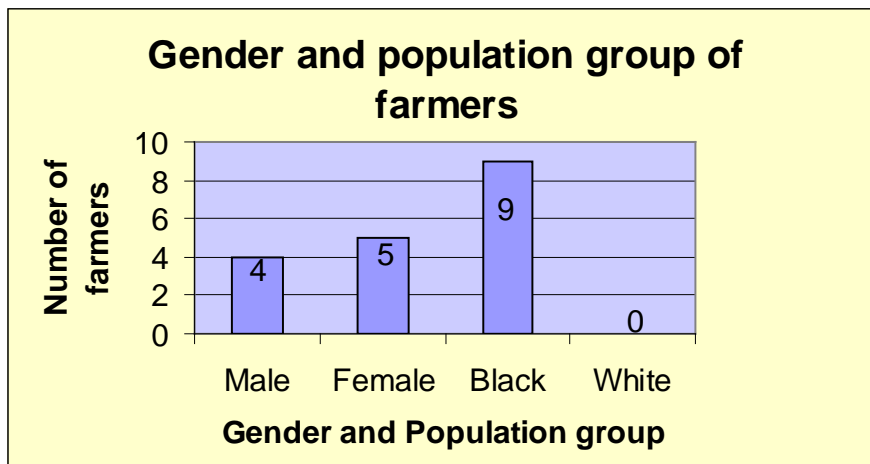
## CHAPTER 4: RESEARCH FINDINGS AND INTERPRETATION

### 4. RESEARCH FINDINGS AND INTERPRETATION

The focal point of this study is to assess the business management competencies among the small-scale farmers on the Land Reform Programme and establish whether or not they have the expected competencies for growing, managing and driving farm business enterprises which generate income, create employment and operate competitively and sustainably to advance the objectives of the Land Reform Programme. The researcher conducted focus group interviews to collect raw information (which is reflected in the questionnaire in the appendix) from the identified small-scale farmers. In light of the research question of this study, data was collected on the basis of the research questions presented in chapter one. The results are interpreted and the findings made as per the research questions. First some demographical data on the farmers are discussed and then those of the research questions.

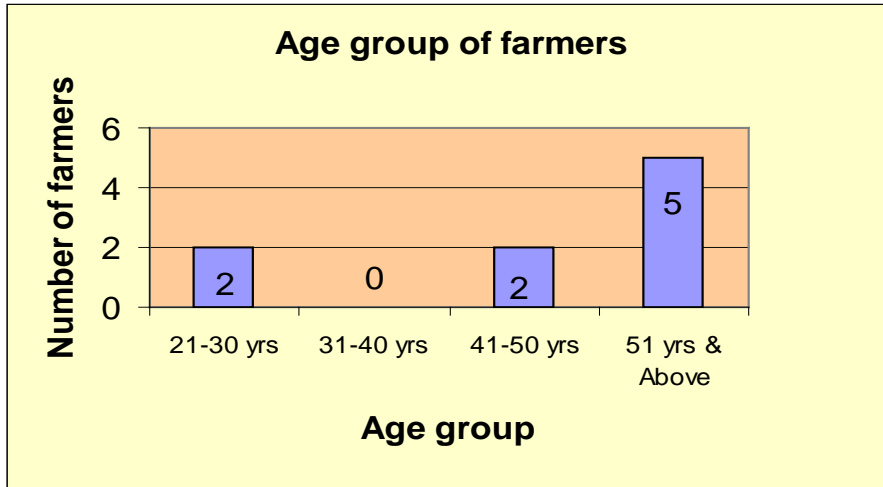
#### 4.1 Gender and population group of the small-scale farmers

Figure 4: Gender and population group of small-scale farmers



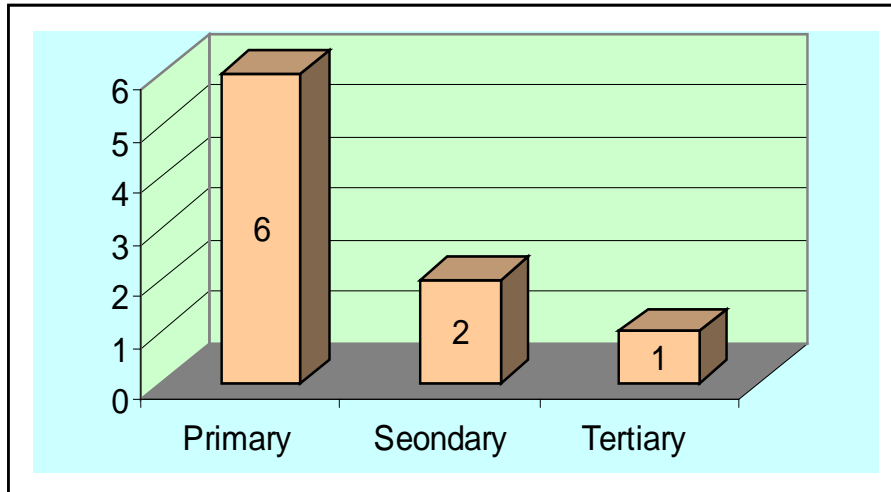
From the sample of nine farmers (i.e. 5 women and 4 men) who participated in the focus group interviews, all of them were black small-scale farmers and no whites were part of the group.

Figure 5: The age group of small-scale farmers



Many of the small-scale were above 50 years. Only 2 of them were within the age group of 21 to 30 years and none were within 31-40 years. None of the farmers were in the early teens which suggest that the participation of young people in agriculture still needs to be promoted.

Figure 6: Education status of the small-scale farmers



Regarding the education details, only one farmer had tertiary qualifications, only 2 had secondary school qualification and the majority had gone to primary school only. From the discussion, farmers said the land reform farms are dominated by old people who do not have formal education and background in the farming fraternity. Members of the households are to some extent directly dependent on the income derived from the farm to survive. From the group



of farmers interviewed, three farmers indicated that their family members are completely dependent on farming for a living.

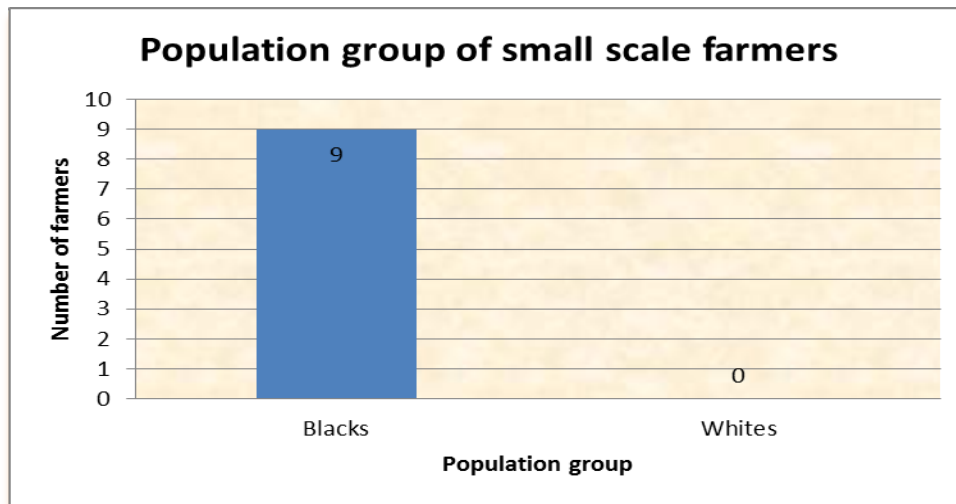
## Conclusion

Small-scale farming is black dominant and practiced by old people (i.e. above 51 years) who do not have any formal education and background in farming at large. Participation of youth in farming still needs to be promoted. Small-scale farmers are somewhat directly and completely dependent on the farm income and do not have any other sources of income apart from pensions. The income generated from the farm is used for household subsistence needs other than purchase of farm inputs for continued production. Each household comprise at least three people who are also dependent on the farm income.

