

Identifying the Causes of Failure in the Communal Property Associations (CPAs), State Owned and Household Farms.

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ABSTRACT

CPAs, state-owned and household citrus farmers, are important within the citrus fruit group by value and volume. Their success could increase exports, job opportunities, foreign exchange revenue, rural development, and economic growth. This study provides the results of the causes of failure in the CPA's, state-owned and household citrus farms in Mpumalanga Province. The study used primary data collected from a random sample of 150 citrus farm managers, and SPSS was used to analyse the results. The causes of failure within these farming sectors are linked to a lack of participation in drafting business plans. In the study area, government departments or agencies drafted business plans for farmers. Farmers preferred the employment of direct or extended owners, relatives/family members with little experience in managing a farm business, yet they were not competent in managing the farms viably. The high input costs were the biggest cause of failure, and farmers sometimes could not ensure that irrigation water was available when needed. An increased protectionism in the lucrative markets was also listed as one of the causes affecting all farmers; hence, farmers could not access any new markets. This study thus recommends the involvement of farmers in the drafting of business plans and the employment of more local community members with skills in farming, sound farming experience and improved level of education.

Keywords: Decision Makers, Women in Executive, Input Costs, Access to Markets.

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1. INTRODUCTION

South African agricultural sector has changed rapidly for the past 26 years after the introduction of the land reform programme. This has posed significant challenges for both farmers and investors. Understanding why these farmers fail is essential to developing solutions. The emerging black farming sector has been constrained by various factors, including a lack of capital, human (capacity development), infrastructural development and operational inputs (DRDLR, 2013). According to DAFF (2020), Mukhari (2016), Metiso and Tsvakirai (2019), the sector is hobbling because the environment under which these farmers operate continues to demand improvement in the credit policies of various financial institutions. Successful entrepreneurship requires a strong enabling environment in which political will and leadership are important, but also strong private interest. Financial institutions are accused of not providing discount rates for farmers to support the acquisition, initial capital investment, and operating capital (Staal, 2019; Stevens, 2017). Irrespective of the lack of access to proper farm infrastructure, formal markets, and finances, jobs created by black emerging farmers in Gauteng Province have increased by 30% (Chepape & Maoba, 2020). Farmers are also challenged by the ever-rising costs of production, with the result that many smaller farming units are becoming less sustainable. This is not optimistic since agricultural productivity sustainability needs enough operational inputs (Mahule, 2015; CGA-Grower Development Company, 2018; Metiso & Tsvakirai, 2019).

Farmers operate emerging farms with insufficient skills, unsound farming experience, low education, and a lack of capacity (Mkhonto & Musundire, 2019). DAFF (2020) indicated that the environment under which emerging farmers operate continues to demand improvement in the capacity and capability of farmers to engage in commercial ventures. There is a need for capacity building among beneficiaries to further the government's objectives (Mahlalela, 2013). Access to infrastructure is crucial for successful and sustainable projects. In some areas where farmers have access to infrastructure such as roads, water, electricity and markets, such infrastructure is impoverished (Khapayi & Celliers, 2016; Mukhari, 2016).

This present study provides the causes of failure in the CPA's, state-owned and household citrus farms in Mpumalanga Province. It will also offer findings on whether these farmers have the capacity and access to modern infrastructure and operational inputs. Since these farmers are important within the citrus fruit group by value and volume, their success could increase exports, job opportunities, foreign exchange revenue, rural development, and economic

growth. However, their failure could be burdensome for the government, the economy, and the farmers. The study will summarise the key factors causing failure amongst the CPA's state-owned and household farms in Mpumalanga Province.

2. RESEARCH METHODOLOGY

The major challenge of the quantitative survey methodology was the development of an appropriate and true representative sampling frame that would enable the study to quantify the number of 'CPAs, state-owned and household citrus farmers in Mpumalanga Province. To develop such a sampling frame, consultation was done with the agricultural extension officers of the Department of Agriculture, Land Administration and Rural Development (DALARD), land reform project officers of the Department of Agriculture, Land Reform and Rural Development (DALRRD) and a list of 102 citrus growers was developed.

Farmers were partitioned according to their farming sub-groups and introduced the process of stratification sampling. The sampling of farmer's sub-groups is illustrated below.

2.1. Sampling CPA

Based on the information received from agricultural extension officers of the DALARD and land reform project officers of the DALRRD, there were 20 active CPAs with a total number of 186 managers and 10 households of citrus farmers. These projects were then subjected to stratification based on proportional allocation. A sample of 134 CPA farm managers was then taken to participate in the study based on their willingness to participate. See Table 1 below.

