

The Role of Private and Public Agricultural Sector Advisory Service Institutions in Linking Small-Scale Vegetable Farmers to Contract Farming

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ABSTRACT

One of the fundamental challenges facing the South African government is expanding the smallholder farmer sector as part of its broader job creation strategy to ensure support services for productive activity on land once it is transferred to beneficiaries. There is insufficient information in the literature about the predisposition of private and public advisory services and the types of investments needed in extension services, which might improve small-scale vegetable farmers' productivity and participation in the supply chain. Qualitative methods were used to collect data from 55 small-scale vegetable farmers, 15 government extension officers and 16 agribusiness firm informants from Amathole District Municipality and Sarah Baartman (formerly Cacadu) District Municipality in Eastern Cape, South Africa. The respondents were selected using a non-purposive sampling technique, and data were collected using self-administered interviews and focus group discussions. The data were analysed using thematic content analysis. The findings indicate that even though the government has increased the budgetary allocation to the agricultural sector over the last two decades, these resources are skewed. Moreover, in most instances, the distribution favours a politically connected minority. Agribusinesses were found to focus more on capturing agricultural value chains by prioritising the production of high-value crops at the expense of small-scale farmers' livelihoods while failing to provide support services. It is recommended that both private and public advisory services should tailor support services provided to small-scale farmers based on the needs of the type of market targeted by these farmers.

Keywords: Contract Farming, Extension Services, Small-Scale Vegetable Farmers

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1. DEFINITION OF PROBLEMS

One of the fundamental challenges that the South African government is facing, particularly the Department of Agriculture, Forestry and Fisheries (DAFF) and the Department of Rural Development and Land Reform (DRDLR), is ensuring support services for productive activity on land once it is transferred to land reform beneficiaries (Salami, Kamara & Brixiova, 2010). Agricultural support has shifted from support for large-scale commercial farmers to small-scale farmers, intending to assist small-scale producers in becoming commercial farmers (Hall, Scoones & Tsikata, 2017; Kane-Berman, 2016). Since the democratic transition in South Africa, the DAFF and DRDLR have embarked on numerous initiatives to provide financial and non-financial support to small-scale farmers (Kane-Berman, 2016).

Various policy measures and interventions have focussed on improving small-scale farmer productivity and supply chain participation of producers in the agricultural sector by providing on-and-off farm infrastructure, extension support and market access (Kane-Berman 2016). Despite these interventions and initiatives, the constraints faced by small-scale farmers still exist and inhibit them from transitioning into lucrative agricultural value chains. Examples of these constraints include skewed participation in contractual arrangements as well as inadequate, ineffective, and inefficient support systems, as identified in the strategic plan for South African Agriculture (2001) and the National Development Plan (NDP) (Zuwarimwe & Mbaai, 2015).

The migration of small-scale farmers and enhancing producers' integration into lucrative markets and more inclusive value chains remain challenging for the South African government (Mmbengwa, Groenwald, Van Schalkwyk & Maiwashe, 2012). Linking small-scale farmers to lucrative agricultural markets is one of the rural development strategies promoted to address previously disadvantaged farmers' challenges (Ha, Bosch & Nguyen, 2015). The World Bank (2007) and Minot (2011) advocate contractual relationships between small-scale farmers and agribusiness firms as the future of agricultural production. In addition, contractual relationships will ensure access to markets and poverty reduction in rural communities, particularly in this age of biotechnology and the fourth industrial revolution (4IR). As explained by Duma (2007), Ayinke (2011) and Arouna, Michler and Lokossou (2019), contract farming is a mechanism of industrial organisation that lies between the spot market, on the one hand, and vertical integration, on the other. It is an arrangement that falls midway between producing on one's

land and sourcing from the spot market (Cotula, 2016; Ayinke, 2011; Khanal, Mishra, Mayorga & Hirsch, 2020).

Van Schalkwyk *et al.* (2012) argue that agribusiness firms in South Africa operate on commercially sustainable premises. These companies are well-positioned and have the necessary experience and in-depth knowledge of local and international markets and marketing conditions (Korateng, 2010:42) to provide the proper support services crucial to small-scale farmers' development. Furthermore, Van Schalkwyk *et al.* (2012) contend that agribusinesses compete domestically and globally. They have a good understanding of pricing regimes, knowledge of risks involved in growing crops and the necessary technical proficiency needs of small-scale farmers (Ayinke, 2011).

