

‘AGRARIAN REPAIR’: Agriculture, Race and Accumulation in Contemporary South Africa

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Institute for Poverty, Land, and Agrarian Studies’ Seminar Series
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Introducing 'Agrarian Repair'



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INSTITUTE FOR POVERTY, LAND AND AGRARIAN STUDIES



Agrarian Repair: Agriculture, race and accumulation in contemporary South Africa



Presenter: Dr Melanie Sommerville
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This seminar examines recent agricultural investment projects in South Africa through the lens of 'agrarian repair'. 'Agrarian repair' proponents present their projects as combining two fixes. First, they seek to repair processes of capital accumulation, always uncertain but freshly destabilized by the financial crisis. Second, they seek to repair histories of social injustice, here resulting from blacks' supposed historical 'exclusion' from agriculture under colonialism and apartheid. I trace the historical origins of these projects, situating them in two concurrent transitions: one in the organization of the agrarian economy, the other in the orientation of the nation-state towards a liberal democratic, 'reconciliatory' dispensation. Turning then to the logics and modalities of a particular set of projects in South Africa's commercial fruit sector, I show how neither does agriculture prove to be the stable financial provider investors expect, nor do the projects deliver their anticipated social results. Benefits for black communities are uneven at best, while the projects actively exploit both South Africa's land reform programs and broader empowerment efforts to generate new advantages for wealthy investors. Examining how 'transformation' thus becomes redirected to revitalizing the status quo, I reflect on what the projects can tell us about how colonial and racialized histories and reparative movements are mobilized and monetized in contemporary agricultural projects. I close by considering how capitalism incorporates its critiques – here about its colonial and racial past – as new sites of accumulation.

 #AgrarianRepair

Date: Tuesday, 6 August 2019

Time: 13h00-14h00

Venue: PLAAS Boardroom, 2nd Floor Main Hall, University of the Western Cape

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Tel: 021 959 3754 or Email: jvandieman@plaas.org.za

A place of quality, a place to grow, from hope to action through knowledge

Source: PLAAS 2019

Repairing Capital's Accumulation Crises

Benefits of agricultural asset classes in managing investment portfolios

Illustrative case: South African farmlands

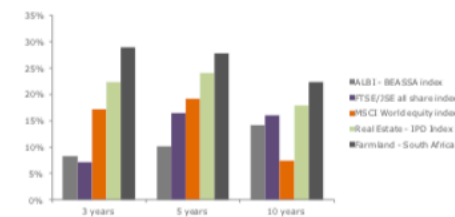
February 2013

Amid recent economic turmoil and volatile investment climate, there has been a renewed interest for asset classes with strong capital preservation characteristics, low or negative correlation to stocks and bonds and superior performance in an inflation-ary environment. Using the case of South African farmland as an example, this document intends to illustrate how the inclusion of farmland assets in a diversified portfolio will provide long-term horizon investors the stability and higher risk adjusted return they are looking for.

South African farmland asset class

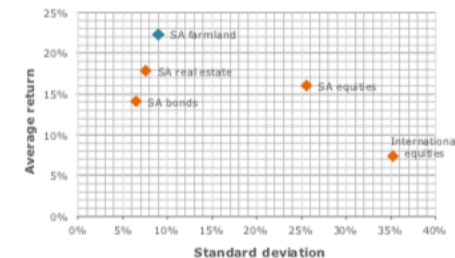
We have used a time series data which covers a 10-year period from 1999 to 2009 and for which data on South African farmlands was available. Historical return on South African farmland is based on historical price information for agricultural properties that have been transacted in each year (1). The return from agricultural assets is made of two main components, cash return on property and indirect return on asset or capital gain.