TABLE 1: CPAs Proportional Allocation Stratified Sample

Region and number of farms	Population	Proportionate stratified sample	
	Number of managers	Number of participants	Stratified weight (%)
Nelspruit (12 farms)	122	88	66
Onderberg (6 farms)	48	35	26
Senwes (2 farms)	16	11	8

Total	186	134	100
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2.2. Households and State-Owned

Ten households and six state-owned farm managers were identified and interviewed. It was decided to include all ten households and six state-owned farm managers in the study area. This small number made sampling unnecessary. The breakdown of farm managers who participated in the study was as follows: 134 CPAs (representing about 72% of CPA farmers), 10 households (representing all the households) farmers and six state-owned (representing all state-owned) farms in the study area. In total, interviews were held with 150 farm managers, with one questionnaire per farming entity. The participants were from citrus-growing regions, including Nelspruit, Onderberg and Senwes. A structured questionnaire was used to collect data during face-to-face interviews.

3. RESULTS AND DISCUSSIONS

3.1. The Hierarchy Composition of CPA's, State-Owned and Household Farms

This section deals with the hierarchal composition of three farming entities, CPA's, state-owned and household farms in Mpumalanga.

3.1.1. Farm Hierarchal Composition

The business hierarchy comprises administrative, executive (commonly known as decision makers), supervisors and entry-level employees. The executives are those who are always involved in the formulation, decision making and management of plans. At times, executives consist of persons with clear ideas of farming objectives. Those in the executive are expected to have knowledge and experience.

- Collect and analyse relevant information, opinions, and facts.
- Identify and analyse problems or opportunities.
- Identify and analyse alternative actions and solutions.
- Decide and choose the best solution.
- Implement the chosen decision.
- Accept responsibility for the decision taken.
- Evaluate the results of the decision (SBSA, 2013).

The CPA's, State-owned and household farm hierarchy to identify those who make decisions is depicted in Table 2.

TABLE 2: Demographic Characteristics of Decision Makers

Managers demographics	Variable	CPA's (%)	State Owned (%)	Household (%)
<i>Manager's gender</i>	Male	70,9	100	50
	Female	29,1	0	50
<i>Manager's age group</i>	18-35	2,2	0	10
	36-45	8,2	0	30
	46-55	35,1	66,7	40
	56 and older	54,5	33,7	20
<i>Number of executive members</i>	2-5	1,5	0	100
	6-10	50,7	0	0
	11-15	47,8	100	0
<i>Number of women in executive</i>	1-2	30,6	0	33,7
	3-4	51,5	0	66,7
	More than 5	17,9	0	0
<i>Highest level of education</i>	No schooling	0,7	0	0
	Primary	15,7	0	20
	Secondary	53	16,7	70
	Post-secondary	30,6	83,3	10

Table 2 shows that all (100%) state-owned, the majority (70.9%) of the CPAs and half (50%) of the households were managed by males. In terms of manager's age, those whose ages ranged between 46-55 operating state-owned farms were predominant (66.7%) compared to those who were 56 and older managing the CPAs (54.5%) and those whose ages ranged between 46-55 managing households' farms (40%).

The results further indicate that all (100%) households and (100%) state-owned farms consist of 2-5 and 11-15 executive members, while 50.7% of the CPAs comprise 6-10 members. Regarding the number of women in executive positions, 66.7% of the households and 51.5% of CPAs had 3-4 members compared to nil in the state-owned farms.

About 83.3% of managers of state-owned farms had post-matric qualifications, and surprisingly, about 70% of households and approximately 53% of CPAs had secondary qualifications. This shows that managers managing the CPAs, state-owned and household farms have at least obtained matric. This contrasts with the belief that illiterate farmers manage land reform and household farms. As a result, a huge investment spent on these farmers is lost in failed projects, and the government has not succeeded in empowering these farmers through Agricultural Education and Training (AET) programs (DPLG and Business Trust, 2007). This perception may be based more on obtaining tertiary qualifications when considering a farmer educated. It is not necessarily correct to conclude that farmers/managers are illiterate because they lack tertiary qualifications. Matric qualification shows that farmers/managers can read and write.

3.1.2. Identifying the Causes of Failure

To explore the causes of failure, the managers were asked to describe the nature and extent of their understanding of the problems. They also identified the factors in which farmers were most likely to fail. They were asked to indicate the causes of failure. The factors identified were grouped into the following four broad categories adopted for this study: farming experience, management approach, recruitment strategy and farm extent. Table 3 indicates the results.

