

Land Reform in the South African Wine Industry: Reviewing Equity Sharing Scheme in Stellenbosch



Universiteit Utrecht

Helen KingHo Or

3555968

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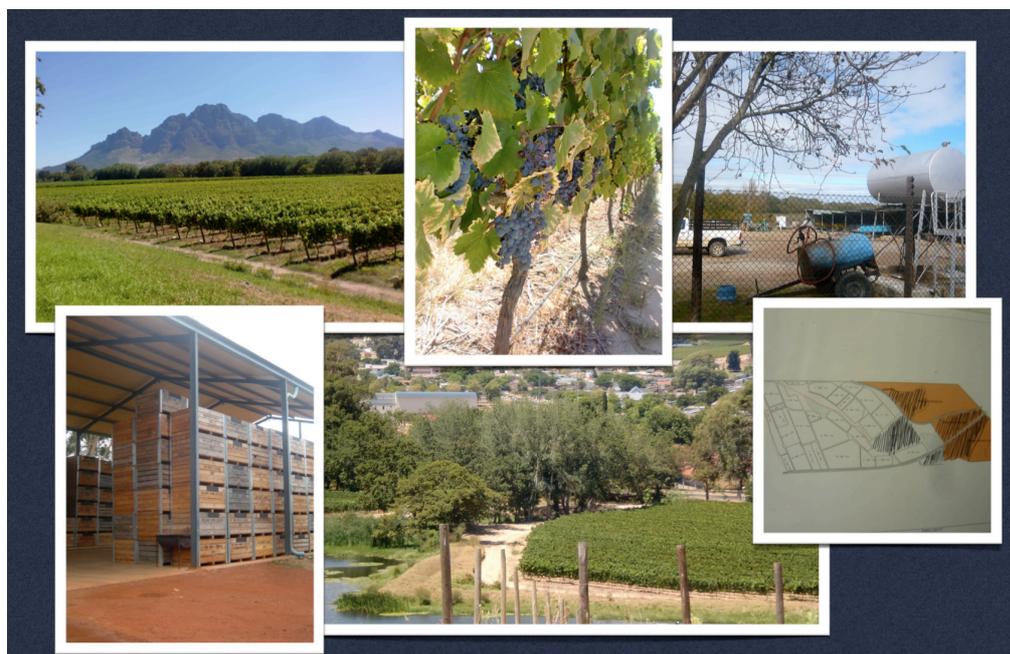
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EXECUTIVE SUMMARY

The purpose of this research study is to learn from the experience of the Equity Sharing Scheme (ESS) of the Stellenbosch supported financially by the land reform program in South African. It is hope that by understanding the mechanism and philosophy behind the ESS, one can have an alternative approach for agrarian reform and rural development. Stellenbosch as an important wine producing area will be the focus of this study. Attention will also drawn into the characteristics of agriculture sector, wine industry structure and the ESS implementation in Stellenbosch.

This study embarks on the history of land dispossession in South Africa and its contemporary effort to redress inequalities. With the framework of land reform, this study focuses on the land redistribution policy and its beneficiaries. The equity-sharing scheme plays an important role in transforming ‘ownership’ of the farm. In addition, with a perspective from the wine industry, the ESS represents the process of farm workers when received the grants from the land redistribution policy and become the shareholder of the farm.

Beside the ESS, joint venture by the government and the private sector should be observed. After the workers had become shareholders, more should be focus on the methodology they used to increase productivity, or quality of outputs. Under the initiative of Black Economic Empowerment (BEE), this development of previously disadvantaged groups requires assistants not only from the government but also technology sharing and management training from the wine industry. Outcome of the equity-sharing scheme will directly influence the livelihood of the farm workers and power relation in wine farms. The outcomes of the initiative can also raise the following argument: even though the ESS does not truly belong to the main policy of land redistribution, it reaches the same end result as a land reform policy is anticipated, under certain support. Therefore, such model can be considered as an alternative or new phrase of agrarian reform in South Africa.

The methodology of this study consists of literature reviews, gathering pre-existing data, interviews with associate players and beneficiaries, as well as two separate surveys. The study considers the outcome of the ESS projects by taking a sustainable livelihood approach in order to assess the successfulness of the scheme.

The findings of the research will be based on the experience and perception of the farm workers on the ESS projects; stakeholders of the wine industry; farm owners and NGOs. Broadly, the power relations of wine industry will be seen as a factor influencing the promotion of the ESS. Especially, the characteristics of farm owners and the different approaches they take for the scheme. Moreover, attention will pay to the perception of the ESS beneficiaries- farm workers and now 'shareholders', on their insights and experiences of the project.

In conclusion, it is important to account social empowerment in dealing with rural inequality and disparity in South Africa. When one listens closely to the farm workers, what they are asking for is not complicated. No matter what kind of uplifting program or reform has been launched, the most important thing is the attitude. Motivations such as redressing the past in the country's history and restore equality are vital to the successfulness of these initiatives; passion must come with development.

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LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|--------|---|
| BEE | Black Economic Empowerment |
| ESS | Equity Sharing Scheme |
| ESTA | Extension of Security of Tenure |
| DLA | Department of Land Affairs |
| DRDLR | Department of Rural Development and Land Reform |
| LRAD | Land Redistribution for Agriculture Development |
| PDG/Is | Previously Disadvantaged Groups/ Individuals |
| PLAS | Proactive Land Acquisition Strategy |
| RDP | Reconstruction and Development Program |
| SAWIS | SA Wine Industry Information and Systems |
| SAWIT | South African Wine Industry Trust |
| SLAG | Settlement / Land Acquisition Grant |
| WBWS | Willing Buyer Willing Seller |
| WIDA | Wine Industry Development Association |
| WOSA | Wines of South Africa |

THESIS OUTLINE

Chapter 1: Introduction of this study, gives a brief overview of this thesis including the setting, objectives and questions.

Chapter 2: This chapter provides background information for this study: a review on literatures and academic discussions on rural development, land reform principles and different approach for the issues.

Chapter 3: This chapter contains the geographic content of South Africa and the South African Wine Industry, including the South African Land Reform; characteristics of the agriculture in the Western Cape and the wine production sector.

Chapter 4: Explains the method used in this study, challenges it faces and the data requirement and collection process for this study.

Chapter 5: Main findings and analysis of this study to the research questions, focus on the characteristics of land reform in the wine industry and the outcome of the equity-sharing scheme.

Chapter 6: This chapter concludes the experience of Land Reform and the wine industry's ownership sharing experience in the heart of Cape Winelands. In addition, this chapter identifies and makes recommendations on the issues concerning rural development in South Africa.

CHAPTER 1 INTRODUCTION

1.1 INTRODUCTION

South Africa had gained tremendous popularity as a new world wine region for its capacity to produce world-class wines in different varieties. Being the world's eighth largest wine exporter, the majority of wine production in South Africa takes place in the West Cape Province where this field research took place. The wine industry of South Africa started with the Dutch settlement in the 17th century, but it only started to expand into the international market since the opening of export market after the end of apartheid.

The period of 1984-1993 was the dishonorable time in South African history, this period also known as the apartheid. It has created huge inequalities within the society, and after the end of apartheid regime in 1994; the government of South Africa has launched numerous programs to redress the wrong doings and historical injustices, including the ambitious land reform.

The South African Land Reform policy consists of three components: redistribution, restitution and tenure reform. The land redistribution policy offers low-income individuals a grant; the amount of the compensation is, however, not enough for the workers to purchase land. Thus, the ownership sharing initiative emerges in the South African society as an effort to restore justice. Individuals who are farm workers now may have the opportunity to buy shares from the farm in which they are employed and become beneficiaries under the Equity Sharing Scheme (ESS). This joint effort of the government's land reform and the private sector had become a popular initiative in the wine industry. Such ownership transition not only provides farm workers with a secure capital asset and shifts the power relations between farm owners and workers, but also redistribute wealth, empower and enhance the livelihood of historically disadvantaged groups.

1.2 BACKGROUND INFORMATION

Stellenbosch is a world-renowned wine production region in South Africa, also known as the heart of Cape Winelands. The agricultural structure of the research area is largely

based on wine and fruit production. Wine is among the most capital-intensive industries in agriculture production and it faces major social problems such as poverty, alcoholism, eviction, gender-based violence, and child labor. Johan Krige, the Chairman of *Wines of South Africa* had said in one of the public interviews: ‘...there is no doubt that, like our country, our South African wine sector has had a troubled past, and there is also no doubt that there is still a long way to go in redressing the wrongs of the past.’

In the context of land reform in South Africa, the equity-sharing scheme was recognized by the Department of Land Affairs (DLA) as an experiment to an alternative way of integrating the poor into the land-based economy. This form of shared ownership is based on the concept of “empowerment” which means giving power to people who are used to, and continues to be in a disadvantaged position. The Black Economic Empowerment (BEE) was another project that was launched by the South African government, which created under the same principle. According to *WOSA*, the wine community involves in empowerment project as part of the government’s overall BEE program. The industry developed a charter to ensure that over the next decade a more representative ownership structure emerges. The South African wine industry BEE Charter and Scorecard were driven by the South African Wine & Brandy Company and the South African Wine Industry Trust (SAWIT). Wine Estates have changed hands under the BEE initiative, the community of wine producer also created the Wine Industry Transformation Charter in 2007 in support of this program.

The wine farms in South Africa were the first to adopt ESS to tackle poverty and empowering previously disadvantaged groups (PDGs). This idea is to provide opportunity for farm workers to purchase equity and become beneficiaries of their employer’s farm while earning regular salary while working there, with the capital provided from the land redistribution grant or other development funds. The principle objectives of the scheme are to ensure a greater income and sustainable capital assets to farm workers and closing the gap between the farm owners and workers. At the same time, the transformation of ownership and redistribution of wealth contribute to the empowerment of farm workers and truly improve their livelihood. Under this scheme of ownership sharing, a changing power relation between farmers and farm workers occurs. Workers are offered opportunity going from laborers to owners and creating good products in the process. While farmers are committed to empowering their

employees through ownership, training and recognition of their efforts; making them proper partners in the production process and shareholders in their own business.

One critical comments of the ESS is that the scheme should not count as one of the land reform instruments since it does not fundamentally change land ownership. Thus, it should not be account for an agrarian reform. However, this study aim to argue that even though equity-sharing scheme is not an official program of agrarian reform, but it reaches the same anticipation as a land reform in balancing power relations of the farm, improving livelihood and tenure security.

