Institutional dynamics in a small-scale organic farming organisation: The case of the Ezemvelo Farmers' Organisation

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DEDICATION

This thesis is dedicated to my loved ones who have passed on:

- My grandmother “uMasidandane”
- My mother Flavia Bahlakaniphile
- Fiance: Nkululeko Mfaninswa

Thanks to you for caring until the end of your lifetimes.

DECLARATION

I declare that *Institutional dynamics in a small-scale organic farming organisation: The case of the Ezemvelo Farmers' Organisation*, is my own work, that it has not been submitted before for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged as complete references.

Thulisile Felicity Msomi

Signed: .....

Date: .....

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KEYWORDS

Accumulation

Agrarian transformation

Commodity value chains

Communal land tenure

Contract farming

Elite capture

Internal free riding

Institutional dynamics

Land reform

Organic Farming

Small Holder Farmer

ABSTRACT

This study explores institutional dynamics within an organic farming organisation, the Ezemvelo Farmers' Organisation (EFO), based in uMbumbulu in KwaZulu-Natal (KZN). The main objective of the study was to identify the institutional and governance factors that impact on the sustainability of the organic production programme of the EFO. A variety of research methods were employed, including a small sample survey of 50 households, in-depth interviews with key respondents, and a critical assessment of the existing literature on the EFO.

The study established that many rural households in uMbumbulu maintain their livelihoods through a diverse array of activities that include social grants. Agriculture remains an important livelihood strategy for many households. It presents opportunities for income generation, access to food, job creation and increased asset accumulation. Communal land tenure systems do not constrain agricultural development, and kinship ties and social relations determine affordable and flexible land access for farming and residential use. The EFO initiave regenerated agricultural production in uMbumbulu. Many households have rights to cropping fields and these fields were revitalised and put under productive use as the organic farming initiative gained momentum. The EFO marketed its produce to Farmwise, a packhouse that distributes produce to various retailers. The agro-food industry is dominated by large business interests and maintained exploitative relations with the EFO. Organic production and marketing to such businesses imposed high transaction costs on members of the EFO as onerous quality standards were enforced throughout the value chain. Rural development interventions that are driven by external stakeholders such as academic institutions, government departments and other agencies tend not to provide sustainable solutions to help support the development of smallholder farmers. In the case of the EFO, such support saw abuses of power, elite capture, free-rider problems, conflict and weak management systems.

The thesis argues that the agrarian transformation imperative means that policy frameworks must be re-examined, and adapted to the needs and local practices of smallholder farmers such as members of the EFO. Proper extension support that provides accurate market information, effective coordination of production and transport services, and relevant infrastructure, is also required.

LIST OF ACRONYMS

AFRISCO	African Farmers Certified Organic
BRFO	Bak Ruea Farmers' Organization
CPA	Communal Property Association
DOA	Department of Agriculture
DRDLR	Department of Rural Development and Land Reform
DEDT	Department of Economic Development and Tourism
DTI	Department of Trade and Industry
EFO	Ezemvelo Farmers' Organisation
EPOPA	Export Promotion of Organic Products in Africa
FAO	Food and Agriculture Organisation
FIBL	Research Institute of Organic Agriculture
FLO	Fair-trade Labelling Organizations
ICA	International Cooperative Alliance
ICS	Internal Controls Systems
IDP	Integrated Development Plan
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
IIED	International Institute for Environment and Development
IFOAM	International Federation of Organic Agriculture Movements
INR	Institute of Natural Resources
ISO	International Standards Organisation
NDA	National Development Agency
SPSS	Statistical Package for Social Sciences
STATSSA	Statistics South Africa
UNCTAD	United Nations Conference on Trade and Development

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CHAPTER 1 INTRODUCTION

1.1.Introduction

This chapter introduces a study of the Ezemvelo Farmers' Organisation (EFO), which is a smallholder organic farming organisation based in uMbumbulu, located south of Durban in KwaZulu-Natal province. Secondly, it locates the EFO within the wider context of the agricultural sector in South Africa. Thirdly, it provides an overview of the objectives of the study, and describes the research approach adopted and the specific research tools (both quantitative and qualitative) used in the study. It discusses data analysis, outlines some limitations of the study, and provides an overview of the chapters in the dissertation.

1.2.The development of the Ezemvelo Farmers' Organisation (EFO)

The Ezemvelo Farmers' Organisation, or EFO, was formed by farmers under the Embo Traditional Authority in uMbumbulu district in 2001. It then attracted people under other traditional authorities such as the Kwa-Makhanya and Thoyana authorities. It evolved under the stewardship and mentorship of Professor Albert Modi, a crop scientist from the University of KwaZulu-Natal (UKZN). As a result, by 2011 it had 126 members from these three traditional communities.

According to Mr Mabhida (first chairperson of the EFO), Prof. Modi had joined the project in 2000 with the assistance of Mr T. Mkhize who was chairperson of the Embo Masakhane Community Development Organisation (EMCDO). The EMCDO was coordinating development programmes in uMbumbulu magisterial district. The membership of the EFO consists of black small-scale farmers who produce vegetables (mainly taro, also known as *amadumbe*, and potatoes), practice traditional methods and make use of kraal manure for fertilising their soil. The farmers were also advised to farm individually on land in their own homesteads, as opposed to undertaking collective gardening activities. The farmers were then assisted by Prof. Modi to form the EFO, which is a vehicle through which the farmers access markets for their organic produce. In 2001 the EFO had a membership of 28 small-scale farmers, and aimed to obtain organic certification and qualify for donor funding. The organisation quickly grew to 54 members, mainly from the Ogagwini and Ezigeni areas, and was fully certified by 2002. By 2011, the EFO's membership comprised a total of 126 small-scale farmers.

The EFO does not engage in any primary agricultural operations itself, but links farmers to market opportunities and helps its members through capacity enhancement programmes. It also facilitates the acquisition of farming implements and assists with transportation of farming produce to market destinations.

The organisation has an executive committee which is responsible for the overall management of the EFO, while an "internal approvals committee" is responsible for recruitment of members and administration. More detailed information on these structures is provided in Chapter Two below.

1.3. Locating the EFO within the broader context of South Africa's agricultural economy

South Africa is regarded as a middle-income country characterised by high levels of poverty and inequality, particularly in rural areas, where approximately 70% of its poor people reside. Poverty is attributed mainly to the colonial and apartheid policies that shaped the political and economic landscape of the country. However, Bundy (1972:369) has argued that colonial and apartheid policies supported and promoted white farmers, while pushing blacks into overcrowded rural areas which are not suitable for crop and livestock farming. Such support for large-scale farming has continued after the end of apartheid, although some scholars contend that smallholder farmers in South Africa have the potential to prosper despite the challenges they face (e.g. Cousins, 2005). Smallholder farmers, they assert, can play an important role in feeding a fast-growing population amid various challenges including increased levels of poverty, landlessness and poor environmental management practices in traditional communities.

Today smallholder farmers in rural communities continue to face a number of challenges, which include high levels of intra-community conflict, weak leadership and a lack of institutional capacity to spearhead the advancement of the small-scale farming sector in South Africa. In this context, many believe that government support services, development agencies, research institutions, international organisations and the private sector can make positive contributions that are of benefit to smallholder farmers.

From the 17th century, white settlement in South Africa and expansion into the interior of the country led to settlers taking over prime agricultural land that was occupied by Africans. Although met with violent resistance, this process culminated in the dispossession of indigenous groups of people. Later on, as Bundy (1972: 369) and Bernstein (1996: 1) note, the racial policies adopted by governments of the 20th century, and in particular those dominated by the National Party after its coming to power in 1948, helped to destroy rural subsistence agriculture and compelled rural communities to depend on wages from the white-owned industrial and farming sectors.

Colonial and apartheid policies created a situation where 83% of land was concentrated in the hands of whites, whilst 17% remained in the hands of blacks for subsistence and residential purposes. It is clear that apartheid policies promoted and supported white commercial farming while doing nothing for black emerging farmers. High poverty levels are still a problem in rural areas, with many households failing to improve their livelihoods through agriculture. However, authors such as Cousins (2005) are of the opinion that poverty in South African rural areas can be addressed through land and agrarian reform. In these views, the contribution of the wage economy, urban remittances and government grants to rural households is acknowledged, but agricultural income is seen as central in sustaining rural households.

Debates about the role of the smallholder farming sector are key to the national development agenda. Greenberg (2013b) reflects on competing views of South African land and agricultural reform policies. The post-1994 government, he suggests, is committed to agrarian transformation, but its policies perpetuate large-scale farming, which has a negative impact on efforts to create a black farming class. Further, agribusiness interests maintain that food security can be achieved only through large-scale commercial agriculture, arguing that economies of scale are a commercial imperative in the current global context (AgriSA, 2010).

In the context of agrarian transformation imperatives, Cousins (2013) argues for the importance of the smallholder farming sector, summarising the empirical evidence provided by various studies that indicate the positive contribution of this sector to improved livelihoods, food security and opportunities for capital accumulation. Cousins also provides arguments for land redistribution, including the subdivision of large farms and their transfer to small-scale farmers for productive purposes.

An important component of this study is a reflection on both the upstream and downstream components of contemporary value chains, which might help in understanding those factors that negatively impact on agrarian transformation efforts, particularly the development of smallholder farmers.

1.4. Objectives of the study

This study seeks to attain a number of objectives. Firstly, the study aims to identify and understand institutional challenges facing small-scale black farmers who are members of the EFO. Secondly, it seeks to understand the role of organisational and management factors in the success or failure of the EFO.

Thirdly, the study attempts to explore institutional dynamics in the small-scale farming sector in general, and their impact on programmes to promote small-scale farming. The mini-thesis thus explores aspects of organic farming value chains and their impact on the development of the small-scale farming sector. Understanding these dynamics in the organic farming sector is undertaken against the backdrop of an analysis of global agro-food regimes and the influence they have on the farming sector in developing countries.

1.4.1. Research questions:

(i) *How is the EFO organised, how does it function and how has it evolved over time?* This enquiry seeks to identify and understand organisational factors that influence variables such as levels of participation in the EFO; the key focus here is on the membership, governance and management of the EFO.

(ii) *How does collective marketing of organic produce impact on the productivity and profitability of the EFO?* This question seeks to assess forms of collective action, contracts and market linkages which impact on the sustainability of the initiative. This requires an understanding of the broader operations of organic value chains and how industry requirements have constrained smallholder farmer participation in this sector. This research project therefore seeks to establish if the EFO model has been able to address the marketing constraints facing small-scale farmers.

(iii) *What are the wider policy implications for the EFO experience?* This question aims to review the significance of the EFO experience. It seeks to assess

whether or not the model is sustainable and can successfully negotiate the socio-economic complexities that confront efforts at rural development. It further assesses whether or not the EFO experience yields positive innovations that could be adopted in other areas.

1.5. Significance of the study

South African poverty levels continue to be high, especially in rural areas where economic opportunities are minimal. Unemployment rates are exceptionally high at around 25%**.** The role of agriculture in reducing poverty and contributing to food access, income and the general wellbeing of rural households is a hotly debated issue. Cousins (2005: 131) notes the shrinking employment opportunities in the urban economy and argues that small-scale farming can address rural poverty at a significant scale, addressing the needs of the most vulnerable and marginalized groups.

Various farming interventions are being implemented through public sector initiatives. These programmes seek to mitigate high poverty levels and contribute to improved livelihoods. The interventions centred on the commercialisation of smallholder farming, and in this case, organic farming, pose many questions on the sustainability of this sector. There are a variety of highly contested views on the feasibility of smallholder farming programmes and organic programmes, given the structure of commodity value chains intrinsic to modern agricultural markets.

It is therefore important to understand the underlying factors that determine the success or failure of schemes to commercialise smallholder farming. The particular focus here is whether or not such farmers can adapt to the complexities of organic farming and its exacting requirements in relation to quality standards, certification and marketing.

The study presents an opportunity for stakeholders involved in rural development to understand the challenges that face smallholder farmers in South Africa, especially those organised as cooperatives. It seeks to inform debates in the sector and to provide insights that will enable stakeholders to develop appropriate policies and programmes aligned to the needs of small-scale farmers.

1.6. Research methodology

This study is based on a number of research techniques and tools which were used to generate information about the EFO, its management, its activities and institutional dynamics within the project.

1.6.1. Research design

The study was designed to make use of a number of different research tools to collect data regarding the formation and functioning of the EFO. A small household survey was undertaken with a sample size of 50 project members, and a number of in-depth interviews were conducted with project leaders and government officials involved in the project. Qualitative techniques such as focus group discussions proved useful in seeking to understand organisational dynamics and their impact on the activities of the projects. This multi-method design also included the use of secondary information to understand the evolution of the project, its management, and the institutional forces which positively and negatively impacted on the project.

1.6.2. Research approach

The study applied both quantitative and qualitative methods of data collection. Quantitative research relied on structured questionnaires, used to collect data in the form of numbers, and helped to collect data for statistical analysis (Durrheim, 2006: 47). Qualitative techniques such as focus group discussions, in-depth interviews, and participant observation allowed for different kinds of data to be collected and analysed (Durrheim, 2006:47).

1.6.2.1.Household survey

A questionnaire with structured questions was administered to a sample of 50 households. These were randomly selected but attempts were also made to ensure that all the subsections of relevant rural communities were represented. As a result respondents were located in areas such as Hwayi/Odidini, Nungwane, Mahleka, Ezigeni, Upper and Lower Ogagwini.

Questions were arranged chronologically so that interviews began with questions requiring background information, followed by information pertaining to the EFO, its objectives, its organisational structure, its business activities and its management as well as its relations with the government, private sector and its market opportunities. Probing techniques were applied to obtain further clarification when ambiguous responses were provided. Confidentiality was ensured to protect the identities of respondents. In addition, the

researcher secured the services of a research assistant, who played a complementary role in data collection.

1.6.2.2.Qualitative methods

1.6.2.2.1. In-depth interviews

Six in-depth interviews were conducted with the leadership, staff members of the EFO and government officials. These interviews provided useful information regarding the background of the organisation, its management, its activities, and the opportunities and challenges experienced by the organisation in performing its functions. Key informants included a packhouse manager, a driver, a project facilitator, senior project members, and members of the management committee.

1.6.2.2.2. Focus group discussions

Focus group discussions were conducted with farmers from Ezigeni, Mahleka, Nungwane and Hwayi/Odidini. Another special focus group discussion was held with internal inspectors. The focus group discussions allowed farmers to share their views and suggestions on production, marketing, and assessment of organic farming practices and the management of the EFO. In addition, they reflected on the future prospects of the EFO in uMbumbulu. The focus group discussions also reflected on the institutional dynamics which have negative impacts on the project.

1.6.2.2.3. Participant observation

In order to complement these focus group discussions, participant observation was employed to further understand institutional dynamics involved in the execution of the project. This session identified other actors involved in the project and to verify information gleaned through the application of the focus group. Gelsi (1999) refers to a research method which has an element of descriptive observation, which consists of question-observation. It includes an inquiry from the inside, whereby the researcher is personally involved and where knowledge is generated by operating within the organisation. It is an enquiry of becoming part of the phenomenon under study (Evered & Louis 2001; Myers 1999).

The researcher attended meetings of the EFO which enabled her to understand the issues raised in such contexts and to assess the opinions of external stakeholders involved in the project. Participation in these meetings laid a basis for follow-up questions and discussions. It allowed the researcher to identify how both members and external partners influenced organisational processes and decision-making.

1.6.3. Literature review and secondary data

Both primary and secondary data assisted in attempts to understand the project, its achievements and its challenges. A review of previous studies on the organisation was useful in gaining information on the development of the EFO. Secondary sources included EFO annual and monthly reports, minutes of the organisation and its constitution.

The wider literature on the smallholder farming sector in developing countries was also reviewed. This proved to be key to locating the South African smallholder farming sector, and the organic sector in particular, in the context of a rapidly changing global economic environment.

Literature on the management and leadership challenges commonly facing farmers' groups organised as cooperatives was also reviewed. The review highlighted the successes and failures of cooperatives in the field of community development. Some cooperatives failed to sustain themselves due to management dynamics within such organisations, leading to free-riding, compromised ownership and low levels of participation.

1.6.4. Data analysis

Quantitative data were analysed through inputting responses into a spreadsheet using Microsoft Excel®. The researcher then transferred data to SPSS and analysed it, and these are presented below in a series of tables.

Qualitative data were analysed by identifying key themes that emerged from discussions. Similar responses were grouped together under specific topics. The main topics that came up from data were used as the point of departure in developing findings or major arguments gained from the discussions.

1.7. Limitations of the study

This study has several limitations. Firstly, the researcher tried to gather information from all the key stakeholders who worked with the EFO, but attempts to have discussions with Farmwise (the main buyer of farm produce) proved unsuccessful. Farmwise informed the researcher that no discussions on the EFO could be held unless sanctioned by the organisation's mentor (Prof. Modi).The researcher felt that valuable insights on the

relationship between the EFO and its market could have been gained if the interview had been held.

Secondly, the researcher was professionally involved with the EFO as a development practitioner employed by one of the development agencies (the National Development Agency) offering both grant funding and support for the institutional development of the organisation. This may have affected her objectivity when undertaking research. The researcher's independence and professional judgement might thus have been affected by her relationship with the organisation. Information collected in the course of other discussions might have been influenced by respondents' perceptions that divulging that kind of information could contribute to better support for the organisation or might assist in strengthening the management of the organisation. However, the researcher did her best to remain objective in the course of this study, and to remain aware, at all times, of possible bias.

Thirdly, the study was conducted over a long period, with much of the quantitative data being collected between 2012 and 2013. These data are thus time-bound to a degree. Changes that the organisation has undergone in terms of its management, as well as new marketing developments that occurred after this period, might well require a modified analysis of the EFO.

1.8. Overview of the chapters

This thesis is organised in seven chapters, and is structured as follows: Chapter One is an introductory chapter that describes the background to the study, and the context in which the small-scale farming sector in South Africa currently operates.This chapter further discusses the objectives of the study and the research questions the study sought to answer. The research design and methods applied in collecting and analysing the data form part of this introductory chapter.

Chapter Two discusses the history of the EFO, reflecting on its location in the uMbumbulu area and the development trajectory of this part of the province, and its tribal character. This chapter also discusses the development of the EFO and describes its organisational structure

and evolution, and reflects on the linkages between local development in the rural area of uMbumbulu and wider, commenting on political aspects of modern day rural administration.

Chapter Three presents a review of the literature on smallholder farming programmes in developing countries, in order to contextualise the institutional dynamics that face small-scale farmers in the South African context. The literature on factors that confront farmers in the marketing of organic produce is also reviewed, including material that focuses on the weak institutional arrangements of organic farmer organisations, which impact on their ability to deal with modern value chains. The character of contemporary agro-food systems, within which small farmers and organic farmers in particular, are entrapped, is also discussed. The chapter refers to the literature on the many challenges that are faced by smallholder farmers, ranging from the organisation of production, marketing and general management and leadership aspects of farmer organisations, organised as cooperatives. The role of external stakeholders, which include government, development agencies and academic institutions, is reviewed in this chapter.

Chapter Four provides a brief background on the Mkhambathini Local Municipality, where the EFO is located. Much of the chapter comprises a detailed quantitative analysis of the data generated from household interviews, focusing in particular on demographic features, income sources, asset endowment, land administration and land use.

Chapter Five describes the institutional dynamics of the EFO, and presents the empirical evidence generated through interviews with members and stakeholders. Many of these interviews focused on responses to questions on the efficiency and effectiveness of the institutional arrangements within the EFO's various programmes. It discusses EFO members' views of their expectations of the organisation, its management and leadership, relationships with its markets, and relations with other stakeholders involved in their organisation.

Chapter Six provides an analysis of institutional dynamics within the EFO. It explores the key factors that contribute to the current situation within the organisation. These key factors are poor management and leadership, elite capture, intra-community differences and high levels of political discrimination based on tribal affiliation. Further, the role of academic institutions and how these shaped the relations within the organisation and deeply influenced its interaction with external stakeholders, is also assessed. This chapter argues that the deep-

seated political and tribal violence experienced in the area has been used as a tool to estrange some members in the fight for control over the resources of the EFO. Also relevant is that an institutional design that is able to enforce the organisation's policies is weak, as well as unequal power relations between the EFO and its market agent, Farmwise.

These developments within the EFO reflect unequal relations within commodity value chains, which often have adverse consequences for the smallholder farming sector. Free-rider problems, inadequate access to information, and lack of accountability further undermine the development of the EFO. The extent to which all these factors have affected the development of the EFO is briefly analysed in this chapter.

Chapter Seven provides some concluding remarks, summarising the findings of the study. It provides some policy recommendations that could be explored by role players in the land and agrarian sector, mainly in relation to programmes for the development of the smallholder farming sector in South Africa today.

CHAPTER 2 : DESCRIPTION OF THE EZEMVELO FARMERS' ORGANISATION AND ITS CONTEXT

2.1 Introduction

This chapter introduces the research site focusing on the location of the EFO, the land tenure system and the agricultural potential of the area. The chapter further discusses the development of the EFO, describes its organisational structure and evolution and reflects on the linkages between local development in the rural area of uMbumbulu, commenting on political aspects of modern day rural administration.

The final section of the chapter briefly reflects on the opportunities presented by the EFO model, challenges faced by organisation and the recommendations made by various studies conducted on the EFO.

2.2 Location of uMbumbulu

uMbumbulu is a rural area situated approximately 50km south-east of Durban and south-east of Pietermaritzburg in KwaZulu-Natal. It cuts across three municipalities, which include Ethekwini Metro, Vulamehlo Municipality of the UGu District and Umkhambathini Municipality of the uMgungundlovu District. It is a large rural traditional community which encapsulates the following areas:

(a) **Makhanya traditional authority,** also known as Sobona Khona, is located mainly within the Ethekwini Municipality.

(b) **Thoyana traditional authority,** covers amongst others Odidini and Hwayi and villages that fall under ward 1 of Vulamehlo Local Municipality of the Ugu District Municipality.

(c) **The Embo traditional authority** is the largest sub-area and is composed of three smaller traditional authorities: EMbo Thimuni, Simahla and Vumukwenza, all under the rule of Inkosi LangalaseMbo Mkhize. These areas fall under uMkhambathini Local Municipality of the Umgungundlovu District.

2.3 **Brief history of uMbumbulu**

Mathis (2008), sees the uMbumbulu area as a traditional community which was originally part of the larger Mkhize kingdom which settled in the south of Durban in the 1830s. It developed after the Mfecane wars and resulted in the proliferation of tribes who fell mainly under the Mkhize chiefdom. uMbumbulu comprises those traditional communities falling under Inkosi Mkhize, Inkosi Makhanya and Inkosi Hlengwa.

The area under the Embo traditional authority, where the EFO is based, is the largest area under such a structure. The development of the other traditional authorities took place as a result of the need for more land to be allocated to smaller tribes created under the colonial government system of indirect rule, in which that government appointed chiefdoms.