In addition, agribusinesses have the required finance to set up processing facilities to beneficiate farm produce and add value to meet consumers' ever-changing tastes (Ayinke, 2011; Mishra, Kumar, Joshi & D'Souza, 2018). Therefore, these firms are in a unique position to provide assured access to markets (where small-scale producers can sell their produce), adequate funding for working, fixed capital and access to support in terms of agricultural practices (Van Schalkwyk *et al.*, 2009; Coetzee, 2012). However, several factors make it difficult for small-scale farmers to access, and supply their products to, agribusiness firms through contractual arrangements (Arumugam, Arshad, Chiew & Mohamed, 2011).

For agribusiness firms to survive in the marketplace, they set high-quality standards for fresh produce and offer low prices to consumers (Arumugam *et al.*, 2011). To reduce transaction costs, agribusiness firms centralise the procurement of their products. Due to the high costs of transacting with small-scale farmers, many prefer to source from large-scale farmers, further marginalising small-scale farmers (Arumugam *et al.*, 2011). Berdegué, Biénabe and Peppelenbos (2008) and the Food and Agriculture Organisation of the United Nations (2009) argue that a key pattern in a successful contractual relationship between small-scale farmers and agribusiness firms is a collaborative arrangement between a trained and organised farmer, receptive support from an agribusiness firm and support from the government.

Indeed, agribusinesses can link small-scale farmers to lucrative agricultural markets, and collaboration between agribusiness firms and the government can link small-scale farmers to South Africa's commercial agricultural markets. Nevertheless, the study sought to investigate

the role played by the private and public agricultural sectors in improving the productivity and participation of small-scale vegetable farmers in the supply chain through contractual relationships. Firstly, the study explored the complex structures of agribusiness firms' value chains and the contract-farmer relationship. Secondly, the study examined individual farmers' experiences of their farming arrangements with agribusiness firms, the experiences of agribusiness firms when interacting with small-scale farmers and the government officials' experiences with contract farming.

1.1. Theory and Practice of Contract Farming

The roles of the state and private sector in supporting small-scale farmers cannot be overemphasised, as they are vital (Singh, 2017; Meemken & Bellemare, 2020). These sectors both play a crucial role in proactively promoting the participation of small-scale farmers in contractual arrangements (Madletyana, 2011; Nxumalo, 2013; Federgruen, Lall & Simsek, 2019). Support from the government and the private sector, as well as subsidised measures, are necessary for small-scale farmers to engage in contractual arrangements (Freguin-Gresh, d'Haese & Anseeuw, 2012).

Minot (2019) argues that the state's role in contract farming is to determine contract rules and monitor their implementation. At the same time, service providers are responsible for managing the lands leased to the growers by the state. Cotula, Anseeuw and Baldinelli (2019) maintain that contract farming is primarily a direct arrangement between agribusiness firms and out-growers; however, the government also has a key role to fulfil. Government policies can facilitate the development of contract farming schemes, especially those involving small-scale farmers (Kirsten, Machethe, Ndlovu & Lubambo, 2016). In addition, the government can also play a role in contract farming by providing financial incentives and ensuring that they are not used in contract situations where it is inappropriate to use contract farming (Salami, Kamara & Brixiova, 2010).

Contract farming is acknowledged to have considerable potential in countries where subsistence agriculture is widespread and where agricultural processing and export enterprises are being promoted, which applies to most countries in the Southern African region (Adams, Gerber, Amacker & Haller, 2019; Salami, Kamara & Brixiova, 2010). In Zimbabwe, for example, the government specifically targeted contract farming and the development of farmer commodity associations under its National Economic Revival Programme (Scoones,

Mavedzenge, Murimbarimba & Sukume, 2018). The Zimbabwean government pledged to facilitate agri-processors and seed houses entering seasonal contracts with small-scale farmers (Scoones, Mavedzenge, Murimbarimba & Sukume, 2018).