The Rationale for the choice of this study can be illustrated by the following: First, The unique social structure of South Africa provides a distant background of the study for land redistribution. Secondly, the Western Cape Province, especially Stellenbosch areas are known to its wine producing industry; therefore lastly, due to the nature of wine industry, land or ownership transformation using ESS forms a exclusive case study of this type of projects.

1.3 RESEARCH QUESTIONS AND OBJECTIVES

1.3.1 RESEARCH OBJECTIVES

Explore ways in which Equity Sharing Scheme (ESS) are supported by the government in the land reform as a mechanism to raise the income and broadens ownership base of land.

Identify the consequences of the land redistribution policy, together with ESS as an adjustment to inequalities in the South African wine industry, which focus in Stellenbosch.

Discover changes, or lack of changes, caused by this joint effort of land reform policy and the ESS initiative in a meso and micro level in regards to the sustainable livelihoods of the farm workers.

1.3.2 RESEARCH QUESTIONS

What are the experiences and outcomes of the Equity-Sharing Scheme in the wine farms of Stellenbosch?

In order to answer the main question there are four sub questions:

1. What is the agricultural structure in the research area?
2. What are the characteristics of Land Reform in the research area?
3. What are the characteristics of Equity- sharing Scheme in the wine industry?
4. What are changes brought by the equity-sharing scheme in the research area?

1.4 SUMMARY OF METHODOLOGY

The methodology used in this research is descriptive and explanatory in nature. This study will collect primary data by in-dept interviews with the workers who benefited from the scheme as well as the members from the farm workers association. Field research will be constrained at the Cape Winelands, with a focus at Stellenbosch area. Other semi-structure interviews will be carried out with the wine farmers who participate in the equity-sharing scheme and the South African wine association for its effort in promoting this initiative. In addition, three months of fieldwork in Stellenbosch has also been carried out.

A combine method of qualitative and quantitative research methodologies is used in this study for the further understanding of the ESS.

Qualitative:

- Literature Review
- Semi-structured/ in-depth interviews
- Field Visits
- Observation

Quantitative:

- E-Survey & Telephone Survey
- Questionnaire
- Case Study

CHAPTER 2 LITERATURE REVIEW: LAND AND DEVELOPMENT

2.1 LAND AND RURAL DEVELOPMENT

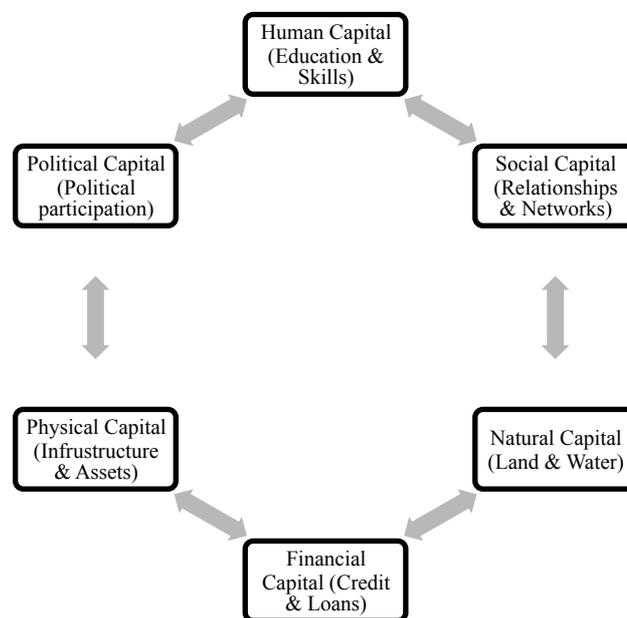
Economists have recognized the link between inequality of asset distribution and poor macroeconomic performance, and have argued that surest way to poverty reduction in most societies is through the reform of the property system (Wilkinson & Pickett, 2009). Landless peasants are located mostly in rural areas and often survive as seasonal workers on large farms and plantations, returning to unemployment in depressed rural areas for off-season. Land tenure and access to land have long been recognized as a way of securing livelihood for these low-income peasants, or the 'poor people's wealth'. For most of the poor in developing countries, land is the primary means for generating a livelihood and a main vehicle for investment and wealth accumulation. Land is also a key element of household wealth, in Uganda for example, land constitutes between 50 and 60 percent of the asset endowment of the poorest households. Because land comprises such a large share of the asset portfolio of the poor, giving secure property rights to land that they have already possessed can greatly increase the wealth and security of poor people (Deininger, 2005, p. 2).

Access to land highly influences rural livelihood in the aspects of cultivation, livestock farming, and use of natural resources. The land use practices and livelihood strategies adopted by the rural poor are influenced by the followings: amount and productive potential of the available land, tenure security, customary uses, access to labor, labor-saving technologies, co-operative social institutions, capital, livestock, knowledge, skills and markets for inputs and outputs. An effective state-sponsored program aimed at enhancing rural livelihoods cannot expect to achieve its objective through a narrow focus on land entitlement alone. Though in theory, providing additional land to existing dense settlements should enhance land-based livelihoods by alleviating the shortage of land and natural resources. However, according to Andrew, Ainslie & Shackleton (2003), there is a need for a broader multifaceted strategy that can alleviate a wide range of constraints to production. An examination of land use and livelihoods amongst land reform beneficiaries has supported this argument (2003, p. 30).

A sustainable livelihood framework by the United Nations Development Program (UNDP), also know as the livelihoods hexagon portrays the different dimensions of

livelihoods and the interdependent relationship between six dimensions of land-based livelihood assets¹ (UNECOSOC, 2009). It draws attention to the concern that livelihood improvement because of policy interventions does not go a long way, and it should progress in a sustainable manner. Rather than a traditional pentagon, UNDP adjoined political capital as the sixth dimension of livelihood assets since the ability to take part in public decision-making is considered to be a significant part of livelihood development, especially in countries like South African that has a history of racial disparity.

FIGURE 1 THE SUSTAINABLE LIVELIHOOD FRAMEWORK



Land ownership and accessibility to land are crucial in rural livelihood and communal farming. Nevertheless, the transformation of land alone does not guarantee livelihood improvements. Existing literature on livelihood enhancement also indicated that land ownership alone is not sufficient for improving standard of living for the poor; it requires a more coherent and integrated approach:

... irrespective of the political or historical milieu, the transfer of land alone is not sufficient and requires buttressing by settlement support provision from a range of institutions and sectors. In the absence of ongoing support and capacity building, new land owners will run the risk of being set up to fail. For development activities on acquired land to be sustainable and to impact positively on the lives of beneficiaries, requires a comprehensive, responsive and

¹ CARE, UNDP, Oxfam and IISD were some of the early adopters of sustainable livelihood methodologies.

on-going interaction between those requiring and determining the support they require and those who provide such support (PLAAS, 2006).

The sustainable livelihood approach calls for a more comprehensive, responsive and interactive support when dealing with issues of land and livelihood. A simple framework of land distribution with out a complete package might not be enough to uplift the livelihood of rural poor.

2.2 LAND ACQUISITION AND DISPARITY

After the period of colonialism, land acquisition had revolved from land claiming under the Roman law of *Terra nullius*² to a commercial trading process. Capital flows into developing countries for land rush, and the development of land grabbing from foreign countries has become legitimate and justifiable. Today, the term ‘land grab’ often refers to large-scale, cross-border land transactions carried out by transnational corporations or foreign governments. They concern the lease (often for 30 to 99 years), concession or outright purchase of large areas of land in other countries for various purposes (GRAIN, 2008). The main process driving the current global land grab in recent media coverage is the food production for export to finance-rich, resource-poor countries after the food crisis in 2007-2008. This process has also been criticized as the ‘neo-colonialism’ or agricultural colonialism.

2.2.1 GLOBALIZATION AND LAND RUSH

According to Zoomers (2010, p. 430), the current land grab is partly a result of a combination of globalization, the liberalization of land markets and rapid increase in foreign direct investment (FDI) worldwide. Globalization has shortened the distance of social economic connection; it is driven by

BOX 1 SEVEN PROGRESSES DRIVING THE CURRENT GLOBAL LAND GRAB (ZOOMERS, 2010)

- 1) Offshore farming: foreign direct investment in food productions
- 2) FDI in non-food agriculture commodities and bio-fuels
- 3) Development of protected areas, nature reserves, ecotourism and hideaways
- 4) Special Economic Zones, urban extension
- 5) Large-scale tourism complex
- 6) Retirement and residential migration
- 7) Land purchased by migrants in their counties of origin

² A Latin expression deriving from Roman law meaning ‘land belonging to no one’; which in international law it is used to describe a territory that has never been subject to the sovereignty of any states may be acquired through occupation.

various causes including the difference of countries comparative advantage, stable and peaceful environment which stimulates economic activities, as well as the availability of low cost technologies that allows people to communicate and travel more conveniently. Globalization has also diminished the sense of locality by creating a trans-boarder landscape:

...such localities create complex conditions for the production and reproduction of locality in which ties of marriage, work, business and leisure weave together various circulating populations, with kinds of locals to create neighbourhoods that belong in one sense to particular nation states, but are from another point of view what might be called translocalities (Appadurai, 1996, p. 192).

For that reason, local economic development is no longer 'local', and it is even more difficult to separate local development from the broader worldwide economic growth. However, it is not a fair game. For example, minute events occur in the international market will dramatically affect the livelihood of the entire farm village in a developing country, but not necessarily vice versa. Trade, from this point of view, is not just about money or goods; it creates power politics and taking advantages of developing countries (Hafner-Burton & Montgomery, 2009). Such Marxist view of 'unequal exchange' is mainly encouraged by capitalism. Market liberalization might have improved global economic prosperity, but it has also marginalizd some of the world's poorest populations, in making them more vulnerable and dependent on the the world economy. World Systems social scientist Immanuel Wallerstein as well argued market liberalization that fuelled by globalization is creating a polarity structure to the global political economy, which destabilizes weak states and spreads inequality among them.