### 4.2 Small-scale farming

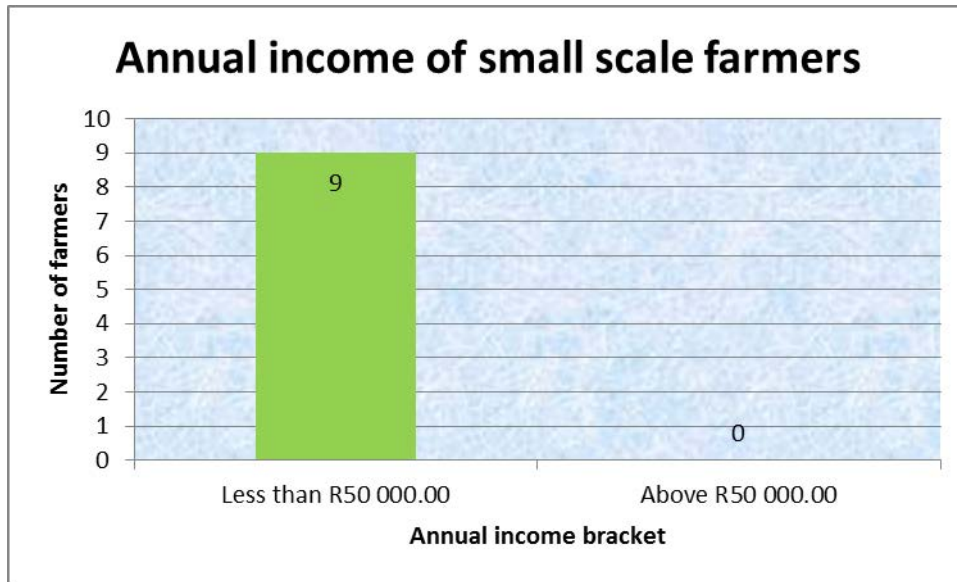
As discussed in the literature, small-scale farming is laden with performance failures and is associated with non-productive agriculture and non-commercially viable agriculture.

Figure 7: Population group of small scale farmers



The findings of this study were that all the respondents were black as shown in figure 7.

Figure 8: Annual income of the small scale farmers



None of the small scale farmers interviewed generates substantial income above R50 000, all of them generate income below R50 000.

Table 4: Farm business objectives, vision and mission of the small scale farmers

| Objectives                       | Number of farmers | Farmers who had: | Number of farmers |
|----------------------------------|-------------------|------------------|-------------------|
| Employment creation              | 9                 | Business Vision  | 0                 |
| Poverty alleviation              | 9                 | Business Mission | 0                 |
| Household food security          | 9                 |                  |                   |
| Graduate into commercial farming | 9                 |                  |                   |

Regardless of the income generation which is not satisfactory according to the farmers, they however have an understanding of what is expected of them as small scale farmers. They share the same objectives which include striving towards employment creation, poverty alleviation, and food security, but they felt that they do not get the required support from the government to address their challenges and eventually graduate into commercial farmers. Regardless of these common objectives, nothing has been happening towards achieving such objectives because farmers have not set themselves any visions and do not have any written mission statements.

Farmers could not share any visions, missions they have for their businesses despite the fact that they have been farming for more than 10 years.

Table 5: Farm sizes for the small scale farmers

| <b>Total hectares of the farm</b> | <b>Number of farmers</b> | <b>Farming activities</b> | <b>Number of farmers</b> |
|-----------------------------------|--------------------------|---------------------------|--------------------------|
| 1-5 hectares                      | 0                        | Livestock                 | 3                        |
| 6-10 hectares                     | 0                        | Cash crops                | 3                        |
| 11-15 hectares                    | 0                        | Industrial crops          | 2                        |
| 16-20 hectares                    | 0                        | Poultry                   | 1                        |
| 21 hectares and above             | 9                        |                           |                          |

The actual small-scale farm sizes ranged from 35 hectares to 180 hectares. All 9 of them farm on above 21 hectares of land with the main farming activities being livestock production (i.e. sheep, goats, pigs, dairy cattle farming), cash crops (i.e. cabbage, potatoes, tomatoes, onions and spin ash). Of the 9 farmers interviewed, 2 farmers were involved in industrial crops (i.e. predominantly maize farming). They sell their livestock at auctions and to the local communities. All farmers reported an annual income below R50 000 (as shown in figure 8 above) of which most is used to cater for household needs (like electricity, pay clothing accounts) rather than farming essentials (like buying production inputs for the farm). Small-scale farmers have lost farm business confidence due to poor incomes they generate. They have set themselves good objectives but believe they are still lagging behind to contribute to rural economic development and employment creation. The small-scale farmers are indebted and most of their farm income goes to personal debts and this ultimately impacts negatively on their farm operations.

#### 4.2.1 Source of farm business information

The following table depicts sources of information for the small-scale farmers:

Table 6: Sources of farm business information for small-scale farmers

| Source                    | Number of Farmers | % of Farmers |
|---------------------------|-------------------|--------------|
| Farmers' information days | 3                 | 33%          |
| Extension Officers        | 5                 | 56%          |
| Farm input suppliers      | 1                 | 11%          |
|                           | Total: 9 Farmers  | 100%         |

The table depicts a true reflection that the majority of farmers depend on the Extension Officers from the Department of Agriculture (who are the key role players in the value chain) to access timely and accurate information on farming, market opportunities, prices, input markets, financing institutions and related issues. It is also during farmers' information days that they get together with other farmers to share ideas, exchange information and get updates from the Department of Agriculture. The Extension Officers on a monthly basis mobilize the farmers into study groups according to their farm activities to offer them some informal teaching sessions on selected topics. The input suppliers who are part of the farmers' value chain also share with them some technical advices. Extension Officers present during the interviews indicated that it was difficult to satisfy all the farmers for purposes of training, technical advices and follow-ups. Extension Officers are responsible for a large volume of farmers. According to the Extension Officers, a lot still needs to be done to graduate small-scale farmers into commercial farming so that they can contribute to community development.

#### Conclusion

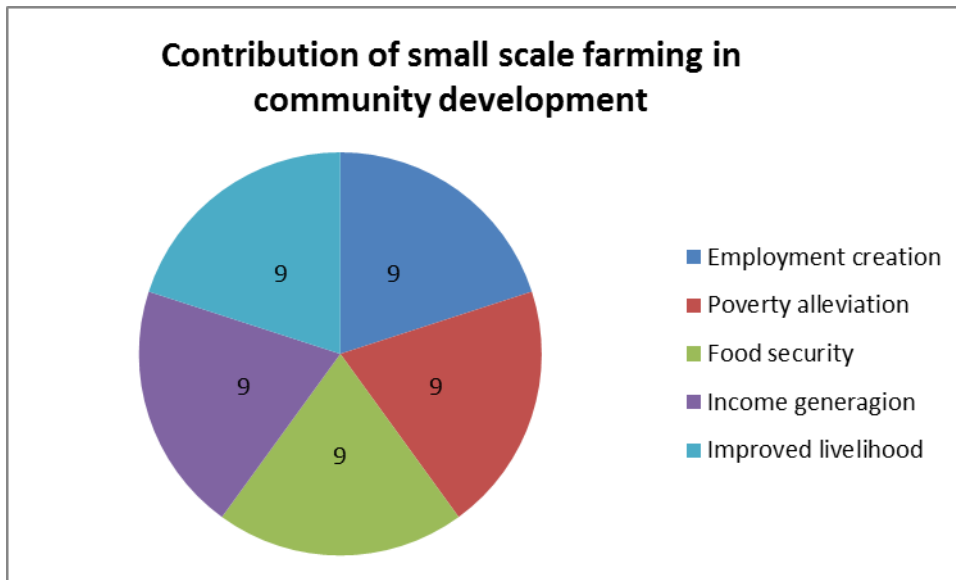
Though there is a room for growth in the small-scale farming operations, the study has discovered that small-scale farmers are not affiliated to any formal representative structures (e.g. commodity associations, farmers unions) which must be their voice and reliable information sources on timely and accurate information. The Department of Agriculture must direct its support and remedial interventions towards the establishment of commodity associations and inculcate the culture of farmers' union affiliation. Dependency on Extension Officers who have diverse responsibilities does not always provide the solution to challenges and needs of these

farmers. The establishment of commodity associations (e.g. maize producers association, beef cattle farmers association, etc.) would provide a solution by transferring the skills and all necessary information to the affiliates.

### 4.3 Impact of small-scale farming on community development

Greenberg (2010) in the literature argues that small-scale farmers' roles in the community are to produce food for rural food security and household food security and create employment. It is further argued in CASP 2004 report that expected outcomes from small-scale farmers on the land reform are reduced poverty, increased wealth creation, sustainable jobs and efficient farming.