TABLE 3: Factors Contributing to Failure

<i>Causes of failure</i>					
Factors		CPA's	Households	State-Owned	Total
		<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	number of managers
<i>Experience in managing a farm</i>	3-5 years	20	33,3	33,3	150
	5-8 years	0	0	0	150
	More than 8 years	60	66,7	66,7	150
<i>Management approach</i>	Management style	69,1	35	33,3	150
	Lack of support	30,1	65	66,7	150

	Slow adoption to change & innovation	0,8	0	0	150
<i>Preferred recruitment strategy</i>	Local community members	14,9	10	83,3	150
	Direct/extended owner's relatives	85,1	90	16,7	150
	Foreign nationals	0	0	0	150
<i>Farm's extent</i>	100-200 ha	13,4	90	16,7	150
	201-300 ha	8,2	0	33,3	150
	301-400 ha	16,4	10	33,3	150
	401 ha and more	61,9	0	16,7	150

Most causes (90% and 85.1%) fall under the preferred recruitment strategy (employment of direct/extended family members) in both CPAs and households, which concerns the employment of direct or extended owners relative with less experience in managing a farm business. Regarding the other perceived contributing factors, management style was predominant (69.1%) in the CPAs, particularly relevant to this study and lack of support (66.7%) amongst the state-owned farms. Concerning farm extent, the majority (90%) of the households and CPAs (61.9%) were farming on 100-200 ha farms and 401 and more, respectively. Surprisingly, experience in farming per se was not perceived as a major contributor to farm failures, which contrasts with the widely held belief that most CPAs and emerging black farmers are primarily farmers with little experience in farming (Sebola, 2018). Evaluating whether these farmers have experience in citrus farming or farming in general is correct. For instance, with experience in other farming commodities, farmers may be considered not experienced enough in citrus farming, which might exacerbate the problem.

3.1.3. *Business and Succession Planning*

Successful business and succession planning are important factors of the modern farm business. This section outlines the results of both these elements (Table 4).

TABLE 4: The Business and Succession Plan

<i>Business and succession planning</i>					
Factors		CPA's (%)	Households (%)	State- Owned (%)	Total number of managers
<i>The farm has a business plan.</i>	Yes	73,1	30	50	150
	No	26,9	70	50	150
<i>Institution drafted a business plan</i>	Self	0	0	0	150
	Independent expert	32,7	33,3	0	150
	Government agency	63,3	66,7	100	150
<i>Managers' participation in business planning</i>	Yes	11,2	33,3	0	150
	No	88,8	66,7	0	150
<i>Reasons for non- participation in business planning</i>	Not consulted	65,5	0	0	150
	Managers don't know	34,5	0	0	150
	It was in place on my arrival	0	100	0	150
<i>Farm has a Succession plan.</i>	Yes	9,7	80	0	150
	No	90,3	20	100	150
<i>Adherence to the succession plan</i>	Yes	7,7	100	0	150
	Sometimes	69,2	0	0	150
	No	23,1	0	0	150

According to the results in Table 4, most of the CPAs (73.1%) and 50% (state-owned farms) had business plans, while 70% (households) did not have business plans. In terms of the institutions that have drafted the business plan for the farmers, all the state-owned farms (100%) business plans, 66.7% (households) and 63.3% (CPAs) were drafted by government agencies. The results further indicate that approximately 88.8% (CPAs) and 66.7% (households) did not participate in drafting the business plan. The reasons for not participating

were that all (100%) of the current household's farm managers were not in charge of the farm, whereas the CPA's managers were not consulted (65.5%).

Concerning succession planning, all (100%) state-owned farms and about 90.3% (CPAs) did not have succession plans, while 80% of the households had succession plans. Regarding adherence to the succession plan by the farm managers, all (100%) households stated that they fully adhere, and a minority (69.2%) of CPAs said they sometimes adhere to the plan. In comparison, the lowest percent of 23.1% (CPAs) said they do not adhere to the plan. Household farmers prefer the succession plan over the business plan (Zwane & Van Niekerk), and both CPAs and state-owned farmers favour the business plan over the succession plan. The business plan is a future roadmap for successfully managing the modern farm business. A business plan is therefore important; hence, it is necessary to design targeted policies to promote a business plan to help farmers and managers identify assumptions to which the business is most sensitive, potential risks, risk-mitigating actions and funding requirements for the farm.