Another driving forces behind the global land rush is the boom in FDI which often rises new types of actor in the control and usage of land. According to the World Bank Investment Report (UNCTD, 2010), FDI inflows 2008 to 2009 are close to \$1.114 trillion worldwide. Also, it is expected to reach \$1.2 trillion in 2010, \$1.3-1.5 trillion in 2011 and head towards \$1.6-2.0 trillion by 2012. Developing countries took in almost half of the global FDI inflows and approximately one quarter of FDI outflows. Within developing and transitioning economies, it should be little or no surprise that the BRIC³ countries took the largest share of FDI inflows of nearly 41%. From 2008 to 2009, the

³ The acronym is coined by Goldman Sachs economist Jim O'Neil in 2001 to describe the most influential emerging market in shifting the global economy power: Brail, Russia, India and China.

gigantic amount of FDI, although were made in various sectors, a good amounts of it went into the exploitation of minerals, oil and gas, and the production of food and bio-fuels, as well as the development of infrastructure and other service sectors.

2.2.2 COLONIAL LEGACY AND PATH DEPENDENCY

All the motivations of land grabbing are associated with globalization, though the imbalance power relations of globalization are not the only reason for certain country's continuous presence in the vicious circle of the under-development. When scholars look at the history of development, or lack of development of different countries, a close correlation occurred in explaining the present condition of one country is closely related to its experience in the past. Simply raising a new perspective of economic development: history matters, or a more popular expression: path dependency. Countries like South Africa and many others, which experienced foreign intervention, had a dualistic characteristic of socioeconomic structure. A qualitative study showed the relationship between income inequality and colonial history, suggesting that social injustice is constructed by colonialism (Angeles, 2003, p. 5). In this specific analysis, colonization is the 'external shock'. It had forced radical changes to the structure of the societies in the colonized countries. The polarity can occur in parts as diverse as culture, population, technology and, most conspicuously, economic activity.

2.3 AGRARIAN REFORM

2.3.1 PRO- POOR LAND POLICY

Land reform is generally understood as a process of redistribution of property or rights to land in benefit of the poor, including landless tenants and farm laborers. Nonetheless, the process of land reform is difficult to carry out, especially in a world in which small farmers must compete in the global markets. In the period of 1950-1970s, land reform was inspired by the idea of 'land for those who work it'. However, the lack of entitlement had put a boundary on rural development:

During earlier land reforms (i.e. in the period of the 1950s–1970s), non-productively used estates had been expropriated for redistribution among the peasantry ('land for those who work it') and limits were imposed on individual landownership. The beneficiaries were generally not entitled to sell the land – a measure that was designed to protect them from losing it. The absence of clearly

defined plots and registered titles was increasingly seen as a significant obstacle to economic growth, as it was thought to limit the readiness of people to make the investments needed to modernise agriculture. The landholdings of beneficiaries of the earlier land reforms, which previously could not be sold or used as collateral, were transformed into private, freehold property (Zoomers, 2010, p. 432).

From then, the paradigm of land reform had shifted into a pro-poor aspect and focusing on land-based livelihoods. A pro-poor land policy aims to protect and advance the access to land for the working poor. In most agrarian settings, the rural poor are consisted of various social strata of the peasantry and labourers: small farm cultivators, small scale cultivators, landless rural labourers, subsistence farmers, and indigenous peoples, pastoralists, both male and female. Property rights or the rights to land also represent the land-based social relations. These relationships between groups of people or social classes are the subject of any pro-poor land policies. Land policies are not technical-neutral devices, when implemented, land policies impact differently among different social classes and groups of people (Borras & Franco, 2010, p. 10). Not all land policies are categorically meant to favour the poor. Not all officially labelled as pro-poor land policies automatically result in pro-poor outcomes; not all well-intentioned land policies actually benefit the poor. According to Borras and Franco's (2010) list of nine interlocking themes of pro-poor land policy aims to improve conditions of rural livelihoods and very much in favour of the poor:

- 1) Protection or transfer of land-based wealth in favour of the poor
- 2) Transfer of land-based political power
- 3) Class-conscious
- 4) Historical- should recognize land-based issue from longer historical perspectives
- 5) Gender-sensitive
- 6) Ethnic-sensitive
- 7) Productivity-increasing
- 8) Livelihood-enhancing
- 9) Rights-securing

The results of pro-poor land policy are also highly determined by the type of land policy is been implemented. Four types of land reform policies are distinguished by Borras (2010): land redistribution, distribution, no (re)distribution, and (re)concentration.

TABLE 1 TRAJECTORIES OF CHANGE AND REFORM IN LAND POLICIES

| Type of reform | Dynamics of change and reform | Remarks |
|----------------------------|---|--|
| (1) Redistribution | Land-based wealth and power transfers from landed classes or state or community to landless or near-landless working poor | Reform can occur in private or public lands, can involve transfer of full ownership or not, can be received individually or by group |
| (2) Distribution | Land-based wealth and power received by landless or near-landless working poor without any landed classes losing in the process; state transfers | Reform usually occurs in public lands, can involve transfer of right to alienate or not, can be received individually or by group |
| (3) Non- (Re) distribution | Land-based wealth and power remain in the hands of the few landed classes or the state or community, i.e. status quo that is exclusionary | ‘No land policy is a policy’; also included are land policies that formalize the exclusionary land claims/rights of landed classes or non-poor elites, including the state or community groups |
| (4) (Re) concentration | Land-based wealth and power transfers from the state, community or small family farm holders to landed classes, corporate entities, state or community groups | Change dynamics can occur in private or public lands, can involve full transfer of full ownership or not, can be received individually, by group or by corporate entity |

Source: Borras & Franco, 2010

This study will focus on the ‘redistribution’, which is defined as a type of land policy that aims to transfer land-based wealth and power from the monopoly control of either private landed classes or the state to the landless and near-landless peasants and rural laborers. It changes the relative shares of groups in society. It is a ‘zero-sum’ reform process (Fox, 1993, p. 10). Now, redistributed wealth and power are, in a matter of degrees, depending on the net loss of the landed entities and on the net gain of the landless and near landless poor. Therefore, policies that expropriate lands without compensation and distribute these to peasants are redistributive reforms. The revolutionary land reform in China in the early 1950s is an example. Arguably land that are expropriated by the state can in turn be appropriated create state farms to benefit the landless poor by giving them employment opportunity in these large-scale farms, as in the case of Cuba (Borras & Franco, 2010, p. 17). Nevertheless, a land policy may acquire land with the price oftentimes slightly below the commercial market value, and re-sell the same land to peasants at slightly below the full market value. The reason for

that is to ensure the lack of competitiveness of peasants in the land purchasing market due to the shortage of capital can be justified through a lower price.

2.3.2 TRANSFORMING LAND OWNERSHIP

In 1955, a statement is released by The South African Congress Alliance⁴ demanding the freedom of ‘The people shall govern’. It include the voice of South Africans’ public demand for ‘the land shall be shared among those who work it’

Restrictions of land ownership on a racial basis shall be ended, and all the land re-divided amongst those who work it to banish famine and land hunger.

The state shall help the peasants with implements, seed, tractors and dams to save the soil and assist the tillers.

Freedom of movement shall be guaranteed to all who work on the land.

All shall have the right to occupy land wherever they choose...

The Freedom Charter, 26 June 1955

All South Africans were pleading beyond land ownership, they also demand for freedom and mobility in rural society by asking for “the right to occupy land wherever they choose”. This request from the people of South Africa had led to a wide range of changes in land ownership, also known as the land reform. According to Cypher & Dietz (2009), the approach of negotiated land reform is believed to be the new evolution of the traditional conversion of land from large estates (over 100 ha) to smallholders (5-20 ha).

The negotiated land reform has known policy wise as the Market-Led Agrarian Reform (MLAR). The MLAR includes a strong focus on the setting up of viable markets in land, use methods including ‘titling’. Countries engaged in the MLAR include Brazil (1964-94), Phillipines (Since 1963), Zimbabwe (1979-2000) and South Africa (Since 1994). Numerous discussions and criticisms have appeared after the implementation of these market-led land reform. After some lessons of failures, the agrarian reform again seeks other innovative approaches for a new paradigm.

⁴ The alliance consisted of the African National Congress, South African Indian Congress, South African Congress of Democrats and the Colored People's Congress.

2.4 ALTERNATIVE APPROACH: OWNERSHIP SHARING

An alternative approach for ‘land for those who work it’ is, instead of a land ownership approach, a share equity scheme has been introduced under the similar idea of redistribution policy: value for those who create it. Equity-sharing schemes was described as a method of redistributing land without affecting the operation of individual farms or overall production levels. Indeed, with better job satisfaction and greater participation, productivity should increase on farms where farm workers are also owners (Mather & Adelzadeh, 1997, p. 11). In comparison to the pro-poor land reform, equity-sharing scheme in agriculture has taken a more empowerment approach. Knight and Lyne (2004) had terminated what a successful farm workers equity scheme should be able to achieve. The after math of the scheme should accomplished the following:

- 1) Redistribute wealth and future benefit streams;
- 2) Empower workers through skills transfer and their formal inclusion in policy making;
- 3) Retain or attract quality management;
- 4) Attract capital from the private sector to finance new investment;
- 5) Improve worker productivity and labor relations, and
- 6) Provide for the transfer of both ownership and control of commercial farms to previously disadvantaged workers in the long-term.

2.4.1 JOINT VENTURE

Joint venture (JV) is a strategic alliance among two or more parties to undertake economic activity jointly for a mutual objective. Four types of joint venture is defined by Mayson (2004) for use in land reform program: contract farming, share equity schemes, municipal commonage schemes, sharecropping and company supported schemes.

In the case of this study, the form of joint venture used in the farming sector of the Western Cape Province is the equity- sharing scheme (ESS), mainly found in the fruit and wine sector. In the arrangement of the scheme, farm workers use their land reform grants to buy shares from the farm they are working in. The money is invested in the operating company of the farm in return for a share of dividends.

The reason of the popularity of the ESS in high value agriculture sectors, especially in the wine industry, is due to its capital intensiveness and high land prices. Therefore, the

ESS is seemingly the most viable option to integrate the poor into the ownership of entity and land. The ESS is defined in the agricultural sector as an agreement in which farm workers or other previously disadvantaged individuals can buy shares in a commercial farm, or an agricultural processing company (Mayson, 2004, p. 9). In the context of South African land reform, the ESS is implemented under the umbrella of the willing seller- the farm owners, and the willing buyers- the farm workers who received financial support from the Department of Land Affairs (DLA)⁵.