A unit within the Zimbabwe Ministry of Lands, Agriculture and Rural Resettlement was created to promote the fulfilment of such contracts and the development of new farmer commodity associations to provide leadership over contract farming, as well as to provide technical and marketing support to small-scale farmers (Scoones *et al.*, 2018; Mazwi, Chemura, Mudimu & Chambati, 2019). However, the translation of national policy objectives into practical strategies and mechanisms, leading to the development of commercially driven and sustainable contract farming models, still constitutes a significant challenge to policymakers, agri-business enterprises, farmers' organisations and financial institutions (Salami, Kamara & Brixiova, 2010; Mazi, Chemura, Mudimi & Chambati, 2019).

Mishra, Kumar, Joshi and D'Souza (2018), Keosothea and Molyaneth (2020) and Ye, Lin and Li (2020), who analysed contract farming in Thailand, found that the Thai government was engaged in the promotion of contract farming to speed up the commercialisation of the subsistence agricultural sector. Regardless of the Thai government's involvement in contract farming, the companies and small-scale farmers involved did the work themselves (Ye *et al.*, 2020). Subsistence farmers in Thailand became global players in the agricultural sector owing to state incentives and the promotion of relationships between agribusinesses and small-scale farmers (Ye *et al.*, 2020). However, Mishra *et al.* (2018) and Hirsch (2020) contend that not all small-scale farmers benefited from the state incentives and the promotion of the relationships between them and agribusinesses.

Mishra *et al.* (2018) argues that the Thai government's involvement in contract farming to promote competition only benefitted small-scale farmers who produced potatoes. In their case, state support assisted farmer organisations in processing, marketing, and selling potatoes to companies. Furthermore, Wittayakun *et al.* (2019) argue that the intervention was ineffective in making the system fair for small-scale farmers in terms of the nature of the contracts or helping farmer organisations process and market collective selling to companies. The government needed to play a more regulatory role instead of a promotional one (Keosothea & Molyaneth, 2020).

In Zambia, where contract farming is mainly used to produce fresh vegetables, the government provided an enabling environment by creating legal systems and legislation supporting small-scale farmers engaged in contract farming (Ruijs, 2014; Glover & Kusterer, 2016). In addition, the government provided advisory services; market research; negotiation for international trade; market information; and extension services to small-scale farmers (Ruijs, 2014). According to Braun (2005) and Gerber, Amacker and Haller (2019), the enabling environment created by the Zambian government included investment, trade, and operations for small-scale farmers, such as regulations, taxation and other contract farming policies.

Hall, Scoones and Tsikata (2017), Ayinke (2018), Oya (2012) and Ncube (2020) argue that in South Africa, the government is silent on contract farming and the role it can play in alleviating the challenges that small-scale farmers face. Moreover, the authors above claim that the government must play a substantial part if contract farming is to be successful in South Africa. There is a need for well-developed and efficient legal systems to promote and support contract farming to develop small-scale farmers into commercial farmers (Ayinke, 2011; Oya, 2012). In its budget speech in 2010, DAFF noted that a joint-venture partnership between established large agribusiness firms, commercial farmers and small-scale farmers is critical to boosting the agricultural productivity of small-scale farmers (Ngcoya & Kumarakulasingam, 2017). According to the Organisation for Economic Co-operation and Development (OECD) (2011) and Prowse (2013), sound and relevant legal systems are a necessary pre-condition for the successful operation of contract farming in every country. However, legal systems alone cannot make contract farming successful (OECD, 2011; Prowse, 2013). An enabling environment for successful contract farming entails policies, institutions, support services and necessary infrastructure, which the government can adequately provide. However, if any one of these prerequisites is not met, contract farming will not be effective (OECD, 2011; Prowse, 2013).

2. THE PROCEDURE

2.1. Data Collection Methods

Survey research was conducted to investigate the roles of the public and private sectors in linking small-scale vegetable farmers to contract farming with agribusinesses. The method used in the study was predominately qualitative. The socio-demographic characteristics of the respondents were collected in a numeric form to understand the respondents' socio-economic factors that play a role in their ability to give accurate information. According to Creswell and

Plano (2011), a qualitative research approach enables researchers to document results from different perspectives and compare data from multiple levels of different respondents. In the study, more weight was placed on the qualitative method.