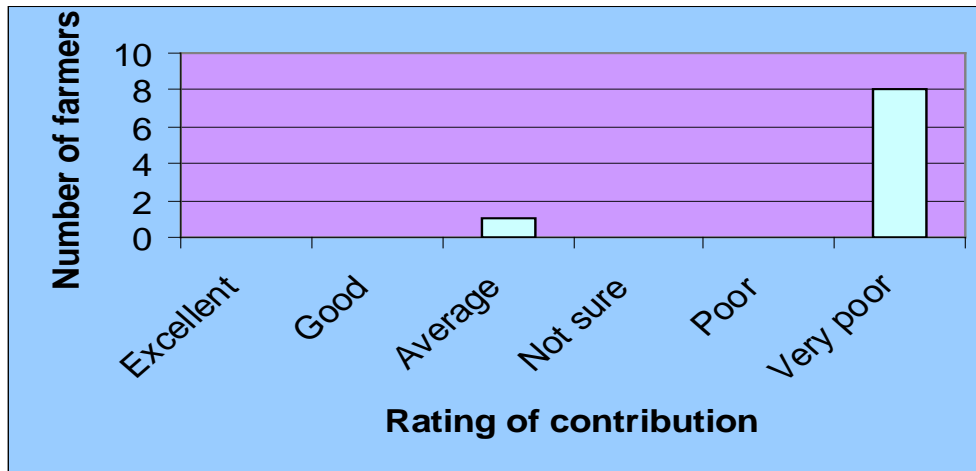
Figure 9: Impact of small scale farming on community development



Small scale farmers have common objectives and share the same community development ambitions. During the focus group interviews they indicated that they are striving towards employment creation, poverty alleviation, food security, income generation and improved livelihood. It became very clear that small-scale farmers are far behind to achieve these socio-economic fundamentals. Small-scale farmers employ at least 3 people on casual basis or only harvest periods and the payments are not enough for workers to afford the basic needs. Farmers emphasized that their lower income generation limits them from employing large volumes and

thus the effort of contributing to employment and food security fades away. Farmers also alluded to the fact that they sometimes spend 3 months with no income.

Figure 10: Contribution of small-scale farmers in community development



When asked how they rate their contribution into community economic development, only one farmer gave herself an average rating, the rest (i.e. 8 farmers) said their contribution is very poor and there is no hope for improvement. Farmers however, would like to employ at least 50 people, donate vegetables to charities and assist others to acquire the land.

### Conclusion

Small-scale farming has the potential to contribute to community economic development by creating employment, alleviating rural poverty and reducing food insecurity. The study wants to emphasize that this will only be possible if the Department of Agriculture can exploit this opportunity by introducing a structured and sequential support intervention that must strive towards advancing the operations of the small-scale farmers such that their performance is harnessed. The enhanced performance in the small-scale farming operations would definitely get some recognition, community economic development and, if the momentum is maintained, their contribution could be counted in the Gross Domestic Production (GDP).

#### 4.4 Required business management competencies and challenges facing the small-scale farmers

Managing a farm business requires that a farmer must have relevant competencies to drive and grow the farm such that it generates income, creates employment and continue to operate sustainably. It was clear during the discussion with farmers that they do not know what is expected of them with regard to farm business management. They confirmed that they do not have any of the business management competencies expected from them. The researcher, in chapter 2 identified list of competencies as the business management fundamentals for small-scale farmers in the land reform. From the list, the researcher engaged the farmers in discussion for each competency to determine whether they have the expected capacity. The following table shows how farmers responded to each competency:

Table 7: Business management competencies required for small-scale farmers

| Required competency      | Response by small-scale farmers   |
|--------------------------|---|
| 4.4.1 Leadership         | They believe it is about leading farm workers in the farm. From the literature, farmers who lead must identify peoples' needs, generate goals, objectives, locate resources, and employ the right people for the business. When this was presented to the farmers, they indicated that they do not practice any of those. Leadership in the small-scale operations is haphazard and not necessarily valued a critical area of business management. Those who are expected to lead (i.e. Farm Managers, Chairpersons) do not have any capacity about the leadership dynamics, let alone the qualities. |
| 4.4.2 Strategic planning | They do not know what to do when planning strategically. Farmers had no idea on strategic planning dynamics. As indicated by Brevis (2007) strategic planning for small-scale farmers must focus entirely on production process and sales. Unfortunately farmers could not relate strategic planning dynamics with their farming dynamics. Strategic planning is  |

|  |   |
|--|---|
|  | <p>not only important in exploiting opportunities but also necessary for farmers to determine the resources required and skills required to run the farm. They indicated that they never devote time to plan for any specific production cycle or strategize against the competitors for competitive advantage in the market. The farm business passion has dropped due to no support from government, so they decided to do things their own way so long as they can sometimes make some money for household subsistence needs. Their strategic partners (i.e. Gauteng Provincial Department of Agriculture) also do not assist them with any planning.</p>  |
| <p>4.4.3 Customer relations and market focus</p> | <p>No formal capacity on customer relations and market dynamics. One farmer said, “for good customers’ relations she informs her customers about the broilers when they are ready for the market and also check if they are happy with the size, quality and price.” Farmers do not know how to develop marketing plans, identify customers / customer groups. Customer relations and markets focus must connect what the customer wants with what the farmer can produce and supply to the market at a profit. It was clear from the discussion that small-scale farmers fail to exploit existing and potential market opportunities because they do not have marketing skills and lack good customer relations.</p> |
| <p>4.4.4 People management</p>                   | <p>They only know that it is important to motivate workers to put more effort on their jobs. The formal management of people like discussing the work plans / schedule, pensions, training, skills development, rewards, setting performance targets, measuring people’s performance and retention strategies are not known by farmers.</p>   |



|  |   |
|--|---|
| 4.4.5 Financial management                 | No capacity at all. In literature according to Badenhorst, et al. (2003), the most essential skill needed in financial management is keeping daily account records regardless of the farm size. This must involve writing down all transactions involving money coming into and going out of the farm. The fact that small-scale farmers do not have any capacity on this aspect, land them into serious problems. None of the farmers could confidently share his / her competence on this aspect. They do not have record keeping systems, be it formal or non-formal, because they emphasize there is nothing to record as result of no skills in financial management. They do not know how to develop and / or prepare financial statements necessary for any farm business. |
| 4.4.6 Resources and information management | No capacity. The primary purpose of information and resources management is to secure relevant information (i.e. production methods, technology, markets) and resources (i.e. people, suppliers, machinery, and equipments) in time, in the correct form and at an acceptable cost for decisions to be taken. They have never been trained on how to manage information as and when it comes. They cannot apply management functions to ensure sustainable use of resources (particularly human resource and physical farm resources like machinery)  |
| 4.4.7 Processes management                 | No capacity. As discussed in the literature, farmers are expected to know and understand how their products move through various stages in the value chain until they reach the final consumer. This usually involves product development, pricing, placing and promotion processes. Small-scale farmers do not follow any of these stages; hence they always struggle in the markets. They have not designed any processes that  |

|   |   |
|---|---|
|   | their operations must follow until the products are in the hands of final consumers.  |
| 4.4.8 Suppliers and partnership relations | No capacity. Small-scale farmers do not know the necessity of establishing and maintaining strategic relationship with people who have an interest in the success of their businesses. They do not have business negotiating skills that can secure them strategic partners and suppliers on either contractual or permanent basis. |

#### Conclusion on the competencies

This study posed a question on whether or not the small-scale farmers have the required competencies to drive and grow their business such that they contribute to employment creation, poverty alleviation, and rural food security. The answer is no. The competencies identified by the researcher are believed to be the critical functional areas of business management that any farmer must have. While the answer to the question is no, it is imperative to re-emphasize that the pre- and post-settlement training must be compulsory and be treated as pre-requisite for any potential land reform beneficiary. If one is to think around the lines of real business management and associated dynamics, the conclusion can be drawn that the small-scale farmers are not potentially ready for the farm businesses. So long as the business management vacuum in the small-scale farming is not addressed, their chances of graduating into commercial businesses and contributing to economic growth, poverty alleviation and food security will continue to deteriorate, and thus fail the land reform programme.

#### 4.4.9 Challenges and factors which cause small-scale farming to collapse

The business management challenges discussed in the literature are not contrary to the findings from the small-scale farmers of this study. Farmers said they have no idea where to start when drafting a business plan. They do not have business plans to use as reference documents for their operations, they do not know how to keep records of their farm activities. The most common challenge farmers agreed they have included financial management, cash-flow projections, developing balance sheets, income statement preparation and financial record keeping. The

accessibility to markets stood out as another common challenge among the farmers. The following is the list of business management challenges mentioned by the farmers during the interview:

- Operating without business plans
- No marketing plans
- Lack of management skills
- Poor financial management and record keeping
- Poor customer relations
- Lack of access to the markets
- No financing mechanisms
- Lack of business strategies (to be able to compete in the markets)
- Pricing
- Lack of business confidence

According to farmers, these are recurring challenges since the Extension Officers also are not subject experts on the listed challenges. Farmers believe mentors and / or commercial farmers who are well established can assist them with hands on training and advices which talk directly to the challenges. The researcher presented farmers with the opportunity to select from the list of factors those they believe cause small-scale farming to collapse. The table below depicts how they responded:

Table 8: Factors which causes small-scale farming to collapse

| <b>Causes of farming to collapse</b> | <b>Number of farmers</b> | <b>Percentage</b> |
|--------------------------------------|--------------------------|-------------------|
| Poor business planning               | 9 out of 9 farmers       | 100%              |
| Lack of business management skills   | 9 out of 9 farmers       | 100%              |
| Lack of finance                      | 9 out of 9 farmers       | 100%              |
| Poor financial management            | 9 out of 9 farmers       | 100%              |
| No access to markets                 | 9 out of 9 farmers       | 100%              |
| Few customers                        | 6 out of 9 farmers       | 67%               |

The response shows that farmers believe the above factors are the major causes of failures in their farming operations. These opinions by farmers are similar to those discussed by Nieman (2002) in the literature. The farmers said if the government does not intensify its farmers' support, the situation in land reform farms will deteriorate and some farmers will quit the industry.