2.4.2 OWNERSHIP SHARING IN ACTION

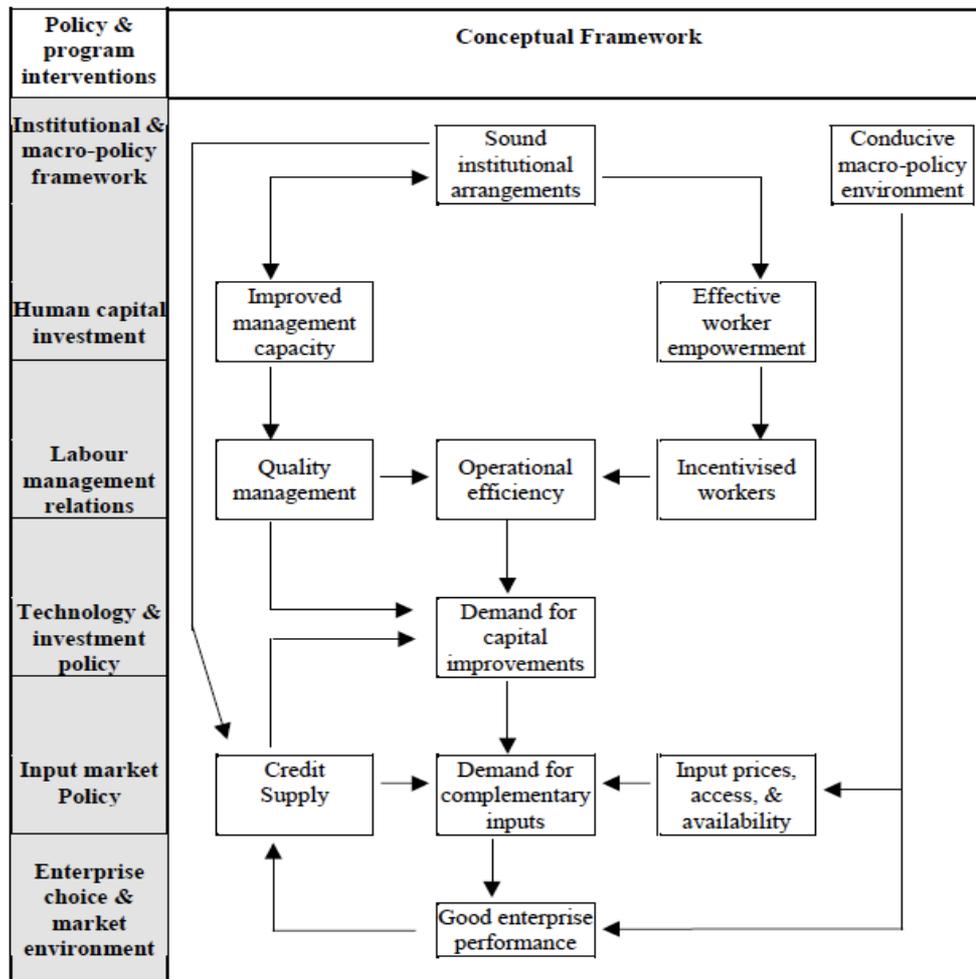
Countries with considerable size of agricultural sector have seen the emergence of the Farm Worker Equity Schemes (FWES) that may offer a viable alternative to traditional forms of cooperative farming. FWES were initiated in South Africa by the private sector as a mechanism to redistribute equity from the original farm owner to the farm's workers as shareholders. This initiative takes privately owned farming operations and reconstructs them into companies with the original owner of the farm and the farm workers as shareholders. The management exercises exclusive rights to use the land with farm workers obtaining tradable voting and benefit rights in proportion to their financial investment. These institutional arrangements help to alleviate the free, and forced, rider problems that undermine cooperative forms of business organization (Knight & Lyne, 2004, p. 6) and therefore encourage investment of money and effort by shareholders. In addition, corporate law entrenches transparent electoral and reporting processes, making directors accountable for their policy choices.

A successful FWES should function like a corporation with voting and benefit rights tradable and proportional to individual investment. Workers' interest ought to be ensured, FWES can create a trust and buy shares from workers who leave the scheme and redistribute the proceeds to the worker. This can make sure that only new and existing employees can acquire these shares to protect the inclusiveness of the scheme. In addition, while striving for the ideal of fully transferable shares, a temporary

⁵ The Department of Land Affairs (DLA) renamed to the Department of Rural Development & Land Reform (RDLR) in 2009.

moratorium on the sale of shares, particularly by the previous owner helps preserve the creditworthiness of the enterprise by preventing sudden outflows of equity capital and managerial expertise. See Figure 2 for more information.

FIGURE 2 FACTORS CONTRIBUTING TO THE PERFORMANCE OF FWES



Source: Lyne & Roth, 2004.

The more successful FWES also committed to a gradual, and therefore predictable, reduction in the proportion of equity held by the previous, often white, owner (Lyne & Roth, 2004, pp. 3-4). In regards to the management of the FWES, workers should participate in the design and operation of the scheme. Capacity building programs on literacy and skills can facilitate the participation. Transparency should also be an essential principal of the equity-sharing scheme. Alongside with accountability in

management and salary incentive for good labor relations in the long-term entrepreneurial plan.

Nevertheless, such property rights granted upon the farm workers take up a risk of inadequate execution and consequences are identified from (Lyne & Roth, 2004, p. 6):

- The free rider problem: discourages member investment because some of the gains from the cooperative accrue to individuals that did not fully invest in developing the gains.
- The horizon problem: Residual ownership claims do not extend as far as the economic life of the asset. Members tend to under-invest in long-term/intangible assets because they are prevented from realizing capital gains by retiring shares at their market value.
- The portfolio problem: The Cooperation's investment portfolio does not reflect the interests of any given member. Members cannot trade shares at market prices, hence are unable to diversify/ concentrate their asset holdings to fully reflect their personal risk preferences.
- The control problem: refers to the cost that members face in monitoring managers to ensure that they make prudent investment decisions and do not shirk or cheat.
- The influence problem: above problems have starved traditional Coops of equity capital and raised the cost of capital for investment by increasing the financier's risk exposure. External financiers can do little to reduce this exposure as decisions are controlled by members who have equal or near equal voting rights.

While recognizing the advantages and weaknesses of co-ownership, ownership sharing is an emerging and significant pathway for poor beneficiaries to secure land, wealth and other social economic resources.

CHAPTER 3 GEOGRAPHICAL CONTEXT: SOUTH AFRICAN LAND REFORM AND THE WINE INDUSTRY

3.1 BACKGROUND OF LAND DISPOSSESSION

Colonialism is a major facilitator for land dispossession in South Africa; the law enforces unequal access to land from the white political and economical dominance in both colonial and apartheid era. Bundy (1989) briefly described the situation:

An entire history of colonial conquest and dispossession, of cheap labor and systematic exploitation, and of segregation, apartheid and white supremacy has created a society in which 60,000 capitalist farmers own twelve times as much land as over 14 million rural poor. Fundamental to the construction of an unjust, inequitable, repressive and brutal social order is an unjust, punitive and untenable allocation of land and rights to land.

In the Western Cape Province today remains the legacy of the inequitable and destructive process. In a research report from the Center for Rural Legal Studies, the historical land dispossession is described as the annihilation of peasantry and where black people did not qualify for freehold tenure (2003, p.8). Therefore, it forms the rural political economy of the Western Cape as a large portion of land owned by commercial farmers and worked by the landless peasants, also known as the farm workers.

3.1.1 SOCIAL-ECONOMIC STRUCTURE OF SOUTH AFRICA

The structure of South African society is asymmetric, with one of the world's highest income inequities:

TABLE 2 GINI COEFFICIENT ESTIMATES OF INCOME AND EXPENDITURE INEQUALITY

| Variable | Gini Coefficient |
|------------------------------------|------------------|
| Disposable income | 0.72 |
| Distribution of Disposable income: | |
| - Black African | 0.63 |
| - Colored | 0.59 |
| - Indian/ Asian | 0.57 |
| - White | 0.56 |

Source: Statistics SA, 2008

The Gini-coefficient⁶ of disposable income is 0.72 in South Africa; within this measure, the differentiation of various racial groups indicates the black Africans are the lowest and most vulnerable social group. Du Toit (2004) argued that the chronic poverty and inequality of South Africa are vastly influenced by its colonial legacy, in other words ‘asset stripping’ (May, 2000):

...the legacy of dispossession left by colonial conquest, white settlement and slavery. As a result of this process, poor households lack direct and independent access to the natural, physical and economic resources needed for basic household food production or independent entrepreneurial activity. It is important to note that this dispossession is, under current economic and political conditions and for the purposes of policymakers, for the most part all but irreversible. For better or for worse, the measures required to effect a large-scale and fundamental re-balancing of asset distribution in the short term are unavailable, and certainly unthinkable within the narrow terms of what development agencies and international financial institutions are prepared to imagine. For better or for worse, whatever measures are available to South African pro-poor policymakers have to be conceived on a terrain defined by accepting as a fait accompli the massive historical inequities of a world shaped by slavery and colonial settlement. To a large extent, then, ‘adverse incorporation’ is here to stay (du Toit, 2004, p. 31).

A quarter of the country is jobless due to the global economic downturn, but besides unemployment and income inequality, the South African economy is also struggling with brain drain and illegal migration. South Africa’s Bureau of Statistics estimates that between 1 million and 1.6 million people in skilled, professional, and managerial occupations have emigrated since 1994 and that, for every skilled worker leaving the country, 10 unskilled people lose their jobs. In addition, immigrants (mostly illegal) from neighboring countries such as D.R. Congo, Mozambique, Zimbabwe and Malawi represent a large portion of the informal sector, which also gives pressure to the domestic labor market. With a high unemployment rate, South Africa is the largest economic sector, agricultural exports have constituted 8% of South African total exports for the past five years. Agriculture sector employs 640,000 people and 300,000 seasonal and casual jobs, with average income less than US\$75-80 a month and extremely low education level, farm workers are struggling even when the economic of South Africa soar. The agricultural industry contributes around 10% of formal employment,

⁶ Gini coefficient is a measure of income inequality, ranged from 0 (perfectly equal) to 1 (perfectly unequal).