Figure 1: Map locating the study site at Embo Traditional Authority, uMbumbulu

(Source: KwaZulu-Natal Tourism Authority, 2002)

2.4 **Land tenure system**

The land tenure system at uMbumbulu is traditional and is still governed by chiefs (known as *amakhosi*). Whilst the traditional land tenure system is still entrenched at uMbumbulu, Mathis (2007: 107) observed a weakened role of traditional authority in land allocation, owing to various factors which revolve around the history of land dispossession as experienced by the people of uMbumbulu. The experience of land dispossession resonates with the suffering of black people in other parts of South Africa. Cousins (2007:283) summarises how colonial conquest and policies of segregation reconfigured the livelihoods and land tenure systems of indigenous populations. This was also experienced at uMbumbulu, where dispossession led to prime agricultural land (which was the basis of people's livelihoods) being transferred to become the private property of a few whites who settled in the area.

Mathis (2007: 07) asserts that "the role in controlling land that customary leaders might once have been exercised, had been eroded by changes over the last half of a century, notably population growth and the reduced importance of agricultural production". These arguments are further elaborated on below. This reduction is evidenced by current production trends, in which most households at uMbumbulu engage in supplementary activities, by growing crops to supplement their diets and incomes. Mathis (2007) states that at EMbo Thimuni, most households supplement their incomes through small-scale commercial farming of sugar cane and organic crops produced by EFO members. Mathis (2007:69) also indicates that some residents at Embo who are now EFO farmers are from families which had been farm workers in previous generations, and who farmed within sharecropping arrangements because of land dispossession.

2.4.1 **Reduced importance of agricultural production**

2.4.1.1 Population growth

This factor is also linked to a history of land dispossession and other racially based policies which forced the original inhabitants off their land, to settle close to "native reserves". This led to densely populated locations adjacent to commercial agricultural land, owned by a few whites (Mathis 2007: 68-69). As the population in parts of the Embo Thimuni area increased, those who wanted to settle there turned to established residents to request land, which led to extensive subdivision of existing land holdings. This claim is further supported by Agergaard

& Birch-Thomsen (2006:91) who state that uMbumbulu population pressures and changes in the sources of income under apartheid system resulted in land use patterns dominated by home gardens.

The proximity of the area to Durban and Pietermaritzburg makes it possible for many uMbumbulu households to rely on wages from urban work, while many others rely on social grants. This is due to a well-developed transport system which makes it possible for people to travel to and from employment places on a daily basis. The importance of access to transportation means that people are clustered close to the main roads, and that farming land has been decreasing in size.

Another factor contributing to population density has been widespread tribal and political violence in most parts of uMbumbulu, with many people fleeing to other parts of uMbumbulu.

2.4.1.2 Tribal and political violence

uMbumbulu is known for faction fights and political violence between people from different traditional authorities. Mathis (2007: 90) attributes faction fights to boundary disputes, which were pronounced in the 1920s. There were also recent attacks by Embo traditional authority people in 1984 on those from the Makhanya (Sobonakhona) traditional authority, in which more than 300 Embo people were killed. Revenge attacks by Makhanya on Embo people in 1986 also led to brutal killings, damage to property and the displacement of many people.

Agergaard & Birch-Thomsen (2006: 91-93) relate the history of uMbumbulu, and its subdivision into tribal areas. This was the result of various faction fights between different lineages of the Embo family between 1934-36, and territorial fights between Embos and newcomers as more families/lineages were settling in the area during the process of territorial segregation. During group discussions in the course of this present study, community members revealed that the tribal wars in the area were also instigated by individual fights over women, and also competition over traditional music competitions. These incidents, as members related, would culminate in fierce tribal attacks, and were perpetuated by acts of revenge and efforts to “regain dignity”.

Meintjes & Nhlengethwa (2002) also describe years of violence at Mbumbulu between family clans which led to strong divisions in the area. According to them, these “tribal wars”

made the community vulnerable to further divisions during the period of generalised political violence which wracked the province in the 1980s and 1990s.

In summary, tribal wars intensified political violence and further impacted directly on social and economic development in the uMbumbulu area. Some EFO members (as discussed in Chapter 5) strongly perceive these tensions to have many negative impacts on levels of participation in the EFO, processes of election to its management structures, and access to its organisational services.

2.5 The development of a local government system and its relations with traditional leadership structures

The introduction of democratic local government saw the subdivision of areas into wards led by politically elected councillors. This political system was intended to serve as a channel of communication, linking communities to structures and processes for the use of public and political resources supporting development within their ward (Agergaard & Birch-Thomsen 2007).

As stated above, the uMbumbulu area represents a convergence of three municipalities, eThekwini Municipality (Metropole), UGu District Municipality and UMgungundlovu. These municipalities have differing capacities for infrastructure and service delivery. Coordinating and implementing development programmes in uMbumbulu is complex, as a result of this unequal distribution of access to municipal services (Agergaard & Birch-Thomsen: 2007). The delivery of services to EFO farmers is also influenced by where they fall in the municipality and ward authority structures.

There are conflictual relations between local government bodies and traditional institutions in rural areas. Initially, the introduction of local government structures did not necessarily lead to adversarial relations between the councillor and the *Inkosi* (chief). At Ogagwini village, which is the home of the EFO, the local government elected councillor, Mr Maphumulo, was also a principal *induna* (headman) and responsible for land allocation (Mathis 2007: 107). Most inhabitants consulted Mr Maphumulo on land and other development matters as he played dual roles, as a trusted local resident who was a member of the traditional council and a democratically elected local government official. These roles allowed him to better mitigate conflicts at the local level.

Such a development, wherein an elected local government councillor serves as an *induna*, is not unique to uMbumbulu. It was also experienced in other parts of the province. Alcock and Hornby (2004) established that in Msinga there are elected councillors also serving as advisors to the *amakhosi*, aligning their current functions with past functions. Cousins (2007: 284) asserts that in some rural areas, weak administration, and abuses by traditional leaders, coupled with lack of clarity over the roles and responsibilities of traditional authorities and local government bodies, have strained communal land tenure systems.

With regards to the EFO, one related case was an incident where the *Inkosi* had demanded R50 000 from the NDA, which wanted to support the construction of an EFO packhouse. The *Inkosi* claimed that the project was developing into a business, a private initiative, and therefore should be charged. It was through an intervention by the councillor that the issue was resolved, with the committee of the EFO asking the councillor to discuss and clarify this issue with the *Inkosi*. An amount was subsequently paid to the Inkosi from the agency's funds (but without the agency's approval) having been reduced to R5 000.

Despite the general claim that there has been a decline in the powers of the traditional authorities in relation to land administration, the defining factor which is common in most rural areas under communal tenure is that the land tenure system is "socially embedded". Cousins (2007: 284) defines this as a system in which land and resource rights are directly embedded in a range of social relationships and social units, including households and kinship networks. Mathis (2007:99) supports this perspective, as she established that at Embo land was valued primarily for residential security, and also as a symbolic representation of community membership. Further, Kisaka-Lwayo (2012:201) assessed the impact of communal land tenure in the adoption of technologies by EFO organic farmers. This study established that land tenure security of the farmers was positive, and that access to land through the stability of personal and social relationships was a more important determinant of technology adoption by the farmers than a mode of access to land. Informal arrangements based on traditional social capital assured affordable and flexible access to land for most local people. This central role of community and kinship ties in processes of land allocation is further confirmed in Chapter 4 of this study.

2.6 Agricultural potential and rainfall patterns

The Institute of Natural Resources (INR) (2004: 37) reported on the agricultural potential of uMbumbulu, and indicated that there is limited access to water due to the topography, specifically in the north western parts of the uMbumbulu area, which is the home of the EFO. There is limited land available per household and this constrains opportunities for large-scale commercial agriculture.

2.6.1 Soils and slope

The inland part of uMbumbulu falling within the EThekwini Municipality, as indicated by the INR (2004: 30-33), has high agricultural potential. However, there is only a limited amount of land suitable for annual cropping because of the high incidence of shallow soils. Some parts of uMbumbulu have no high potential arable lands due to the steep slopes and soil properties, which are sandy and shallow with moderate to poor drainage. uMbumbulu also has a high soil erosion rating due to its broken topography and high rainfall .

According to the INR (2004: 27, 48-49), 48.5% of the land is potentially arable, with some 31% having high potential. Sandy soils make up 12.4% of the area, whilst shallow soils occupy 37.5%.

2.6.2 Climate

The temperatures in uMbumbulu are humid and high, with the mean annual temperature recorded at 19.4 degrees, minimum at 13.5 degrees and maximum at 25.3 degrees. The annual mean rainfall is 956 mm and is received mainly from October to March. The EFO operates in a sub-tropical environment, which is frost-free and suited for subtropical fruit, and nut crops and dryland crops like sugar cane, and timber such as wattle trees. Other suitable crops include cabbage, carrots, and dry beans, lucerne, maize, potatoes, sorghum, soybeans and tomatoes. The area is generally conducive to rain-fed agriculture.

2.7 The Ezemvelo Farmers' Organisation: Institutional design

The EFO was founded in 2001 through an initiative of the University of KwaZulu-Natal. The founding objectives of EFO are to utilise indigenous and traditional crops as a major source of income. EFO members produce traditional crops, including *amadumbe* (taro, yams) sweet potatoes, potatoes, traditional pumpkins, maize, and beans, in homestead lands ranging in size from 0.25 ha to 9 ha. The EFO received organic certification in 2002 and became the first group of small-scale farmers in South Africa to attain such accreditation.

2.7.1 **Organic certification**

In farming organisations with many members, such as is the case with the EFO, organic certification is mainly organised through group certification using an Internal Control System (ICS). An ICS is a documented quality assurance system that allows "the external certification body to delegate the annual inspection of individual group members to an identified body or unit within the certified operator (IFOAM 2003). The ICS is meant to reduce the costs of certification for smallholders by establishing a group that can do much of the monitoring itself. The certifier's job is to ensure that group processes and data collection are working well and to check regularly on a sample of the farms.

The International Federation of Organic Agriculture Movements (IFOAM) (2003), refers to the basic elements of an ICS, which are a documented management structure, a responsible manager, internal regulations (production standards, and sanctions), conversion rules, a contract between the group and the certification body, e.g. Africa Farms Certified Organic (AFRISCO), identified internal inspectors, and training of personnel including the manager, internal inspectors, producers and handlers.

The EFO set up its own ICS in 2001. Certification involved various activities and compliance requirements that farmers had to comply with. Initially eight local members were trained as internal inspectors, who provided their services on a voluntary basis (Internal Inspectors' Group Discussion, 2014).

Under this arrangement, members managed their own plots, sourced their own inputs, prepared plots for planting and decided on which crops and how much to grow each season. Crop maintenance, harvesting, pre-grading and storage were also individual farmers' responsibility. The group certification process demanded compliance by all members, and violation by one member could result in the entire organisation losing its certified status. The trained internal inspectors monitored each member's compliance and reported transgressions to the certification committee, which recommended action to the management committee of the organisation.

In summary, the design of the EFO was underpinned by principles of best practice in organic farming methods, and the co-ordination of production and marketing to supply formal organic produce chains.

The shift by the EFO from domestic production to production for selling to formal supply chains, although seemingly successful, was beset by common challenges that confront many small farmers who participate in formal marketing ventures. These will be discussed in detail in Chapter 5. The following section seeks to describe the institutional design of the EFO, as perceived by members during its formation. It further describes the actual structure that ultimately emerged due to various processes that the EFO has undergone.

2.7.2 **Membership**

The EFO developed and adopted its constitution in 2001. The structure of the EFO is guided by this constitution, which spells out the character of membership and governance structures that are responsible for meeting the administrative and operational needs of the organisation.

The EFO opened its membership to all residents of uMbumbulu who accept that they will abide by its objectives and principles. It further prescribed a membership fee, which was capped at R10 p.a. during its formation and is currently capped at R50. Various committees were developed, the Executive Committee being the main committee. Membership would be approved by the Internal Approvals Committee, a subcommittee which was set up specifically for dealing with applications for membership.

2.7.3 **The Executive Committee and its duties**

The constitution provided for the establishment of the Executive Committee, which was to be elected once a year by the general membership. The committee was charged with the responsibility of convening monthly meetings and other special and subcommittee meetings that were deemed necessary.

This Executive Committee comprises a Chairperson, a Deputy-Chairperson, a Secretary, a Deputy-Secretary and the Treasurer charged with keeping financial records and reporting on the financial position of the organisation.

2.7.4 **The Internal Approvals Committee**

The Internal Approvals Committee acts as a certification committee, in line with IFOAM's Group Certification Guidelines. It was composed of Executive Committee members, acting as representatives of the Department of Agriculture (*ex-officio*). Prof Modi was also part of the Committee, in an advisory role.

The duties of the Internal Approvals Committee were defined as reviewing membership applications, and assessing the suitability of land for organic farming. It also has to keep

detailed records of the methods and materials used in the growing or processing of organic produce and ensure that annual inspections of organic practices are performed. The committee was further tasked with recording infringements and deciding on the penalties in case of such infringements. It also made recommendations on new applicants to the Executive Committee for approval (Denison & Manona, 2007: F1- F22).

2.7.5 **Gatekeeper roles**

According to Caister (2012: 58), the EFO appointed Prof. Modi from the University of KwaZulu-Natal (UKZN) as a "gatekeeper" and "mentor" for the executive committee, so that farmers could be protected from exploitation. Denison & Manona (2007) also studied the EFO and established that the goals of awareness and empowerment, as well as some negative experiences, led the EFO executive to implement this gatekeeping role. As trust between the EFO and mentor developed over the years, the mentor also managed the entry of outsiders into the area, introducing many different stakeholders to the EFO, and canvassing the assistance of various individuals and organisations. He played an influential role as an information conduit between the decision-making level of the EFO, and "external" research and funding agents, which some internal and external stakeholders viewed as essential. The headman (*induna*) of Ogagwini location was also identified as an *ex-officio* member of the Executive Committee, and as someone who would also act as a conciliator in cases of conflict.

Figure 2 below seeks to depict the institutional structure that was designed by the EFO during its period of formation. As spelled out in the constitution, and as suggested by the narratives of its founder members, the EFO organisational (i.e. management and operational) structures sought to develop systems for the marketing of organic produce. The structure also suggests that external role players like the Department of Agriculture and the University of KwaZulu-Natal through the mentorship of Prof Modi will maintain advisory roles throughout the development of the organisation. These mentorship roles were deemed essential in maintaining good relations with the buyers of produce, and in developing the organisation to be a profitable and sustainable entity whilst also maintaining the indigenous farming system.

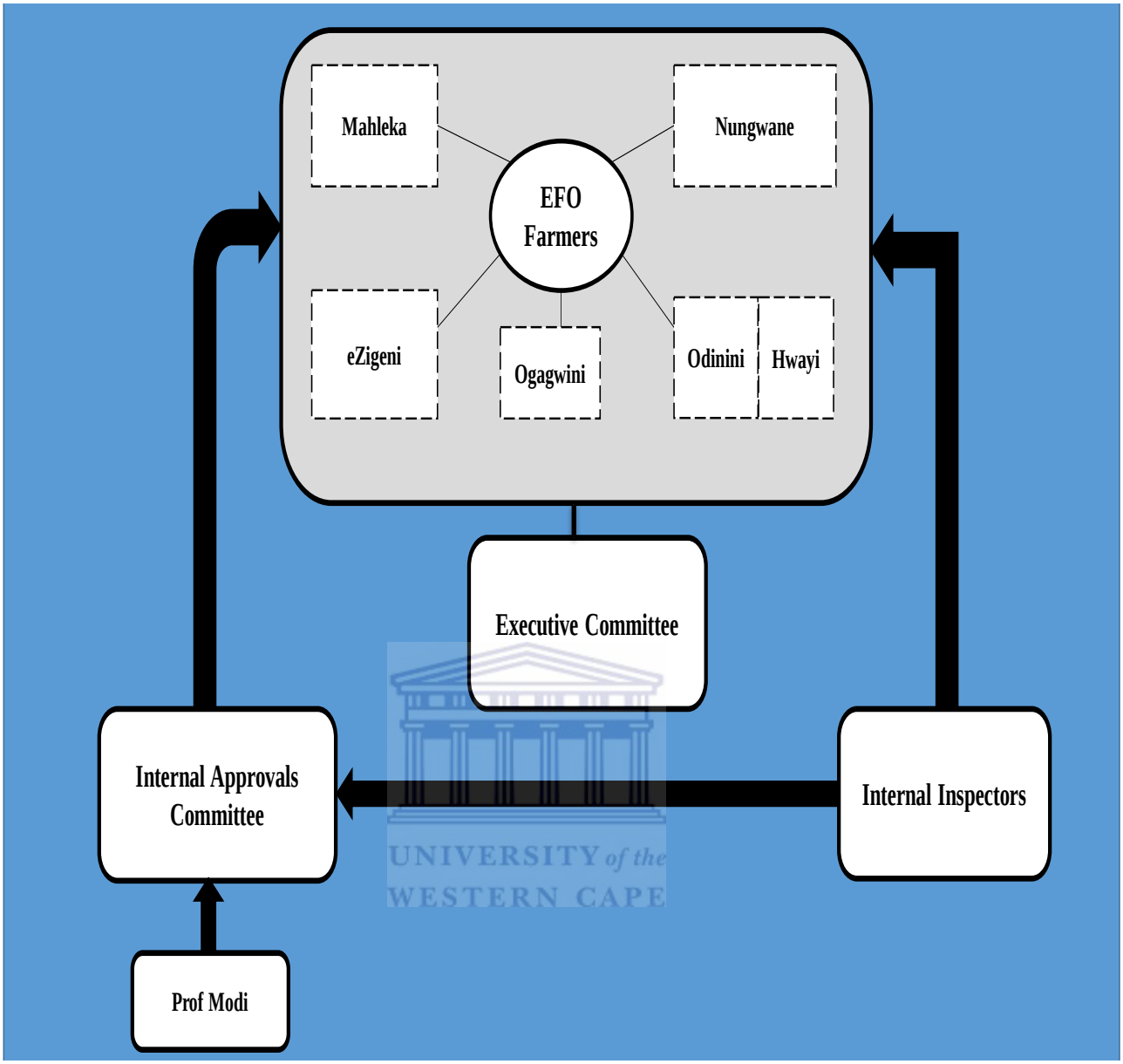


Figure 2: The organisational structure of the EFO

2.7.6 **Organisational meetings**

2.7.6.1 Monthly meetings

The constitution provides for monthly general meetings, where the affairs of the organisation are discussed. The meeting is guided by an agenda drawn up by the Executive Committee in consultation with members. The executive was vested with powers to meet when necessary if there are organisational matters that need to be discussed prior to the monthly general meeting. The monthly meetings provided a consistent space for members with respect to celebration, inter-stakeholder communication, community level decision-making and input from external sources (Caister 2012: 112-113).

Although not specified in the constitution, the EFO members had agreed that village meetings would be held. The organisation had also made provision for sub-committees to deal with operational matters such as the scheduling of tractor services to various members, and coordination of the transport of produce to markets.

2.7.6.2 The Annual General Meeting (AGM)

The Annual General Meeting (AGM) is an important component of the management system of the EFO which provides space for presentation of annual performance, financial reports and election of new Executive Committee members. It is a platform that legitimises each year's programmes and elects the "next generation team" to lead the organisation. The AGM also serves as platform for celebrating and acknowledging hard work through giving awards to members who have done exceptionally well, i.e. those who generated high income from sales. As it will be further discussed in Chapters Five and Six, these important components of the organisation deteriorated over time, thus affecting its functionality.

2.8 **Marketing**

The EFO produces a variety of crops including *amadumbe* (taro, or yams) sweet potatoes, potatoes, traditional pumpkins, maize, and beans, in homestead lands ranging in size from 0.25 ha to 9 ha per household. At first it marketed its organic produce to Assegai Organics, mainly focusing on potatoes, but later it obtained a contract to sell to Pick and Pay and Woolworths through Farmwise, which is a packhouse acting as an agent for these retailers. The EFO decided to focus mainly on *amadumbe* because of its resistance to disease, and abandoned the marketing of potatoes due to problems of early rot and sometimes the poor quality of produce harvested (Personal Communication, Mr Mabhida, (2012). By 2002 Farmwise had become their main customer for *amadumbe,* although members were at liberty

to sell their produce to other markets as well. The nature of the marketing arrangements between the EFO and Farmwise has been a source of much debate amongst EFO members and other role players.

2.8.1 **The contract between EFO and Farmwise**

Contractual marketing is common in agriculture, and can take the form of verbal agreements, "handshake" agreements, seasonal contracts, and growing programmes, as well as formal outgrowing schemes (Sartorius and Kirsten 2006:3-4). These include production or marketing contracts that specify the volume to be delivered, the quality of the commodity supplied, the contract price and delivery dates. The contracting arrangements can be as short as three months (fruit and vegetables) or be longer term contracts, as in the sugar cane industry. The verbal/ informal "handshake" deals are often underpinned by a degree of trust that helps to secure long-term supplies. The role of intermediaries as a conduit between smallholder farmers and agro-processers and retailers is an integral part of these value chains.

In the EFO case, supply to the market was negotiated on a yearly basis, at the beginning of each season. The EFO executive committee and packhouse discussed prices, quality and delivery. There was no formal agreement spelling out marketing arrangements between the EFO and Farmwise. This was confirmed during various discussions between the researcher and committee members of the EFO.

Farmwise maintained its dominance over marketing arrangements.When they needed produce they would inform the EFO executive, who would, in turn, send messages to members. This process was sometimes not timely, due to poor communication and physical infrastructure at uMbumbulu. Farmers would not know when the packhouse would make its first call, but were simply informed of the quantity required and the time period involved. These factors resulted in farmers not benefiting from market-related price fluctuation (Katundu 2008: 40).

2.9 **Other services: Storage, transport and tractors**

2.9.1 **Storage**

The EFO had no specialised storage facilities of its own; members harvested and stored produce in traditional storage facilities in their homesteads. This also affected the quality of the marketed produce. Katundu (2008: 88-89) studied the effect of traditional storage facilities amongst EFO members who produced potatoes and concluded that farmers

experienced income losses due to disease and pest damage, desiccation, sprouting and greening. These storage challenges led to income losses for farmers, as poor quality potatoes were consumed by households and others were used as seed potatoes. Some were sold at a loss to local markets to be used for seed.

2.9.2 **Transport and tractor services**

EFO members are dispersed in different villages, as shown in Figure 3. Some members cannot afford to use public transport to get to the monthly meetings and certain areas are not accessible by public transport, making communication and distribution of information very difficult amongst the members. The efforts of members are also not coordinated and members often work in "silos" under one organisation. Discussions with members revealed that the organisation was highly reliant on Prof Modi for transporting members to and from meetings. When the organisation managed to buy its own vehicle, it did not have the resources to pay drivers to transport members. The drivers thus performed these functions on a voluntary basis.