A qualitative method was chosen for the study because it provided the opportunity to approach the research participants closely and to form a preliminary characterisation of the situation in the field. During the survey component of the study, it was noticeable that some participants, especially those in agribusiness, were reluctant to divulge quantitative information, owing to the competitiveness of the agribusiness industry. Therefore, qualitative information was sought because it was more accessible than quantitative data. In addition, the motivation for the choice of a qualitative research approach was informed by the objectives and the kind of research questions that needed to be answered.

Since different individuals experience the same event and/or circumstances differently, emphasis needed to be placed on the viewpoints of each individual, which called for a qualitative method and corresponding techniques. The details of personal experiences can only be thoroughly ascertained by talking directly with people, going to their homes or places of work, and allowing them to divulge their stories, which may lead to deep knowledge and a thorough understanding of the phenomenon under investigation. The qualitative method allowed flexibility in the study, which aimed to solicit the personal narratives of various farmers, agribusiness firms and government officials.

Since the population of small-scale farmers, agribusiness firms and government officials in the survey area was unknown; it was impossible to use the purposive sampling technique, which is used when the population size is determined before data collection. In cases where the sample size is not known before data collection, a non-purposive sampling technique is appropriate. Therefore, a non-purposive sampling method was employed in the study, and a sample of 55 small-scale vegetable farmers, 15 government extension officers and 16 agribusiness firm informants was sampled. The data were collected through in-depth self-administered interviews, focus group discussions and documents. In-depth self-administered interviews were conducted with government officials and agribusiness firms, whereas focus group discussions were conducted with small-scale vegetable farmers.

As the small-scale farmers usually held regular meetings in the chosen study areas, collecting data using focus groups was straightforward. Five group interviews were organised: three groups of ten participants each, two groups of eight participants each, and another group of nine participants. Due to their busy schedules, focus group interviews were impractical with the agribusiness and government participants; hence, individual self-administered interviews were used with these participants. Furthermore, data were gathered from non-confidential documents from the respondents, published journals, websites, and government agencies at municipal/provincial/national levels.

2.2. Data Analysis

The socio-economic characteristics of the respondents included age, gender, educational levels, market information, and access to agricultural and extension support services. The information was vital in understanding the investigated phenomenon and addressing the study research question. All the qualitative data collected on the agricultural and extension support services provided to the small-scale vegetable farmers were analysed using thematic and content analysis. According to Stone, Dunphy, Smith and Ogilvie (1996), as well as Smith (2000) and Mayring (2004), content analysis deals with looking for ideas that appear repeatedly in the text. If themes emerge from the content, a researcher will further explore the content to build on these themes. Mayring (2000; 2014), Hall and Valentin (2005) and Krippendorff (1980) define content analysis as a technique used for making inferences by objectively and systematically identifying specified characteristics of messages.

According to Krippendorff (2018) and Vaismoradi and Snelgrove (2019), thematic content analysis is an interpretative application of content analysis whereby the analysis focuses on thematic content that is identified, categorised, and elaborated based on systematic scrutiny. In the study, suitable themes were identified and coded after the content analysis. All the sentences of the respondents' narratives were allocated to relevant categories or themes. This was followed by concluding the results, which involved processing the sentences descriptively to generate a coherent representation of the content. The following section describes the steps as Lieblich Tuival-Mashiach and Zilber (1998) detailed.

During data analysis, all relevant text was selected for each question asked about agricultural and extension support services. This text was then grouped into subtexts for agribusiness firms, small-scale farmers, and government extension. For example, text about support services for

small-scale farmers provided by the government and agribusinesses, their understanding of these services and any other text that emerged were selected and placed into one subject. The definition of the content categories followed this. All defined themes/categories were read to compare them with those that had emerged during the literature review. Lieblich, Tuval-Mashiach and Zilber (1998) support this step by pointing out that readers can bring their own theoretical or common-sense assumptions to the materials they are attempting to synthesise and interpret. Thus, predefined themes and categories may undergo some revision based on the text. This step was followed by sorting the material, allocating sentences to relevant categories and themes based on the narratives. After that, conclusions from the results were drawn by processing the text descriptively to generate a coherent representation of the content. The findings regarding the themes mentioned above are jointly presented and analysed in the next section.