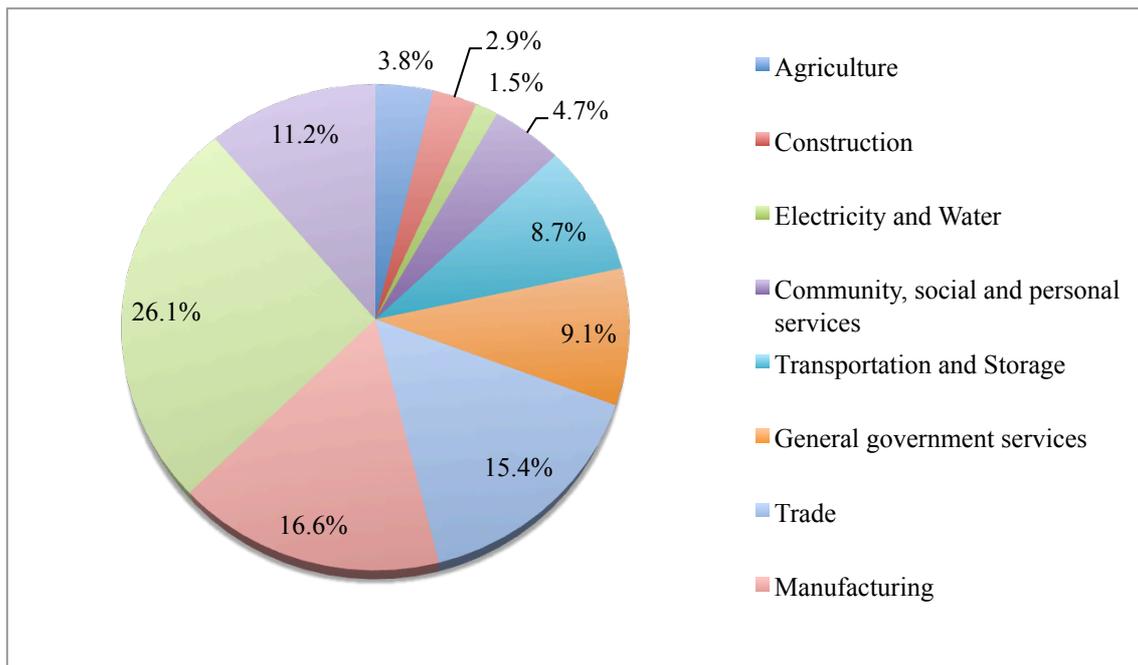
relatively low compared to other parts of Africa, as well as providing work for casual laborers and contributing around 2.6% of the country's GDP (The World Bank, 2010).

There are two types of agriculture sector in South African: freehold tenure and communal tenure. Freehold tenure is considered as commercial agriculture, where communal tenure is often referred to as subsistence agriculture. Subsistence uses of land are generally viewed as inefficient, destructive and economically unproductive in comparison to commercial production. It is therefore, not surprising that land redistribution programs which transfer land to subsistence farmers are often viewed with contempt. Such views inform recent land reform policy shifts aimed at promoting commercial agricultural production for the market rather than subsistence production. However, Agrarian scholars argue that such dualistic stereotypes are inappropriate and misleading (Andrew, Ainslie, & Shackleton, 2003). Subsistence farmers with often small scale farms are utilizing the land as a survival strategy and their livelihoods are dependent upon it. There are considerable evidences that land-based livelihoods have been significantly undervalued. In South Africa, farm workers are the most marginalized and impoverished groups. In Western Cape Province, every farm worker is responsible for another five people's livelihoods with his/her single income. Livelihood impacts related closely to the social economic development of the community (van Wyk, 2010). Most poor rural households encounter constraint of production which limits their land-based livelihood to a survivalist mode. The challenge for South Africa's land and agrarian reform program is to alleviate the constraints to production. by so doing can enhance land-based livelihood among the poor majority beyond the survivalist mode and to facilitate commercial production for the market dominant by the elites.

3.1.2 AGRICULTURE SECTOR OF THE WESTERN CAPE

The Western Cape Province is located at the south west of South Africa. The province is the second largest contributor to the country's GDP; agriculture represents 3.8% of the province's total income.

FIGURE 3 GDP DISTRIBUTION OF THE WESTERN CAPE PROVINCE



Source: SAIRR, 2007.

Around 11.5 million hectare of land in the Western Cape is cultivated for agricultural production. Although this only represents 12.4% of the total land used for agriculture in South Africa, Western Cape produces 55% to 60% of South Africa’s agricultural exports, valued at more than R7 billion a year. The sector is also one of the fastest growing of the economy, expanding by 10.6% in 2008. Key agricultural export products from the province include wine, wool, ostrich related products, essential oils and fruit (SAIRR, 2007, p. 20). Fruit, vegetables, wine and brandy have historically dominated agricultural exports of the Western Cape Province.

3.2 SOUTH AFRICAN LAND REFORM

3.2.1 THE POST-APARTHEID LAND REFORM

With the awakening and abolishment of apartheid regime, a structure agrarian reform is called for in the South African society to redress land dispossession, expending land ownership and increasing productivity through modernization. An ambitious land reform launched in 1994 is conventionally described as having three legs: restitution, tenure reform and redistribution. The government aims to deliver 30% of the commercial agricultural land by 2015 (about 25 million hectares) through the

Reconstruction and Development Program (RDP). The policy framework on land reform gave a priority to redistribution of land for those who cannot afford it but in need of acquire it for residential and productive purposes (ANC, 1994). While restitution deals specifically with historical rights in land, and tenure reform with forms of land holding, redistribution is specifically aimed at transforming the racial pattern of land ownership (Jacobs, Ewert, & Hall, 2003). According to the Department of Land Affairs (DLA), in the period of 1994-2006, redistribution program is accounted for 43.8% (up to 1,477,956 hectares) of the land transfer under the land reform.

In principle, land reform should enhance the livelihood of the rural poor, or in the case of South Africa, previously disadvantaged groups. The South African literature (Hall, 2007, p. 3) on land reform suggests that outcomes, or indicators, of sustainable livelihoods should include the following:

- 1) More income (from marketed produce, wage employment), increased regularity of income, and more egalitarian distribution of income
- 2) Increased well-being: Improved access to clean drinking water and to sanitation, improved housing, ownership of household items, and access to fuel for cooking. Reduced vulnerability: Improved access to social infrastructure like schools and clinics, increased mobility
- 3) Improved food security (from self-provisioning and increased disposable cash income) resulting in improved nutritional status
- 4) More sustainable use of the natural resource base

3.2.2 WILLING SELLER WILLING BUYER

The land reform in South Africa is being carried out by the intervention of external inducements, or 'market-based' land reform. Adam (Adam, 1995, p. 3) defined this type of agrarian reform includes incentives offered by government for social and economic reasons and leading to the restructuring of existing property rights or the creation of new ones. Such as distribution of public lands, state expenditure on land reclamation and subsequent allotment as private property; state sponsored credits channeled by a land bank through cooperatives; support to institutions to administer the necessary land acquisition and distribution mechanisms. This market-based reform has required, in some countries, tenants to compensate landowners at a near market price. This results in low productivity gains of the farmers because the price of land includes a premium, which often times above the capitalized value of agricultural profits, and the land has

been used as a collateral for access to credit. Once a poor farmer is provided with credit to buy land at the market price, he cannot repay out of farm profits alone. Thus a free land market alone will not transfer land to smaller and poorer farmers, given the budgetary constraints facing governments, settlement subsidies are often not enough for the rural poor to own any properties. In these situations, laws designed to protect tenants, like improving leasehold contract, can fall under the category of market-based land reform.

Lahiff (2007, pp. 19-20) argued that the market-based land reform in South Africa, which claims for both equality and efficiency, had raised serious concern regarding to the extreme slow pace of the reform and the beneficiaries of the redistribution program. Bureaucracies and complex removal of farm dwellers leave the process of the reform far below official targets. together with the lack of credit, fundamental problems for poverty remains and limited benefits are flowing to the very poor.

Under the constitutionally mandated restitution process, people who lost their land rights under racially discriminatory policies between 1913 and 1994 are entitled to claim restitution. Of the 78,000 individual and community claims lodged, the vast majority has been settled by means of cash compensation, thereby avoiding land restoration. Under the 'willing seller, willing buyer' (WSWB) concept, the land market is basically demand-driven; the grant recipients are in essence passive on the transformation. The state has recently threatened to use its legal powers of expropriation against the remaining 'uncooperative' landowners, but has yet to do so in practice.

...WSWB entered the discourse around land reform in South Africa gradually during the period 1993–1996, reflecting the shift in economic thinking of the ANC from left nationalist to neo-liberal. It was entirely absent from the ANC's 'Ready to Govern' policy statement of 1992, which instead advocated expropriation and other non-market mechanisms. It was similarly absent from the Reconstruction and Development Program (RDP), the manifesto on which the party came to power in 1994. By the time of the White Paper on South African Land Policy 1997, however, a market-based approach, and particularly the concept of WSWB, had become the cornerstone of land reform policy. Such an approach was not dictated by the South African Constitution, which makes explicit provision for expropriation for purposes of land reform and for compensation at below market prices. It was rather a policy choice, in line with the wider neo-liberal (and investor-friendly) macro-economic strategy adopted by the ANC in 1996 (Jacobs, Ewert, & Hall, 2003).

3.2.3 LAND REFORM POLICY

Farm workers should be the main beneficiaries of the South African Land reform, since they have long been the suppressor of historical land acquisition. Land was not always seized for the sake of land per se. As De Kiewiet (2002, p. 385) suggests:

...Land wars were also labor wars. Perhaps it would be more correct to claim that in large parts of South Africa the land wars were more often than not, labor wars- land was seized to gain access to cheap black labor.

Especially in the Western Cape Province where agriculture production is a significant part of the economy, large-scale commercial farmers ought to seek cheap labors for farm works. Land Reform, objects to readdress the past, has three main strategies to tackle the problem, the pillars are: restitution, redistribution and tenure reform.

Restitution

Land Restitution effects to the constitutional provision that people unfairly dispossessed after 1913 are entitled either to restitution of that property or to compensation. Under this intervention, government establishes commission to investigate claims for land restitution and prepare them for settlement. The land under claim includes state owned and privately owned land, both rural and urban. The program benefits rural and urban populations and required applicants to lodge their claims with the Commission on the Restitution of Land Rights (CRLR) before 1998.

According to Hall (Hall, 2007), rural claims account for between 20% and 25% of all claims lodged, but most of these include large groups or even entire communities, while urban claims are smaller and mainly involve individual families. The majority of claims settled to date are urban claims involving cash compensation. There is a view that restitution settlement that involves cash compensation overlooks the economic significance of what people have lost as the result of forced removals.