The Department of Agriculture provided the EFO with tractors, and required that the tractors be managed by the traditional leader (*Inkosi*). However, EFO members never gained effective access to the tractors because of various demands made by the traditional leader on those members who wanted to utilise the tractor. The EFO also had a tractor bought from an NDA grant. Members booked it when they required ploughing and planting services and paid a minimal fee for its use, which was not sufficient to cover the costs of diesel, maintenance and driver fees. The EFO only managed to survive because of subsidies from government, agencies and other role players.

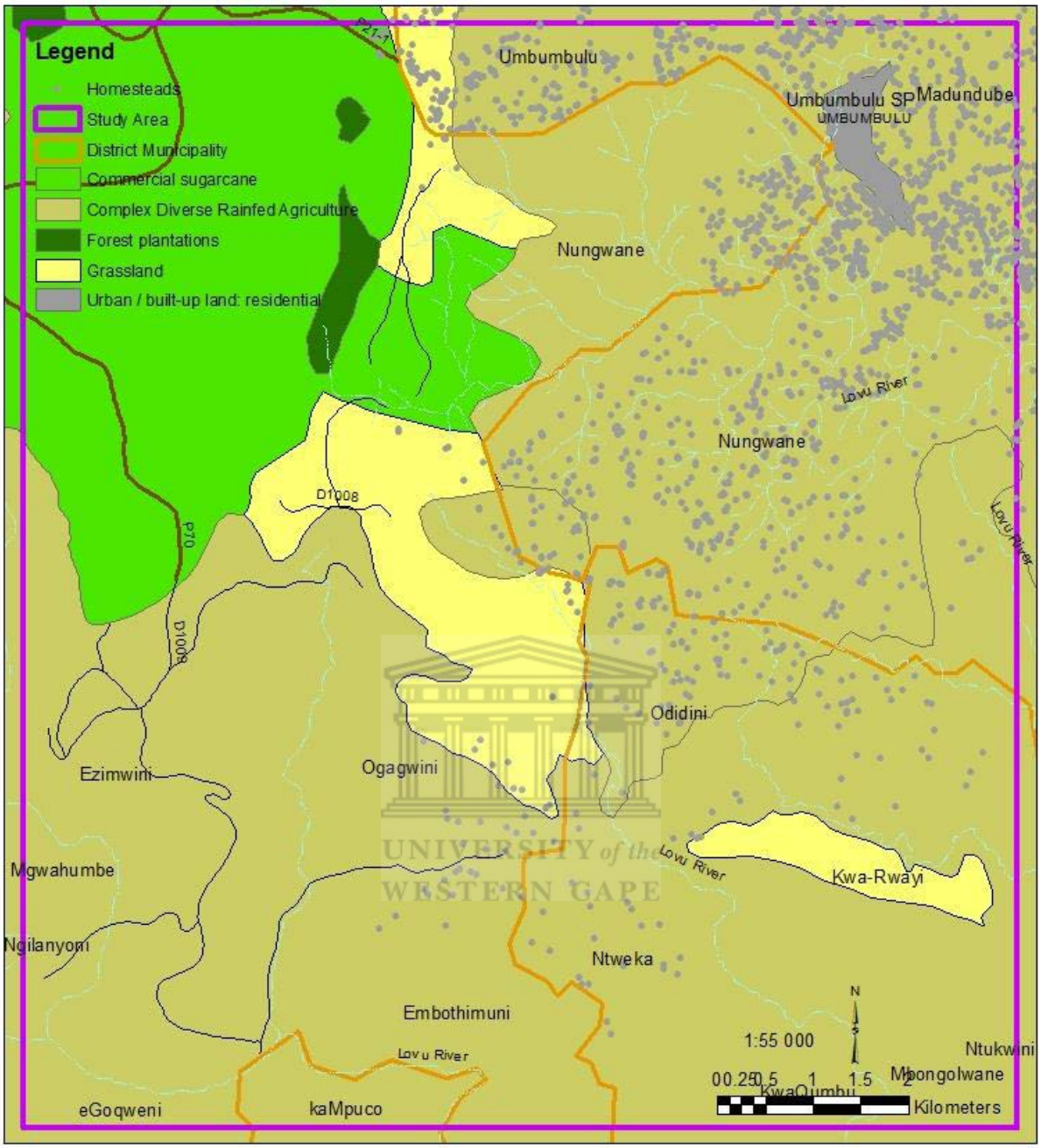


Figure 3: Villages in the study area

2.9.3 **Collection of produce**

The harvesting period for the *amadumbe* crop is between March and August each year. Within the EFO, individual farmers deliver produce to a designated homestead, which was identified as the village collection centre because of its central location and accessibility to farmers within that particular village.Within each village there is a volunteer quality controller responsible for receiving, recording, inspecting, accepting, packaging (and possibly

rejecting) produce before it is sent to Farmwise. Two farmers were assigned to collect produce from each village and deliver it to Farmwise in Pietermaritzburg. Initially the Department of Agriculture provided transport to collect and deliver produce to Farmwise. As the EFO developed, it was able to purchase its own car and two members, the driver and an assistant, were later charged with transporting the produce. Delivery was normally done twice a week, but it was also dependent on the demand from Farmwise.

Prior to 2009 the EFO seconded one member to work as a packhouse manager at Farmwise. The remuneration costs were borne by Farmwise. The farmer learned the skills relevant to packhouse operations and logistics, and acted as an information conduit between the EFO and Farmwise. This service was later withdrawn on account of the compensation not being perceived as satisfactory, given the travel costs and the duties that were expected to be performed, (Personal Communication, Mr Mkhize, EFO packhouse manager, 2012).

2.9.4 **Farmwise logistics**

Farmwise was responsible for sorting, washing and recording group and individual farmer contributions to produce. Packing was done according to the buyer's specification of size and labelling of bags, to which each farmer's code was added to ensure that produce was traceable to the individual producer. Substandard produce that did not meet Woolworths' criteria was returned to the village collection centre and from there to the individual farmers. The code was also used to link produce and payments, which were deposited into the EFO bank account. Disbursement to individual farmers was managed by the EFO Executive with the assistance of Prof. Modi (Caister 2012: 59).

2.10 **The development of the EFO as a cooperative**

In 2009 the EFO was awarded grant funding by the National Development Agency (NDA) to support training, purchase of equipment and tools, project coordination and development of infrastructure. The NDA made it a pre-condition for release of part of the grant funds that the organisation should formalise or legalise itself by registering as a cooperative. The EFO was able to comply with this requirement and it registered as a primary cooperative in 2009. This form of legal entity is guided by the legal provisions of the Cooperatives Act of 2005 (RSA 2005). The organisation is now legally registered as Ezemvelo Farmers' Organisation Primary Cooperative Limited.

As a registered legal entity, the EFO had to be compliant with the legal framework that governs cooperative organisations. The Act refers to management committee members of cooperatives as a "board of directors". The board of directors for the EFO as specified by its constitution, comprises six members: a Chairperson, Deputy Chairperson, Secretary, Deputy Secretary, Treasurer, and an additional member. It is important to note that the institutions of the cooperative were aligned to the former structure of the EFO. The functions of the executive committee were adapted to those of the "board of directors". The registration of the EFO as a cooperative did not necessarily alter the structural arrangements that the organisation had adopted over the period since it was first formed.

There were other organisational structures proposed by the EFO as its production and marketing impetus developed apace. A staff complement comprised the following key positions: packhouse manager, packhouse assistant, tractor driver and truck driver. Temporary Inspectors for organic certification were proposed but this was dependent on the availability of funds. Decisions on which staff members were actually employed were guided by what the donors were able to support.

The marketing services and coordination upon which the EFO was established became the main pillar upon which the organisation sustained itself. It has been a vehicle through which members' livelihoods have been improved; this is discussed in the next section.

2.11 **Opportunities for improved livelihoods presented by organic farming**

Scoones (1998) defines a livelihood as comprising the capabilities, assets (material and social resources) and activities required for a means of living. According to Scoones (1998:1) sustainable livelihoods are achieved through access to a range of livelihoods resources (natural, economic, human and social capitals) which are combined in pursuit of different livelihood strategies. A livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capacities and assets while not undermining the natural resource base. Shackleton et al (2000: 1) argue that livelihoods embrace social and economic dimensions, and often act to reduce vulnerability and enhance environmental sustainability through building on local strengths and priorities. Shackleton et al (2000:1) further argue that the livelihoods of the poor are complex, dynamic and combine formal and informal economic activities that enhance household income food security, health, social networks and savings.

The study by Hendriks & Lyne (2009: 133) suggests that the EFO's participation in organic markets contributes to improvement of the financial capabilities of its members. It had a direct and positive impact on the food security imperatives of its members. The study reported that fully certified organic farmers earned farm incomes which were more than 175% higher than those of partially and non-certified members.

Hendriks & Msaki (2009: 94) have established that engaging in the commercial production of organic produce has led to positive consumption changes for EFO members. Through a survey conducted among farmers, a research team found significant improvement in energy, iron and vitamin A intakes. Seasonality played a significant role in both the availability of produce and also in income to purchase food among the households of certified organic farmers, who had generated more income than partially and non-certified members (Hendriks & Msaki 2009: 132).

This study further revealed that certified organic farmers are less dependent on consumption smoothing strategies like borrowing money, selling productive assets or drawing on cash savings. The trend was that as *per capita* crop income increased, vulnerability to consumption shocks was reduced (Hendriks & Msaki, 2009: 112).

2.12 **Challenges faced by the EFO**

Although the participation of the EFO in production and sales of organic produce has yielded positive results in terms of improved livelihoods, several studies have identified limitations of the EFO and its model.These include, amongst others, problems around the EFO's contractual arrangements with buyers, high transaction costs, free-rider problems on the part of some members, lack of knowledge of consumer expectations of their produce, and low levels of productivity, management and operational capacity.

Research findings indicate the institutional challenges that face small-scale farmers and are a reflection of the commoditisation of production and the failure of farmers to engage with market players. Weak organisation, lack of information flow on market chains and contractual arrangements were the factors that most undermined EFO efforts of developing into a sustainable profitable organisation. The main problems and challenges of the EFO model are summarised below.

2.12.1 **Contract limitations**

Lyne et al (2009: 87-90) argue that the verbal contract with the buyer constrained the EFO. Members were uncertain about prices to be paid for crops as there was no transparent pricing structure within the EFOs dealings with the packhouse. Prices were unilaterally determined by the buyer. Further, the contract did not specify delivery times suitable for farmers. Another shortcoming was the grading procedure, which was also unilaterally determined by the buyer leading to low prices and rejection of produce. Kisaka-Lwayo (2012) and Denison & Manona (2007) also cite the EFO's lack of bargaining power to negotiate prices with the packhouse.

2.12.2 **Internal free-riding**

According Lyne et al (2009: 83-87), internal free-riding by some members of the collective was constraining farmers' access to organic markets. Loss of product traceability to individual producers was also identified as a problem. These flaws opened up partially certified members to capture benefits at the expense of the fully certified members.

2.12.3 **Subsidy dependence**

Dependence on subsidies was identified as a risk in terms of the sustainability of the initiative. This relates to subsidies for inputs, transport and annual inspections for organic certification (Hendriks and Msaki, 2009: 137). This was also identified as a problem by Kisaka-Lwayo (2012), who argues that the EFO members are highly dependent on external actors for marketing their produce and none have so far wanted to invest in storage facilities within the local area, for example; hence, all produce has to be collected in small facilities and transported to storehouses outside the local area.

2.12.4 **High transaction costs**

Although the EFO programme has received considerable attention because of its apparent ability to penetrate and supply formal markets, little cost-benefit analysis has been done to assess the actual benefits of formal marketing. Evidence generated by studies on informal markets supplied by hawkers suggests that in these cases farmers earn more cash income than is the case in formal markets (Mushayanyama, 2005: 83-85). A comparison between formal and informal sales among 48 EFO farmers revealed that net returns for *amadumbe*, sweet potatoes and potatoes were higher in informal supply chains than those achieved within the formal organic crop supply chain, owed to reduced labour and transport costs when traders bought directly from the farms.

2.12.5 **Soil fertility**

Productive soils are critical to maintaining successful farming operations. Deteriorating soil fertility was identified as another challenge in sustaining the EFO programme. Maphumulo (2009) studied soil fertility and established that due to monocultural production in the organic system practiced by EFO farmers, soil fertility had been drastically exhausted. There were lower yields as a result of insufficient time being allowed for soils to rebuild their natural fertility.

2.12.6 **Management and operational capacity**

Denison & Manona (2007) raised concerns about the volunteer status of key office bearers, who incur major transaction costs in performing their duties. As described above, some members of the organisation (e.g. the executive committee, internal inspectors, drivers) performed operational activities for which they were not remunerated. The inability of the EFO to support suitable operational and management staff hindered the growth potential of the organisation. Low literacy levels amongst farmers and those in leadership positions led to poor record keeping, resulting in valuable information on certification, production and income generated being lost.

2.13 **Recommendations by researchers**

2.13.1 **Contracts**

Hendriks and Msaki (2009) recommended development of a written contract that clarifies issues around grading, price uncertainty, and late payments as a necessary step towards developing the organisation to becoming a sustainable entity that could serve the interests of its members better. Further recommendations on joint determination of prices and the delivery times were made.

2.13.2 **Development of an investor-owned firm**

Hendriks and Msaki (2009) further recommended institutional innovations that could eliminate free–riding behavior. One such institutional innovation could be conversion to an investor-owned firm that would issue ownership rights equivalent to individual investment. Denison & Manona (2007) also suggested that the EFO constitutes itself into a company with the structure of a cooperative. This would assist the organisation to develop its identity, clarify and strengthen its relationship with external role players and assume negotiating power in marketing arrangements. These studies concluded that if institutional arrangements

within the EFO were not improved, the model would not be sustainable or capable of being replicated.

2.13.3 **Soil improvement, and pest and disease control**

Soil improvement practices have been recommended by different researchers. This could be achieved by introducing a polyculture system, for example, involving nitrogen fixation and soil mineral improvement from a living mulch (Maphumulo, ND). In addition, Katundu **(**2008:87) suggested that crop rotations with plants that reduce pest infestation be adopted.

2.14 **Conclusion**

This chapter provided a summary of the ecological, political, historical and socio-economic context in which the EFO operates. It also reviewed and synthesised the existing research literature on different aspects of the EFO, including institutional issues, the key focus of this study. It thus forms an essential backdrop to the presentation of detailed research findings in the chapters that follow. The next chapter focuses on the wider literature on smallholder farming, as well as on the institutional dimensions of smallholder development.

CHAPTER 3 : INSTITUTIONAL DYNAMICS OF SMALLHOLDER FARMER ORGANISATIONS: A REVIEW OF THE LITERATURE

3.1 Introduction

The current discourse about the role of small-scale farmers in promoting food security and fighting poverty is occupying centre stage in the development debate in South Africa. Increasing rates of landlessness, poverty and severe environmental degradation are in evidence in both the South African rural landscape and elsewhere on the continent. Smallholder farming may form part of the solution, according to many analysts.

This chapter examines the smallholder farming sector and draws lessons from the literature on smallholder farming programmes in other developing countries. This helps to understand the impact of different institutional dynamics within the EFO in uMbumbulu.

The chapter discusses the concept of smallholder farming at some length. It adopts an analytical perspective that sees smallholder farmers as a heterogeneous category that participates in different markets in a variety of ways. Reference is made to both organic and conventional smallholder farming programmes. Such studies provide evidence of the economic opportunities that the marketing of organic produce has presented to farmers. These studies also reveal various challenges that confront farmers in the marketing of organic produce. A common problem is the weak institutional arrangements within organic farmer organisations, which impact on their ability to operate effectively within modern value chains.

Analyses of contemporary agro-food systems within which small farmers, and organic farmers, in particular, are often trapped, are discussed. The chapter further discusses the common challenges faced by organisations of smallholder farmers, which range from the organisation of production and marketing to general management and leadership aspects of collective organisations of farmers. Further, the literature on farmer organisations in the form of cooperatives is reviewed, discussing the institutional challenges that beset such organisations. These challenges include elite capture and the conflicts inherent in rural development programmes.

This review identifies the roles which can be played by government, development agencies and academic institutions in order to support small farmers to pursue their business

aspirations. Although such institutions can play a critical role, exogenous forces may retard their success.

Despite the institutional challenges faced by the EFO, it does seem to have been successful in improving the livelihoods and food security of rural households and reducing their vulnerability to a degree. This trend has been confirmed by similar studies in developing countries where supportive institutions such as non-governmental organisations help small farmers to do well in their business operations. The literature review has identified a numbers of factors which could impede the success of business cooperatives such as the EFO.

3.2 **The concept of smallholder farming**

Various characteristics have been used to describe smallholder farmers, such as farm size, the scope of production and the informality of the undertaking. In discussing the smallholder farming sector, Cousins's (2010) conceptual approach will be applied. Cousins (2010:3) asserts that smallholder farmers are heterogeneous and engage in farming for different reasons, i.e. where farming makes a partial contribution to social reproduction, compared to where farming meets most of the farmers' social reproduction requirements. The other reason is expanded reproduction, i.e. where farming produces a significant surplus over and above reproduction needs, allowing profits to be reinvested and where capital accumulation in agriculture begins for some farmers.

Cousins and Chikazunga (2013) further define smallholder farmers as farmers who use farm produce for home consumption to some degree, and use family labour within the farming operation to some degree, but for whom farming contributes a highly variable amount of cash income via marketing of farm produce. This view of farmers is supported by Vorley et al (2012: 9) who assert that differentiation among small farmers is attributable to various aspects, like landholding, uneven access to assets, the nature of markets, livelihood and entrepreneurial attitudes. This emphasises that small farmers differ from one another and face contrasting advantages and disadvantages in their exposure to markets.

Aliber & Hart (2009:445) refer to a category of small farmers known as "subsistence farmers", and highlight the significance of the subsistence sector as entailing a flexible response to food insecurity. They note that the number of those farming to procure a main source of food has declined in favour of the number of those farming to procure an extra

source of food. In contrast, Cousins (2010) provides a class-analytic typology of black farmers in South Africa and identifies the following categories:

- Supplementary food producers
- Allotment-holding wage workers
- Worker-peasants
- Petty commodity producers
- Small-scale capitalist farmers.

In debates about smallholder farmers and their relevance, Bernstein (2010: 4) argues that the development of capitalism changed the character of small-scale farming as peasants became petty commodity producers who had to produce their subsistence through integration into wider social divisions and markets. According to Cousins (2010:9), petty commodity producers combine classes of labour and capital within an enterprise, as they own the means of production like land, but also provide their own labour power to the farming enterprise.

3.3 **An overview of smallholder farmers in South Africa**

South Africa has a highly dualistic agricultural sector with a productive large-scale, capital-intensive agriculture, on the one hand, and a traditional, semi-subsistence, small-scale and communal sector on the other. Smallholder farmers' participation in modern markets (i.e. supermarkets, agro-processors and national fresh produce markets) is thus very low (Chikazunga et al, 2008).

The commercial agricultural census (Stats SA, 2009) found that there are 39 982 commercial farm units in South Africa, producing about 95% of the agricultural output. These farmers are situated on 87% of the total agricultural land, in contrast to black smallholder producers who are predominantly settled in the former homelands and rural reserves and produce on the remaining 13% of the agricultural land (Feynes & Meyer, 2003). This resonates with a global perspective, as IFPRI (2004) claims that half a billion farms of less than two hectares produce a significant proportion of the world's food, estimated at over 90% in sub-Saharan Africa. Small-scale farmers are the key players in food supply as they contribute up to 90% of the food consumed (Salami, 2010).

These statistics on smallholder farmer contribution to food production and employment creation support Bernstein's (2010:103) arguments that the general view that smallholder farmers are subsistence cultivators whose primary objective is to supply their food needs from their own farming is misleading, as smallholder farmers cannot reproduce themselves outside commodity circuits. It is therefore imperative to relate this study to the actual systems within which smallholder farmers operate. The next section explores contemporary agro-food systems, as an attempt to analyse the wider context within which smallholder farmers operate, including the opportunities presented by this sector and the constraints they face.

3.4 **Global agro-food systems**

Developments in the agricultural sector as experienced across the world are attributable to processes of globalisation. The industrialisation and globalisation of agriculture has resulted in the tighter alignment of supply chains and promoted the emergence of fewer, larger farms. Agricultural trade is now dominated by Transnational Companies (TNC). There is an increase in mergers and acquisitions by a few large corporations who command ever-larger market shares (Weis, 2007). According to Bernstein (2013: 2), these large corporations adopt new organisational technologies along the relevant commodity chains, from farming through processing and manufacturing to retail distribution, and "these technologies combine with corporate economic power to shape and constrain the practices (and 'choices') of farmers and consumers".

Challies (2008:381) summarises the characteristics of global commodity chains in terms of:

- An *input–output structure*: A set of products and services linked together in a sequence of value-adding economic activities.
- *Territoriality*: Spatial concentration of production and distribution networks, made up of enterprises of different sizes and types.
- A *governance structure*: Authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain.
- An *institutional context*: Various social and institutional norms and regulatory practices shape inter-firm relationships within chains, and hence influence their configuration and outcomes.

Appropriation of surplus value from farmers and communities is an integral feature of industrial agriculture. These global food regimes have profound influence over nation states. Over time, South Africa has increasingly integrated its agriculture into these systems and its farmers have had to comply with stringent requirements for high quality standards and the timely supply of produce. These can be difficult for most small-scale farmers to meet. The next section provides a brief overview of the South African agro-food system and considers the implications for smallholder famers.

3.5 The South African agro-food system

3.5.1 Historical context

The South African agro-food system exhibits deep inequalities that stem from a history of politically engineered and racialized systems of governance. Bernstein (1996) views the South African agrarian question as "extreme and exceptional" and describes its origins in pre-capitalist colonial exploitation promoted through the racially-inflected ideological suppression and subjection of Africans as servants of white masters. Regulation and subsidies served to promote the capitalist accumulation of white farmers and agribusiness under apartheid, which is evident in the history of commodities such as maize (Bernstein 1996: 23). These historical legacies within the South African commercial farming sector have resulted in the establishment of unequal power relationships, skewed development patterns and unequal access to markets, infrastructure and services (Sartorius & Kirsten 2006: 8). The previous government supported large agricultural cooperatives, which served as agents of agricultural marketing boards, and other intermediaries such as the Land Bank, which provided subsidies to commercial farmers (Ortmann & King 2007:63). The subsidies sustained unequal power relationships between agribusiness and farmers.

3.5.2 Domination by large businesses

The effects of these systems of economic domination are still felt in the post-apartheid economy, even after the formal controls and systems have been eradicated. The skewed ownership patterns reflect economic engineering in the past which destroyed African agriculture. There is an increasing cost-price squeeze for small farmers (Greenberg, 2013a: 4) and this is enforced through smallholder contracting schemes associated with top-down management structures and agribusiness control. It is a reflection of the power and influence of regulatory controls within these systems (Bernstein 2013). It further reflects a double-

barrelled exclusion in which smallholder farmers who were marginalised by past political regimes are now marginalised by market forces of scale, consistency and compliance (Chikazunga: 2013a).