graph 1. Average return asset classes



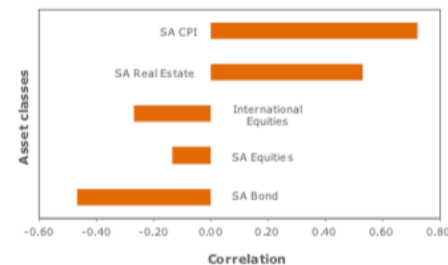
As it can be seen on the graph 1, investments on South African farmland have consistently yielded a higher return in comparison to local and international equity indices (FTSE/JSE and MSCI World), local bond index (ALBI BEASSA) and local real estate (IPD index).

graph 2. Risk/Return profile asset class



Over the 10-year period under review, both local and international equities have produced relatively low return and at a significantly high volatility (measured by the standard deviation). Compared to other asset classes, SA farmlands have produced higher return with moderate volatility. Volatility of farmland investments can be further reduced when assets are leased to an agri-operator, thereby insulating investors from operational and commodity risks. In general, farmland behaves differently from traditional stock indices and bond markets, providing a natural protection tool against market volatility.

graph 3. Correlation of SA farmland with other assets



Graph 3 demonstrates that SA farmland returns have consistently exhibited negative correlation with stocks (local and international) and high correlation with inflation and therefore investors may use it as an effective hedge in times of higher inflation while offering an opportunity for portfolio diversification.

Portfolio diversification

Investment policy adopted by investors is crucial as it will determine more than 90% of their portfolio performance (2). During that process, they will decide which asset classes will be included in the portfolio (capital allocation) and what would be the respective weight allocated to each asset class (asset allocation).

We have seen that different asset classes are not perfectly correlated, as such, there are high benefits to be obtained from diversification. Especially real estate and farmland which have shown increasing performance results over the past decade. This has led investors and fund managers to increasingly reconsider their positions in these assets over the last few years. To illustrate the impact of including farmland asset in a portfolio, we have constructed five basic portfolios ranging from one-asset portfolio to a multi-asset portfolio. (continued page 2)

Source: Futuregrowth
Asset Management &
UFF Agri Asset
Management Research
Report 2013

(1) SA Human Sciences Research Council, SA Deeds Office, SA Stats
(2) Brinson, Gary et al. "Determinants of Portfolio Performance" Financial Analysts Journal, Vol. 42, No. 4
www.msci.com - MSCI Global Equity Indices (2MR denominated return)
www.je.co.za - BEASSA total return indices, FTSE/JSE all share index
www.ipd.com - South African Real Estate Index

Repairing Capital's Racist History

Home › Bottomline › Making land reform farms work

Making land reform farms work

Sean Christie October 5, 2010 4:19 pm

Swimming against the tide of low investor confidence in South Africa's land reform processes, Futuregrowth Asset Management has created a R3 billion agri fund, and believes it has a model for investing in failed farms. Fund manager James Howard explained how it works to Sean Christie.

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Your R6 billion agriculture fund has sparked both excitement and confusion since Tina Joemat-Pettersson announced the agriculture department's support for it in her budget vote speech. Could you describe the character and purpose of the fund once and for all?
The R6 billion figure is correct, but there are actually two R3 billion funds – the Futuregrowth Agri Fund, which is a strictly South African fund, and the Old Mutual Africa Fund, which will be for Africa, excluding South Africa.

Could you explain where Futuregrowth comes from, and why you've set up an agricultural fund?
Futuregrowth is in the business of managing funds and providing products investors want. We're opening up a channel for our traditional investors, the retirement fund industry. When we've done anything relating to agriculture in the past, this industry has been really keen on it, because there are very few vehicles through which they can gain access to that asset class.

Many of the trustees, especially on the worker side, come from rural areas, and so agriculture is an area they really support. They see it as stemming urbanisation and creating jobs. It also hits so many buttons in terms of "social responsibility". That's where our heart lies. We've got a suite of socially responsible investment products, including bonds, equity, and property.