Tenure Reform

Tenure Reform seeks to focus on two objectives: First is to address the state of land administration in the communal areas of the former homelands; secondly, strengthening

the security of tenure of farm dwellers living on commercial farms. Then the most influential land reform policy falls into the land redistribution program, which aims to address the polarity between the majority of landholding dominated by white commercial farming, and the small portion of the former homelands to the black and colored people by diversifying the ownership structure of commercial farmlands.

The majority of the rural inhabitants reside under different tenure arrangements, from communal lands to the population residing on land owned by others. Farm workers or dwellers of the land appear to be the least secure group of the rural population in spite of the vision to secure their tenure (Hall, 2004). Even it is again the principle of the Agrarian reform 'land for those who work it', due to the lack of tenure security and the nature of agricultural employment, when their employment contract is over, farm workers stand to lose not only their job but also their home. Therefore, the land reform program is set to benefit farm workers by securing their tenure on farms on which they live and work through the Extension of Security of Tenure legislation (ESTA). Despite the legislation, farm evictions continue to take place at a large scale without the court orders. In addition, Lahiff (2007, p. 19) asserts that most of the stated objectives have remained largely unresolved as farm workers and their families continue to face forms of insecurities despite state interventions.

Redistribution

Redistribution Program began in 1995, two grants essential for the redistribution policy are: Settlement Land Acquisition Grant (SLAG) and the Land Redistribution for Agricultural Development (LRAD). An income ceiling of R1500 per household was forced as eligibility criterion to ensure the beneficiaries of the program are the poor in need of the grant. The aim of this sub-Program was to provide the poor with land for 26 residential and productive uses in order to improve their income and quality of life (DLA, 1997):

The purpose of the land redistribution Program is to provide the poor with access to land for residential and productive uses, in order to improve their income and quality of life. The Program aims to assist the poor, labour tenants, farm workers, women, as well as emergent farmers. Redistributive land reform will be largely based on willing-buyer willing-seller arrangements. Government

will assist in the purchase of land, but will in general not be the buyer or owner. Rather, it will make land acquisition grants available and will support and finance the required planning process. In many cases, communities are expected to pool their resources to negotiate, buy and jointly hold land under a formal title deed. Opportunities are also offered for individuals to access the grant for land acquisition (DLA, 2002a, p. 38).

Further legal basis for redistribution is provided by the Provision of Certain Land for Settlement Act 126 of 1993:

TABLE 3 LAND REFORM GRANT UNDER ACT 126

| Product | Level of Grant | Beneficiary | Programme |
|-------------------------------------|---|--|--|
| SLAG | R16000 | Households | Redistribution Tenure reform |
| LRAD | R20000 to R100000 depending on amount of own contribution | Individuals | Redistribution |
| LRAD Planning | Maximum of 15% of anticipated project costs | Individuals (or groups in projects where LRAD grants will be pooled) | Redistribution |
| Settlement Planning | Maximum of 9% of anticipated project costs | SLAG beneficiary households or groups | Resitiation Redistribution Tenure reform |
| Commonage | Unspecified | Municipalities | Redistribution (municipality commonage) |
| Land Development Objective Planning | Unspecified | Municipalities | Resitiation Redistribution Tenure reform |

Source: DLA, 2002

Senior Project Officer, Zenobia Haupt from the DRDLR stated that Stellenbosch has a significantly low amount of land reform projects, in comparison to other districts of the Western Cape. SLAG and LRAD, one targeted on housing and the other on agricultural land redistribution, due to the high land prices in the Western Cape province, especially in Stellenbosch. Each Land Reform office in different districts has almost equal amount of funding for these two grants, so the higher cost of land in the district will constrain the number of grants being delivered as well as the quantity of Land Reform activities.

Another challenge of land redistribution relates to the access of land, the grant is primarily intended to assist applicants to acquire privately owned commercial agricultural land. Beneficiaries can also acquire state owned lands, however, a

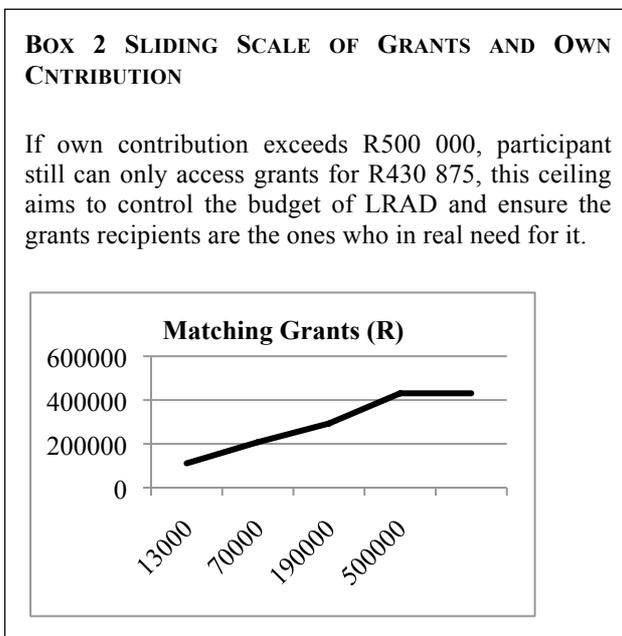
considerable amount of farmlands in Stellenbosch are on municipal lease, including a few large wineries in the area such as *Spier*. According to Haupt (personal communication, 22 March 2011), these lands are leased out under the policy during the apartheid period at a below market price and for a long period of time.

3.2.4 LAND REDISTRIBUTION FOR AGRICULTURAL DEVELOPMENT

Land Redistribution for Agricultural Development (LRAD) is a sub program for Land redistribution Program of the Land Reform and it provides major funds to the farm workers in the Equity Sharing Scheme in this study. LRAD aims to assist a wide range of previously disadvantaged Individuals of South Africans to acquire land, where as the Settlement / Land Acquisition Grant (SLAG) provides the funding for housing only for households.

The key mechanism offered by LRAD is a grant system that beneficiaries can access along a sliding scale from R20 000 to R100 000. Each beneficiary are obligated to make a contribution, and the grant amount they received are in ratio to individual's own

contribution, for the sliding scale of LRAD grant see Box 2.



According to the Ministry of Agriculture, LRAD is intended to make a major contribution to achieve government's target of transferring 30% of agricultural land within 15 years. To achieve this ambitious target in 15 years will require an average annual transfer of 1.64 million hectares (Almost 13% of total area of the Western Cape Province).

As a subprogram for Redistribution, LRAD supports the previously disadvantages groups or individuals (PDG/Is) to acquire land for the purpose of agricultural development. Acquisition of land, from either private or public sources, continues to be

based on the willing-buyer, willing-seller (WBWS) approach. The program continues to be described as demand-led, meaning that beneficiaries themselves must define the type of project in which they wish to engage and the ability of the farm workers to do so remains questionable.

Under the framework of WBWS, the equity-sharing scheme is recognized by the DLA as one of the examples to utilizing the LRAD grants:

...Beneficiaries can make the requisite matching own contribution, and receive equity in an agricultural enterprise equal to the value of the grant plus the own contribution. Because under the term of LRAD, the grants is intended for people actively and directly engaged in agriculture, and grant recipient in the case of the equity scheme will be both a co-owners and employee of the farm. The purchased equity should be marketable in order to retain its value (2008, p. 8).

In a study by Jacobs, Ewert, & Hall (2003) assessed the impact of LRAD on the livelihood of the rural people and whether or not it is changing the patterns of land ownership in South African. Three critical problems had been identified to ensure the well doing of the project: policy design, implementation and post- transfer support.

Policy Design and Implementation

LRAD under the Land redistribution policy is taking place in the context of a neo-liberal paradigm of political economy, which curtails the role of the state and public sector in the economy and promotes service delivery through the market (Jacobs, Ewert, & Hall, 2003, p. 25). The policy framework has major implication for the state, in terms of budgetary requirements, areas with high land price such as Stellenbosch has significantly less project for redistribution and the budget for land redistribution program only increased slightly in recent years (Haupt, personal communication, 22 March 2011).

This demand lead policy of land reform requires beneficiaries from the PDGs to identify the land they would like to acquire and how they would do it. Such proactive strategy often challenged by the ability of the PDG/Is in pursuing market opportunity; their lack

of knowledge and access to information as well result in the exceedingly slow pace of reform.

...These people know the land and they know how to farm, they have been farming all their lives; what they do not understand is agri-business and land policy.

*- Henry Peterson, Mentorship Program of WIDA
(Personal communication, 28 March 2011)*

The implementation of the redistribution policy targets the group of “rural poor” and “marginalized” group, these terms, commented by Lahiff (2007) are ill defined. With in the marginalized group, in which includes women, youth and disabled. Between them, these groups are intended to receive just 11% of all LRAD resources. However, no specific measures are in place in most provinces to give effect to this and official targets set for women’s participation are no longer mentioned (Jacobs, Ewert, & Hall, 2003, p. 26). This plan not only does not justify the total population of potential beneficiaries of the redistribution policy, also inconsistent with the affirmative action of the BEE and other policy for social development. It neglected the fact that within the PDGs, women remain the most vulnerable group.

Post-Transfer Support

The Wine Industry Development Association (WIDA) has a master mentorship program to assist farmers who went through land reform and establish plantation. One of the farms WIDA is associated with is a farm located between Stellenbosch and Paarl- *Klein Morewag*. It’s a large farm

(over 100 ha) sold by previous worker and redistributed by the land reform policy in a non-LRAD project. However, the beneficiaries do not have operational capital to start the farm so during the visit one can easily see that



this farm has been abandoned. Part of the irrigation system at the farm are broken and left unrepaired; there was no production activity at the farm.

When the land is acquired, the provincial government carries out the policy, but there is no post-settlement funding from the central government to the provincial offices, leaving the new farm owners with no operational capital.

The Department of Agriculture of the Western Cape Province offers various training programs from technological transformation to management. However, the training is a “one size fits all” model referred to by the District Manager of Department of Agriculture, Jan Theron (personal communication, 2 May 2011) commented on the current farm support and rural development are lack of monitoring system and comprehensiveness. One size does not fit all, each case of land transformation is unique; more importantly, land reform should not be solely on land transformation per se, but a package of social welfare uplifting, such as housing and action training.