3. FINDINGS

3.1. Characteristics of the Respondents

This sub-section presents biographical information about the respondents. Information on the demographic characteristics of the participants, such as age, gender, educational levels and length of service, is given.

3.1.1. Agribusiness Key Informants

The sampled agribusiness firms' key informants were between the ages of 20 and 39 years, and the majority were males. All the respondents had tertiary qualifications. The primary business operations in their working environments varied from value adding, marking/selling produce, retail distribution and technical service provision. All the respondents had more than two years of working experience, and their businesses had been operating for over 10 years.

3.1.2. Small-Scale Vegetable Farmers

The sampled small-scale vegetable farmers were between the ages of 39 and 60 years, and the majority were males. For most farmers, farming was their primary source of income, and it determined the survival of their households. They were experienced farmers, having farmed since they were young. It is worth noting that all the farmers had families, whether in a de facto partnership, married or widowed. The educational level of 80 percent of the respondents was below grade 12. According to most farmers, they had dropped out of school at, or below, lower

secondary school level because of poverty or a lack of money. Most farmers produced conventional vegetables, such as tomatoes, cabbages, spinach, lettuce, carrots, green beans, onions, butternut, and beetroot. They usually grew these vegetables in winter, while they planted maize, rice, potatoes, soybeans, and sweet potatoes in their fields in summer. This was because of the water restrictions imposed by municipalities and drought in their areas.

3.1.3. Government Officials

The sampled government officials were between the ages of 25 and 56 years, and the majority were males. All had a tertiary qualification in agriculture, agribusiness or extension services but had not received specific extension training. It is worth noting that the majority mentioned that they had grown up in farming families, which is common in most of the Eastern Cape's rural areas. All the extension officers worked in their municipalities with small-scale farmers who grew crops and vegetables. According to the respondents, the number of farmers per extension officer ranged from 50 to over 100. Some respondents could not even recall how many because of the large numbers of small-scale farmers they had to deal with.

3.2. Themes that Emerged from the Data Analysis

The participants were very comfortable during the data collection and openly voiced their opinions about the phenomenon under study. Some participants provided additional information that could be useful to the study. The study revealed few contract farming business linkages between small-scale vegetable farmers and agribusiness firms in the survey area. A lack of quality seeds, trust, entrepreneurial skills, and formal contract arrangements were the most important factors inhibiting contract farming between small-scale vegetable farmers and agribusiness firms. Asset endowment (land and non-land assets) was a significant pre-selection determinant of the farmer's capacity to be contracted.

Moreover, access to innovative technology and government incentives, such as production inputs, were found to be critical to agribusiness firms' engagement of small-scale farmers in their contract farming programmes. Government assistance to agribusiness firms faced with the high transaction costs of working with large groups of small-scale farmers was found to be essential. The following section discusses the themes that emerged from the data obtained from 15 government officials at provincial/national/municipal levels of government, 16 informants from agribusiness firms and 55 small-scale vegetable farmers.

3.2.1. Experiences of Small-Scale Farmers' Farming Arrangements with Agribusiness Firms

Small-scale vegetable farmers, who interacted daily with agribusinesses to market their produce, provided data about the conditions of this interaction in the agrifood chain based on their experience. Establishing the constraints that small-scale farmers face in the context of the demands of agribusiness is crucial to understanding the dynamics between agribusiness firms and small-scale farmers. Pin-pointing the sources of conflict that impact their relationship is crucial to devising appropriate strategies and mechanisms to address the identified issues directly and capitalise on the development potential of contract farming.

When asked about their experiences working with agribusiness firms, the small-scale vegetable farmers indicated they did not have written formal agreements with agribusiness firms. They had attempted to obtain written contractual agreements; however, an informal verbal agreement was the only agreement to which the agribusinesses were willing to agree. Furthermore, the respondents indicated that sometimes agribusinesses chose verbal informal contracts instead of written formal contracts. This was not because the farmers did not meet the production requirements of the supply chain in terms of quality and quantity of produce but because agribusinesses would have had the responsibility of paying the producers in accordance with the terms of the written formal contract, even if the market was not performing well. To avoid such commitments and market risks, agribusinesses chose non-binding contracts to decide not to accept a commodity from a farmer when there was oversupply or markets were not performing well.