Source: Farmer's Weekly
<https://www.farmersweekly.co.za/bottomline/making-land-reform-farms-work/>

Worker empowerment: Lettie's story

Lettie Marcus, one of the workers on the Fund's Piketberg farm, describes how life has changed for her since the Fund acquired the farm:

"I started working on the farm ten years ago. I thought I would always be cleaning and in the kitchen. But (with the Fund) I was given the opportunity to develop myself and I took the opportunity to learn. I had no understanding in the past of things about our land, where cities were or how the climate worked. Now I know all these things and it makes me look at things in a new way. Now I can assist my daughter with her mathematics and geography."

Today, Lettie is a social development worker and one of four trained community healthcare workers on the farm. She is also a member of the farm's health committee, housing committee, women's forum and school board.

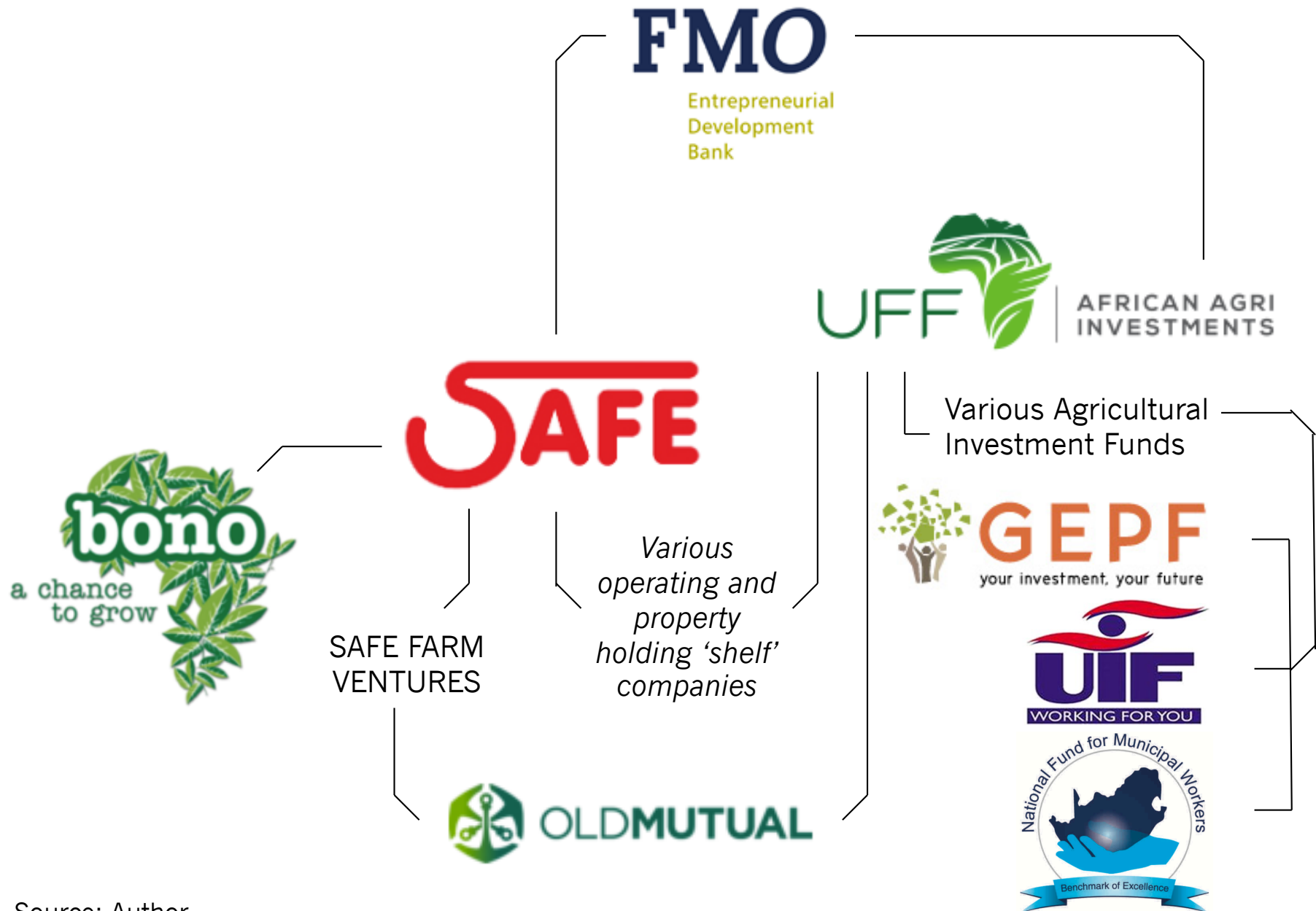
Lettie has been an outstanding ambassador for the Fund's AET programme. In 2015 she achieved As in her three level four exams and is planning to complete three Matric subjects by June 2017. She completed her ancillary healthcare training in November 2015 and is proud to be able to work together with formal health services to promote health in the farming community.