#### Conclusion on the challenges and factors causing farm businesses to collapse

With other factors held constant, the study acknowledges that every business (be it small or big) will somewhat have its internal and / or external challenges, and business risks that could lead to its collapse. The small-scale farmers' challenges presented in this study can be attributed to poor planning and strategizing from the initial point of land redistribution when farmers were settled on their respective farms. The challenges facing small-scale farmers are basically the consequences of no capacity in business management and its critical functional areas (e.g. financial management), lack of post-settlement support from the both the Department of Agriculture and the Department of Land Affairs. Do we blame the farmers or the planning from government? Either way, planning must have started from government in designing the most tailor-made farmer support programmes which should guarantee that small-scale farmers are adequately equipped with required competencies before settlement and be given enough day-to-day agricultural advice, hands-on technical training and business oriented training after settlement. The current debacles in the small-scale farming cannot be blamed on the small-scale farmers only, the two Departments of Agriculture and of Land Affairs must also be critiqued that they should have designed comprehensive and sequential strategies which outline how farmers will be assisted and supported on the critical aspects of farm business from land acquisition until production. The challenges discussed point out that there are no strategies to support the implementation of land reform; hence the green paper on land reform has been recently issued for public comments on what must be done to re-define the intentions of land reform.

#### 4.5 Business planning and its dynamics

The business plan, as discussed and unpacked in the literature is the critical document which must outline the vision, mission, aim and objectives of the farmers and most importantly outline how the farm will operate to achieve its objectives. Business planning as the last topic during the group interviews did not take much of the researcher's time because all farmers (i.e. 9 farmers) said they did not have business plans, so there was little to entertain on this topic.

Table 9: Capacity of small-scale farmers in business planning

| <b>Business planning and the dynamics</b>                  | <b>Number of farmers</b> |
|--|--------------------------|
| Farmers with business plans                                | 0                        |
| Farmers who collect information to develop business plans  | 0                        |
| Farmers who can develop business plans                     | 0                        |
| Farmers who know the steps and contents of a business plan | 0                        |

All nine farmers during the interview indicated that they do not have capacity on:

- How to develop business plans
- What steps to follow in drafting a business plan
- What must constitute a business plan

All 9 farmers do not know what information to collect when developing the business plan. However, regardless of farmers not having business plans and not knowing how to develop them, they do, however, indicate that a business plan is a must have for every farmer since it shows how one is to run the farm and also can be used to source funding. Farmers said they just do what they think is right for the farm, and this has adversely affected their operations because they cannot review their performance, they do not have basis (business plan) to evaluate their performance against the targets. The business planning process discussed by Kirsten and Machete (2005) in the literature was news to farmers and none of them could confidently discuss the components of a business plan discussed in the literature.

## Conclusion

It is important for small scale farmers to have well defined, comprehensive and viable business plans which reflect the vision of the farm and strategies for achieving those visions. It is also very imperative that they communicate their business plans to relevant stakeholders within the value chain to sell ideas and needs of the businesses. The small scale farmers need to assume the responsibilities as managers must know the dynamics of business planning, know the competitive strengths of their businesses, threats and opportunities (Boehlje, Dobbins, Miller, Bechman and Rausch 2000). The study wanted to establish whether or not small-scale farmers have capacity in business planning and its dynamics. “No” is the answer to this: small-scale farmers considered in this study do not have capacity in business planning and its dynamics, nor do they know how to comprehend a viable business plan. While the answer is negative, the study concludes that planning failed from top strategic planning on the whole Land Reform Programme by the two Departments of Agriculture and of Land Affairs. Business planning and implementation should have been one of the core interventions in the farmer support strategies designed for the land reform beneficiaries. The current arrangement where Extension Officers are expected to advise farmers on business planning does not work. Most Extension Officers are not subject experts on business management and this limits their advisory efforts. The little Extension Officers can do is to present business plan formats to farmers. This challenge on its own triggers the Department of Agriculture to introduce formal training to Extension Officers on business management and farm business management at large. This training initiative would assist the business planning and implementation intervention suggested by this study.

The White Paper on National Strategy for the Development and Promotion of Small Businesses in South Africa (1995), emphasises the importance of training in stating as one of the objectives: “The acquisition of relevant vocational, technical and business skills as being generally regarded as one of the critical factors for success in small businesses.” According to Pretorius and Venter (2006), lack of managerial skills is the key contributor to failure of small scale businesses all over the world. The common opinion surrounding the small scale farming ventures in South Africa is that they can be used as the vehicle for economic well-being by reducing poverty levels and unemployment. However, the challenge that the country is obliged to face is how to enhance these small scale farming ventures such that they are sustainable and competitive (Pretorius and

Venter, 2006). Venter, van Eeden and King (2004) hold the opinion that 80% of the small scale businesses fail in the first five years and it has been proven time and again that the main cause of business failures is the incompetent management of businesses. Findings from the research by Ernst & Young (2004) support this by indicating that limited start-up capital, an inappropriate education system, and outdated government regulations are just some of the hurdles that inhibit small scale farm businesses in South Africa.

## **CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS**

### **5. CONCLUSIONS AND RECOMMENDATIONS**

This main focal area of this study was to assess the business management competencies among the small-scale farmers on the land reform and draw conclusion and recommendation based on the findings. The purpose of this chapter is to draw conclusions and establish recommendations which will be useful for planning, policy reviews, and strategy developments by relevant sector departments (i.e. Department of Agriculture, Department of Rural Development and Land Reform). The conclusion in this chapter intends to finally answer the premise of this study which has been stated as, “do the small-scale farmers on the Land Reform Programme have the required competencies on the critical functional areas of business management to grow, drive and sustain farming businesses that can contribute to employment creation, food security and community economic development?” Towards the final conclusion, the study must provide answers to the research questions. Recommendations are to be directed to Department of Agriculture, Forestry and Fisheries and Department of Rural development and land reform on:

#### **5.1 Small-scale farming in the context of the Land Reform Programme**

The challenge with small-scale farming is that it is far behind in contributing to community development, employment creation, and rural poverty alleviation. The challenge lies with the operations of small-scale farmers; their farm businesses are not visionary, do not have missions, and business plans which must lead them towards achieving objectives like employment creation, poverty alleviation and fighting food insecurity. The small-scale farmers are dependent on Extension Officers for technical advice, training and information. They are not affiliated to the commodity groups / unions to represent them in decision making.

Small-scale farmers are far behind in graduating into commercial farmers and exploit the market opportunities that will see them adding value to the country’s Gross Domestic Production. It was evident from the group interviews that small-scale farmers still face challenges which include limited access to the markets and financing institutions, poor incomes generation, and poor financial management. Despite the basic technical advices and training from Extension Officers, small-scale farmers lack the business acumen hence they do not have business plans for their farms. In light of these challenges in the small-scale farming fraternity, it does not appear that



small-scale farmers will soon become commercial and promote the intentions of Land Reform Programme.

### **Recommendation**

Addressing the challenges facing the small-scale farmers in the land reform – the support and assistance to small-scale farmers must be integrated

The Department of Agriculture, Forestry and Fisheries in collaboration with the Department of Land Reform and Rural Development must mobilize the land reform small-scale farmers into commodity associations (e.g. Maize Producers Association) and set the performance standards and production targets to be met by farmers on annual basis. Small-scale farmers who satisfy the standards and targets in a given production cycle must be automatically graduated into commercial ones. Those who fail in two successive production cycles must be declared incompetent and identified performance gaps must be translated into a performance improvement plan which must outline the remedial interventions (i.e. attach the farmers to established commercial farmers for mentoring and coaching) necessary for closing the identified gaps. This will assist the two departments to track progress of the small-scale farmers on land reform, determine their contribution in community economic development, and establish how many small-scale farmers graduate into commercial ones per production cycle. The challenge with farmers operating without business plans, visions and missions which must outline their intentions; requires the department of agriculture to introduce a tailor-made training on business management and relevant technical training based on the type of farm enterprise.