The uptake of the land reform options for farm workers in the Western Cape are shown by the DLA project list (2002b):

TABLE 4 PROJECT TYPE AND UPTAKE

| | | |
|---|--------------------------------|-----|
| Total DLA Projects in the Western Cape: | | 321 |
| Total LRAD Projects: | | 162 |
| | Equity Sharing Projects: | 33 |
| | LRAD Projects (Excluding ESS): | 129 |

LRAD projects, including the Equity Scheme, consist over 50% of the total Land Reform projects in the Western Cape. Other land reform projects are ESTA; commonage and other restitution such as ecotourism and game farms; rural tenure and settlement projects.

3.3 SOUTH AFRICAN WINE INDUSTRY

Today, praise be the lord, wine was pressed for the first time from Cape grapes.

-Jan van Riebeeck, 2 February 1659

Jan van Riebeeck, the first governor of the Cape, planted a vineyard in 1655, and on 2 February 1659, the first wine was made from Cape grapes. However, the quality of the wine produced during the early period was exceedingly low. This was improved when Governor Simon van der Stel, also the founder of the second oldest town in South Africa- Stellenbosch, established the legendary 750 hectares wine estate outside Cape Town in 1685. Simon van der Stel, who was not only enthusiastic but also extremely knowledgeable about viticulture and winemaking, planted a vineyard on his farm in Constantia and made good wine from the outset. To this day, Constantia wine is mentioned when the world's finest examples are discussed.

Even though the Dutch have cultivated the grapes in the Cape but wine industry did not flourish under the Dutch hands. The Dutch had almost no wine tradition and it was only after the French Huguenots settled at the Cape between 1680 and 1690 that the wine industry began to prosper. As religious refugees, the Huguenots had very little capital to invest in the production and had to work with local resources, they also had to adapt their established winemaking techniques to new conditions. Their culture and wine making skills had left a permanent impression on the South African wine industry, as well as lifestyle, in the Cape.

FIGURE 4 MAP OF WINEGROWING AREAS OF SOUTH AFRICA



Source: Wine of South Africa

After the abolishment of apartheid policy, market liberalization on export goods gave South African wine an opportunity to re-enter the world market. Today, South Africa is among the top wine producing and exporting countries worldwide and continuing to thrive. Yearly production among South Africa's wine regions is usually around 264 million gallons which regularly puts the country among the top ten wine producing countries in the world (Agri-Africa, 2008). The majority of wine production in South Africa takes place in the Cape Peninsular, the historical heart of South African wine. This area is still of prominence in the industry being home to the major wine regions of Stellenbosch, Constantia and Paarl. Even though the Dutch have cultivated the grapes in the Cape but wine industry did not flourish under the Dutch hands. The Dutch had almost no wine tradition and it was only after the French Huguenots settled at the Cape between 1680 and 1690 that the wine industry began to prosper. As religious refugees, the Huguenots had very little capital to invest in the production and had to work with local resources, they also had to adapt their established winemaking techniques to new conditions. Their culture and wine making skills had left a permanent impression on the South African wine industry, as well as lifestyle, in the Cape.

Figure 4 shows wines in South Africa today are mainly produced throughout the Western Cape and also in parts of the Northern Cape, KwaZulu-Natal and Eastern Cape regions. Under the Wine of Origins (WO) legislation, wine regions in South Africa are divided into four classifications- geographical unit, region, district and wards. This study will focus on one of the most notable WO region- Stellenbosch, though others are equally renowned.

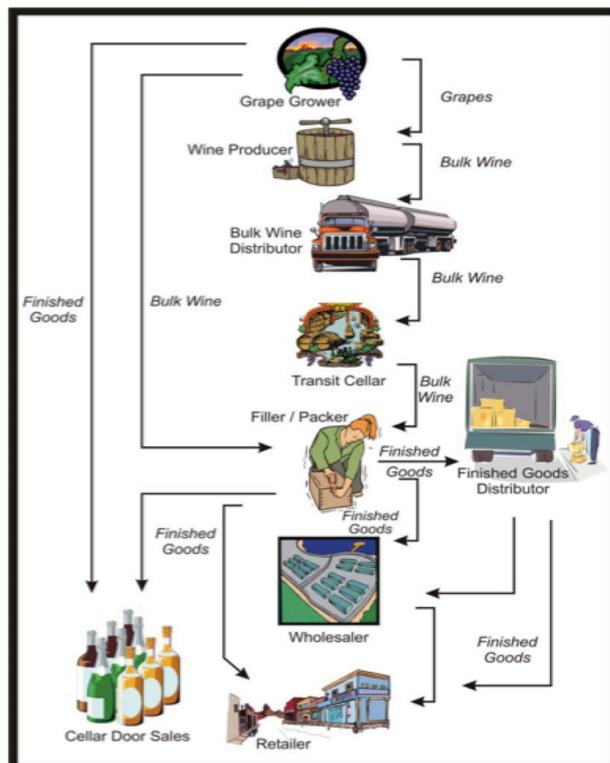
3.3.1 INDUSTRIAL SPECTRUM AND ORGANIZATION

Wine production is a capital intensive industry, and it is supply-led, which subjects to seasonal, temporal, global, technical and agricultural factors that set the supply of grapes for wine. In addition, the industry aims to minimize cost- always seeking more efficient production methods, cheaper labors, and innovative technologies to maximize yields.

In wine business, wealth creates through capital growth in value of land and buildings in the long term. A market-directed wine “demand” chain can typically be illustrated by the diagram in Figure 5. The demand and requirements from end users should drive and

direct supply (as indicated by the opposing arrows). Dealing with seasonal demand and variable supply realities do not make this balancing act easy (PwC, 2010, p. 22). There is a clear and direct link between how effectively supply chain activities are executed and how well the business performs.

FIGURE 5 SUPPLY CHAIN FOR THE WINE INDUSTRY



Source: Winebusiness.com, 2011

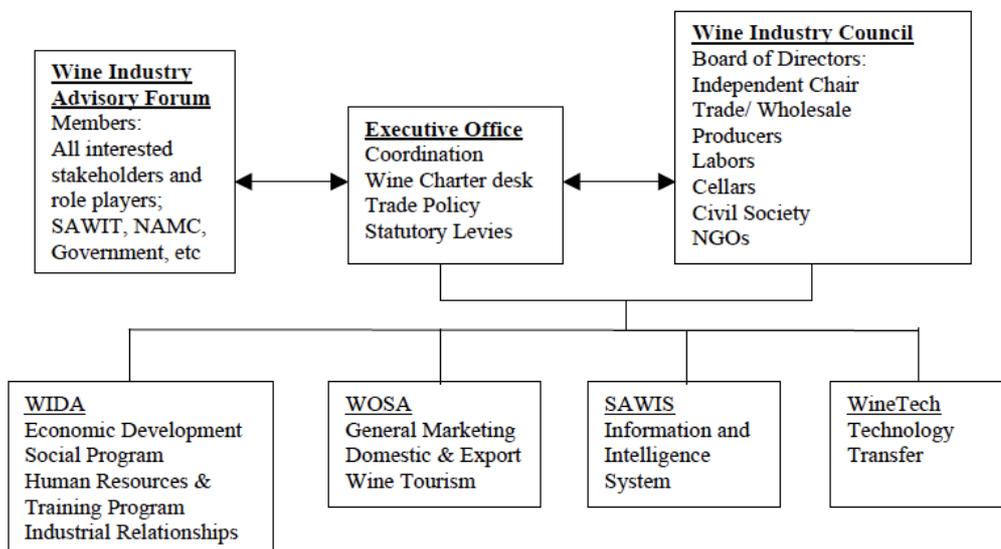
In other words, the profitability of a winery depends upon its capability to secure supply from the primary product- grapes, to the wine making cellar. Certainly, the price are still determined by the market and industrial co-operative, such as the *Koöperatieve Wijnbouwers Vereniging van Zuid-Afrika Bpkt*⁷, or the KWV.

⁷ The wine making co-operative, founded in 1918. KWV is the largest leading wine and spirits producers in the Western Cape Region and it controlled the majority of wine business, including exports and local purchases.

3.3.2 REGULATION & ORGANIZATION STRUCTURE

The South African Wine Industry is structured and organized by various players, stakeholders and interest groups. Figure 6 shows the organizational structure of the South African Wine Industry. The most essential unit of the industry is represented by the South African Wine Industry Council⁸, the constituency members including the wine grape producers, cellars, trade and labor organizations, agriculture and civil society.

FIGURE 6 ORGANIZATIONAL STRUCTURE OF SOUTH AFRICAN WINE INDUSTRY



The vision of the SA Wine Council states that it is ‘a globally competitive, profitable, accessible and equitable industry, underpinned by its characteristics of meaningful people development, sustainable natural resources usage, ethical trade practices and responsible business process that make a significant contribution to poverty alleviation and wealth creation for all.’

The Wine Industry Advisory Forum is responsible to give advice to the SA Wine Council; this representative forum is open to all interest groups and meets regularly to engage role-players on policy and strategy matters.

⁸ The Council was established on 30th June 2006 to replace the South African Wine & Brandy Company (SAWB).

The Four business units are founded by the statutory levies recommended by the Board of Wine Council for the main players of the industry to support these business units in order for the industry Council to be accountable and efficient. The four business units are: The Wine Industry Network for Expertise and Technology (Winetech), Wines of South African (WOSA), The South African Wine Industry Information and Systems (SAWIS) and the Wine Industry Development Association (WIDA)

3.3.3 CORPORATE SOCIAL RESPONSIBILITY OF THE WINE INDUSTRY

There is no doubt that, like our country, our South African wine sector has had a troubled past, and there is also no doubt that there is still a long way to go in redressing the wrongs of the past.

- Johan Krige, Chairman Wines Of South Africa

In the context of land reform in South Africa, the equity-sharing scheme is being adopted by the DLA and wine industry as an experiment of an alternative ways of integrating the poor into the land-based economy. This form of shared ownership is based on the concept of ‘empowerment’, which means giving power to people who are at a disadvantaged position. Another project that was launched by the South African government- Black Economic Empowerment (BEE) was also created under such principle. According to Wine of South Africa (WOSA), the wine community becoming involved in empowerment as part of the government’s overall AgriBEE program, in corporation with the government, the industry developed a charter to ensure that over the next decade a more representative ownership structure emerges. The South African wine industry BEE Charter and Scorecard were driven by the South African Wine & Brandy Company and the South African Wine Industry Trust (SAWIT). Estates have changed hands in black empowerment deal under the BEE initiative, the community of wine producer also created the Wine Industry Transformation Charter in 2007 in support of this program.