"The empowerment of the community is for real on this farm. All people involved make you feel respected. In the workers' committee people listen to each other. It doesn't matter what your formal qualifications are, your voice matters. We have a farm shop, run by ourselves. This gives access to basic needs so we don't have to go to town for everything. We have an adult education and meeting room where we can have meetings and where the older children can also sit after school if they know how to work on a computer. We have a crèche, so people with young children can also go to work safely. The crèche ladies had training and the Fund purchased a minivan we can use to fetch the children from their houses to get to the crèche safely."

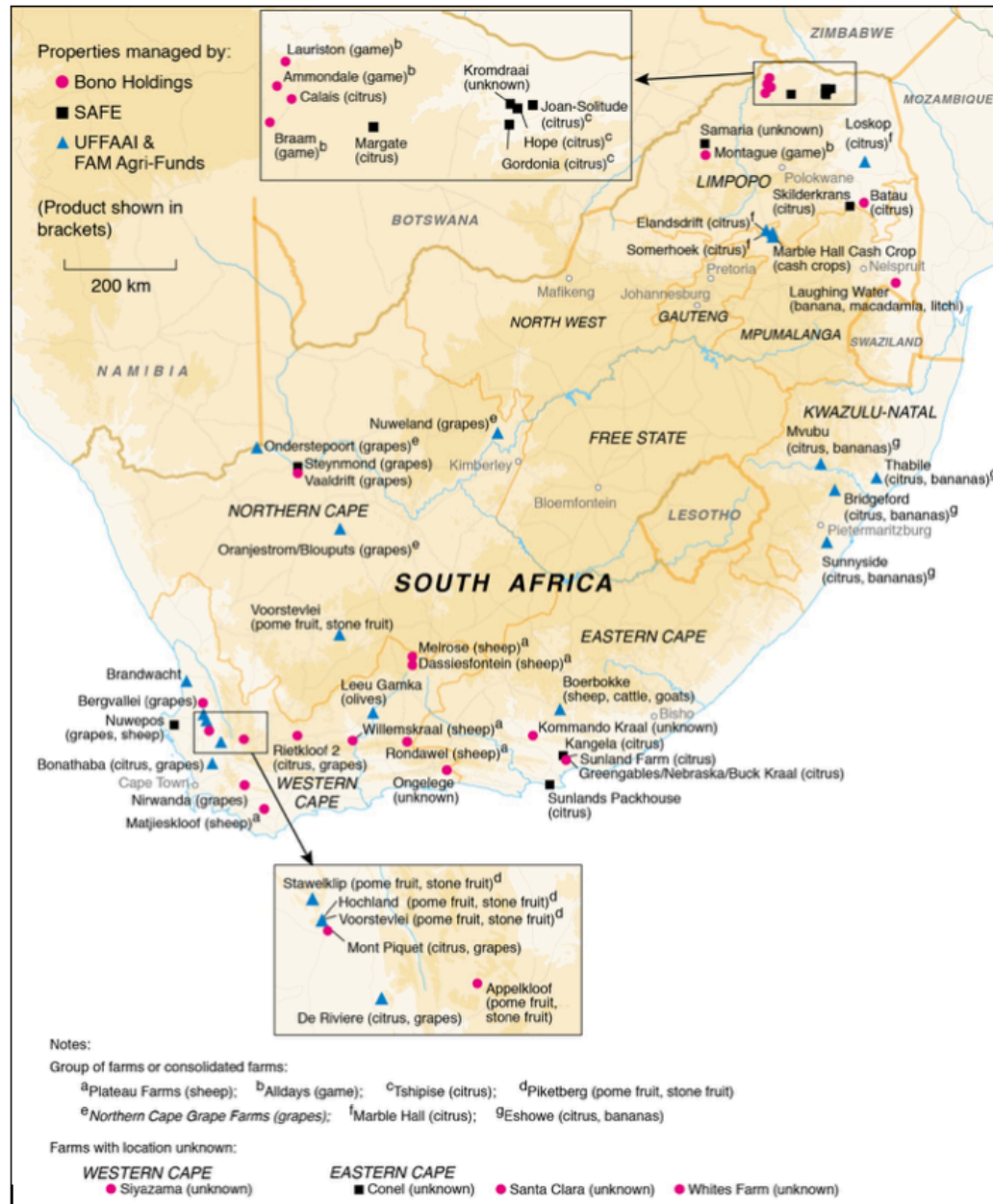


Source: UFF Agri Asset Management
<https://uff.co.za/responsible-investment/futuregrowth-agri-fund/>