Greenberg (2013b) further views the current economic policy as promoting a disjuncture, as its tends to foster small-scale farmer competition with large-scale capitalists who have developed and maintained dominance through subsidies promoted along racial lines. A central point of contestation in current development policy is that the state has failed to take into account the growing concentration that means any new entrants are forced to compete with entrenched powerful businesses. These account for the skewed nature of the South African agro-food sector at present.

Cousins (2011:92) affirms that farming is embedded within complex market structures located in wider circuits of capital which are increasingly international in scope. With South Africa's integration into the global agro-industrial food system, it is subjected to the requirements of large agro-business interests. These global processes, which are characterised by capital intensive production systems, are located both upstream and downstream of the production systems of small-scale farmers.

3.5.3 **Domination by large retailers through contracts**

The South African food industry has restructured in line with the global trends. Chikazunga (2013a) suggests that there is a shift from traditional national fresh produce markets to more direct relationships with retailers. It demonstrates business streamlining efforts that are aimed at increasing profitability and reducing risks. According to Louw et al (2008: 287), supermarkets and fast food chains have changed their procurement practices especially with regard to fresh fruit and vegetables, "circumventing spot markets in favour of sourcing via in-house sourcing companies who mainly procure from preferred supplier producers".

The domination of large retailers and the marginalisation of small-scale farmers are evident in the South African food industry. The review by Planet Retail (2008) revealed that there are about six major chain retailers in South Africa, namely, Shoprite Checkers, Pick and Pay, Spar, Woolworths, Massmart and Metro Cash & Carry. The large retailers have a total of 4 219 stores and a 93.8% market share of retail sales. By 2007 Shoprite held the highest market share estimated at 25%, Pick and Pay at 24%, Spar at 13% while Woolworths held 11%. The retail sector has adopted large centralised procurement systems and they source from limited suppliers as a way to reduce "transaction costs and promote efficiency" (Sartorius & Kirsten,

2006: 5). In the fruit and vegetables processing sector, 78% is procured through contracting characterised by pre-season marketing and price agreements.

Contracting systems adopted by agribusiness vary from verbal agreements, "handshake" agreements, seasonal contracts, and growing programmes, to formal outgrowing schemes **(**Sartorius & Kirsten, 2006:4**)**. These include production or marketing contracts that specify the volume to be delivered, the quality of the raw commodity supplied the contract price and the delivery dates. The contracting arrangements can be as short as three months (fruit and vegetables) or longer term contracts like in the sugar cane industry. The verbal/ informal "handshake" deals continue to secure long-term supply. The role of intermediaries as a conduit between smallholder farmers and agro-processers and retailers is an integral part of these modern value chains.

The contracts used by modern markets tie small-scale farmers into agreements and display unequal power relations between the producers and the processors and supermarkets. Dubb (2013), studied social differentiation in the sugar cane industry in Mtubatuba, in KwaZulu-Natal province, and established that there is a high concentration of power in processors in the sugar industry. Whilst contracts are aimed at reducing transactions costs for both buyers and small-scale farmers, Dubb (2013: 32) argued that "dual imperatives of relinquishing risk while maintaining control may be read as a response to over-production and correlating imperatives to sufficiently differentiate the product and/or meet stringent supply requirement".

It is therefore common that small-scale farmers get tied into dependent relationships with traders for inputs and credit, with the obligation to sell their produce when prices are depressed. In various commodities, these terms of trade regulated by the use of contracts have squeezed smallholder farmers, resulting in many of them experiencing perpetual losses.

3.5.4 **Policy disjunctures**

The political-economic discourse of South African agrarian transformation and how it is being pursued has received attention from various scholars. Government efforts to integrate small farmers into modern value chains have received widespread critique as it is viewed as a disjuncture (Greenberg 2013b) and promoting accumulation from above (Cousins 2013). This approach has proven to be unable to create sustainable solutions for the development of smallholder farmers.

Studies in agrarian transformation indicate that while there are opportunities presented by modern commodity markets, these are accompanied by stringent regulations that marginalise small farmers. Oya (2010:100) argues that current market forces have exposed the inability of a large segment of small-scale farmers to reproduce themselves under competitive conditions, with such farmers facing ever greater risks in both production and marketing.

Experiences in the South African agrarian sector are not unique on the continent. In other African countries like Zimbabwe, which also faced large-scale dispossession of land, agrarian transformation took another turn, in that it involved petty commodity production and significant capital accumulation by small-scale farmers. Moyo (2013) found that increasing levels of export trade by smallholder farmers are driven by diversification of agrarian merchants and contract farming, and that the situation in Zimbabwe reflects new struggles over agrarian markets, land and labour rights in its attempts to re-integrate into broader world markets.

These harsh realities within the structure and operation of commodity value chains are even more prevalent in organic food production systems, because of the requirements of the sector. This is discussed in detail in the next section.

3.6 The small organic farming sector: Complexities in modern value chains in developing countries

3.6.1 Background on the organic farming sector

National governments are promoting organic agriculture as part of the imperative to improve food security. Organic production methods eliminate the purchase of chemical pesticides and other chemical inputs (IFAD, 2003) and therefore their adoption in developing countries is considered to provide economic, social and cultural benefits (UNCTAD, 2006). Organic agriculture can then be regarded as an example of a market-based development paradigm while maintaining a livelihood priority (Høgh-Jensen et al 2009). It is the most regulated form of agriculture as it adheres to legally defined standards and norms of production, processing, and labelling (Gadzikwa et al, 2005).

There are various actors in the organic value chain and according to the FAO (2013), in most developing countries, the specific commodities produced influence which players are involved. The following are the main actors:

- *Farmer organisations* who coordinate production as per buyers' specification, and also manage the implementation of internal control systems that deal with quality and volume.
- *Buyers* include individual entrepreneurs, international trading houses, and food processing companies, supermarkets, wholesalers and retailers as well as government programmes.
- *Support organisations*, both governmental and non-governmental, which provide technical assistance and training support to farmers so that they can become certified and participate in organic food supply chains.
- *Financing institutions* may facilitate credit lines appropriate to organic production characteristics and quality demands along the chain.

The FAO (2013: 6) claims that Africa accounts for 3% of global land under organic farming with the number of smallholder farmers adopting organic methods increasing by 23% in recent years. Production is estimated to take place mainly on plots of between 1-3ha. Organic production in Africa is mainly driven by NGOs and private sector entrepreneurs, (ibid). According to the Research Institute of Organic Agriculture (FIBL) & IFOAM survey, South Africa is the third largest producer of organic produce on the continent, after Uganda and Tunisia which are the largest producers in Africa (Lernoud & Willer, 2013).

3.6.2 **Overview of the South African organic sector**

The Export Promotion of Organic Products from Africa (EPOPA) estimated the SA organic market to be worth R100 million across all categories of produce, with some quality agricultural produce being exported, such as rooibos tea, citrus, sub-tropical fruit, speciality vegetables and berries, Barrow (2006:6-7). Supermarket chains, with their extensive networks, are the main actors in the promotion, distribution and consumption of certified organic produce. According to Modi (2003), in South Africa, where approximately 45000 hectares are officially under organic cultivation, many subsistence farmers traditionally practice organic farming. These are small-scale *de-facto* organic farmers as they already have the valuable skills and knowledge required for organic production, (Parrott et al, 2006).

The Department of Agriculture (2008) indicates that there are two local certification agencies, Afrisco and Ecocert. Afrisco's certification is for the domestic market only, but once International Standards Organisation (ISO) accreditation has been achieved, Afrisco

will also be able to provide European Union (EU) certification. The EFO was certified, using a group certification process, through Afrisco. Barrow (2006) established that some long-term members of the South African organic movement view certification as unacceptable because of its additional costs and administrative burden. It comes with restrictions on land use, permission on some inputs application and concern for consumer-safe produce.

The above discussion on organic farming suggests that there are various limitations within the sector, and that are cumbersome for small-scale rural farmers, who are further constrained by the lack of technologies and infrastructure and other resources to meaningfully participate in the sector. The structure and operation of current organic systems reflect how agrarian capitalist economies operate at present.

3.6.3 **Upstream and downstream realities**

Experiences of farmers from many developing countries who participate in organic farming systems suggest that they face extreme challenges, in production but also in relation to upstream and downstream components of the value chain. The main trend is the use of middlemen, or market intermediaries, a measure used by buyers to shift some of the responsibilities and risks associated with doing business with small farmers. The middlemen will facilitate linkages with buyers as most retailers want to shift these responsibilities away from their businesses.

Studies by the IFAD (2003) and FAO (2013) on small-scale organic farmers in Latin America, Caribbean, Brazil, Africa and Asia suggest that the farmers are challenged by various factors including inadequate market information, limited extension, complex and costly certification processes and competition as a result of global market forces. The shift to strict organic management practices regarding soil improvement and pest control measures, together with high labour costs and difficulties in obtaining organic fertilisers all became expensive for famers. The cost drivers which affect smallholder organic farmers are discussed in the next section.

3.6.3.1 Organic certification

In their study of the EFO, Thamaga-Chitja & Hendriks (2008) observe that certification costs are a barrier to participation in organic niche markets by small-scale farmers. In large organisations like the EFO, organic certification is mainly organised through group certification systems, using an Internal Control System (ICS), as discussed above. The ICS is meant to reduce the costs of certification to smallholders by establishing a group that can do

much of the monitoring itself. The certifier's job is to ensure that group processes and data collection are working well and to check regularly on a sample of the farms. According to IFOAM (2003), the basic elements of an ICS are a documented management structure, a responsible manager, internal regulations (production standards, and sanctions), conversion rules, a contract between the group and the certification body (e.g. AFRISCO), identified internal inspectors, and training of personnel including the manager, internal inspectors, producers and handlers.

Within an ICS, growers should make formal commitments, maintain field records and maps for each farm, adhere to annual inspection protocols, and produce a farm inspection report (IFOAM 2003; IFOAM & FLO 2001). The certified group should show their commitment to using internal sanctions, keeping updated lists of growers, assessing risk, employing community surveillance, and documenting post-harvest procedures, including product flows and quantities (IFOAM 2003). In such a system inspectors do not visit all the farms but assess smaller samples, leading to lower costs. The size of the sample also depends on the capacity of farmer organisations to organise monitoring controls and comply with organic standards. Certification costs vary and are dependent on the availability of firms in a particular country. In the cases where inspectors are outside the country (as was the case with the EFO) costs are substantially higher. Another dimension is the location and distribution of famers, since the inspectors have to visit farms which are far apart from one another.

According to the IFAD (2003:7) organic certification is intended to provide consumers with an assurance that certain standards have been met in the production process. It is a guarantee of the production process rather than of the product itself. All these aspects of the ICS suggest that smallholder farmers need organisational capacity, skills and resources to comply with the requirements. The conversion to certified systems and monitoring the application of these methods coupled with yearly renewals all have cost implications for farmers.

3.6.3.2 Technologies and innovations for increased productivity

In most organic farming schemes, farmers are constrained by the limited supply of technologies for controlling weeds, pests and diseases. Studies in Latin America, Africa and India suggest that the majority of farmers lack skills in the preparation of compost, and the control of diseases and pests which constrains production and expansion of the business ventures (FAO 2013; IFAD 2003). Researchers in public agricultural research institutions were not interested in research on organic technologies as they were mainly trained in

conventional methods. Further evidence indicates that these agencies are also sceptical about the possibilities of organic production, and disregard potential technological and market problems rather than being open to the possibility of incorporating new areas of research (FAO 2013: 27). In addition there is also a lack of professionals with knowledge of organic farming who can train and support small-scale farmers.

These findings align with the findings of Hendriks & Msaki (2009: 34) who reveal that poor knowledge on organic farming and disease control threatens yields and thus the livelihoods of members of the EFO. This matter is exacerbated by poor extension support, with most government officials trained only in conventional farming methods. Katundu (2008) established that EFO members involved in potato farming experience huge losses due to pest and disease damage. Their potatoes had external symptoms of spherical swellings, pimples and warty-looking galls. Further, potatoes were often infested by millipedes which transferred diseases such as soft rot. Poor potato quality resulted in reduced incomes for farmers, who expressed despondency in dealing with the problem of millipedes in an organic production system (Katundu, 2008: 81).

3.6.4 **Transaction costs in organic farming systems**

3.6.4.1 Post-harvest operations

The FAO (2013:32) reviewed organic farming systems in Latin America, Africa and India in relation to commodities like rice, coffee, fruit and vegetables and suggested that farmers bear the burden of post-harvest operations. The studies revealed that buyers were not willing to buy from individual producers as this would be costly and time consuming. The buyers dealt with agents (marketing or processing firms) who would negotiate prices and enter into contracts with farmer organisations. Small farmers had a weak position in negotiations with firms because of limited information; their poor organisation was also a limiting factor (FAO: 2013).

3.6.4.2 Quality requirements

A common challenge in organic farming systems is the lack of training for those in the supply chain, particularly in relation to post-harvest operations and quality management. Farmers did not have adequate technologies for crop harvesting and lacked post-harvest handling facilities that are required to achieve high-quality products for modern markets. The FAO (2013: 30) established that in Thailand the deterioration of paddy rice was a constraint faced by Bak Ruea Farmer Organization (BRFO) in their storage, and this was causing losses of between 5

and 10%. Further, the transportation, logistics and tracking of shipment impacted on the reliability of the supply as well as consistency, which ultimately led to rising costs.

The EFO produced potatoes in its early years but abandoned the crop because of post-harvest losses. Katundu (2008: 84-88) established that farmers applied traditional storage methods, which exposed crops to indirect sunlight, leading to potato greening and sprouting; such produce could not be sold and was consumed by the farmers or used as seed potatoes.

3.6.4.3 Contract limitations

The contractual arrangements between small-scale farmers, processors and retailers have often impeded success. As described above, in the study of the EFO, Lyne et al (2009: 87-90) argue that the verbal contract with the buyer constrained the EFO. The study established that EFO members were uncertain about prices for crops as there was no transparent pricing structure in dealing with the packhouse. Prices were unilaterally determined by the buyer. Further, the contract did not specify delivery times that would also be suitable for farmers. Another shortcoming was the grading procedure which was also unilaterally determined by the buyer leading to poor payments and rejection of produce.

3.6.4.4 Subsidy dependence

Many small farmers in the organic sector depend on subsidies from either government, agencies, NGOs and from private firms. Studies of the EFO present examples of how smallholder to retailer linkages has become unsustainable for small farmers, despite evidence of some short-term income gains. Subsidy dependence was identified as a major risk in terms of the sustainability of the EFO initiative. The costs of production inputs, transport and annual inspections for organic certification were supported by various institutions, including Woolworths and government departments (Hendriks & Msaki, 2009: 137).

More generally, IFAD (2003) asserts that setting up and operating an organic production chain requires substantial financial resources, which are often beyond the means of small-scale farmers and their organisations. The large costs associated with setting up an organic farming programme have subjected smallholder farmers to dependence on buyers to subsidise the operations. In eight African case studies reviewed by FAO (2013: 22), six programmes were supported by private firms, who were active in most processes within the value chain. Further, IFAD (2003:24) claims that in Latin American countries certification costs were mostly covered by those private firms or market agents who had entered into agreements with farmers, making the transition to certified organic production easier for the farmers. These

agreements, however, made it difficult for the farmers to sell to other buyers after the expiration of the agreements and these agents are thus regarded as the "nominal owners of organic certification" (IFAD 2003: 24).

These subsidies have tended to create perpetual dependence on the agents by most organic producers, who have not clearly achieved the level of profitability required for farmers to thrive and survive in the wider economic landscape within which the organic sector operates.

This section focused on small-scale farmers and challenges they face in the midst of global economic changes. Despite these challenges, there is empirical evidence of the contribution of this sector to improving the livelihoods of rural households.

3.7 **Impact of small-scale farming on household incomes and food security**

Studies conducted in rural South Africa and other parts of Africa provide evidence of the positive contribution of small-scale farming to improved livelihoods of rural households. Aliber & Hall (2012:3) note the importance of small-scale farming in South Africa as it contributes to the Growth Domestic Product (GDP), employment and most importantly, it plays a key role as an income-generating activity for many of the poorest South Africans.

Various studies suggest that through smallholder farming, many rural households gain additional sources of income, and others begin to accumulate capital (Cousins, 2013), thereby contributing to employment creation and food security in the rural landscape. While rural households have diverse sources of livelihoods, agriculture has a substantial share in terms of making a substantial contribution, according to Baiphethi & Jacobs (2009), Cousins and Chikazunga (2013), Hendriks (2003), and Van Averbeke & Mohammed (2006).

3.7.1 **Informal sales and increased incomes**

Baiphethi & Jacobs (2009: 463) refer to studies conducted in 2005 in Vhembe District, in Limpopo Province, in which 56% of women fruit traders, who were supplied by rural smallholders, confirmed that trading in agricultural produce was their only source of income. Informal supply arrangements with the traders had proven to be useful for both farmers and traders.

Another study conducted in the Limpopo Province at the Dzindi Irrigation Scheme by Van Averbeke & Mohammed (2006) indicates that through engaging in various farming styles,

many farmers were able to generate significant incomes and offered both temporary and fulltime jobs to local people. Van Averbeke & Mohammed (2006:145) indicate that where farmers dedicated production to sales, agriculture contributed about 59% of total household income, whilst in other categories it was aimed at food production and accounted for about 20-30% of income. The study revealed that preference for particular crops was related to objectives of farming, whether for consumption or for sale, and thus there was more concentration on maize production for household consumption as this crop features prominently in local diets (ibid: 148).

Cousins (2013) studied smallholder farmers operating in the Tugela Ferry Irrigation Scheme in the KwaZulu-Natal Province. The farmers planted a variety of crops like green maize, tomatoes, sweet potatoes, cabbages, beans, onions, spinach, butternuts and squash. An analysis of 90 individual crops grown established that 70% were profitable, (ibid: 131). The distinguishing factor in the dynamics of the production in this scheme was that cropping was highly commoditised, i.e. the bulk of production is for sale; hired labour is common and the informal plot rental market makes it possible for many farmers to gain access to additional plots for productive purposes. The production in the scheme presents opportunities of livelihoods diversification through income generation (sales of produce, hired labour and land rental).

These experiences in Tugela Ferry and in other parts of South Africa confirm the importance of smallholder farming and income diversification by the smallholder farming sector, and that these could be more widely significant if interventions are linked to land reform. Empirical evidence through studies conducted in Zimbabwe on Fast Track Land Reform suggests that changes in agrarian structure are not limited to increases in only marketed output. Livelihood diversification was observed, e.g. in the emergence of informal labour regimes (through accessing labour from family links), communal arrangements, diversification of products like brewing grains, and selling cooked foods are a result of produce accessed through these small-scale farms (Scoones et al 2011& 2012). The smallholder farming sector therefore presents opportunities for livelihood diversification, as seen in Zimbabwe, South Africa and in many other developing countries.

3.7.2 **Contribution to food security**

The study by Hendriks & Lyne (2009: 136) on food security within the EFO reported that fully certified organic farmers earned farm incomes which were more than 175% higher than

partially certified and non-certified members. The study further revealed that certified organic farmers were less dependent on “consumption smoothing strategies” like borrowing money, selling productive assets or drawing on cash savings. The trend was that as per capita crop income increased, vulnerability to consumption shocks was reduced, (Hendriks & Msaki, 2009: 112).

This correlates with earlier findings about participation in the EFO in relation to reducing vulnerability and in improving household food security. Hendriks (2003: 39) claims that the overall contribution by small farmers to food security, access to diversity foods and enhanced nutritional value as income derived post-harvest season correlated with the purchase of diversity foods like flour and processed cereals, fats and oils. This was more in the households of certified organic farmers who had generated more income than non-certified members, (ibid: 39).

3.7.3 Factors contributing to the success of small-scale farmers

There is evidence of the positive contribution of smallholder farming despite the economic forces that perpetuate the domination of agriculture by large-scale farmers. This section highlights the extent to which modern markets coexist and interact with informal marketing avenues.

3.7.3.1 The formality and informality relationship

There are many formal and informal trading arrangements within the smallholder farming sector. The marketing of agricultural produce presents evidence of a “formality–informality interface”. Patkar et al (2012:7) assert that developing countries possess a diverse “institutional ecology”, ranging from the customary to informal and formal modern institutions. This is further suggested by Learning Network studies conducted in Africa by Bihunirwa et al (2012). These studies established that farmers assess the benefits, costs and risks of operating in formal or informal spaces and weigh up opportunities for combining these two systems. They often use social networks to ensure better deals in markets without having to assume the full costs of participating in formal economic organisations. Migration to urban centres presents further opportunities for small-scale farmers, as immigrants prefer local food flavours, and this improves trading relationships.

This is consistent with what Cousins (2013: 134) established in the Tugela Ferry Irrigation Scheme. Many farmers marketed their produce to street traders in this rural town. Additionally, farmers sold produce to informal ‘bakkie’ traders who bought on-site to supply

other markets outside Tugela Ferry. As such Scoones et al (2011) argue that simple metrics and standard measures that narrowly focus on marketed output do not capture the complexity of the real world and tend to underestimate the value of total output and the livelihood implications of smallholder production.

3.8 Role of the state and the non-governmental sector

3.8.1 The state and its agencies

This section briefly discusses the role of the state and non-governmental institutions in promoting the smallholder farmers. Smallholder farmers are receiving support from the state through policy reforms that promote access to markets, preferential procurement systems and improvements in infrastructure. As indicated in previous sections, appropriate support programmes for small-scale farmers must recognise the diverse nature of these farmers, and allow them to identify those markets that work for them.

Studies in countries like Brazil (FAO 2013: 5) have established that the growth of the organic sector is attributable to the development of several institutional relationships as well as implementation of government policies specifically designed to support and promote the sector. The Brazilian federal government promoted the use of organic foods within the school nutrition programmes, hence state agencies became the main buyers of such produce. Agro–ecological producers were linked with social programmes, supplying low-income families through the national food acquisition programme (IFAD 2003: 24; FAO 2013: 13). Further, the Brazilian government used municipal fairs as a way to promote markets for small-scale farmers. These marketing avenues allowed the smallest producer to be able to market their produce and reduce the risk of losing some of the items sent to market.

Another example of state contributions to small-scale farmer commercialisation is found in KwaZulu-Natal. The Elembe Enterprise Development Agency (a municipal entity in the Ilembe District Municipality) supports farmer groups within the district and buys produce from the farmers through contracted service providers**.** According to Bhacela (employee from the municipal entity)**,** farmers are assisted with inputs and implements, and in turn the bulk of the produce is procured by the agency to supply the School Nutrition Programme. This is just one example of state support to farmers in relation to the marketing of produce. However, farmers often complain about the prices paid by the agency, and about control of their produce by the agency given that they are tied to supply only to the agency. Other tensions

have arisen in relation to the subsidies (tractor services, seeds and fertilisers) that the agency supplies, which serve as a vehicle to control the produce marketed by the farmers.