3.1.4. Internal and External Issues Affecting Success

The section below will conduct a Strengths, Weaknesses, Opportunities and Threats (SWOT) assessment of factors affecting farmer's success. The concepts of Strengths, Weaknesses, Opportunities and Threats in the farming vein are delineated as follows (Woods, 2013):

- *Strengths* are identified as an internal capability that can help farmers achieve their objectives, making the most of opportunities and deflecting threats.
- *Weakness* refers to internal factors that may prevent a farmer from achieving his/her objectives or effectively handling opportunities and threats.
- *Opportunities* are external factors that farmers can attempt to ensure higher success.
- *Threats* are seen as external factors that could affect a farm's success if not addressed.

Tables 5 and 6 list strengths, weaknesses, opportunities, and threats that were perceived by managers as affecting CPAs, households, and state-owned farming business's success.

TABLE 5: CPA's, Households and State-Owned Farms Strength and Weaknesses Analysis

Strengths	CPA's (%)	Households (%)	State-Owned (%)
- Access to infrastructure	78,4	0	66,7
- Good quality	51,5	0	50
- Meeting required standards	63,4	0	50

Weaknesses	CPA's (%)	Households (%)	State-Owned (%)
- Over reliance on main markets	66,4	80	50
- High inputs costs	100	100	100
- Poor relationship with stakeholders	73,1	90	33,3
- Lack of knowledge	82,8	60	33,3

In terms of farmer's strengths, access to infrastructure was predominant among CPAs (78.4%) and state-owned farms (66.7%) compared to CPAs (63.4%) and state-owned farms that were meeting the required standards (50%). Most CPAs (51.5%) and half (50%) of state-owned farms produced good-quality citrus fruits. All farmers experienced high input costs, 90% of the households did not have a good relationship with stakeholders, and 82% of CPAs lacked farming knowledge (Table 5). CPAs and household farmers lack internal capabilities to help them achieve their objectives and effectively handle opportunities and threats.

TABLE 6: CPA's, Households and State-Owned Farms Opportunities and Threats Analysis

Opportunities	CPA	Households	State-owned
- High demand of produce	59	0	50

Threats	CPA	Households	State-owned
- Shortage of water	98,5	100	83,3
- Increased protectionisms in markets	83,6	100	50
- Cannot enter new markets	53,7	90	50
- No chance to grow locally	64,2	80	33,3

In this study, the majority of the CPA's (59%) and state-owned (50%) farms had a high demand for citrus fruits that has rendered an opportunity for increased sales and access to lucrative markets. Shortage of water was a predominant threat amongst households (100%), CPAs (98.5%), and state-owned (83.3%) in Mpumalanga Province. Increased protectionism in the markets was also listed as one of the threats affecting all (100%) households, 83.6% CPA and only 50% of the State-owned farms. Regarding accessing new markets, most households (90%), 53.7% of CPAs and just 50% of the state-owned farms stated that they couldn't access any new markets. About 80% of households, 64.2% of CPAs and 33.3% of state-owned farmers indicated that they didn't have any chance to grow their sales in local markets. From the results above, it can be inferred that most farmers who participated in the study could not ensure higher success and faced more threats than opportunities.

4. CONCLUSION AND RECOMMENDATIONS

This study identified the causes of failure in the CPAs, state-owned and household farms in Mpumalanga Province. It showed that the causes of failure within CPA's, state-owned and household citrus sectors are linked to a lack of participation in drafting business plans. Government departments or agencies. Farmers preferred the employment of direct or extended owners, relatives/family members with little farm business experience. However, they were not competent in managing a farm business viably. The high input costs were the biggest cause of failure among farmers, and farmers could not ensure that irrigation water was available. Providing production inputs is a necessary strategy to ensure improved agricultural production. Increased protectionism in the lucrative markets was also listed as one of the causes affecting

all farmers; hence, the farmers could not access any new markets. It can also be inferred that those 28 years into democracy, males still dominate the citrus sector in Mpumalanga Province.

This study thus recommends the involvement of farmers in the drafting of business plans and the employment of more local community members with skills in farming, sound farming experience and improved level of education. Furthermore, the study recommends increasing efforts to provide the production inputs to increase farmer's agricultural output. It is also recommended that farmers implement water harvesting and water recycling techniques where possible. Finally, the policies that promote citrus farming should encourage women's participation for equitable participation in citrus sectors, as this sector provides farmers and managers with an opportunity to improve their livelihoods through employment and citrus sales.

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