Another challenge the farmers faced when interacting with agribusiness firms was manipulating the quality testing of their produce to offer prices below market level. The respondents mentioned that the prices offered by agribusiness firms were so low that the farmers made a loss. The respondents mentioned that their produce was downgraded because they were small-scale farmers and assumed not to be aware of the procedures followed in the pricing and grading of agricultural produce. Moreover, if their produce was rejected, it was not returned to them, and they were required to fetch it at their own cost from the agribusiness firm's premises or distribution centres. It became clear that even if the farmers had access to suitable land, they could not engage in contract farming because of a lack of trust and ill-treatment from agribusiness firms.

3.2.2. *Incentives Provided to Agribusiness Firms Who Engage Small-Scale Farmers in Agrifood Chains*

According to the respondents, to reduce transaction costs to agribusiness firms, the government intervenes directly by providing production inputs to small-scale farmers, thus supporting previously disadvantaged farmers. Furthermore, small-scale farmers can access funding and loans from public institutions, such as the Land Bank and the Micro Agricultural Financial Institutions of South Africa (MAFISA). In addition, the Comprehensive Agricultural Support Programme (CASP) provides grants for infrastructural development to enhance farmers' opportunities to participate in lucrative agricultural markets. The respondents mentioned that small-scale farmers benefit from technical support and capacity-building facilities provided by the government and agribusiness firms. The only shortfall that the government currently faces is that when distributing funds for support services, only land reform beneficiaries are recognised in terms of government policies.

Furthermore, small-scale farmers benefit from industry-focused farmers' training programmes that provide training in agricultural marketing skills, biosecurity, biosafety, and the effective regulation of agrichemicals. This support is offered to fulfil the government's social, economic, and political objectives to promote and support previously disadvantaged black farmers and to correct historical injustices.

The majority of the sampled agribusiness firms highlighted the essential and necessary incentives required by agribusiness firms to engage small-scale farmers in contract farming programmes. These included reduced tax; financial subsidy; provision of production inputs and marketable cultivars; improved infrastructure of small-scale farmers' localities; availability of information centres; availability of agricultural parks; provision of training to farmers; and reduced transaction costs. The respondents expressed that the incentives mentioned above could reduce transaction costs when engaging small-scale farmers in contract farming programmes.

In Zimbabwe, Duma (2007), Moyo (2011), and Musara *et al.* (2011) documented that the availability of support services to small-scale farmers and the government's provision of incentives to agribusiness firms lead to increased production for small-scale farmers and increased numbers of small-scale farmers engaging in contractual agreements with agribusiness firms. Three of the respondents mentioned that providing incentives and support

to agribusiness firms in South Africa is ineffective due to poor research systems and limited resources. Furthermore, the existence of good roads reduces transaction costs, which in turn incentivises agribusiness firms to engage large numbers of small-scale farmers in contract farming programmes.

Regarding the role of the government in supporting contract farming, the agribusiness firms unanimously felt that the government should create a conducive and enabling environment for agribusinesses to initiate and expand their contract farming programmes for small-scale farmers. The respondents' suggestions included improving infrastructures, such as roads in small-scale farmers' locations, improved communication lines, training to small-scale farmers, provision of production inputs and improved transportation systems. These were crucial to business transactions, especially with small-scale farmers in remote areas with limited resources.

3.2.3. Role Played by the South African Government in Reducing the Transaction Costs Of Agribusiness Firms

When asked about the role played by the government in supporting contractual arrangements between small-scale farmers and agribusiness firms, the respondents indicated that the government supports contract farming. The government has prioritised contract farming arrangements between small-scale farmers and the private sector as an appropriate mechanism for the commercialisation of subsistence agriculture in response to the current challenging economic conditions that constrain the development of small-scale farmers. Although the government supports contract farming, the private sector must find a way to engage small-scale farmers in their agrifood chains without compromising their businesses and consumers. However, according to the respondents, agribusiness firms should not expect concessionary finance and special considerations from the government because they intend to enter into contractual arrangements with disadvantaged small-scale farmers. Respondents had the following to say:

"If it makes business sense for an agribusiness firm to engage a small-scale farmer in contract farming programmes, they must do so without expecting incentives or special considerations from the government." (Government official)

"The government is already hard-pressed and faced with many challenges that are confronting the country. Private sector and farmers, both large and small-scale farmers,

should not expect too much from the government. They must pool and muster their resources to undertake contract farming programmes that are successful." (Small-scale farmer)

According to the respondents, the government introduced national policies to assist in engaging previously disadvantaged farmers in commercial agricultural markets following the democratic transition in 1994. One of the prominent government policies to encourage and promote linkages between agribusiness firms and small-scale farmers is the agricultural component of the black economic empowerment strategy (AgriBEE). The objectives of AgriBEE are to facilitate broad-based black economic empowerment in the agricultural sector by implementing initiatives to include black South Africans at all levels of agricultural activities and enterprises. The government makes a variety of incentives available to companies that apply and qualify for AgriBEE status. The AgriBEE strategy offers qualifying companies special concessionary statuses and a variety of other incentives, which might offset the additional start-up and transaction costs incurred in engaging small-scale farmers in contract farming programmes. Every business that requires certification needs to comply with the BEE codes. To comply with the socio-economic and enterprise development elements, a business needs to contribute at least three percent of its gross income before tax and one percent of its net income after tax towards the development of previously disadvantaged African, Coloured or Indian people.

The respondents felt that the government plays a significant role in supporting contract farming. In addition, they pointed out that several agreements have already been concluded with leading agribusiness firms to enhance the transition of small-scale farmers into commercial agricultural markets. One respondent stated the following:

"It is the government officials that are currently initiating contractual arrangements between leading agribusiness firms and small-scale farmers. The departments are in negotiations to establish these contractual linkages." (Government official)

Most respondents concurred that the main problem faced by the government departments in fulfilling their obligations to subsistence agricultural communities is the lack of resources available from the government. Without vital resources, such as adequate extension officers, policies and support services, it is very difficult to help all small-scale farmers to become sustainable on their own. This lack of resources resulted in some farmers being unable to apply adequate fertilisers to their produce, making them less competitive in the appearance of their

produce. According to the respondents, the ability to afford and apply adequate fertilisers and pesticides is good farming practice, as it results in produce being able to sell itself by virtue of its appearance.

4. CONCLUSIONS

The study results show that while the South African government considers both public and private extension advisory services as potential mechanisms to deepen empowerment, it remains challenging to entrench the notion of linking small-scale farmers into agribusiness chains. The experiences of the respective groups of participants produced information which revealed that the factors that influence the contract farming partnership between agribusiness firms and small-scale farmers are both internal and external. Furthermore, the study's results clarify that contract farming fails as a development strategy to link small-scale farmers to lucrative agricultural markets. Due to several unique challenges, small-scale farmers find it difficult to engage in contract farming arrangements with agribusiness firms. Unless interventions and the conditions and incentives related to agribusiness are met, the divide will widen between small-scale producers and large agribusiness firms, with agribusiness firms opting to do business with a network that satisfies their requirements. In contrast, small-scale producers continue to be marginalised and entrapped in the vicious cycle of poverty.

The study's findings serve as indicators to guide the key role players in the agricultural sector in strategically addressing the factors constraining small-scale farmers from increasing their competitiveness in high-value markets. Despite the current financial challenges faced by the country, the South African government should prioritise and sequence reforms as well as investments in the agricultural sector. The study revealed that most agribusiness firms are dominated by profit-seeking agencies that concentrate on large-scale farmers and pay little attention to small-scale farmers.

5. RECOMMENDATIONS

It is recommended that agribusinesses rethink their business models and aim to follow a dualistic approach whereby they balance profit maximisation and development of the communities in which they operate. Engaging disadvantaged farmers in contract farming programmes allows agribusiness firms to demonstrate their commitment to social responsibility. Companies need to realise that good corporate governance dictates that, apart

from financial considerations, attention should also be given to social and environmental issues. In addition, the government should facilitate the development of tailor-made programmes for contract farming and assist in making this training available to small-scale farmers. This can be achieved by making funds available to agribusiness firms/private institutions to develop relevant training programmes for small-scale farmers.

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