3.8.2 **The role of non-governmental organisations**

The contribution of the non-governmental sector in supporting the development of small-scale farmers is well recognised. Studies of small-scale organic farmers in Latin America indicate that their success was attributable to the extensive and long-term commitment of NGO support over many years. Their involvement was motivated by a commitment to social and economic development imperatives. The NGOs assisted in certification processes and in mobilising buyers of various organic produce (FAO 2013: 3). Further, NGOs worked directly with farmers and offered training and close monitoring. FAO (2013) and IFAD (2003: 68) suggest that the involvement of NGOs had advantages as it created close contact with farmers and provided opportunities to assess the potential yields that can be obtained. Negotiating with buyers could then be done in advance. NGOs also further developed innovative information dissemination methods. Such NGO support in both upstream and downstream activities has proved to make a noticeable contribution to farmer development.

In organic farming systems in India, Patkar et al (2012:11) established that local NGOs discouraged expensive third-party organic certification geared towards export and high-end consumers. There was recognition that many local farmers were using indigenous farming systems, thereby practicing as 'default organic farmers.' The farmers could not afford the costs of certification and therefore, NGOs promoted the Participatory Guarantee System (PGS) in which small groups of farmers accept organic practices based on production guidelines provided by local agencies. These guidelines take into account the use of local languages and consider regional diversity and the innovations that often characterise local organic farming systems. This approach provides support to farmers transitioning to organic farming systems and reduces the paperwork required, and includes farmers with low literacy levels (ibid: 11). These experiences from India suggest that NGOs were at the centre of smallholder farmer production support using informal programmes through which the farmers, even those of lowest educational levels could associate with.

Production and marketing impediments that affect agrarian transformation in developing countries, coupled with the organisational and rural development environment within which the small-scale producers operate, tend to compound the challenges. This is discussed in detail in the following section, which argues that rural development programmes and farming

organisations in particular, are faced with many internal and organisational challenges, such as conflict and elite capture, which impede efforts to improve food security, profitability, and the sustainability of farming initiatives.

3.9 Institutional challenges facing small-scale farmer organisations

Community development initiatives are challenged by various factors, including weak management and leadership capacity and skills needed to pursue projects that can bring about sustained change. The challenge is more evident in collective forms of social organisations like cooperatives. Lack of business and management skills coupled with inter-community conflicts are apparent. Control and abuse of power and resources in communities and within organisations are also widespread.

3.9.1 Cooperative organisations

Smallholder organisations, like other business entities which are profit-oriented, require leadership skills to handle business transactions, negotiate in commercial circles and have the ability to enforce agreements. Many smallholder farmers are organised as cooperatives. Cooperatives have a long history in South Africa, and their evolution has been shaped by the socio-political systems of the state in previous eras. The post-1994 South African government has tried to re–engineer the cooperative sector as a strategy to achieve food security, employment and poverty reduction. In the farming sector, such forms of cooperative organisation are believed to foster improved delivery of services and wider distribution of social and economic benefits.

The evolution of the cooperative movement can be viewed from the perspective of the International Cooperative Alliance (ICA), which has developed a set of cooperative principles as a basis to promote democracy and equity. The ICA (2005) defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. The guiding principles are voluntary and open membership; democratic member control; member economic participation; autonomy and independence; provision of education, training and information; cooperation among cooperatives; and concern for the community.

In South Africa, the new Cooperatives Act (RSA, 2005) was developed in 2005 and amended in 2013. Section 2 of the Cooperatives Act outlines, among others, the following purposes:

a) promote the development of sustainable co-operatives that comply with co-operative principles, thereby increasing the number and variety of economic enterprises operating in the formal economy;
a) encourage persons and groups who subscribe to values of self-reliance and self-help, and who choose to work together in democratically controlled enterprises.

Despite the good intentions of cooperative institutions, empirical evidence suggests that they are beset with management, governance, and leadership challenges. Studies on cooperative institutions conducted by Ortmann & King (2007) and Chibanda et al (2009) suggest that both external and internal organisational arrangements impede their success. These are briefly discussed in the next section.

3.9.2 **Free-riding**

Royer (1999:56) refers to the free-rider problem as "a type of common property problem that emerges when property rights are not tradeable or are not sufficiently well defined and enforced to ensure that individuals bear the full cost of their actions or receive the full benefits they create". By virtue of cooperatives being user-owned and user-controlled businesses that distribute benefits equitably on the basis of use or patronage (Barton, 1989), free-rider problems are inherent in cooperatives. Ortmann & King (2007: 57) assert that new cooperative members receive the same patronage and residual rights as existing members, although the new members are not required to make up-front investments proportionate to their use. This increases the conflict among members and tends to lead to some form of exclusion and discrimination by the pioneers of such organisations.

Iliopoulos & Cook (1999: 80) refer to the "external free-rider problem" which exists "whenever a cooperative provides its members with collective goods characterized by *de facto* unfeasibility of exclusion. Examples include where a non-member producer benefits from the terms of trade negotiated by a cooperative passive group members benefit from the efforts of active members.

3.9.3 **Elite capture**

Dutta (2009: 3) defines elite capture as "a process where resources designated for the benefit of the larger population are usurped by a few individuals of superior (economic, political, educational or ethnic) status". Further, Chambers (1983: 18) refers to the "elite bias affecting development projects wherein powerful, influential individuals like headmen, progressive

farmers and local leaders become main sources of information or contact people for rural development projects". These individuals tend to monopolise time and attention of external stakeholders at the expense of the poor who cannot express themselves. This notion is also expressed by Platteau & Abraham (2002:111) who describe how the "personalised character of human interactions" found in the context of small, traditional societies leads to "community imperfections". These conditions are characterised by high levels of inequality between local leaders and their subjects. These scholars refer to elites as groups of persons or members of such a groups with superior political and economic status relative to others in their social cluster.

Elite capture is also viewed as corruption at local level wherein local political and/or economic elites "skim the cream of projects designated for the larger population", Arcand & Wagner (2012:6). The extent of this phenomenon is often found at a grand scale, and this has created many inequalities and conflicts amongst community organisations as well as at the level of nation states.

Elite capture also manifests itself as an influence cost problem. According to Royer, (1999: 56) these are "costs associated with activities in which members or groups within an organization engage in an attempt to influence the decisions that affect the distribution of wealth or other benefits within an organization." These costs can include both the direct costs of influence activities and the costs of poor decisions in terms of the misallocation of resources (Cook 1995: 59). The size of influence costs depends on the existence of a central authority with the ability to influence the distribution of costs and benefits to members, the procedures that dictate decision making, and the degree of homogeneity or conflict among members.

Evidence emanating from studies on the land reform trajectory in Zimbabwe suggests that accumulation rooted in petty commodity production was also linked to the new political dispensation of the countryside (Scoones et al 2011: 12). Political patronage assisted part of the new rural elite that emerged as a result of the land reform.

The educational status of individuals, their leadership positions within the community, and ethnic affiliation have been found to contribute towards accessing emerging opportunities. Oya (2007: 478) reviewed forms of capitalist accumulation in Senegal and describes cases where educated families, or those who had political influence, accessed well-paid jobs in private or development agencies or in rural development projects.Through a web of

connections, either political or religious affiliations, some farmers had timely access to production inputs. Political patronage was used as a tool to strengthen these individuals' positions in local authority and to improve their prospects as farmers (Oya 2007: 482).

Political connections, state support and elite capture are inter-related. In Senegal, those who had access to state support because of their political connections became progressive farmers and were elected to influential leadership positions in prestigious local cooperatives. Through these linkages the farmers acquired skills and accessed input packages that allowed them to significantly increase their yields per hectare. Other rural capitalists prospered because of their access to government assets when state institutions were liquidated as a result of economic reforms. They therefore had influence on the distribution of inputs among farmers after the collapse of major state entities as a result of liberalisation (Oya 2007).

3.9.3.1 Elite capture in communal areas in South Africa

Evidence of elite capture and its impact on rural development through the abuse of traditional authority institutions has been observed in various parts of rural South Africa. The challenge to the Communal Land Rights Act of 2004 (CLARA) by community groupings, on the basis that it undermined equality and the land rights of ordinary citizens, is one indication of the seriousness with which communities view abuse of traditional leadership institutions. Case studies of villages in Rakgwadi, Makuleke in (Limpopo Province) and Makgobistad (North West Province), are just some of many instances in which traditional leaders seized opportunities aimed at wider community development for their personal benefit. Land reclaimed by these communities through restitution was increasingly subdivided and sites were sold to local people and immigrants with high financial gains to the traditional leaders (Claassens 2008: 276-290). Land was commoditised to benefit traditional leaders at the expense of communities.

Dissenting views about these land transactions were crushed, which reflects the power dynamics of rural development and the extent of power abuse in communal areas. Land rights remain a contested terrain, and the incidence of elite capture in the midst of rural poverty and the efforts of rural communities to use land as a means of diversifying their livelihoods remains a major challenge.

3.9.3.2 Elite capture in Umbumbulu

Elite capture is key to development trajectories in Umbumbulu. Mathis (2007:99) observed how government programmes aimed at land reform, particularly restitution, have been used

by the traditional leadership in Umbumbulu to extend their chiefly powers. As indicated in Chapter 2, people from Umbumbulu have experienced large-scale dispossession of their land. Highly commercialised sugar cane farms developed adjacent to communal areas where the original land owners had been relocated after dispossession. Through the government land restitution programme, the community was afforded an opportunity to claim the land or receive financial compensation. Mathis (2007: 99) argues that the land reform process became a platform for the local traditional leader to assert his authority through influencing community members to choose land over financial compensation (estimated at R21 000 per claimant). Community members who were set to benefit from cash compensation were persuaded to accept land instead, and this land was to be entrusted to the traditional authority. On this basis, Mathis (2007: 99) argues that "the agenda by traditional leadership conflicted both with the government's interest in developing commercial agriculture and local residents' desire for rural land as security in the context of high levels of unemployment".

Through community meetings to discuss the issue of compensation, claimants were asked to defend the dignity of their ancestors and forefathers by accepting land as opposed to individual compensation. Unemployment in Umbumbulu is quite high, and access to land could have contributed to increases in food production and the diversification of livelihood activities. The suggestion by the traditional leader to put all the reclaimed land under his authority did not lead to access to more land on the part of community members, however. This is just one of the indications of the struggles facing rural communities in resisting misappropriation of such opportunities to improve the lives of the rural poor.

3.9.4 **Intra-community differences and tribal politics**

Elite capture and conflict in rural development programmes are inter-related. Conflict can occur amongst different groups within a recognised community. Padilla et al (2008) refer to intra-community conflict, asserting that tensions may exist between groups which recognise one another as being from a distinct category of population. Such local antagonism results in the inability of groups to work together productively. In community development programmes, conflict can be triggered by unmet expectations, perceived inequality over a development programme. Intra-community conflict can, at worst, reverse existing development strides.

The impact of conflict within development programmes is significant. Conflicts are a major impediment to social and to economic development and to human survival. Peters (2004:

305) asserts that prolifering tensions between groups labelled by region, ethnicity or religion are “intimately tied up with dynamics of division and exclusion, alliance and inclusion that constitute class formation”. Conflict that results from exclusion based on association with a particular “community” as defined by geographical boundaries is prevalent in the development sector.

Experiences of antagonism amongst communities in Umbumbulu have, over the years, intensified and must also be situated within the socio-political conflicts prevalent in rural South Africa and in other developing nations. As will discussed in later chapters, there is interrelatedness between elite capture, social exclusion and the intensification of conflict, which results in a distortion of “community” which tends to perpetuate poverty in rural communities.

3.10 **Conclusion**

This chapter has reviewed the literature on the smallholder farming sector and its dynamics of production and reproduction in Africa and other developing countries. The central finding emerging from this review is that while development policy is centred on rural economic transformation and the integration of smallholder farmers into modern markets, formal markets have not displaced the informal economy.

Another key conclusion is that organic farming programmes for smallholder farmers and the complex economic systems within which this sub-sector operates, including both the upstream and downstream components of the value chain, show clear evidence of the broader challenges of global economic systems which tend to suffocate smallholder farmers. This relates to the requirements of dominant supermarkets which have imposed highly onerous requirements on organic farmers (such as certification) and demanded the adoption of complex procurement systems in order to reduce their transaction costs and hence maintain profitability. Organic agriculture continues to operate within the broader context of powerful market forces controlling the flow of inputs and outputs.

The adoption of strict requirements relating to volumes, quality, food safety systems, consistency and year round supply make it difficult for smallholder producers to supply these markets. These help to explain the observed squeeze of the smallholder sector and challenges to its sustainability.

Institutional issues were discussed in depth. The role of the state in supporting the small-scale farmers is central in the provision of services, and a conducive policy is essential. The problem of elite capture is widespread in rural development, and it has tended to perpetuate conflict. Evidence from smallholder farming programmes suggests that intermediaries like NGOs often provide a useful supportive role to farmers in relation to education, providing information, assessing markets that are conducive for farmers, and negotiating with buyers. This suggests that intermediaries should be able to identify with farmers' priorities and be able to advocate for farmers' choices.

CHAPTER 4 : A SOCIO-ECONOMIC PROFILE OF UMBUMBULU HOUSEHOLDS

4.1 Introduction

This chapter focuses on the socio-economic status of rural households in uMbumbulu, and explores their demographic features and livelihood sources. As described in Chapter One, these data were gathered through a survey of a small sample of households. The demographic characteristics of this study site were also identified in previous studies in the area, and the findings are compared. The data show clearly the importance of social grants and various off-farm income sources in maintaining the livelihoods of members of these households. The contribution of farming income obtained through the EFO is also significant, although the setback resulting from the loss of organic certification and drought conditions has influenced farmers' perceptions of the sustainability of the organic farming initiative. The importance of other farming activities is also shown.

4.2 Socio-political profile of the Mkhambathini Municipality

The study area is located in KwaZulu-Natal and falls mainly within ward 5 of Mkhambathini Local Municipality in the Umgungundlovu District. Other members of the organisation are drawn from ward 1 of Vulamehlo Local Municipality in Ugu District. Vulamehlo Municipality is bordered by the eThekwini Municipality on the south and Mkhambathini and Richmond local municipalities to the north, and Ubuhlebezwe Local Municipality to the west. Previously the EFO drew members from Ethekwini Municipality, mainly from ward 96, under the Makhanya Traditional Authority. Agergaard & Birch-Thomsen (2006: 90) locate uMbumbulu in a border zone with both rural and urban features and regard the area as a "diffuse spatial and social entity".

Mkhambathini Municipality's main town is Camperdown, about 60km from Durban. The Integrated Development Plan (IDP 2013/14) of the Mkhambathini Municipality refers to the impact of colonial and apartheid policies on the socio-economic status of the area. According to the IDP, these policies had a profound impact on the structure and functioning of the area, resulting in the fragmentation of communities, the marginalisation of their economic activities and the undermining of their participation in the wider economy. The apartheid regime's policy of spatial segregation, as in many other parts of South Africa, created this

urban/rural divide, resulting in areas of Mkhambathini having highly unequal access to urban services and facilities.

Mkhambathini Municipality is predominantly rural in character and the majority of people reside within traditional authority areas, which are characterised by high levels of poverty. UMbumbulu is one of the most populated rural areas within Mkhambathini. The Municipality's IDP for 2013/14 cites rising unemployment especially among the youth, including a number of unemployed graduates, as a major problem. This has driven many young people to migrate to big cities in search of employment opportunities.

The IDP identifies agriculture, manufacturing and tourism as the key sectors that can drive local economic development. Skewed land ownership patterns in favour of a few white commercial farmers, who own about 71.8% of the land, is a key characteristic of this municipality. The local economy is controlled by white commercial farmers and is predominantly agricultural, and this sector centres on vegetables grown for local and hinterland fresh produce markets, maize and sugar cane, which are processed at the mill at Eston. The agricultural sector reflects apartheid history and the landscape is divided between commercial farming and an underdeveloped rural sector, located within wards 1, 2, 5 6 and 7, which are located mainly in areas under traditional authorities.

The manufacturing industry is found primarily at Camperdown as well around Eston Sugar Mill. Tourism is centred on "African" experiences, with attractions such as the Tala Game Reserve, Nagle Dam and Umgeni Valley (IDP 2013/14).

The IDP summarises the profile of the municipality as follows:

- The total size of the Mkhambathini population is estimated at 63142 people accounting for 6% of the district population. In 2011, the estimated number of households was 14 964, the majority of these within the traditional authority areas. Ward 5 has an estimated population of 8 462.
- Mkhambathini has a low population catchment compared to most areas within Umgungundlovu District but it has the second highest population density.
- The municipal population reflects a gender imbalance with females out-numbering their male counterparts by 4%.

The following section focuses on the demographic features of households with EFO members.

4.3 **Household demographic features**

The mean size of households in the survey at uMbumbulu was eight, with a range from two to sixteen members. There were some households with no adult males as members, but had a mean score of three for both adult females and adult males (see Table 1 below). The survey shows there being more adult females (142) than adult males (131), from a total of 420 household members. This imbalance is probably attributable to the fact that men tend to seek employment opportunities in the nearby urban centres of Isiphingo, Durban and the industrial hub at Prospecton.

Mathis (2008: 221) established that households at uMbumbulu were also characterised by the absence of older men and a large number of households headed by women. In a survey of 113 households, 221 members were women and 54 (47%) of households were headed by females. Mathis (2008: 221) further established that 40 of the women were widowed, while 14 were either separated from their husbands, never married, or their marital status is unknown. Other findings from a survey of 171 Umbumbulu households presented by Browne et al (2005: 572) indicated that 45% of households were headed by women. The findings of the current study of 50 households present a different scenario, in which there are only 24% female-headed households. This study also indicates that all the women who were household heads were married and that all their husbands are deceased. There were only two cases in which husbands are deceased and the oldest son had become the head of the household.

Table 1: Demographic profile of households belonging to the EFO (N=50)

	Household size	Total number of homestead members present most/all nights	Total number of adult males	Total number of adult females	Total number of children
Mean	8	7	3	3	3
Median	8	7	3	3	3
Maximum	16	16	7	6	9
Minimum	2	1	0	1	0
Sum	420	339	131	142	138

With regards to children, which in this study means household members who are 18 years and younger, households had a mean of 3 children. There were a total of 138 children. The study established that households had a mean of seven members always present in the household, and there was one household that had a maximum of 16 members always present.

4.3.1 **Forms of marriage**

This study established that in the sample of 50 households there were 16 adult males who were in the process of getting married (*ganiwe*) and 22 were fully married (*shadile*), while there were 25 adult females in the process of being married (*ganile*) and 32 were married (*shadile*). The forms of marriage involved either a civil union (by means of a church service or in a magistrate's court) or a traditional marriage or a combination of both. Another form involves a ceremony conducted by the traditional councillor, in which vows are exchanged by the partners. This form of union is witnessed by community members, and is recognised by the local community. It is common amongst elderly members of households.

4.3.2 **Income sources**

4.3.2.1 Social grants

Survey questions on income sources for households within this study site showed a wide range of livelihoods sources from which members sustain a living. As in many rural areas in South Africa, multiple livelihood strategies are employed by uMbumbulu households. Mathis (2008: 161) established that social grants constituted one of the most important sources of

income coming into households at uMbumbulu. Wages earned by young unmarried men and women, who sometimes lived at home, and who worked part-time in temporary or informal employment, were the second significant source of income. Mathis (2008: 164) further established that almost all households were engaged in some subsistence farming, but that this was secondary to the food bought with cash income.

The significance of social grants for rural households was emphasised by Neves et al (2009: 63-68) in their research conducted in the Eastern Cape. They suggest that social grants are key in elevating consumption expenditure and supporting human welfare. Access to social grants was directly associated with purchased food and groceries, and less hunger was reported among households receiving social grants. The study emphasised the impact of grants in the overall improvement of livelihoods, and in providing for school enrolment, access to transport, clothing, promoting savings and investment in stokvels. Social grants were also linked to promoting self-employment, providing seed capital for household members initiating small, informal economic activities.

Cousins (2013) studied rural households participating in the Tugela Ferry Irrigation Scheme in KwaZulu-Natal. In a survey of 171 farmers in the Scheme, Cousins (2013:133) established that over 70% of households receive at least one child support grant, and many receive more than one grant. About 49% of households receive at least one old-age pension.

This study confirms these findings on the significance of social grants (see Table 2 below). A total of 47 child support grants were received. This was followed by 33 old-age pensions. A total of 19 disability grants were received. For the 50 households sampled, a mean of 1.98 grants per household was recorded.

4.3.2.2 Jobs

A total of 35 permanent jobs, constituting 13% of total income sources of the community, were recorded in the study site. These included jobs in the motor industry (Toyota, in Prospecton) which is one the main manufacturing employers in the townships and rural areas south of Durban. General factory jobs and those in the transport sector (e.g. as drivers) were also reported by household members.

Public sector employment had its share of permanent jobs in the area, mainly for teachers and nurses. There were three cases of household members who were studying nursing. One case was reported of an administrative support worker (a clerk) who worked in a local school.

With regards to casual jobs, the broad range of types of work included domestic work on selected days of the month, taxi drivers and conductors, a cashier in a casino and cleaning services in a local school. Zibambele Projects, which is a long-standing employment scheme created by the Provincial Department of Transport and allows rural women to clean roadsides, also contributes a few casual jobs in the area.

Self-employment was inclusive of those who hired some staff and those who had no employees. These constituted only 2% of the total. It included taxi owners, who tend to hire two employees (a driver and an assistant). Other cases of self-employment included traditional healers who had a continuous income throughout the year, although the income derived was often minimal. In two cases, self-employment with employees in poultry rearing was also reported. These activities made substantial contributions to household incomes.

Temporary jobs contributed 14% of income sources. These were mainly in the construction sector, such as building EFO packhouses or private homes, as well as individuals employed in government public works programmes (e.g. building local schools and rural water schemes).

The Community Health Worker Programme (Onompilo) of the Provincial Department of Health has been a long-term programme spanning more than ten years. It employs local people on the basis of renewable contracts. The destructive effects of the HIV/AIDS pandemic, resulting in increasing numbers of orphaned and vulnerable children, mean that the community health worker programme remains a crucial intervention strategy in the uMbumbulu area.

Table 2: Income sources of household members belonging to the EFO (N = 50 hh, with 270 income sources)

	Income source	Mean per household	Median per Household	Maximum per household	Minimum per household	Sum	% of total income sources
Total income sources	Social grants	1.98	2	7	0	99	36%
	Non-social grant income sources	3.22	3	8	1	161	59%
Social grants	Old-age pension	0.66	1	2	0	33	12%
	Disability grant	0.38	0	4	0	19	7%
	Child support grant	0.94	1	5	0	47	17%
Non-social grant incomes	Permanent jobs	0.70	0	4	0	35	13%
	Temporary jobs	0.76	0	3	0	38	14%
	Casual jobs	0.14	0	3	0	7	3%
	Self-employment; no employees	0.10	0	1	0	5	2%
	Members engaged in farming	1.38	1	3	1	69	25%
	Remittances in kind	0.02	0	1	0	1	0%
	Self-employment; with employees	0.08	0	1	0	4	2%
	Remittances in cash	0.04	0	1	0	2	1%

The Department of Agriculture was also implementing a Land Care Project focused on the removal of alien plants that are destructive to the local environment. There was one reported job on this project among the sampled households.