### **5.2 The contribution of small-scale farming in community economic development**

There is no contribution from small-scale farmers in community economic development. The challenges discussed in this study (i.e. no access to markets, credit facilities, no farm business management experience / competencies, insufficient government support, etc.) which contribute to the collapse of small-scale farming are in fact the limiting factors which prevent small-scale farming from adding value into the community economic development through employment creation, poverty alleviation and food security. Efforts towards making small-scale farming effective for contribution in community economic development require massive tailor-made

post-settlement support and assistance which must enhance the performance of small-scale farmers.

### **Recommendation**

Small-scale farming must be the centre of any community economic development agenda

The majority of South Africans lives in rural areas, and small-scale farming is the potential source of employment creation, food security and poverty alleviation. Promoting and enhancing small-scale farming through tailor-made farmer support programmes must be the cornerstone of both the Department of Agriculture and the Department of Land Affairs, if really the intentions are to produce competitive and sustainable farmers out of the land reform programme.

### **5.3 Business management competencies required for small-scale farmers and the challenges facing them**

Business management competency is a huge performance gap in the Land Reform Programme, which needs urgent attention to prevent the complete collapse of the programme. This study has shown that small-scale farmers on the land reform programme do not possess any of the required business management competencies (be it formal or non-formal competencies) discussed in the literature section of this study. This study identified that the required competencies to drive and grow a successful farm business are, leadership, strategic planning, customer relations and market focus, people management, financial management, resources and information management, processes management and suppliers and partnership relations. Without unpacking each of these competencies, it is evident that small-scale farmers do not have capacity on these required business management competencies. It can be concluded that debacles experienced by small-scale farmers emanate from the lack of business management competencies. The lack of business management competencies by the land reform's small-scale farmers poses a serious business risk which if not addressed will ultimately ruin the objectives of land reform.

Contextualizing challenges faced by small-scale farmers into business management, it was learnt that key-challenges revolve around business planning, financial management, developing marketing plans to access the formal markets, business record keeping and poor customer relations. It is evident that the gradual collapse of land reform's small-scale farming businesses is

due to poor business planning, lack of business management skills, lack of finance and poor financial management, no access to formal competitive markets, few customers and poor relations with customers. In light of these challenges, it becomes cumbersome for small-scale farmers to drive and grow their farms hence the failure rate of land reform farms is the current buzzword in the land reform debate.

Small-scale farmers do not have the capacity on the critical functional areas of business management which include planning the farm business by setting goals, vision and objectives, organizing the required resources to drive and grow the farm successfully, leading and controlling the people in the farm and activities leading to farm success. In pre- and post-settlement phases, small-scale farmers did not receive any structured capacity building on business management.

### **Recommendations**

Strategies towards capacity building in business management must be developed and the Department of Agriculture must prioritize post-settlement support in addressing the challenges. The Department of Agriculture, Forestry and Fisheries, must design the national business management training customized at the farmers' level of understanding. The training must be registered and accredited with the AgriSETA and be offered in Agricultural Training Centers, agricultural colleges and where possible higher learning institutions. This customized training must focus on critical farming business dynamics and business management essentials. This will expose farmers to the realities of farming business and generic essentials of managing a business.

The accredited national business management training programme customized at farmers' level of understanding will be crucial to familiarize small-scale farmers with the critical functional areas of managing a farm business. This programme must be compulsory for all land reform small-scale farmers regardless of the type of farm enterprise or size.

Coaching and mentoring on business management by subject experts (e.g. Agricultural Economists, Agricultural Value Chain Managers, Agribusiness Advisors and / or Commercial Farmers) must be introduced by the Department of Agriculture. All small-scale farmers must be

assigned with experts on business management to transfer the skills to farmers, hence the national business management training programme is recommended as the thrust for capacity building. The training programme will have to focus on the identified competencies since they are the pre-requisites of farm business excellence.

The tailor-made support interventions and strategies must be in place to address challenges in the land reform. In the pre-settlement phase, the Department of Land Reform and Rural Development must develop a structured skills-audit to ascertain that the small-scale farmers have the necessary competencies (technical and business related) to venture into farming. The same department must not encourage settlement of farmers if the required competencies are not sufficient. The compromise of giving incompetent farmers land has proved to be impacting negatively on the land reform progress. Land redistribution must be done simultaneously with technical and business training for farmers to be potentially ready when they acquire agricultural land. After settlement, farmers must be assigned to a commercial farmer to mentor and coach them on the farming dynamics and essentials of graduating into a commercial operation.

#### **5.4 Small-scale farmers' capacity in business planning and its dynamics**

Failing to develop or prioritize a business plan is basically a plan to fail. Small-scale farmers are aware of the importance of a business plans but unfortunately have no capacity to develop comprehensive and feasible plans. They operate without business plans, do not know the dynamics of business planning, and thus they do no planning for their farm businesses. This put them at the brink of running unsuccessful farms since they do not have written business plans to use for implementing their ideas, reviewing performance, measuring the results against the targets and most importantly using them as guiding documents of how to lead the farm into success. Despite the incapability of small-scale farmers in developing business plans, the Extension Officers did not make any efforts to collate the farm business ideas of farmers and help them to comprehend the business plans. This saw small-scale farmers settling on the land reform farms without business plans and the current farming debacle vividly shows that there was no proper facilitation of business planning by Extension Officers although they have direct and regular contact with the farmers.

## **Recommendations**

Train Extension Officers and farmers on business planning and implementation

Prior to settlement on the farm, Project Coordinators from Land Reform and Rural Development must liaise with Agricultural Economists from agriculture to facilitate the business plan developments. The Extension Officers must collate all business ideas from farmers and present it to Agricultural Economists and Project Coordinators to assist farmers with comprehending viable business plans. A specialized training course on business plan development will be crucial to capacitate small-scale farmers on the step-by-step business plan developments. Post-settlement joint monitoring between the two driver departments will be important to guide farmers in the implementation of business plans.

## **CONCLUSION**

In light of the research questions, the study concludes that:

Business management incompetence is the major contributor to the failure of small scale farmers who benefited from the land reform programme. In other words, land reform is not progressing because the beneficiaries (small scale farmers) do not have the required business management competencies to manage the farms successfully, and thus failing the intentions of land reform. Just providing land to farmers because of the previous injustices will not do the country's reform programme any good. Attention should not only be focused on land redistribution, the business management training must also be prioritized prior to land settlement to capacitate small scale farmers before they assume responsibilities as farm managers.

Small-scale farmers on the Land Reform Programme do not have the necessary capacity in the critical functional areas of business management and this impact adversely on their agricultural production and the entire performance of the farm business. As a result of no capacity in business management competencies, small-scale farmers operate without business plans, operate in a crisis mode and this limit them from graduating into commercial businesses as well as from attracting financing institutions, accessing formal markets and eventually contributing effectively to community development, economic growth, poverty alleviation and food security. No substantial evidence can be put forward to conclude that small-scale farmers contribute in rural poverty alleviation, food security and sustainable job creation. They are in actual fact striving towards that contribution but there are no statistics to suggest that there is some progress made by small-scale farmers towards economic growth, employment creation, poverty alleviation and food security.

So long as post-settlement support is not prioritized, structured and integrated, small-scale farmers on the land reform will remain on the brink of collapsing and thus failing the intentions of land reform, which are to increase economic growth, create employment, alleviate poverty and promote sustainable use of agricultural land.

The buzzwords in the land reform debate and other research studies revolve around the debacle of small-scale farmers, poor post-settlement support and lack of capacity and farming background from the farmers. This study has discovered that business management competency is a huge gap in the small-scale farming operations. To close the gap, business management training customized at farmers' level of understanding must be introduced as a compulsory training programme for all small-scale farmers on the land reform, otherwise the efforts of land reform programme will gradually fade away due to lack of business management competency. Pivotal to this training programme, post-settlement support framework which outlines the type of support due to farmers will be necessary to avoid the current inconsistency and unnecessary delays of support. The support and assistance for small-scale farmers must be aimed at elevating the performance such that farmers' operations can contribute to economic growth, employment, food security and poverty alleviation; as intended by the Land Reform Programme.

The land reform farmers run their farms without any background in the critical functional areas of business management. These put them at risk of operating in a crisis mode and thus gradually operate at a loss. The likelihood is that the small scale farmers will eventually shut down their businesses or sell them back due to lack of business confidence and particularly business management competencies.