The Corporate Family

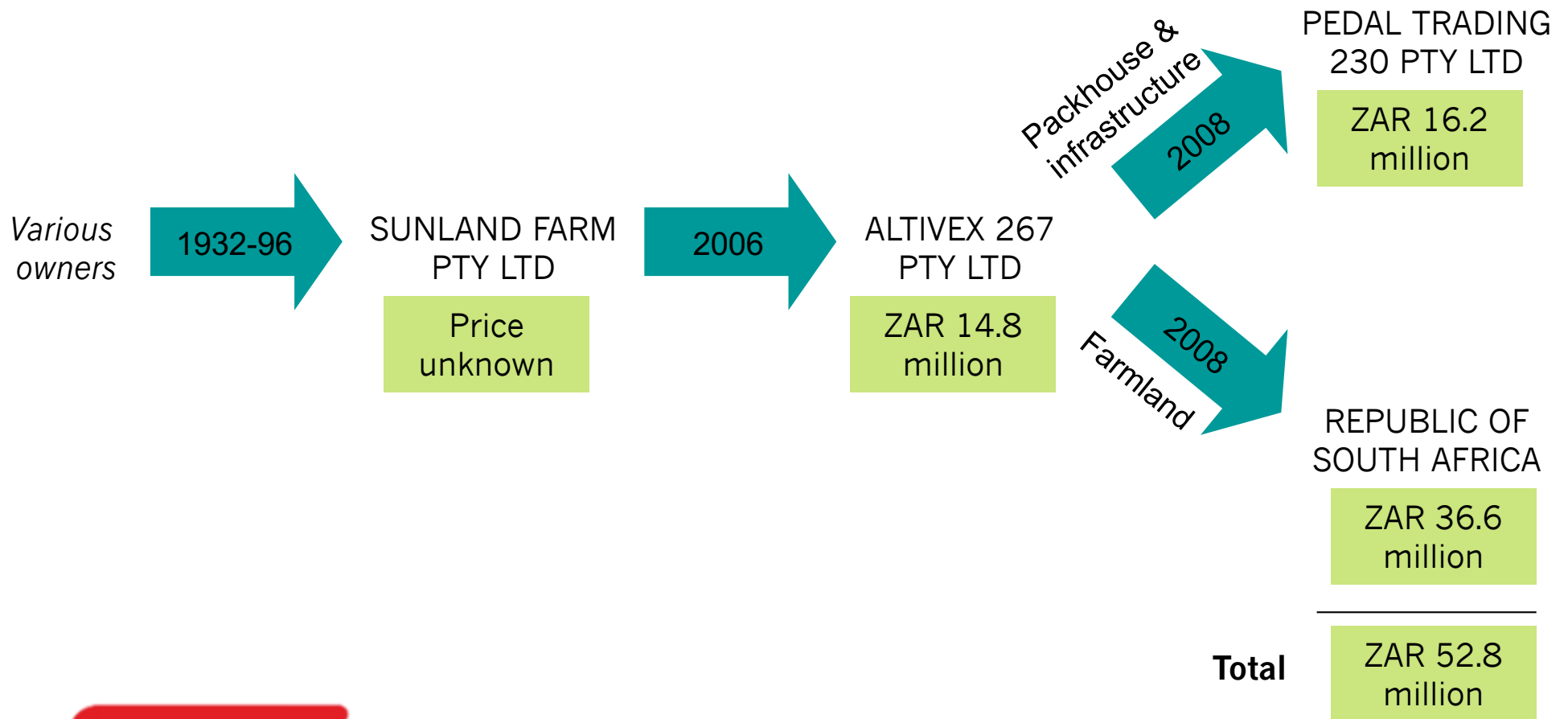


Map of Corporate Operations



Cartographer:
Eric Leinberger

Business Stream 1: Property Markets



Source: Author

ZAR 38 million profit on sales
(256% appreciation in 26 months)

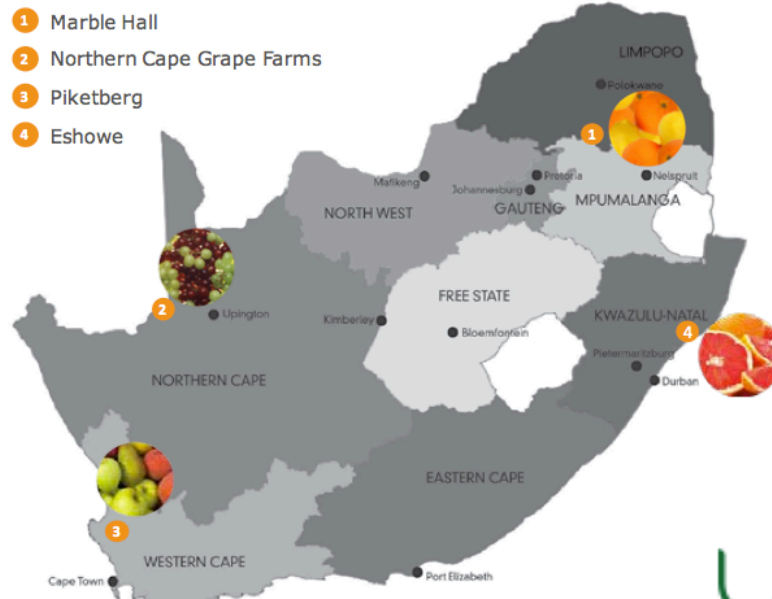
Business Stream 2: Farm Management



Source: Bono Holdings Website 2016

Business Stream 3: Expanding the Model?

Deals done in South Africa



Deal summary

FARM	ACQUISITION DATE	REGION	PRIMARY CROP	TOTAL FARM SIZE	OPERATOR
1. Marble Hall	December 2010	Limpopo	Citrus	936 hectares	JV between farmer Nelus Potgieter and Safe Farm Ventures
2. Northern Cape Grape Farms	August 2011	Northern Cape	Table grapes	3 183 hectares	Safe Farm Ventures
3. Piketberg	November 2011	Western Cape	Deciduous and stone fruit	1 035 hectares	IFS (International Fruit Services)
4. Eshowe	January 2014	KwaZulu Natal	Citrus, macadamia nuts and bananas	714 hectares	Afrifresh Group

Source: UFF African Agri Investments Report 2015

Reflections and Insights

1. The incredible complexity of capital operating in South Africa's commercial farming sector.
2. The centrality of 'social responsibility' claims to the activities of agribusiness and financial actors in the sector (regardless of delivery upon such claims).
3. South Africa's land reform and black economic empowerment programs as a site of value appropriation by agribusiness and financial capital.

Thanks!

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