The EFO organic produce initiative generated interest in farming among households at uMbumbulu. A group composed of youth members, the ANTS, was also developed with the assistance of Prof. Modi. This is a homestead-based small-scale project for growing organic vegetables using plastic tunnels. Prof. Modi assisted the ANTS to obtain sponsorship to develop a small tunnel in each of the participating homesteads. This project draws on household members mainly from Ezigeni and Ogagwini villages. Of the sampled 50 households, a total of 11 (or 22%) had members who were part of the ANTS group. One household was reported to be generating income from spinach sales; the spinach had been grown in a tunnel.

4.3.3 **Income and position of women**

Mathis (2008) suggested that emerging income opportunities for women have redefined their role within households at uMbumbulu. The study established that their engagement in the informal economy through subsistence agriculture and access to social grants allowed them to contribute an increasing proportion of a rural family's total income. This has changed the position of women in the households, in the midst of high rates of unemployment and the consequent erosion of male control over wealth. The study also suggested that state grants and other income going to mothers and grandmothers were more likely to be used to sustain the household than the income generated by male heads of households, or their adult sons.

In Tugela Ferry, Cousins (2013) reports that the mean number of income sources per household is 3.25 and that income sources for women were three times more, at 75% of total income sources, than for men, which amounted to 25% of income sources. This was attributed to the large numbers of women engaged in farming, receiving child support grants and old-age pensions.

In uMbumbulu, the sample was selected from households belonging to the EFO, and is thus biased towards those engaged in agriculture. A total of 48 households (or 98% of the total) had female participants in the EFO project, compared to 11 (or 22 %) households with male counterparts. Women praised the EFO programme for providing new economic opportunities, thereby enhancing their status in the household.

Table 3: Participation in farming activities of households belonging to the EFO (N=50)

	Mean	Median	Maximum	Minimum	Sum
Household Size	8.40	8	16	2	420
Number of adult females	2.84	3	6	1	142
Number of adult males	2.62	2.50	7	0	131
Number of female members engaged in farming	.96	1	1	0	48
Number of male members engaged in farming	.22	0	1	0	11

One case is illustrative: Ms N was able to build a four-roomed house using the income from sales of *amadumbe*, and later, when she qualified for an old-age pension, she was able to combine that income with farming income to enrol her daughter for a university education at UNISA. Ms N asserted that, years later, a bulk payment from Farmwise coincided with her daughter securing a teaching job at a rural school about 200km from Umbumbulu. Through her *amadumbe* sales, she was able to buy a bed and cooking utensils for her daughter, and paid for transportation of these items to the cottage where her daughter had found accommodation. Ms N also asserted that through building her own house, she had obtained some recognition and respect from her family, even before her husband passed away.

4.4 **Asset ownership**

Hendriks et al (2009: 26-27) presented data on asset ownership amongst 200 households at uMbumbulu. A total of 151 farmers in the survey were members of the EFO. The results reflected low levels of asset ownership among the farmers. Ownership of agricultural assets like wheelbarrows was at 38% and other equipment like ploughs rated at 16%. There were no tractors recorded.

This survey also shows low levels of asset ownership among many EFO members (see Table 4 below). Although all households own agricultural tools like hand hoes, forks and spades, only one household owned a tractor. Lack of agricultural assets is a serious constraint given the intensity of physical work in farming and organic farming in particular. Although members have access to hiring the organisation's tractor, at lower costs than hiring from private individuals, that tractor is sometimes not available when needed by farmers.

One farmer, Mr Z, is known as one of the top producers within the EFO, and owns an ox cart and has seven cattle. He has used these assets to advance his level of production. Mr Z owns four fields and has allocated two of these to his wife, with one for his daughter and one for himself. He attributes his success to ownership of these assets. He is able to access kraal manure, and also saves on tractor hire costs.

Table 4: Asset ownership of households belonging to the EFO (N=50)

	Number of durable goods owned	Number of domestic electronic/ communication goods owned	Number of transportation assets owned	Number of agricultural assets owned	Number of motor vehicles owned	Total number of assets owned
Mean	2.54	1.54	.12	5.34	.32	9.82
Median	2.50	1.00	.00	5.00	.00	9.00
Minimum	0	0	0	2	0	3
Maximum	6	6	3	14	3	20
Sum	127	77	6	267	16	491

4.5 **Livestock ownership**

The extent of livestock ownership was fairly low among EFO farmers. A total of 25 households (or 50%) in the survey owned cattle, while 24 (or 48%) owned goats. Only two households owned pigs. The mean number of cattle and goats owned was five and three animals respectively. A decrease in livestock over the course of 12 months was noticeable, with 129 cattle remaining in 2012 from 157 in the previous year, and 73 goats left, out of 83. Eight pigs remained from 10 recorded the previous year. These changes are attributable to livestock sales used to buffer households in times of financial distress. While there were six reported incidents of cattle that died due to drought in the area in 2011, respondents confirmed that the reduction in the following year was attributed to livestock being sold as a way of gaining income**.**

The availability of livestock, especially, cattle, is vital in accessing manure for increasing soil fertility in an organic farming system. The ownership of livestock thus impacts on production and helps reduce input costs. One EFO member expressed concern over the deterioration of soil fertility, and asserted that during the season in which the EFO supplied members with chicken manure and lime, there was a noticeable improvement in soil fertility.

Table 5: Livestock owned by households belonging to the EFO

	N	Mean	Median	Minimum	Maximum	Sum 2011	Sum 2012	Difference
Cattle	25	5	5	1	17	157	129	-28
Goats	23	3	3	1	8	81	73	-8
Donkeys	2	3	3	3	3	10	6	-4
Pigs	2	4	4	1	7	10	8	-2
Chickens	41	15	10	1	100	472	606	134

4.6 **Land ownership**

The Mkhambathini Municipality IDP of 2012 indicates various forms of land ownership in the area, including state land, individually owned land, Ingonyama Trust land and land owned by companies. The IDP noted that vast tracts of land in wards 1, 2, 5 and 7 belong to the Ingonyama Trust. Whilst day-to-day management of this land is the responsibility of the traditional council under the leadership of the *Inkosi*, the administration and long-term leasing of these land parcels is the responsibility of the Ingonyama Trust Board. The government's land reform programme has contributed to increases in the number of previously white-owned farms that are now owned by trusts and Communal Property Associations (CPAs).

Chapter 2 provides some background information on the land tenure systems at uMbumbulu, and the impact of land dispossession, which weakened the role of traditional leaders in systems of land ownership and control. Mathis (2008:111) asserts that customary authorities

have been reduced by the scarcity of land to mostly supervisory roles in the distribution of land that is controlled primarily by households. Mathis (2008:117) further asserts that population increases in some villages of uMbumbulu have led to smaller plots and more densely settled land, which has shifted control from customary leaders to lineage segments and families. Land access has been based on social ties, particularly of kinship and marriage. This is the core characteristic of communal tenure systems. Caister (2012:121) confirms this characterisation, providing evidence that farmers at uMbumbulu emphasise that the use of and is defined by social relationships, and not by capital. Hence land is accessed through consultation with community members.

Land allocation and administration patterns at uMbumbulu demonstrate similar patterns found in other rural communities under traditional authorities in South Africa and generally, in rural Africa. The system of land tenure in uMbumbulu reinforces the view that land tenure is "socially embedded" (Cousins 2007: 293). According to Cousins (2007), rights and obligations are defined through social relationships and membership of a variety of social units, including families, households, kinship groups and "communities". Agergaard & Birch-Thomsen, (2006) and Kisaka-Lwayo (2012) found that land allocation in uMbumbulu still depends on good relations, hence, newcomers with no kinship/tribal affiliations are not allocated land beyond a small homestead. Kisaka-Lwayo (2012) concluded that land tenure security of the farmers in uMbumbulu was positive, which also positively impacted on the adoption of organic farming systems.

Table 6 shows that in uMbumbulu social relations at the family level remain central in land allocation processes. Only 38% of land was allocated by the traditional authority, compared to 62% of land being allocated through relatives or family members.

Table 6: Allocation of land to households belonging to the EFO

Source of land rights	Number	% of total
Traditional leadership	19	38
Family	31	62
Total	50	100

For the purpose of this study, “family allocation” is a broad category that includes cases of married sons being allocated plots by parents, land being allocated to the second wife of a widowed man, inheritance of land, relatives of older residents of either male or female newcomers being given land, and homesteads established as a result of polygamous marriage arrangement receiving land. All the household heads are either married or have been married and have maintained patriarchal forms of social organisation, confirming the assertion by Cousins (2007) that land allocation in rural areas in Kwazulu-Natal maintains its emphasis on preserving a system of patrilineal descent. Although there was no case in the survey of land being allocated to a female (e.g. a daughter who wanted to establish her own homestead), there was an indication that this has occurred in the wider area.

4.6.1 **Land use**

The study assessed land use patterns and established that 49 households (or 98% of the sample) owned their own fields (see Table 7). Only two households (or 4%) were borrowing or leasing land through informal arrangements with relatives. Around 27 households, or 54% of the total, had their own garden plots, eleven households had members who are part of the project known as “the ANTS”. The development of the EFO project had led to more intensive land utilisation at uMbumbulu, after a long period where households had left their fields to lie fallow, reflecting the decline of overall agricultural production in the region. Household members described how they had to revitalise old fields for use in the organic farming system promoted by the EFO.

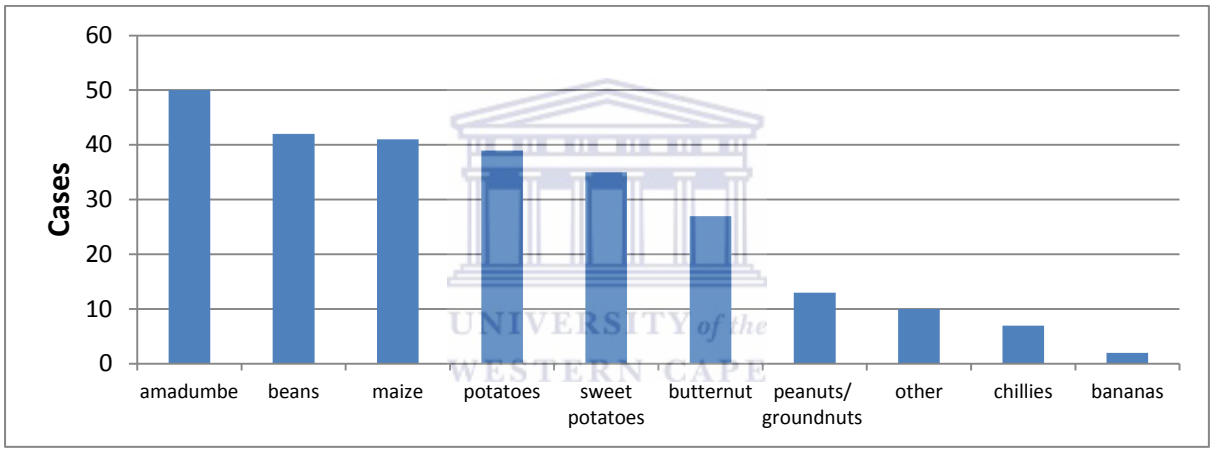
Table 7: Patterns of land ownership and use among households belonging to the EFO

	N	Mean	Median	Minimum	Maximum	Sum
Number of garden plots borrowed	0	-	-	-	-	-
Number of garden plots owned	27	1	1	1	2	28
Number of project garden plots owned	11	1	1	1	3	13
Number of fields owned	49	2	2	1	6	98
Number of fields borrowed	2	1	1	1	1	2

Figure 4: EFO farmer working in amadumbe field

Figure 5 below shows that whilst *amadumbe* are produced by all households, crops like beans (84%), maize (82%), potatoes (75%) and sweet potatoes (70%) are also popular. Households indicated that they generate cash from the sales of beans, potatoes and sweet potato production. Farmers reported that they had marketed their potatoes through the packhouse agent, but that this was discontinued due the high losses experienced by farmers. Poor quality as a result of the high incidence of crop diseases was reported. Farmers sell mainly to traders and community members. Part of the produce is used for household consumption. Maize was grown mainly for household consumption, and livestock (chicken) feed, and few sales were noted.

Figure 5: Crops grown by households belonging to the EFO



Agergaard & Birch-Thomsen (2006: 93-94) refer to a period of "classical agricultural development" in uMbumbulu from 1937 to 1993, which resonates with experience in other rural areas in South Africa. During that period, crops like maize, sorghum and pumpkins dominated agricultural production in which the use of oxen for ploughing the fields was common. There was little application of external inputs as cattle manure was easily accessible.

Changes in the uMbumbulu rural landscape characterised by improvements in infrastructure in the late 1950s resulted in the introduction of transport services and the establishment of shops in the area. This process was accompanied by changes in food demand, and the cultivation of vegetables, amadumbe, sweet potatoes, potatoes and tomatoes increased. During the late 1960s there was an increasing number of households in other parts of uMbumbulu, mainly within the Makhanya Traditional Authority (now ward 96 of Ethekwini Municipality) and Thoyane Traditional Authority (ward 1of Vulamehlo Municipality)

engaged in sugar cane production. These developments saw Embo traditional authority areas, mainly within Mahleka and Nungwane villages, participating in sugar cane production. The latter two villages are located adjacent to white sugar cane commercial farms and have easier access to the main road linking to urban centres.

Although there were no cases of sugar cane farming from the sampled households, two of the farmers expressed their desire to return to sugar cane farming. This crop is no longer common in the Ogagwini and Ezigeni villages. It is, however, still produced in Nungwane and Mahleka villages where the EFO still has many members. Group discussions confirmed that some farmers gave up their sugar cane field and converted to the organic production of *amadumbe*. These were motivated by the EFOs perceived financial prospects during the early years of its development, coupled with the challenges facing those engaged in sugar cane production (such as reduced profitability and the long-time gap between production, harvesting and payment). The current challenges facing the EFO, with farmers not being able to supply Farmwise, contribute to renewed interest in sugar cane production.

One farmer indicated that he was retiring from formal employment and had planned to focus on bean production, as the crop had proved to be profitable. He raised a concern that kraal manure is not suitable as a fertiliser for bean production, and he might revert to chemicals in intensifying production of this crop. The farmer owns six fields and suggested that he might allocate some of his fields to beans. These fields will be distant from his *amadumbe* fields, so that organic farming practices will not be affected. Generally, there were signs of shifts towards other marketable crops as farmers explored different strategies.

4.7 **Conclusion**

This chapter discussed the socio-economic characteristics of EFO farmers. It highlighted some general trends experienced by farming households in rural South Africa, and noted the importance of agriculture as one of the key livelihood strategies pursued by households. Both social grants and income from farming have redefined and enhanced the status of women in the households. Although *amadumbe* was the most widely grown crop, other crops like beans, sweet potatoes and potato were still considered as important by most households. These were also providing cash income and were marketed informally to traders and neighbours. This signifies the importance of crop diversification and informal marketing avenues as farmers pursued agriculturally-based livelihoods.

CHAPTER 5 : INSTITUTIONAL DYNAMICS WITHIN THE EZEMVELO FARMERS' ORGANISATION (EFO)

5.1 Introduction

This chapter assesses key institutional dynamics within the EFO. Building on the basic description of the EFO and its key organisational features provided in Chapter 2, it focuses on the services enjoyed by EFO members, and the challenges they face in trying to gain access to such benefits. It describes the arrangements made for managing the affairs of the EFO, such as the nature of the contract agreed with a marketing agency, and the challenges faced by the leadership of the organisation and its management structures in assisting the EFO to try to perform its business activities in an efficient manner. The chapter also explores the roles played by different institutions in support of the EFO and how the dynamics associated with these roles influence the functionality of the EFO as a cooperative, including the National Development Agency (NDA), Farmwise, the Department of Agriculture (DoA), the Department of Rural Development and Land Reform (DRDLR), traditional authorities, and the University of KwaZulu-Natal.

5.2 Recruitment of EFO members and anticipated benefits of membership

This section discusses the factors which attract people to the EFO, which are to gain a range of benefits. Data are drawn from both the household survey and the in-depth interviews with key respondents.

5.2.1 Access to market and subsidised transportation of farm produce

Members joined the EFO as a means of acting together as a collective in gaining access to a market for their produce. If individuals work together as a group, it is easy to gain access to forms of support offered by government and any other philanthropic organisations. One such form of support is subsidised transport costs when taking farm produce to the market. An individual farmer who belongs to the EFO brings his or her produce to a central venue, the village collection centre, from where it is ferried to market. Farmwise is the company used as a packhouse agent; it ensures that the quality of organic produce is high and facilitates its distribution to Woolworths and other retailers.

5.2.2 **Acquisition of skills**

The EFO has facilitated the provision of organic farming knowledge and skills to its members, and the integration of indigenous farming practices into the farming system has illustrated the improvement of the productive capacity of individual farmers. This is evident, according to respondents, in the effective control of diseases and pests. Prof. Modi and Rainman Land Care together pioneered training of the members of the EFO in organic farming skills, e.g. how to treat diseases, and how to use indigenous pesticides to repel moles and other pests.

The EFO has also facilitated the certification of organic produce. However, members' awareness of the rules and processes involved was limited. Members named various organisations that they believed issued organic certificates, namely Plant Bio, CEDARA, and Woolworths. This confirms that there was no proper understanding of which organisation provides such certificates and on what basis.

5.2.3 **Access to infrastructure and other resources**

The EFO has facilitated members' acquisition of items such as farming implements and other inputs such as fencing wire, poles, seeds of potatoes, green beans and cabbage, poultry manure and lime. The Department of Agriculture and the Department of Economic Affairs were the main providers of such inputs. Other forms of support included the provision of T-shirts, watches, dishes and glasses, which were awarded to the best farmers at the annual year-end function in recognition of their hard work. However, the study revealed that not all members were satisfied with the provision of such items, since it emerged that members from two villages were excluded from these functions without any clear explanation being provided.

5.3 **Business contract**

There was a verbal contract between Farmwise and the EFO regarding the marketing and distribution of farm produce, which, since first agreed upon in 2001, had been binding on the two parties. However, many EFO members had a limited understanding of the contract, and of how such a contract impacts on their business dealings. This indicated a lack of farmers' understanding of the critical factors defining their relationships with retailers or other customers. Data on farmers' knowledge of contracts are shown in Table 8 below.

Table 8: Farmers' knowledge on the nature of the contract with Farmwise (N = 50)

Farmers' knowledge of contract	Don't Know	Written Contract	Verbal Contract
	16 (32%)	5 (12%)	28 (56%)

Low levels of understanding are confirmed by the following quotations from interviews when farmers were asked about the nature of the contract**:**

"To give them amadumbe and they give me money, I don't know. I haven't asked about the contract."

"The contract is that we sell our produce to Farmwise and they give us money, we take Farmwise as our market".

"I've never seen it, don't know whether there is something written or not".

It is significant that amongst the members who did not know much about this contract, four were serving committee members, and two were office bearers in senior positions on the management committee. A total of 48% of farmers in the survey had an inaccurate understanding of the contract that the EFO had agreed on with Farmwise. Overall, it appeared that there was a lack of transparency regarding the contract.

As discussed in Chapter 2, Lyne et al (2009: 87-90) argue that the verbal contract constrained the EFO due to the lack of a transparent pricing structure. They are critical of the fact that Farmwise had unilaterally determined the grading procedure. This resulted in low levels of payment and the rejection of some produce. Mushayanyama (2005) also identifies the constraints of the verbal contract, and suggests that it be improved through renegotiations of trading terms so that farmers could benefit from positive changes in organic crop prices and from a shorter turnaround time on payments. Mushayanyama (2005) also suggests that the introduction of better mechanisms to trace crop quality to a specific farmer could help avoid free-riding, and that penalties for breaching contractual arrangements should be part of these improvements in the contract.

5.4 **Rejection of produce**

This study established that at some point farmers were given an opportunity to discuss the prices offered to them and that they were allowed to negotiate prices with committee members before deliveries were made. Farmers also recommended that Farmwise paid them on the same day of delivery and that rejected produce should be returned to farmers on the same day. However, these discussions have not improved the bargaining powers of farmers, and they have not received the percentage increases that were proposed in the meetings. The grading procedures have not significantly improved either, with some produce continuing to be rejected, and the produce of some producers continuing to be mixed with those of others.

Besides setbacks in relation to some produce being rejected, which resulted in financial losses for farmers, they also complained about the time it took for the produce to be sent back to the owners. Twenty-two farmers indicated that their produce had been rejected, and four farmers (8% of the sample) indicated that their produce was brought back to them about three weeks later, when it was partially decomposed.

Twelve farmers reported that they had to take some of the rejected produce back to their homes, but left large amounts of the produce at the village collection centre, as it was going to be too expensive to transport. One farmer indicated that she was unable to collect rejected produce as she did not own a vehicle.

The lack of a written contract meant that EFO members could not protect themselves against irregular practices by its marketing partner. Group discussions revealed that produce from different producers was sometimes mixed at the packhouse, creating problems when some produce was rejected for not adhering to agreed standards. Farmers asserted that such incidents should not occur, because they all had individual codes attached to delivery bags. The losses they suffered with Farmwise drove some farmers in search of other markets for their produce.

Table 9 shows the reasons provided for the rejection of farmers' produce by the Farmwise packhouse.

Table 9: Reason for rejection of EFO produce by Farmwise

Reasons for rejection of EFO produce	No. of farmers whose produce was rejected
Produce too small	17
Produce too small and scratched	2
Produce too small and not cleaned properly	1
Rooty elements on produce	1
Not looking good, or poor quality	1
Total	**22**

While twelve farmers indicated that they had used rejected produce as seed, other farmers sold it to neighbours and hawkers. These informal marketing arrangements have not been prioritised, as farmers have always believed that collective marketing was much less strenuous because of the availability of EFO transport to the readily available Farmwise packhouse.

5.5 Management and leadership of EFO

The marketing of produce and the generation of income from such sales is core to the EFO, but governance of the organisation is critically important because it is the main driving force for achieving the objectives of the organisation. The study thus reviewed management and leadership aspects of the EFO to determine the extent to which they advanced the objectives of the organisation, or not.

5.5.1 Management Committee

The EFO has a Management Committee whose members are supposed to be elected annually, and this committee is responsible for the management of funds and the coordination of EFO affairs. Farmers believed that committee members should have good communication skills, be literate and be able to speak English, and be trustworthy, honest, wise and reliable. Committee members should be knowledgeable about the EFO vision and its goals, provide creative advice to the organisation, help to motivate members of the EFO, and be able to build positive relationships with local, district and provincial levels of government.