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**APPENDICES.....**

**APPENDIX 1 QUESTIONNAIRE: FOCUS GROUP INTERVIEW NOTES**

**ASSESSMENT OF BUSINESS MANAGEMENT COMPETENCIES AMONG THE  
SMALL-SCALE FARMERS IN METSWEDING DISTRICT MUNICIPALITY OF  
GAUTENG PROVINCE**

**17 MARCH 2011 – BRONKHORSPRUIT (EAST OF PRETORIA)**

## CLOSE-ENDED QUESTIONS

### SECTION 1: DEMOGRAPHIC DETAILS

NB: In this research questionnaire, the mark X is used in some of the tables to acknowledge the responses from small-scale farmers during the interview

#### 1. Gender

|           |   |
|-----------|---|
| a) Male   | 4 |
| b) Female | 5 |

#### 2. The age group?

|                       |   |
|-----------------------|---|
| a) (21-30 years)      | 2 |
| b) (31-40 years)      | 0 |
| c) (41-50 years)      | 2 |
| d) (51 & above years) | 5 |

#### 3. The actual age?

26 – 29 – 63 – 59 – 43 – 48 – 60 – 78 – 56

#### 4. Population group of farmers

|        |   |
|--------|---|
| Blacks | 9 |
| White  | 0 |

#### 5. The education status?

|  |   |
|--|---|
| a) (primary school)                        | 6 |
| b) (secondary school)                      | 2 |
| c) (post-matric qualifications)<br>Specify | 1 |
| d) (none)                                  | 0 |

**SECTION 2: SMALL SCALE FARMING**

1. What is the size of your farm and when did you start farming?

|                     |   |
|---------------------|---|
| a) {1-5 hectares}   | 0 |
| b) {6-10 hectares}  | 0 |
| c) {11-15 hectares} | 0 |
| d) {16-20 hectares} | 0 |
| e) {20 and above}   | 9 |

1.1 Actual size (hectares) of the small-scale farmers

35ha – 41ha – 78ha – 49ha – 100ha – 180ha – 71ha – 62ha – 53ha

1.2 Started farming in the late 90’s, we’ve been farming for more than 10 years

2. Do you have a vision and mission statement for the farm?

|     |   |
|-----|---|
| Yes | 0 |
| No  | 9 |

We don’t even know how to phrase such statements. Those are for high level commercial farmers. We’ve been small-scale farmers for a long time and there is no hope for graduating into commercial – no profit in the farms.

3. As a farmer, what objectives did you set for yourself?

|                                 |   |
|---------------------------------|---|
| Employment creation             | x |
| Poverty alleviation             | x |
| Household food security         | x |
| Income generation               |   |
| Graduate into commercial        | x |
| Productive use of acquired land |   |
| Other, specify                  |   |

We want to alleviate poverty, create employment, contribute to food insecurity and become commercial farmers. With regard to income, we are lagging behind. We are really not happy with the incomes we generate. The incomes are nothing to take home. They are very poor.



4. What is your source of farm business information (e.g. new technology)?

|                           |   |
|---------------------------|---|
| Farmers' magazine         |   |
| Farmers' information days | 3 |
| Workshops                 |   |
| Extension Officers        | 5 |
| Input Suppliers           | 1 |
| Commercial Farmers        |   |

I believe the Extension Officers are reliable and helpful. We have their contact numbers and can phone them when we need advices. Extension Officers say they try their best but there are still gaps to be closed. They believe they still have a long way to go with the farmers. The farmers themselves said, we do not have unions or commodity associations. We are not affiliated to any farmers' unions.

We share information during the information days; we get updates on new technology. When I buy from the supplier, I get the advice and information on how to use and apply some medicine or fertilizers.

We do not have good contact with the commercial farmers. We are happy with the Extension Officers; they assist a lot and are most of the time available. They are reliable and we all have their contacts.

### **SECTION 3: IMPACT OF SMALL SCALE FARMING IN COMMUNITY ECONOMIC DEVELOPMENT**

1. What is your contribution in community economic development?

|                        |   |
|------------------------|---|
| a) Employment creation | X |
| b) Poverty alleviation | X |
| c) Food security       | X |
| d) Income generation   | X |
| e) Improved livelihood | X |

All the 9 farmers all the above objectives in common, they are working towards these contributions but are not succeeding.

2. How do you rate your contribution into community economic development?

| Excellent | Good | Average | Not sure | Poor | Very poor |
|-----------|------|---------|----------|------|-----------|
| 1         | 2    | 3 x     | 4        | 5    | 6 x       |

One farmer rated her contribution average; the other 8 farmers rated their contribution very poor.

“One day I will employ at most 50 people and I believe will graduate into commercial, serve the charities and assist others to acquire land” No hope, we are still far behind for contribution

#### **SECTION 4: BUSINESS MANAGEMENT CHALLENGES FACING THE SMALL SCALE FARMERS**

1. What challenges do you face with regard to farm business management?

|                                       |   |
|---------------------------------------|---|
| Challenges                            | X |
| a) Lack of business management skills | X |
| b) Developing a business plan         | X |
| c) Record keeping                     | X |
| d) Pricing                            | X |
| e) Cash flow projection               |   |
| f) Balance sheet preparation          |   |
| g) Income statement preparation       |   |
| h) People management                  |   |
| i) Developing a marketing plan        | X |
| j) Transportation                     |   |
| k) Managing farm finances             | X |
| l) Attracting & retaining customers   | X |

The other challenges raised but not listed above included, financial management, poor or no marketing plans, operating without strategies. “We do not have access to markets”

“I am just blank; I do not know a thing about what these challenges mean to me”

2. Which of the following do you think causes small scale farming to collapse?

|   |   |
|---|---|
| Cause                                       |   |
| a) Lack of business planning and strategy   | X |
| b) No marketing plan                        |   |
| c) Not knowing the customers                |   |
| d) Failing to manage people in the business |   |
| e) Poor sales forecasting                   |   |
| f) Poor financial plan and record keeping   | X |
| g) Limited extension advisory services      |   |
| h) Management skills                        | X |

They say other factors are lack of finance, market access and attracting very few customers. All 9 farmers had this in common.

## SECTION 5: BUSINESS MANAGEMENT

1. How many of you know and understand business management?

|     |     |     |
|-----|-----|-----|
| 1/9 | 4/9 | 7/9 |
| 2/9 | 5/9 | 8/9 |
| 3/9 | 6/9 | 9/9 |

None of the farmers could explain what business management entails, “we don’t understand business management, we do things ad hocly” No clue

1. Do you have a farm business plan, if yes, who developed it?

|     |   |
|-----|---|
| Yes | 0 |
| No  | 9 |

All 9 farmers do not have business plans.

2. Do you know what information to collect in developing a business plan?

|        |   |
|--------|---|
| a) Yes | 0 |
| b) No  | 9 |

They cannot collect information for the purposes of developing business plans

3. Can you develop a business plan?

|        |   |
|--------|---|
| c) Yes | 0 |
| d) No  | 9 |

We need to be trained, we cannot develop it.

4. Do you know the steps to follow when developing a business plan?

|        |   |
|--------|---|
| e) Yes | 0 |
| f) No  | 9 |

All of them have no idea – the steps are not known.

“I think we need a formal training in a class environment – training it must be formalized, we must get certificates, be assessed and apply (business management) gradually.”

In general, all the farmers do not have capacity to develop comprehensive business plans. However, they can talk to the Extension Officer about their ideas. The Extension Officers also struggle to comprehend viable business plans.

## **OPEN ENDED QUESTIONS**

### **SECTION 1: DEMOGRAPHIC DETAILS**

#### **1. How many dependents are in the household and are they all dependent on the farm's income?**

We are four, they all went to school up to matric, but I did not go to school. Seven dependents and are dependent on the farm income, only one has a permanent job at town. With school, they some still busy with schooling. We are 8 in the household/farm. We are 6 and all my kids are working- no problems, only 2 of us are involved in the farm management. We are 10 in total, 5 are active in the farm the rest do some casual work

We are 11 in the household and started farming in 2004. "Our kids are dependent on the farms' income for their schooling" "It's very difficult to survive without with the little income. No hope, we all depend on the farm income at my farm"

#### **2. Do you have any other sources of income, apart from farming?**

No, no other income apart from farming. I used to get some casual jobs, and made some income from it, but now I am dependent on the farm income. We are all dependent on the farm income. Only pension, no other formal income sources. "I resigned to make money in farming, but the opposite is happening.

#### Conclusions on section 1

Households of the small-scale farmers comprise at least 3 people who are dependent on the income generated from the farm. Apart from the farm income, these farmers only have the pension fund as another source of income. Only one household had one person with a permanent job to compliment the farm income. Farm incomes are used for household subsistence needs other than buying farm inputs for continued farming.

## **SECTION 2: SMALL SCALE FARMING**

### **1. What do you do as small-scale farmers?**

I do large and small-stock production, in cattle farming- I sell to the community or during the auctions. For the pigs, I sell at auctions and arrange with the community for sales.