The committee is required to hold an Annual General Meeting (AGM) to report back to its members and account for how funds have been used, and to elect a new leadership, as required by Section 29 of South African Cooperatives Act of 2005. However, this study found that the Management Committee failed to meet this legislative requirement, and that no explanation for this was ever given to farmers.

5.5.2 **Organisation of meetings**

The Management Committee is required to organise meetings to provide updates on how the organisation is functioning, and to discuss problems experienced in carrying out its activities, as well as the additional assistance required to realise its intended objectives. The study established that members were not satisfied with the way the Management Committee was enacting its duties. There was unhappiness that the Management Committee failed to hold its monthly meetings to provide progress reports on the implementation of the approved plans.

5.5.3 **Management efficiency and benefits achieved**

Despite the abovementioned challenge, the organisation has made remarkable progress in achieving the distribution of farming implements and water tanks, securing markets for farm produce, fencing the gardens and establishing the offices of the EFO. Although there was discernible progress in relation to these issues, some members felt that the EFO has not been successful in addressing the challenges of transporting farm produce especially for members whose homesteads are not located close to market opportunities.

Other concerns raised included the declining numbers of members, internal conflicts, the abuse of resources and challenges related to marketing.

In addition, the EFO faces challenges in following up farmers' problems and addressing individual members' concerns. Another perceived problem was the failure of the EFO to adequately recognise individual contributions to the success of the organisation, through awards to excelling farmers, as it has been the practice.

5.5.4 **Assistance with organic production**

Although 24% of the farmers interviewed asserted that there was no assistance provided in relation to organic farming methods, 12% of informants indicated that they had benefited from EFO services in relation to organic methods. However, it was discovered that the EFO has no policy on how to provide services to its members on how to deal with pests and crop

diseases, and how to provide training in organic farming. As a result, some farmers experienced problems, and this reduced their profit margins.

While some farmers appreciated their knowledge on organic farming and progress they had made, others felt that they needed assistance with regard to disease control, soil fertility and financial support. Although there were farmers who displayed confidence in their indigenous knowledge, plant diseases and pest damages had resulted in poor quality of produce and income losses.

Even with madumbe production, farmers perceived themselves as possessing knowledge on organic farming which the stakeholders who work with them, like Farmwise and agricultural extension officers, uniquely lacked. One older farmer commented that the packhouse expects farmers' produce to be larger in size, but since they do not use fertilisers, their produce will remain small in size.

5.5.5 **Declining membership**

The study has revealed a decline in the membership of the EFO due to poor management and continuing leadership challenges. These problems are evident in the unequal distribution of resources like water tanks and fencing material, and as a result some people had discontinued their subscription fees. Others left the organisation for the following reasons:

(i) A failure to provide adequate transportation services for produce.

(ii) Poor leadership of the EFO.

(iii) Inadequate guidance to farmers and clients.

(iv) Failure to obtain organic certificate compliance on time.

(v) Inadequate transport to and from meetings.

(vi) Difficulties in addressing conflicts within the organisation.

There were actions by some EFO leaders which discriminated against members of the organisation from other local tribes. This local antagonism was even expressed in messages of hatred to each other. The inability to mitigate over disputes also impacted negatively on the EFO. Examples of such local antagonism are provided below:

One focus group discussion cited an incident where a senior committee member assaulted another on the street, allegedly because of the allocation of travel money. The incident happened in full view of other committee members as they had came out of a meeting with one of their sponsors. The incident was viewed as a reflection of how power and influence in the organisation was unequally distributed, as the matter was never discussed by the committee and no reprimand was issued to the member concerned.

Another farmer in the group discussion commented on how their mentor learned about the incident, but could not intervene after 'tribalist' labels were attached to him, as an outsider from another province, who therefore coud not interfere in the internal matters of the EFO. The discussion revealed that if the attacked member had retaliated, it would have incited violent conflict among the tribes. It was going to be interpreted as "a man from the Thoyane tribe assaulting a woman from the Embo tribe", resulting in a confrontation amongst these tribes, not unlikely given a history of faction fights.

Another farmer who joined the EFO in 2001 related her experience. She claimed that she had suffered rejection from fellow EFO members despite being one of the top suppliers to Farmwise, receiving regular awards as a result. In 2009 she earned about R25 000 from sales of *madumbe*. She maintained that some EFO members could not hide their dislike of farmers from other villages, asserting that, 'I was highly ostracised; those people don't like us because we are from Thoyane Traditional Authority". The farmer further claimed that in the following year her produce was not collected, and was told only that the EFO vehicle was full.

5.6 **External institutions assisting the EFO**

It is apparent that the EFO is crucially dependent on the funds and support services of a range of external organisations and individuals. This dependence threatens the ability of the organisation to resolve its own problems. These organisations, the services and forms of support they have offered are described here.

5.6.1 **The National Development Agency (NDA)**

The NDA provided financial, technical, legal, planning and management services to the EFO. The intention was to ensure that it became a successful model of development, to be followed by similar initiatives aimed at generating income, addressing unemployment and reducing poverty in rural communities. It also provided mentorship services to the EFO through a

contracted service provider (NDA Grant Contract 2009). As discussed in Chapter 2, the EFO project became a major focus of attention in the province, attracting funding and research interest. Through the NDA grant funding, members were supplied with water tanks for rain harvesting purposes. The grant was disbursed in various tranches subject to the EFO's detailed accounting for the grant money. The construction of a local packhouse where farmers would have a place to pack their produce before they supplied external markets was in the approved budget. The packhouse also accommodated the EFO's offices.

These forms of support became one of the driving forces shaping the activities of the organisation, and became a key agenda issue in management meetings. The amount of funding provided was substantial (R2 533 800), and these resources created the impression that the NDA was the most important stakeholder shaping the EFO programme.

5.6.2 **The University of KwaZulu-Natal**

Prof. Modi from the university pioneered the establishment of the EFO. He provided advice on organic farming and on strategies to deal with plant diseases. Prof. Modi also facilitated organic certification and the links with formal markets like, Farmwise. He was also the EFO's mentor, contracted through NDA grant funding, to facilitate the implementation of the NDA-supported progamme.

5.6.3 **Department of Rural Development and Land Reform (DRDLR)**

This Department trained members in good governance of cooperatives, financial management and crop production. In addition, it provided the EFO with lime, organic manure, and weighing scales. A total of 168 farmers benefited from these support services.

5.7 Conclusion

This chapter presented key findings on the institutional dynamics within the EFO. It described farmers' views on the management, leadership and organisational practices of the EFO. It also discussed farmers' experiences in relation to markets and external stakeholders. This description suggests that the EFO, at the time that this study was conducted, was an organisation that was gradually disintegrating, for various reasons, including:

(i) Inadequate organisational capacity to perform duties related to the coordination of marketing functions;

(ii) Loss of an organised market that was readily available for farmers to sell their produce;

(iii) Poor organisational response to the needs of the farmers, including the lack of internal capacity to address the stringent requirements of the market for organic produce;

(iv) Over-reliance on external stakeholders to drive the organisation's programmes, rendering the collective unable to respond on its own to emerging challenges in relation to organisational, production and marketing problems;

(v) Information flows from the Management Committee and organisational advisors were inadequate; their understandings of key issues and challenges had not been shared with most members of the EFO;

(vi) Severe internal conflicts that emerged as the struggle to access resources intensified after the NDA supported the EFO with grant funds.

A number of dynamics that help to account for these processes are discussed in the following chapter.

CHAPTER 6 : ANALYSIS OF INSTITUTIONAL DYNAMICS WITHIN THE EFO

6.1 Introduction

The previous chapter described key institutional dynamics within the EFO. Analysis of these dynamics reveals interplay of underlying factors, many related to weak institutional arrangements that beset the organisation. These key factors include poor management and leadership oversight, processes of elite capture, and both intra-and inter-community differences and conflicts characterised by a high level of tribal political discrimination. Further, the role that academic institutions played in shaping relationships within the organisation deeply influenced its interaction with external stakeholders.

This chapter analyses the institutional dynamics described in Chapter 5, and argues that the deep-seated political and tribal violence experienced in the area has been used as a tool to exclude some members in a fight for control over the resources available to the EFO. This was compounded by a weak institutional design that undermined the EFO's capacity to enforce its organisational policies. Free-rider problems, inadequate access to information, and the lack of accountability undermine development in the EFO.

The previous chapter also revealed highly unequal power relations between the EFO and its marketing agency, Farmwise. Developments in the EFO partially reflect the dynamics of production and reproduction within modern commodity chains, which often have adverse consequences for producers in the smallholder farming sector. Challenges associated with such value chains, such as the influential role of external stakeholders, have impacted on the sustainability of the organisation. The extent to which these factors affected the development of the EFO is assessed in this chapter.

6.2 Tribal conflict

As alluded to in previous chapters, "tribal" politics have been used in a fierce struggle to control key resources and marginalise some members of the EFO. Election to leadership positions was used to discriminate against EFO members from certain traditional communities. A form of exclusion based on "tribal" membership became one of the key factors which impeded the functioning of the EFO. This led to reduced participation in meetings, ultimately leading to the decline in membership.

As discussed in Chapters 2 and 3, Embo *amakhosi* claim an authority greater than that of other traditional authorities in Umbumbulu (Mathis 2008). This tribe established its authority before the period of colonial conquest and was not created by colonial governments. This ideological predisposition infiltrated the EFO and shaped interactions amongst members from different tribal groupings. Deliberate efforts by powerful individuals within the EFO leadership to exclude some members was evident. The basis for such marginalisation was perceived to be related to struggles for control of the organisation.

Some of the estranged members were from the "other tribes", and had previously been in leadership positions within the EFO, and were clearly conversant with its management prescripts regarding accountability and the safeguarding of both resources and the interest of the organisation in general. Requests for accountability in relation to observed patterns of use of the organisational funds, including the hiring out of assets such as tractors at a loss to outside contractors, was deemed to be one factor that created an impasse within the EFO.

Perceptions of collusion amongst some Management Committee members, who had not called for a reprimand of those engaging in unacceptable practices, suggests that there was a group of people benefiting from these arrangements. The continued participation of those who had been discriminated against was therefore a threat to the privileged minority's continued access to benefits that would otherwise be shared by members in general. Marginalisation was thus perpetuated in order to gain material benefits, and was used to disengage those members who demanded accountability.

This intra-community politics has been seen in a very serious light by the estranged members. They believed that continued participation would spark the already delicate tribal tensions into the kind of violent conflicts witnessed in the past, which had caused bloodshed across the whole area of uMbumbulu. Discrimination has successfully marginalised legitimate members of the EFO and has served to promote the self-interest of the elites within the organisation. There were decisions and actions taken by some of the leaders which discriminated against members of the organisation from other local "tribes". This local antagonism was even expressed in messages of hatred to each other.

As suggested by Padilla et al (2008), local antagonisms result in the inability of groups to work together productively, and can be triggered by unmet expectations and perceived inequality in benefits from a development programme. In such projects, intra-community

conflict, can at worst, reverse existing development trends. These factors are evident in the EFO.

6.3 **Unaccountable leadership**

Members of the EFO who were interviewed perceived that employment opportunities in the organisation were allocated by leaders to their own household members. In their view, decisions were swayed by powerful individuals to provide their own relatives with favourable opportunities, leading to the capture of benefits. Discussions with members of the organisation revealed how funds earmarked for packhouse management (grading, packaging and delivering of produce to the market) were not used to serve this purpose. Opportunism has been evident, in disregard of agreed organisational processes and planned activities.

The hiring of relatives was made possible by the absence of internal employment policies. Certain individuals were given paid jobs even when there were no actual tasks to be performed. The EFO had no reporting systems for its employees, which resulted in those employed not accounting for the salaries they drew from the organisation.

Recent developments in the EFO indicate that members of the organisation have been able to use the powers enshrined in their constitution to vote for leaders whom they feel will be more accountable to the organisation. This has been met with some contestation, as some of the previous committee members did not hand over organisational documents that would enable the new committee to perform their duties, including contracts and guidelines for support from funding agencies. This means that further support to the organisation has been delayed, since the release of further tranches from the funding agencies could not take place. This had a dire impact on farmers, development agencies and government departments in relation to the implementation of planned activities. It affects the overall progress of the organisation, in acquiring production inputs and equipment, in coordinating support related to the marketing of produce, and in ensuring that existing infrastructure (e.g. the packhouse) remains operational.

6.4 **Unequal power between the EFO and external actors**

Unequal power relations between the EFO and various stakeholders within and outside the organic value chain have had detrimental effects on the EFO. The EFO case needs to be understood in the context of the broader agro-food regime within which it is embedded, given

that upstream and downstream linkages profoundly influence the whole agricultural process. The EFO has been faced with many challenges as a result of entering a complex agro-food landscape controlled by powerful interests.

The institutions that issue the organic certificates which qualify the EFO to sell organic produce, as well as Farmwise itself, have been powerful players in the network of relationships established with the EFO. As Sykuta & Parcell (2001) argue, the many risks in relation to value gained, and uncertainties in the decision rights associated with transactions between contractual parties, result from the lack of perfect information. Contracts are always incomplete, but to different degrees. The verbal contract between the EFO and Farmwise was the superior force guiding the unequal partnership between the parties. The processes in the EFO described above confirm what Lyne et al (2009: 73) argue in relation to the unsatisfactory terms agreed by EFO and Farmwise – that a purely verbal contract tends to undermine the distribution of benefits to the EFO and ultimately discourages member performance.

6.4.1 **Verbal contract: product supply and pricing**

These unequal power relations were also demonstrated by the lack of the bargaining power of the EFO in its dealings with Farmwise. Whilst the EFO held discussions with Farmwise prior to the supply of produce, their lack of information about retailer prices and organic markets in general led to them incurring severe losses. Farmers had to wait for the packhouse to make a call requesting them to supply unspecified amounts of produce. Farmwise would determine the extent of oversupply and request the EFO to collect unwanted produce from the packhouse.

The verbal agreement could therefore not provide sufficient certainty to farmers about when they should supply produce. As there was no indication from Farmwise on the precise quantities that needed to be supplied, farmers supplied variable amounts of produce and hoped that it would all be bought. Farmers could not decide to supply other consumers because they had the agreement with Farmwise. The agreement did not further protect farmers in relation to the period it will take for the produce to be brought back if it is rejected.

Instances of produce brought back to farmers as long as two weeks after supply were recorded. The costs of transporting the rejected produce were also borne by the EFO, as its drivers would have to deliver the rejected produce to village collection centres. It was also the

responsibility of the driver and the village representative to trace the farmer and inform them about rejected produce. Further, farmers had to bear the costs of collecting the produce from the village centres.

An organic farming system is inherently risky because of the short shelf life of produce and the exacting nature of consumer demand. Retailers want to procure only the best quality produce from their suppliers, which results in much produce being rejected. The perishable nature of *amadumbe* is a risk also borne by farmers – when rejected produce is brought back, they can no longer sell it. The EFO has had to bear the costs and ultimately incur losses on produce that has been delivered but not sold at the packhouse.

6.4.2 **Retailer domination of the value chain**

As noted earlier, within the South African agro-food sector, companies apply various strategies to control value chains and maintain their own profitability. Such strategies include centralised procurement, the use of contracts to ensure the homogeneity of produce, and regulating via their own private standards. Through these systems the companies exert high levels of market power, resulting in low prices for farmers (Cousins 2011:102). This describes the position in which the EFO found itself as it sought to supply organic produce to the powerful retail sector. The procurement systems used by retailers emphasise high quality, and strict regulation increases the pressures on and costs incurred by the EFO. As emphasised by Caister (2012), regulation by large retailers enforced through contractual agreements has sustained these power relations, as is evident within the EFO/Farmwise partnership.

The difficulties faced by the EFO in marketing its products are therefore a result of intrinsically unequal power relations within the agro-food industry. Power is often exerted downstream of production, in this case by Farmwise, which controls packaging, quality assessment and storage. Huge cost burdens have been borne by the EFO, leading to the organisation sustaining perpetual losses.

Low literacy levels amongst farmers have increased opportunities for their exploitation by these powerful agents. Darroch & Mushayanyama (2006) and Hendriks & Lyne (2009) have stressed that EFO members had no bargaining powers in their dealings with Farmwise. In this study, farmers often expressed deep concern at how their produce was rejected and sent back with all costs borne by the EFO and individual producers.

The experience of members of the EFO can be best understood by locating it in the wider context within which small-scale farmers operate. Bernstein and Oya (2014: 4) highlight key contrasts between different petty commodity producers; some depend on various types of insecure activities for their survival, and do not own sufficient means of production, while others own the kinds of means of production, capital and transport that allows them to benefit from market access. In the case of South Africa, as in other developing economies, the food retail sector is dominated by large supermarkets, which regulate the system via private quality and safety standards. Their increased control of supply chains subjects small-scale farmers to intense pressure, which in many cases results in severe losses.

The following section discusses the kinds of power relations that the EFO endures within organic value chains. It analyses the barriers associated with modern markets, which include the high costs of participation of small-scale farmers, and their lack of bargaining power.

6.4.3 **Organic certification process**

The EFO sold its produce to Farmwise which had strict requirements from the retailer it supplied (Woolworths): produce had to be certified as organic before it could be bought from farmers. Organic certification, which was undertaken by third party agents, was another serious barrier to EFO participation in the organic industry. While the process was costly (estimated at R30 000 per year), the red tape that was involved proved very difficult for farmers. Besides the amount required to pay for certification, there were other additional costs incurred by EFO, in which internal inspectors had to measure and assess production methods in the farmers' fields. Moreover, the farmers did not have a good understanding of the institution that ultimately issued the certificate.

The EFO was assisted in obtaining the certificate by their mentor from the University of KwaZulu-Natal, but its members (including the Management Committee) did not know the actual location of the certifier or verify information on the certification process. The dependency on their mentor in guiding them through these processes meant that the EFO had little leverage within the certification process.

6.5 **Internal free-riding**

Problems associated with internal free-riding were common within the EFO. Members who had joined the organisation at its inception and were part of the negotiations in establishing

the relationship with Farmwise felt that new members were benefiting from the efforts of the founder members. These tensions manifested themselves in the management of organisational affairs and has contributed to the decline of membership.

Some members would renew their membership but did not participate in meetings and in forums aimed at developing the organisation. These members, however, benefited from the decisions made at those gatherings. They also benefited from services offered by the organisation, like measurement of fields, tractor-hire services, and transportation of produce to Farmwise. The inspection of fields for organic certification was mostly undertaken by volunteer members who were not paid, but everyone benefited from this service.

These dynamics within the EFO are consistent with Ortmann & King's (2007) assertion that new members of cooperatives often receive the same patronage and residual rights as existing members, although new members do not make up-front investments proportionate to their use. These developments also support their view that in such organisations property rights are ill-defined and poorly enforced, contributing to passive members fully benefiting from the efforts of other active members.

6.6 Inappropriate support by external institutions

6.6.1 The role of academic institutions

This study shows that external actors were invisible yet powerful in determining the terms of the participation of the EFO in the organic market. Academic institutions, for example, also made important contributions in promoting access by the EFO to an organic value chain, and supporting relations between the EFO and its market. These academic institutions maintained influence and power in this partnership, and the EFO emerged subservient. The EFO case reflects the extent to which programmes initiated by external actors may embody agendas that do not connect with small-scale farmers'constraints, needs and aspirations.It demonstrates the extent to which research institutions that set out to support small-scale farmers can unwittingly create dependency.

6.6.2 Development agencies

The EFO case further demonstrates how government departments and agencies have tended to shortcut processes at the expense of those intended for support. Development funding and capacity development initiatives were guided mainly by their pre-designed official plans,

which did not take into account the situation of those communities they are working with. Caister (2012) suggests that the agenda of the agricultural extension officer in uMbumbulu was motivated mainly by the Department of Agriculture's plans that had little relation to local farmer priorities.

This study established that the Department of Agriculture (DoA) was implementing a mechanisation programme, through which the government assists with tractors in land preparation and planting. The department also offers technical support programmes focused on production planning, planting and linkages with input suppliers. But within the EFO, members suggested that the DoA was unable to offer support for organic farming. The DoA had worked with the EFO since its inception, but it admitted that none of its staff had training in organic farming and therefore could not offer related support in technical aspects. It also could not offer the required production-related support.

Organic production is costly and risky, as farmers cannot apply fertilisers and chemicals. Technical support and advice were important to farmers in all aspects related to production, as well as addressing challenges related to marketing. Currently the DoA has allocated an extension officer to the area who is trained in animal production and has only attended one EFO meeting this financial year (2016). The DoA has also failed to solve challenges around access to the department's tractors that were controlled by the traditional leader. There seems to be no coherent programme to support and mentor the EFO.

The National Development Agency (NDA) was another critical stakeholder. The conditions imposed on the farmers by the NDA to form legal entities (cooperatives) that require legislative compliance was just one condition of support. This was coupled with the nature of the training programmes that were offered, which were conducted over a few days. These did not consider the poor literacy levels of most of the farmers, who were expected to comprehend the training and apply these skills in both the financial and administrative functions of the project. The NDA provided some mentoring support, which seemed to be more focused on farmers being able to account for the resources being channelled to the EFO than to build both the institutional and technical capacities of farmers required for them to be able to manage their enterprises.

The way that government, other agencies and academic institutions worked with the EFO is consistent with what Chambers (1983: 16-17) refers to as "project bias", in which a particular project becomes a showpiece. Such projects become a favourite of both the donor community

and government departments. Chambers states that such projects are often “tiny atypical islands of activity which attract repeated attention”. Over time, the seed of tragedy is sown, leading to “self-deception, pride, defensiveness and ultimate collapse”.

Mathis (2008: 197-198) suggests that the organisation has become one such project, wherein researchers have flocked to the area, producing fatigue among EFO members. Mathis argues that the EFO’s openness and flexibility has left it vulnerable to disputes over resources and to political manipulations, whilst it has gained very little from research studies. As Mathis concludes, the EFO has been highly successful in attracting money earmarked for development; however, it has been much less successful in capturing its niche market and selling produce for a high profit margin. It could not be sustainable in the long term without grant money. These observations remain relevant to the EFO.

6.7 **Conclusion**

There are clear links between the high levels of conflict witnessed within the EFO and the capture of benefits by some members of the organisation. Tribal affiliation had been used to perpetuate intra-community conflict by some leaders in the organisation as a way to capture benefits in exclusion of other EFO members.

The management of the EFO has also been problematic. The organisation wanted to operate a business that would supply large retailers with organic produce. For farmers to operate a business, they must have sound basic management systems, enabling them to manage funds, record sales and have good market information. Further, they must have skilled staff, manage staff performance and account to the membership. The EFO experience indicates that although these functions were undertaken to a certain degree, they were all dictated by and dependent on the support of external stakeholders, especially those who had made financial contributions to the organisation. The EFO does not have its own plan or programme that caters for the kind of business it is operating. When sponsors’ funds dried up, the EFO would disintegrate to its lowest level of activity, when each farmer worked on their own fields during farming seasons.