I am involved in diverse enterprises, produce fruits, vegetables like cabbage, potatoes, and tomatoes. I have been farming for seven years. Sheep farming have some goats but are for subsistence. Cash crops, industrial crops, vegetables – we have planted 2 ha of vegetables and 65 ha of dry crops, we also have 49 pigs that we sell to the community and local general dealers.

We do not have any vision, mission or business plan to guide us. We want to graduate into commercial farmers, create employment, fight food insecurity and be sustainable.

Two farmers are involved in industrial crops. We sell at auctions. We depend mostly on the Extension Officers and farmers' information days. "I think we are still farm from making contribution in economic development." We need more support and assistance from Department of Agriculture. Sometimes Extension Officers provide short lessons during the study groups. We are indebted and most of our income is used to pay debts.

I am involved in livestock farming, crop farming, and poultry farming. We sell at our communal general dealers; we make low incomes to can sustain our production. I have lost business confidence due to low income that I generate.

### **2. As a farmer, what objectives did you set for yourself and have you achieved some of them?**

We wanted to contribute to employment creation, poverty alleviation, and be food secured. The money we make is too little to can achieve our objectives. None of us here makes more than R50 000, so it's tough. I think all the objectives you presented are my dream (listed in close-ended). I wanted to be a commercial farmer after 5 years of production- government has failed me. NB: Objectives are common. To run a successful poultry farming and export to the European countries.

The objectives revolve around employment creation, food security, poverty alleviation and becoming commercial farmers

“One day I will employ at least 50 people in my farm”

We want to contribute towards employment creation, poverty alleviation, and food security, graduate into commercial operations, generate income. “It would be nice to employ more people our farms”

### **3. How much income do you make from farming annually?**

All farmers said they make less than R50 000. We do not have markets; this is why our incomes are less compared to what the commercial farmers make. Range from R20 000, R18 000, R35 000, and R40 000. Some did not disclose “say it’s very disappointing”.

### **4. What is your source of farm business information and is it effective?**

We rely on extension officers. I think they provide the accurate information regarding farming. The most information we need is market information, finance and modern technology. Since we don’t have markets, it is important to get information about the market opportunities. The extension service we get is not bad, it’s good and the study groups assist, we share information and experiences. The extension officers- I get the info I need from them. We need information on markets. The NAFU organization also provides good information.

We attend study groups, workshops, and we get different visitors who advise us. The Extension Officers- I think they provide timely information, if they don’t come to the farm, I can phone them-I have their numbers. The information we require from Extension Officers include pricing, markets, finance, inputs.

“We rely on Extension Officers and information days. We trust the Extension Officers for advice, timely information. They organize us into groups for short non-formal courses. The input suppliers also help.

**5. Do you think you have enough experience to graduate into a Commercial Farmer?**

We don't have experience like the commercial farmers. We are resource poor and don't get enough support from government. The commercial guys benefited during the old government. "I think I have the experience, I acquired a lot when I started" No experience, still learning – I am demoralized. Yes, if only the government can give us more workshop on farming and enhance our skills on business management. No, still learning- not yet competent,

Not all of us. We are far behind and still need to be well resourced and trained. Agriculture and Land Affairs must help us to be commercial. "I think I have some experience but need to be nurtured"

Conclusions on section 2

Small-scale farmers farm with diverse enterprises like sheep, cattle, and cash crops. Regardless of diversity of enterprises, these farmers do not have formal markets to sell their products; do not make incomes (less than R50 000) that can sustain their operations. They are dependent on Extension Officers and also rely on information days to access and share information with other farmers. They are striving towards contributing in employment creation, poverty alleviation and increase food security but do not get enough support from government to achieve these objectives. They need intensive training and technical advisory as post-settlement support.

**SECTION 3: IMPACT OF SMALL SCALE FARMING ON COMMUNITY DEVELOPMENT**

**1. What is your contribution in community economic development?**

It's not good compared to the commercial farmers. Can we really compare with them? I will say my contribution is food security, because at least my families get something to eat from some of the produce. Contribution is still far behind. The ones we discussed will do for us. I cannot say a lot, it's not enough; I sell my produce at lower prices and sometimes give credit. How will I contribute to community development if I don't make money? Government must support us



first, then we'll double our efforts, I think we are all discouraged. My contribution is average, still working with the family, need some infrastructure support to excel.

We sell pumpkins to the community at lower prices

“In our farm, through the help of EPWP, we have employed 150 workers on temporary basis. We give the Sizanani village donation of spinach and other vegetables on monthly basis. I think our contribution in the community is excellent; we have helped people get their identity documents which they did not have before.

I am selling broilers at a lesser price to the community-donate some to the local crèche-not sure if that is enough for community development

We'd love to make contribution in poverty alleviation, food security. Being resource poor limit us from making a mark in community economic development. We don't even employ more people (at least 3).

## **2 How do you plan to improve your contribution in community economic development?**

By contributing to charities or old age homes. “No idea.”

I will love to employ more people, export my products, but I know government is useless they will not support our ideas. I want to be able to employ more than 20 people.

“Our target is to employ 200 people and generate more income-pay good salaries to employees so they can look after their families.

-By employing more people (50 people, 200)

-Contribute to charity

-Contribute to food security, and poverty alleviation

“We want to improve the livelihood of our rural communities by producing more food:

“We are still farm from making a good contribution in community development”

This depends on the type of assistance we get from government and we'll take it from there. “I want to employ about 50 people in the future” “We'll one day make a footprint in the Gross Domestic Production (GDP) of our country. We'll employ 200 people and give back to charity, the crèches and schools.

Conclusions on section 3

All 9 farmers envisage contributing in community development by creating employment, alleviating poverty, increasing food security, improving rural livelihoods, and generating incomes. Unfortunately support from government is not enough to assist them contribute effectively to community development. They donate some of their produce to the crèches. Their intentions are clear that should government consolidate support mechanisms, they will in future employ more people (e.g. 150 people) and contribute in the country's GDP.

#### **SECTION 4: BUSINESS MANAGEMENT CHALLENGES FACING THE SMALL SCALE FARMERS**

##### **1. What challenges do you face with regard to farm business management?**

Developing business plans, because without it you cannot get assistance.

Record keeping- one must have a good one. We cannot prepare financial statements-we need training. Price fluctuations, and seasonal changes, they impact negatively on us. Managing of people is also a challenge communication skills and negotiations. In a broader sense, we cannot determine whether or not the business is making progress, since we do not have the skills. Marketing- we can plant or have the livestock, but because of lack of marketing information and not having the pricing info, we struggle. We also do not have direct contact with the input supplier-sometimes we depend on the extension officers

“We are very poor on financial management, cant draft financial statements. When it comes to pricing, we still need information. We're not good in business planning”

The concern, market access – we do not have formal markets, we operate without business plans. We do not know much about managing farms into commercial.

**2. Given your challenges, what assistance/support did you receive from Department of land affairs or agriculture?**

From Agriculture- the extension officers taught us record keeping in the study group. The problem is – we forget some of the things- we are illiterate. During the study groups-Extension Officers advised us on business planning and record keeping.

“Just lot of repeated training and advice, we want money and infrastructure. Government is useless, they promise and never deliver”

Conclusions on section 4

Challenges facing the small-scale farmers include poor development of business plans, poor record keeping, and no capacity in the preparation of financial statements, price fluctuations, people management, developing marketing plans and lack of skills in business management. Farmers do not have good negotiating skills which could secure them regular business partners and/or customers. The greatest challenge is financial management. These challenges however, could be addressed if the two departments (i.e. agriculture and land) had an integrated post-settlement support for the small-scale farmers on the land reform.

**SECTION 5: BUSINESS MANAGEMENT**

**1. Please describe your business management competencies**

I can only think of what is needed but I can't do it myself. I know a bit of making records of what I buy, and how much I spend, I can also make customers buy my broilers. Nothing at all, its bit confusing, I only do what I think is right for me. I used to practice farming in the backyard but did no business management. I know how to farm with pigs

We have some know-how of attracting farmers-we always contact them before and after the sales-with people management, I think we'll get there.

“I know a bit of customer relations” No training we cannot say it with confidence. The things we do, do not match business management by the commercial farmers. “I think we must be trained formally on this”

## 2. What do you know about the following business management competencies?

|                                       |
|---------------------------------------|
| a) Leadership                         |
| b) Strategic planning                 |
| c) Business planning                  |
| d) Customers & Marketing              |
| e) People management                  |
| f) Financial management               |
| g) Resources & information management |
| h) Processes management               |
| i) Strategic partnership relationship |

They acknowledge, these are the critical success factors but they do not have any formal skills on either of the listed above.

**NB:** The answers given by farmers to competence (e) to (f) were irrelevant, not convincing and could not be captured. Farmers said they do not have any capacity. They do things haphazardly

### (a) Leadership

All 9 farmers do not understand what is required of them as leaders in farming.