Poor accountability by members of the Management Committee to farmers regarding the management of resources contributed to the decline in the effectiveness of the EFO that was witnessed. The organisation had not been sufficiently empowered to take action against the

abuse of its resources. It was much too dependent on the mentor and other stakeholders. These external stakeholders were only able to deal with specific aspects of the project that were concerned with their own financial contributions, or their own academic interest in the EFO. Much of the misuse of resources would be ignored or referred back to the organisation to act on it.

It was only in 2013, through a combination of training and the funding of a new project mentor by the NDA, that the EFO was able to review its organisational functioning and mobilise those farmers who had lost interest in the organisation. Significant changes were then observed. An Annual General Meeting was held, and the organisation was able to elect a new leadership. There were contestations over the new leadership, as some of the outvoted members refused to recognise the new leadership. They even refused to hand over important organisational documents and account to both members and the sponsors for resources that the EFO had received.

Much as there has been recent progress in ensuring an end to the misuse of organisational resources, the EFO's institutional capacity remains in need of strengthening. This will involve addressing key issues around coordinating the production and marketing of produce, as well as developing a proper organisational plan that is not dictated by those sponsoring the organisation. Empowering the members and staff to develop and implement their own plan is key in shifting the power relations within the EFO. This should be coupled with the development and application of basic management systems that are within the capacity of the organisation to enforce.

CHAPTER 7 : CONCLUSION

This final chapter relates the research findings set out in Chapter 6 to the wider literature on smallholder farming in Southern Africa. The study confirms earlier research findings on the EFO on the importance of farming in rural households under communal land tenure systems. The study establishes that as the EFO evolved, it continued to be confronted by the challenges experienced during its formative years, which are mainly attributed to inappropriate approaches to support smallholder farmers that are not relevant to local realities. The findings further reveal that due in part to low literacy levels among the farmers, contemporary value chains tend to maintain relations of dominance and exploitation. The chapter concludes by discussing some wider policy implications that can be explored in supporting the smallholder farming sector to contribute to wider agrarian transformation imperatives.

7.1 Summary of research findings

7.1.1 The importance of agriculture within diversified livelihood strategies

The findings of this study support others' views that smallholder farming in South Africa has the potential to contribute towards increased income and employment opportunities for rural households, thus playing a significant role in poverty reduction (Lahiff and Cousins 2005). Although *amadumbe* production was the most important cash crop for Umbumbulu households, other crops like beans, sweet potatoes and potatoes are still considered important by most households. The other crops were marketed to traders and neighbours, which signifies the importance of crop diversification and informal marketing avenues as farmers pursue their livelihood strategies.

7.1.2 Communal land tenure systems do not constrain productive farming

Since it is closely linked to the role of agriculture in the livelihoods of rural households, the land tenure issue, and specifically the role of communal tenure systems, becomes a central issue. This study helps to dispel the view that communal land tenure systems are insecure and have negative impacts on farming. On the contrary, kinship and social ties are important determinants of access to land in rural areas. The findings in this study re-inforce the claims that communal land tenure systems are "socially embedded" and they positively contribute towards improvement in land use for both farming and residential use (Cousins 2007; Mathis

2007; and Kasika-Lwayo 2012). These systems promote affordable and flexible access to land. This was confirmed in this study, as 98% of households have rights to cropping fields which were put to productive use as the organic farming initiative gained momentum.

7.1.3 **Abuses of power by traditional authorities**

This study shows that in Umbumbulu the abuse of power by traditional leadership institutions is still rife, as in other communal areas (Claassens and Cousins 2008). This is an impediment on the development of farming in the study site. The unwillingness of the traditional leader to allocate tractors donated by the DoA for use by members of the EFO is a clear demonstration of the problem. Further, the exposure of an instance of corruption, wherein the traditional leader solicited a bribe to allow the EFO to build its packhouse, unmasked the extent of elite capture in the Umbumbulu area. This power abuse led to the underutilisation of resources which could have enhanced agricultural production in the area. Local government and traditional authority systems will always be in conflict in the absence of clearly defined roles for the latter. The dual roles of the local *induna* as a traditional councillor and a democratically elected local government councillor mitigated conflict over local development initiatives. It reduced conflict within these institutions, thus contributing towards the support for local farming initiatives.

7.1.4 **Complex marketing systems**

This study revealed the nature of the challenges faced by smallholder farmers in participating in formal agricultural value chains. These are charecterised by high transaction costs, especially in relation to organic farming systems, which include the costs of certification. Losses were incurred by farmers in cases of rejected produce, coupled with the unfortunate delays in returning rejected produce to farmers, which necessitates an enquiry into other marketing systems that might better serve the interest of smallholder farmers.

7.1.5 **Weak management of collective organisations**

The weak management of the EFO, which is partly due to the illiteracy of its members, as well as poor organisational policies, procedures and systems, contributed to the dysfunctions experienced by the organisation. Abuse of power and resources by elite was underpinned by the high levels of “tribal” conflict experienced in the area.

Furthermore, weak organisation coupled with collective or cooperative forms of association, opened up the EFO to free-rider practices (Hendriks & Msaki, 2009). Operational

incapacities led to some members of the EFO providing voluntary services such as market coordination, farm assessments and transportation services. The study further established that some EFO members have not been participating in and contributing to the organisation, but have equally benefited from all services and benefits provided by the organisation. This highlights the problems often associated with collective organisations which do not provide benefits equivalent to individuals' contributions to the enterprise**.**

This form of dysfunction is characteristic of many community-based structures, particularly cooperative formations of small producers. The widely-held view that cooperatives are always democratic institutions fostering equal member participation is often misleading. In most cases the members of such organisations lack the ability to use the powers vested in their organisations to foster democratic member participation and equality, and support the economic advancement of all their members. In this case, the EFO had a well-defined plan of action specifying as to when particular benefits will be payable to which individuals. The timing of the employment of certain members outside the scope of the project reflected the abuse of power in the organisation.

7.2 **Policy implications**

The case of the EFO illustrates many of the weaknesses of the current development paradigm promoted by external role players, including the state and associated agencies. The inability of the EFO to maintain effective working relations with agro-business interests in the formal sector should impel stakeholders involved in agrarian transformation to take another look at the broader policy framework and adapt it to the needs of smallholder farmers.

In discussing agrarian transformation, rural development and poverty reduction in South Africa, Shepherd (2000: 211) maintains that the country is subjected to international forces, international markets and political structures that do not address the real needs of smallholder farmers. For real transformation that addresses the need of the large number of poor people in rural areas who still depend on agriculture, major policy reforms are required.

7.2.1 **Policies that support local practices**

This study uses the case of the EFO to emphasise that debates around agrarian reform and broader rural development need to recognise the specific nature of the rural sector in South Africa. Furthermore, key role-players need to adopt policies and programmes that mitigate against the negative influence of global food regimes on smallholder farmers in South Africa.

The case of the EFO exposes the highly competitive nature of formal commodity markets, and suggests that small-scale farmers in South Africa are not yet in a position to effectively participate in them and adopt the exacting standards required for success. Despite the EFO losing its organic accreditation, farming operations and marketing to traders, both at the farm gate and in nearby towns, are still sustained. This supports the view that "modernisation" is not replacing older economic patterns, but is spreading in parallel with vibrant informal and local economies (Vorley et al 2012: 20-21). The EFO case study suggests the adoption of policies and support programmes that are based on the potential offered in local contexts by efforts to improve on existing local practices (Aliber & Hart 2009: 434).

7.2.2 **Policies that promote access to markets**

Findings from this study of the EFO suggest that farmers' preference for the Farmwise market was based on provision of a guaranteed market, although losses related to rejection of produce were common. This indicates that the availability of markets (either formal or informal) is critically important for farmers. Policy and a support programme that provide easier access to markets and eliminates exploitation will be highly relevant for smallholder farmers.

7.2.3 **Redistributive land reform**

The extent of jobs shedding in urban centres and increasing reliance on social grants for many rural households call for a policy rethink, that supports other livelihood strategies, including the revival of farming in rural areas. In uMbumbulu, a high rate of migration of members of sampled households to urban centres was observed. This is a common trend in many rural households, where members leave their homes for urban areas, either for schooling or job opportunities. This suggests a need for increased food production to supply growing urban communities.

Empirical evidence generated in this study reveals that there are many farmers who produce and sell produce in both formal and informal markets. Income from *amadumbe* production enabled some households to acquire assets, like a van acquired by one respondent, making it easier for him to market his produce in areas outside uMbumbulu. Such farmers provide employment to local people during all phases of production up to and including marketing.

In the context of a growing scarcity of land in uMbumbulu, there is an urgent need for an aggressive policy to redistribute land and target such farmers. This suggestion is in support of the arguments by Cousins & Lahiff (2005: 131) that there are different class structures among small-scale producers, justifying policy reforms which target small-scale farmers who can begin to compete with large-scale commercial farmers. In addition, these recommendations align stances that promote "accumulation from below" (Cousins: 2013), contributing to job creation and the wider redistribution of income. Implementing such policy reforms can also mitigate against an over-centralised agri-food system, providing a more equitable distribution of ownership and control over economic assets (Greenberg 2013b: 24).

7.2.4 **Promotion of smallholder farming**

Related to the above recommendation, this study of the EFO also re-enforces the need for a policy that offers effective support to small farmers and contributes to economic redress. Small farms provide a platform for resource-poor households to engage in economic activities that positively contribute to reduced household poverty, income generation and increased food security. This study has demonstrated that the setback suffered by the EFO was mainly related to market coordination and organisational challenges. Production at household level for marketing purposes is sustained. Support to small-scale farmers should remain at the forefront of policy discussions in South Africa. This study suggests that a "modernisation" perspective and orientation that sees only larger farmers as being able to supply modern value chains and sustain economic development is faulty.

7.2.5 **Institutional reform**

The establishment of the EFO cooperative in 2001 was driven by a popular development discourse of the time that supported the establishment of cooperatives. It did not adequately consider the constraints commonly faced by cooperative institutions, such as the need to clarify the role of individual members, or the common failure of cooperatives to involve members in policy decision-making (Machethe 2004). These problems have been experienced within the EFO. The EFO was developed to offer secondary services like inputs

supply and market coordination, with primary activities in production maintained at the individual household level. The EFO, however, lacked appropriate institutional capacities: human capital, skills and systems for providing the secondary services it was developed to offer.

For agricultural reforms to adequately support rural households, appropriate institutional designs are required. Government and development agencies should create an environment conducive for small rural farmers to operate their business within an institutional framework relevant and appropriate to their circumstances. Proposals for incorporating farmers into formal institutions like cooperatives have not achieved the desired outcomes. Institutional innovations that build on farmer practices and take account of local conditions need to be explored. This requires further research on flexible institutions that allow farmers to produce, transact and make profits within their local circumstances.

7.2.6 **Development of appropriate extension support services**

Effective extension services are a key condition for successful agrarian transformation. The findings from this study reveal that farmers were not provided with accurate market information and were thus unable to benefit from price fluctuations, lacked the skills they needed to improve soil fertility, and suffered losses due to exacting quality requirements they did not fully understand. Effective extension services could have addressed these problems.

In addition, poor coordination of crop production, inadequate access to infrastructure and services like transport, and weak packaging facilities (including storage) impeded the operations of the EFO. Again, extension officers could have assisted in efforts to resolve these problems. The farmers expressed despondency about the poor extension support offered by the DoA and its extension staff, who are not knowledgeable about organic farming systems. Kisaka-Lwayo (2012: 303) suggests that public support should be applied not only through credit facilities and subsidies but also through providing market information, assessing the risks associated with a particular production system, and weighing options that are adapted to local situations.

This research illustrates the need to transform agricultural extension support to respond to the actual needs of farmers. Relevant services that are appropriate to the actual context within which smallholder farmer development is attempted are required to provide reliable market information, coordinate logistics, and promote effective quality management systems.

7.3 **Conclusion**

This mini-thesis has explored institutional dynamics within an organic farming organisation, the Ezemvelo Farmers' Organisation (EFO), based in uMbumbulu in KwaZulu-Natal. Agriculture remains an important livelihood strategy for many households in this rural area. It presents opportunities for income generation, food security, job creation and increased asset accumulation by community members. The study further established that communal land tenure systems do not necessarily constrain agricultural development, given that the EFO initiative has regenerated agricultural production in uMbumbulu. Underutilised fields were put into productive use as the organic farming initiative gained momentum. The EFO marketed its produce to Farmwise, a packhouse that distributes produce to various retailers. However, organic production and marketing to formal businesses had high transaction costs for members of the EFO, as quality standards were enforced throughout the operation of the value chain. This experience suggests that institutional dimensions are critically important in such contexts.

However, the institutional aspects of development are often not adequately catered for. Rural development interventions that are driven by external stakeholders, including academic institutions, government departments and associated agencies, do not provide sustainable solutions to the problems often faced in efforts to support the development of smallholder farmers. Key issues that need to be addressed include the abuse of power, elite capture of resources earmarked for the development of farmers, free-rider problems, internal conflict, and weak management of cooperative organisations.

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Appendix

EFO RESEARCH PROJECT 2012 BY THULI MSOMI

Questionnaire number					Research Assistant			

Name of respondent	
Ward	
Village	
Name and surname by which homestead is known	
Cell phone number of respondent	

Year joined the EFO:

Certification Status

Fully Certified	Y		Partially Certified	Y		Not Certified	Y	
	N			N			N	

Year started selling to the packhouse:

Hello, my name is Thuli Msomi. I am conducting a study of the EFO. Your homestead has been selected for participation in this survey. We ask permission to interview the main farmer from this homestead. The selected farmer's participation is voluntary i.e. he or she has the right to refuse. The information obtained from all participating farmers will be compiled in a report and the findings will be presented to people in the surveyed areas. No names will be referred to in the report. Your responses will be kept strictly confidential.

Do you have any questions before we start? **IF NO, CONTINUE WITH THE INTERVIEW**.

Codes Table 1: Homestead members

	How is this person related to you? **[Col 4] [DO NOT READ OUT]**		What is the marital status of this person? **[Col 5] [DO NOT READ OUT]**		How often is this person present at this homestead? **[Col 6] [DO NOT READ OUT]**
1	Self	11	Never been married	1	Present most or all nights
2	Husband or wife or partner	12	Ganile/ganiwe-husband/wife still alive	2	Present during working days but away most weekends
3	My child	13	Gidile-husband/wife still alive	3	Present during weekends but away during working days
4	Adopted/foster child	14	Other form of marriage/ partnership (describe)-husband/wife/partner still alive	4	Present about once a month
5	Child-in-law	15	Divorced	5	Present for one or two periods in the year
6	Grandchild	16	Separated/deserted/abandoned by husband/wife/partner	6	Present during school holidays
7	Parent	17	Ganile/ganiwe-husband/wife deceased	7	Other (describe)
8	Parent-in-law	18	Gidile-husband/wife deceased		
9	Grandparent	19	Other form of marriage/partnership-husband/wife/partner deceased		
10	Sibling				
11	Co-wife				

12	Co-wife's child
13	Partner's sibling
14	Own niece/nephew
15	Partner's niece/nephew
16	Other relative (eg uncle, cousin)
17	Other relative of respondent's partner
18	Domestic worker
19	Tenant
20	Other (describe)

TABLE 1: HOMESTEAD (UMUZI) MEMBERS

Please tell me about all the people who are members of the homestead, even if they are not here at the moment. Do not include people who have established other homesteads and have not come home in the last few years. **[USE CODES TABLE 1: Homestead members]**

Household head: …….

	Col 1	Col 2		Col 3	Col 4	Col 5	Col 6	Col 7
	1.Full name	2.Sex		3.Year of birth and age of this person	4. How is this person related to you? **[USE CODES]**	5. What is the marital status of this person? **[USE CODES]**	6. How often is this person present at this homestead? **[USE CODES]**	Total % present most or all nights
		Male	Female					
1		1	2	/				
2		1	2	/				
3		1	2	/				
4		1	2	/				
5		1	2	/				
6		1	2	/				
7		1	2	/				
8		1	2	/				
9		1	2	/				
10		1	2	/				
11		1	2	/				
12		1	2	/				
13		1	2	/				
14		1	2	/				
15		1	2	/				

16		1	2	/				
17		1	2	/				
18		1	2	/				
19		1	2	/				
20		1	2	/				

Codes Table 2: Income sources of homestead members

N.B. Description of income source: add details on nature of income source such as type of job, economic sector, where it is located, etc

1	Employee in permanent job
2	Employee in temporary, contract job
3	Do casual employee work
4	Farming activities on homestead's land
5	Self-employed in non-agricultural own/family income-earning activity without employees
6	Self-employed in non-agricultural own/family income-earning activity with employees
7	Work on income-generating project
8	Not employed and looking for work
9	Not employed and not looking for work
10	Old age grant from government
11	Pension from private employer
12	Disability grant
13	Child support grant
14	Remittances in cash
15	Remittances in kind (eg food, clothes etc)
16	Other - specify

TABLE 2: SOURCES OF INCOME OF HOMESTEAD MEMBERS

[USE CODES TABLE 2: Income sources of homestead members]

	Col 1	Income source 1			Income source 2			Income source 3		
	Full name	**Code**	**Description**	**Cash per month**	**Code**	**Description**	**Cash per month**	**Code**	**Description**	**Cash per month**
1										
2										
3										
4										
5										
6										
7										
8										

9										
10										
11										
12										

TABLE 2: SOURCES OF INCOME OF HOMESTEAD MEMBERS - continued

[USE CODES TABLE 2: Income sources of homestead members]

	Col 1	Income source 4			Income source 5			Income source 6		
	Full name	**Code**	**Description**	**Cash/ month**	**Code**	**Description**	**Cash/ month**	**Code**	**Description**	**Cash /month**
1										
2										
3										
4										
5										
6										
7										
8										

9										
10										
11										
12										

RANKING OF SOURCES OF HOMESTEAD INCOME

Please rank the four most important income sources of the homestead, in order of importance, and explain why each is so important.

Rank order	Income source	Cash earned / month	Reason for importance
1			
2			
3			
4			

TABLE 3: DURABLE GOODS AND PRODUCTIVE ASSETS OF HOMESTEAD MEMBERS

DOMESTIC	**Does the homestead have?**			**TOTAL**
	Yes (1)	**No (2)**	**Number owned**	DOMESTIC
1 Electric stove	1	2		
2 Microwave	1	2		
3 Sewing or knitting machine	1	2		
4 Washing machine	1	2		
5 Lounge suite	1	2		
6 Gas stove	1	2		
7 Paraffin stove	1	2		
8 Fridge/freezer	1	2		
ELECTRONIC /COMMUNICATION				COMMUNICATION
9 Radio	1	2		
10 CD player	1	2		
11 Television /DVD player	1	2		
12 Computer	1	2		
TRANSPORT				TRANSPORT
13Motor cycle	1	2		

14 Bicycle	1	2		
15 Motor vehicle in running order	1	2		
AGRICULTURE				AGRICULTURE
16 Tractor	1	2		
17 Plough	1	2		
18 Wheelbarrow	1	2		
19 Knapsack sprayer	1	2		
20 Donkey cart/ox cart	1	2		
21 Garden spade	1	2		
22 Garden fork	1	2		
23 Hoe	1	2		
24 Other (specify)	1	2		

LAND USED BY MEMBERS OF THE HOMESTEAD LAST YEAR

What types of land does this homestead have? **(Include land that is not adjacent to the homestead)**

	Col 1	Col 2		Col 3		Col 4	Col 5	Col 6	Col 7
	1.Type of land	2. Does the homestead have this type of land?		3. Has the land been used by the homestead in the last 12 months?		4. In what year was this land first acquired by the homestead?	5. How was the land first acquired?	6. No. of plots owned?	7. No. of plots borrowed
		Yes	No	Yes	No				
1	**Residential**								
2	**Garden plot/s within homestead**	1	2	1	2				
3	**Fields**	1	2	1	2				
5	**Project garden plot**	1	2	1	2				
7	**Other (specify)**	1	2	1	2				

If land is owned but not used, please explain why:

……

LIVESTOCK OWNED BY MEMBERS OF THE HOMESTEAD

What livestock are owned by members of this homestead? **(Include animals kept elsewhere and looked after by others)**

	Col 1	Col 2	Col 3
	Type of livestock	**Number owned a year ago (2011)**	**Number owned now (2012)**
1	**Cattle**		
2	**Goats**		
3	**Sheep**		
4	**Donkeys**		
5	**Pigs**		
6	**Chickens**		
7	**Other (specify)**		

CROP PRODUCTION IN 2010/2011: AREA PLANTED

CROP	ORGANIC CROPS – AREA PLANTED	INORGANIC CROPS – AREA PLANTED	TOTAL AREA PER CROP
Amadumbe			
Potatoes			
Sweet Potatoes			
Beans			
Maize			
Peanuts (groundnuts)			
Sugar cane			
Butternut			
Chillies			
Bananas			
Other (specify)			

NB: You must specify unit of measurement of area (eg hectares, acres, 1/10 of hectare)

ORGANIC CROP PRODUCTION IN 2010/Membership of the EFO

1. What benefits do get from being an EFO member?
2. What benefits were you expecting from being an EFO member, when you first joined? Have your expectations been met, or not? If not, why is this so?

A. Management of the EFO

1. How is the leadership elected?
2. How often is it elected?
3. Who qualifies to be a member of the management committee?
4. What forums do you use to raise issues on the EFO?
5. How do you get feedback, Is this system functional?
6. Please comment on the management of EFO

B. Certification of organic produce

1. How is the information about certification communicated to you? Do you know the rules of organic certification? Can you specify them?
2. What are the costs of certification? Who pays for them and what is the farmer's contribution to such costs?
3. Any other certification related information you would like to comment about?

C. Assistance from the EFO

1. What kind of assistance does the EFO provide in terms of the following:

   farming organically; pest and disease control; improving soil fertility

2. What other assistance do you get from EFO (e.g. improving produce quality)?
3. How do you request assistance?
4. Who provides you with assistance?

D. Contract between EFO & Farmwise Packhouse

1. What kind of contract is there between the EFO and Farmwise? Is it a written or verbal contract?
2. Is there a set quantity of produce that you should supply to the packhouse? What happens if you supply more or less?
3. How are delivery times decided? Explain.
4. How do you determine the exact produce that you supplied to the market? How is your produce distinguished from other farmers at the packhouse?
5. How is the price of produce determined?
6. How is the produce weighed and graded: Is the EFO represented in this process?
7. Is supply of quality produce fetching a higher premium than the other produce?
8. Does the money that is paid to you match the expectations of what you were to receive? Explain.
9. How is the money paid to you?
10. Have been some of crops been rejected at the packhouse?
11. Specify the reasons for rejection of the produce?
12. How was that communicated to you?
13. What was being done with rejected produce?
14. Do you know of any other markets to sell your organic produce?
15. Has the EFO discussed other markets for its organic produce?
16. Is there any other information about EFO dealings with the packhouse that you would like to discuss?