It's about leading your workers and pay them according to the work done. It's about leading people in the farm. To us, we do not value it; we just do things our way and cannot call ourselves formal or professional leaders. It is about getting people to work and achieve a lot for the farm. “I cannot formally apply or lead but understand that it is important” “Is it really important for us”

### (b) Strategic planning

Not known, we do whatever comes to the mind.

Basically we have no idea and training

### (c) Customer and markets

I know how to keep my customers happy by applying demand and supply method; well I don't know the formal demand and supply. I can just speculate about it.

(d) People management

They are still learning

It is about looking after people and helping them if they need assistance

(e) Financial management

This is our biggest problem of them all; we do things haphazardly, no record keeping

(f) Resources and information management

“At times I make use of the information from farmers’ days, check with other commercial farmers and neighbours to share useful ideas” We cannot decide what information is important for the farm. Sometimes we fail to collect the critical information for business plan development.

(g) Process management

We call farmers before products are ready. We rely solely on getting the produce to the individual buyers like local traders who buy in bulk. “Following the required/standard process is a challenge to me, I cannot always bear that in mind”

(h) Strategic partnership relationship

The relationship is not well understood. We do not have negotiating skills, cannot identify suitable partners for the business.

**3. Have you been trained on business management before?**

We just got some informal training on record keeping and word of mouth advices. Never went to classroom teaching. I think we need it- even if is for the whole month. I was advised on how to draft a business plan; at least I can manage the farm, though I am failing. We just got business advice on how we can market ourselves-how to operate the tunnels-got training on the tunnels. They make it once-off, which is the problem. Follow ups must be made.

No, we need to be trained and excel on this skill

#### **4. What causes your farms to collapse?**

-Lack of training in business management make things tough for us, no support and resources

-Government is not assisting us

-No marketing plan, because you cannot sell your products without it

-Not having customers and access to markets, because if we don't have markets, where will we sell the products

-Not knowing the how part of running a successful business into commercial

Failing to manage the employees is also a big one

-We operate without plans

-Pricing problems, big problem is finance

#### Conclusions on section 5

Farmers were not formally trained in business management. Generally they do not have capacity in any of the required business management competencies identified by this study. They need to be trained in business management. Factors which cause their operations to collapse include, operating without marketing plans, having no customers, lack of training, having no business plans, poor financial management, poor record keeping and poor financial management.

## **SECTION 6: BUSINESS PLANNING**

### **1. What do you understand by business planning?**

Is to plan how you are going to run the business. They believe it is important though they do not literally know how to develop it. We must have business plans, it helps when you need money from the bank or DBSA or IDC. It is a document for implementing a farm's goal or plan. You can use it to get money or assistance. It guides you.

### **2. Do you have a business plan, and do you farm according to it?**

No = 9, we don't have business plans (all of them)

Things are not in accord with any formal planning

### **3. What is the importance of having a business plan in the farm?**

I must have a business plan to seek financial assistance

It is used to access the loan from banks or government

You cannot start a farm without a business plan; it must be there to guide us.

Though we do not have business plans, we value its importance

### **4. Do you by any chance know the components of a business plan?**

No = 9

We'd love to be trained on the business plan; Extension Officers must help us on this one.

It was observed that the Extension Officers also do not understand the dynamics of a business plan, but they assist farmers to jot down the ideas.

#### Conclusions on section 6

Small-scale farmers do not have business plans; do not know how to develop them. They however acknowledge that business plans are important since they assist when one seek financial support or assistance. None of the farmers (of the 9 farmers) know and understand the dynamics of business planning. The Extension Officers also do not know dynamics of business planning; they can only assist farmers to formulate business ideas.

## **SUMMARY OF THE RESULTS**

### **1. Demography of small-scale farmers**

Interviewed small-scale farmers comprised 4 men, 5 women. 5 were above 51 years, 2 in the 21-30 years age group and 2 in the 41-50 years age group. In terms of ethnicity, they were all blacks and 6 went only to primary school, 2 went to secondary and only 1 had post-matric qualifications. At least 3 people made the household size and were dependent on the farm income. Farmers started farming in the late 90's. They do not have other sources of income apart from farming and pension.

## **2. Small-Scale Farming**

What is small-scale farming in the context of land reform programme and what is its contribution to community development

Small-scale farmers farm with livestock (sheep, goats, pigs, etc.), cash crops (cabbage, potatoes, tomatoes, etc.) and industrial crops. All 9 of them had above 20 hectares of land. They do not have any vision and/or mission but have common objectives like employment creation, poverty alleviation, and food security and to graduate into commercial farming. They do to have access to formal markets, so products are sold at auctions/pension pay points. They rely on Extension Officers and information days to get advices and fruitful information. Unfortunately they make poor incomes, less than R50, 000.00, and are not affiliated to any farmers' unions. It will take them time to graduate into commercial farmers due to lack of skills and support.

## **3. Impact of small-scale farming in community economic development**

What is the contribution of small-scale farmers in community development?

Though farmers think that their contribution is very poor, they are striving towards contribution in employment creation, poverty alleviation, food security, income generation and improved livelihood. They would like to employ many people if government can intensify its assistance.

## **4. Business management challenges facing the small-scale farmers**

What are the required business management competencies for small-scale farmers and what business management challenges face them?

Challenges facing the small-scale farmers are, lack of business management skills, developing business plan, operating without strategies or business plans, record keeping, pricing, development of marketing plans, access to markets, financial management, attracting and retaining customers. The Extension Officers have been trying to offer some lessons in groups to assist farmers but that is not enough.

## **5. Business Management**

What are the required business management competencies for small-scale farmers and what business management challenges face them?



Generally, small-scale farmers do not have capacity in business management; they never received any formal training in this aspect. Small-scale farmers do not have capacity on either of the business management competencies expected from them. They do not follow any processes or standards. Things are done haphazardly since no training has been received.

## **6. Business planning**

Do small-scale farmers have capacity in business planning and its dynamics (i.e. can they develop and successfully implement business plans?)

All 9 farmers do not have business plans, do not know what information to collect for business plan development, cannot develop business plans, and do not know the steps to be followed in comprehending business plan. Despite no capacity in business planning, farmers acknowledge that business plans are very important for every business. The dynamics of business planning are not understood. All 9 farmers could not convincingly discuss the dynamics of business planning.

**APPENDIX 2: FARMERS LIST (METSWEDING DISTRICT MUNICIPALITY-  
KUNGWINI LOCAL MUNICIPALITY) AS AT JANUARY 2008**

**LRAD FARMERS IN KUNGWINI LOCAL MUNICIPALITY- JANUARY 2008**

| <b>FARMER</b>     | <b>PHYSICAL ADDRESS</b>                                | <b>TYPE OF BENEFICIATION</b> | <b>CATEGORY OF FARMER</b> |
|-------------------|--|------------------------------|---------------------------|
| 1. MR. B. XULU    | Portion 17 of 2<br>Trigaarsdspoor JR<br>451            | LRAD                         | Small-Scale               |
| 2. RAMASEGA       | Plot No: 12 of<br>portion 1<br>Blesbokfontein<br>558JR | LRAD                         | Small-Scale               |
| 3. MRS. MATHALELA | Portion 14 of<br>Modderfontein 490<br>JR               | LRAD                         | Small-Scale               |
| 4. MRS. MASHIGA   | Portion 22<br>Modderfontein                            | LRAD                         | Small-Scale               |
| 5. ZAMAZAMA       | Portion 8 of farm<br>Rustfontein JR                    | LRAD                         | Small-Scale               |
| 6. SIYAPHILA      | Rustfontein 10   | LRAD                         | Small-Scale               |
| 7. EKUPHILENI     | 610 JR<br>Schoengesicht                                | LRAD                         | Small-Scale               |
| 8. UNITY NKOSI    | Portion 7 of farm<br>Jorbane                           | LRAD                         | Small-Scale               |
| 9. MR. A KABINI   | Portion 12 of farm<br>Rustfontein                      | LRAD                         | Small-Scale               |
| 10. SIYATHUTHUKA  | Portion 13 of farm<br>Rustfontein                      | LRAD                         | Small-Scale               |
| 11. KGABO FARMING | Portion 11 of farm                                     | LRAD                         | Small-Scale               |

|                    |                                  |      |             |
|--------------------|----------------------------------|------|-------------|
|                    | Rustfontein                      |      |             |
| 12. KAGISO FARM    | Spitzkop 533 JR<br>portion 91084 | LRAD | Small-Scale |
| 13. MARANG SESHABA | Onspoed 500 JR<br>portion 16     | LRAD | Small-Scale |
| 14. IKHWEZI JIYANE | Rustfontein 488                  | LRAD | Small-Scale |