The Wine Industry Transformation Charter

The purpose of the Wine Industry Transformation Charter is to fundamentally transform the wine industry within the context of the



government’s BEE policy framework and codes. By using a BEE scorecard, all entities of the wine industry will be assess their performance. According to the charter, there are three different categories: large enterprises (annual turnover above R35 million) are required to comply with all seven elements on the scorecard; qualified small enterprises (annual turnover between R5 to R35 million) will only be judged on four of the seven element and micro enterprises with annual turnover below R5 million are exempted from the assessment.

The scorecard is consisted of seven elements, which are ownership, management, employment equity, skill development, preferential procurement, business development and rural development, and poverty alleviation. An example of a BEE scorecard for large enterprises will appear to be the following:

| Core component | BEE Element | Weighting | Some of the Indicators |
|-----------------------------|-----------------------------|-----------|---|
| Direct Empowerment | 1. Ownership | 20% | Voting rights Economic interest Realization points |
| | 2. Management | 10% | Board participation |
| Human Resources Development | 3. Employment Equity | 10% | Weighted employment |
| | 4. Skills Development | 20% | Leadership training Other learning program |
| Indirect Empowerment | 5. Preferential Procurement | 20% | Affirmative procurement in good BEE contributors |
| | 6. Enterprise Development | 10% | Monetary investment in good BEE contributors |
| | 7. Residual Elements | 10% | Industry specific initiatives Corporate social investment in health, education, poverty alleviation, etc |
| | Total weighting: | 100% | |

Environmental Sustainability



The Biodiversity and Wine Initiative (BWI) is launched in 2004 in which their vision is to protect and conserve our unique natural heritage within the Cape Winelands- an outstanding place with iconic species whilst maintaining living, productive landscapes. Two goals of BWI is conserving natural areas of outstanding conservation value and promoting sustainable agricultural practices

to maintain living and productive landscapes.

The conservation goal is achieved by assisting wine producers to set aside highly threatened natural areas on their farms including critically endangered species, natural corridors that re-connect threatened areas and link remaining natural fragments within farms and between farms. The other objective of sustainable agricultural production ensures the effective management of all the natural resources and systems that underpin the production of our wines. This includes sound management of our soil and water resources as vital components of a healthy and productive agricultural system.

Ethical Trade



The Fair Trade South Africa and the Wine Industry Ethical Trade Association (WIETA) are the two most significant organizations for the ethical issues of the wine industry. WIETA was formally established in November 2002; the association was found based on an Ethical Trading Initiative (ETI) pilot project in the wine industry. The pilot not only assisted the ETI and South African partners in learning about, developing and refining inspection methodologies in monitoring their base code, but was instrumental in bringing together stakeholders in the wine industry of the Western Cape to discuss and debate issues around ethical trade.

Fair Trade Label in South Africa is the first licensing organization of the International Fair Trade standards in a developing country. Celeste Dyers (Personal communication, 21 April 2011) from Fair Trade South Africa indicating that there is 35 certified and 14 licensed Fair Trade products in South Africa, mostly of the licensees are wine and tea products. In the case of South Africa, wine is comparatively easy for being licensed, because the entire value chain can be own by one entity, most of the internationally known South African wine has it's own farms, cellar, bottling facility and certainly its own brand. According to Dyers (2011), the South African wine should be encouraged to work towards the Fair Trade initiative for sustainable production and social development.



3.3.4 LIVELIHOOD ON THE WINE FARM

The Following social problems in the wine farms are identified, which are accountable in threatening the livelihood of both the farm dwellers and workers.

Eviction

Historically workers of the wine farms lives on the farm where they are employed, they can be evicted only under circumstance: one is if they do something seriously wrong; or in some other cases they refuse to pay reasonable rent they have agreed to with the farm owner. Illegal farm evictions are still ongoing in the farms after the Apartheid, and it has been the target focus for the policy makers. According to the DLA booklet of *Know your Land Rights*, the Extension of Security of Tenure Act (ESTA) was a law passed in 1997 as a part of the government's land reform program for the following purposes (1997, p. 2):

1. To protect people who live on rural or peri-urban land with the permission of the owner or person in charge of that land.
2. To protect the owners and people in charge of land by saying that occupiers⁹ have certain duties along with their rights.
3. To stabilize and improve relations between owners and occupiers, by creating fair and clear law and procedure for eviction.
4. To create procedures for occupiers to get stronger independent land rights, such as land ownership. This can be done with the assistance of owners and the government.

The definition of 'evict' used by the ESTA is the act of deprive a person against his/her will to reside on land, to use the land, and access to water which is linked to the right of residence (DLA, 1997, p. 12). Illegal eviction therefore included removing farm dwellers from land, forcing them off the land, threatening them so that they leave, or stopping them from using land water.

Alcoholism

The *Tot System*¹⁰ refers to the truck system in which arranged by the farm workers are paid in alcohol rather than standard money. Du Toit (1993) argued that this is the most obvious form of paternalism that used to, and arguably still, exist in the South African wine industry, predominantly in the Western Cape.

⁹ The term Refers to people who had the permission of the owner to live on the farm after 4 February 1997. ESTA gives occupiers a secure legal right to live on and use that land; protects them against unfair eviction.

¹⁰ The term also refers as the "Dop System". In Afrikaans, the word "Dop" means alcohol drinking.

... 'The culture of mastery' underpins the moral framework of both 'progressive' and 'repressive' farming styles. The culture of paternalism is easily 'transported' into the modern era. Its key assumptions are not anachronistic forms of 'racism', inherently linked to inefficiency. Rather, they are powerful and seductive ideologies about society and farming – easily adapted to new socio-economic conditions, and not easily relinquished (Du Toit & Ally, 2003, p. 45).

The life on farms is 'progress' and 'repressive'. It is rooted in the older history of slavery and paternalism. Workers received wine as partial payment several times per day which drove them systematically into alcoholism and, hence, dependency on the farmer. In the course of time, a set of unbalanced power relations between black farm workers and white farm owners evolved. Up until today alcoholism is still considered to be a serious social and health problem for farm dwellers. Problems related to alcoholism on farms evolve such as domestic-violence and health concerns. According to the World Health Organization (WHO), South Africa's Western Cape province has the highest rate of fetal alcohol syndrome in the world. It is the most common preventable form of mental retardation. The public health issue does not slow them down from drinking, at the wine-growing regions nowadays, not only does alcohol dependency persist; paternalism also carries on to overshadow the wine farms in spite of the changing political and economic environment.

Gender Inequality

South African farm workers have struggled for decades for gender equality in social and economic rights, and fair labor practice. Gender inequality on farms shares the same fundamental mindset of paternalism. In a paternalistic relationship workers are not merely employed to the farm but enter a family, they ought to view the farmer and the farmer views as himself as a father figure.

Paternalism is not always a negative relationship. Farmers may offer a fair wage package and along with other social services such as accommodation, medical care, transport, and even education for the children. The accommodations provided by the farmer are usually not free of charge; in other words, farm workers need to pay a rent to the farm owners or deduced from his/her salary. The housing contract on farm slows a strong gender bias. Ida Jacob of the *Women on Farm projects* in Stellenbosch had explained the housing contract on farm is attached to the employment contact (Personal

communication, 15th April, 2011), if the husband and wife both work on the farm, in most cases the rental contract will only be under the name of the husband. This means the wife who also works on the farm has no legal status of residence on farm and if her husband is fired, she can no longer live on the farm either.

Casualization of labor

There are two types of labor working on wine farms: the permanent workers, often living on farm, and seasonal workers, who are hired in low wages mainly for harvest season. In the urban areas, seasonal or casual employments seem to be one of the few options for the people living in poverty. The wages are very low, with employment standards entirely unregulated by the states.

The *Women on Farms Conference* held in September 2003 stated two important causes of the structure of irregular employment on farms. First of all, it is the economic restructuring cause by structural limits to the apartheid growth path led to even more intensive capitalization and large-scale job shedding. Between 1980 and 1995, more than 1.3 million jobs were lost in the formal economy (2003, p. 23). The unskilled workers were affect most, and farm workers possessed the large percentage of the unskilled labors. This was already a bundle of surplus of labor growing rapidly as retrenched workers were joined by youth entering the job market without any prospects of employment.

The post- apartheid government has also established a labor relation system that provided greater protection for formally employed workers than was the case under apartheid (WFP, 2003, p. 24). This causes the lower cost to employ informal workers, and employers have been able to take advantage of the conditions of structure unemployment. Official figures from the National department of Agriculture showed a 25% decline in regular farm workforce 70% of women and 55% of men employed in agriculture sector is placed into the “elementary”, or unskilled jobs (1999, p. 32).

CHAPTER 4 METHODOLOGY

4.1 RESEARCH AIM, OBJECTIVES AND QUESTIONS

4.1.1 RESEARCH OBJECTIVES

This study begins with the history of land dispossession in South Africa and its contemporary effort on redressing inequalities with the agrarian reform. Within the framework of land reform, this study focuses on the land redistribution policy and its beneficiaries. The equity-sharing scheme plays an important role in transforming ownership of the farm in the South African wine industry. This study draws focus on the process of farm workers when received the compensation from the land redistribution policy have become the shareholders of the wine farm.

Beside the ESS, joint venture by the government and the private sector should be observed. After the workers had become shareholders, more should be focus on the methodology they used to increase productivity, or quality of outputs. . Under the initiative of Black Economic Empowerment (BEE), this development of previously disadvantaged groups requires assistants not only from the government but also technology sharing and management training from the wine industry. Changes or lack of changes in the results of the ESS will directly influence the livelihood of the farm workers and power relation in wine farms. The outcomes of the initiative can also raise the following argument: even though equity-sharing scheme does not truly belong to the main policy of land redistribution, it reaches the same end result as a land reform policy is anticipated, under certain support. Therefore, such model can be considered as an alternative or new phrase of agrarian reform in South Africa.

This research will focus on the joint effort made by the South African government and the South African wine Industry to improve the conditions of farm workers in the wine farms of Stellenbosch. The main objective of this study is to identify the consequences of the land redistribution policy, together with equity-sharing scheme as an adjustment to inequalities in the South African wine industry. This research also aims to discover changes, or lack of changes, caused by this joint effort.

4.1.2 RESEARCH QUESTIONS

What are the experiences and outcomes of the Equity-Sharing Scheme in the wine farms of Stellenbosch?

In order to be able to answer the main question there are several specific sub questions:

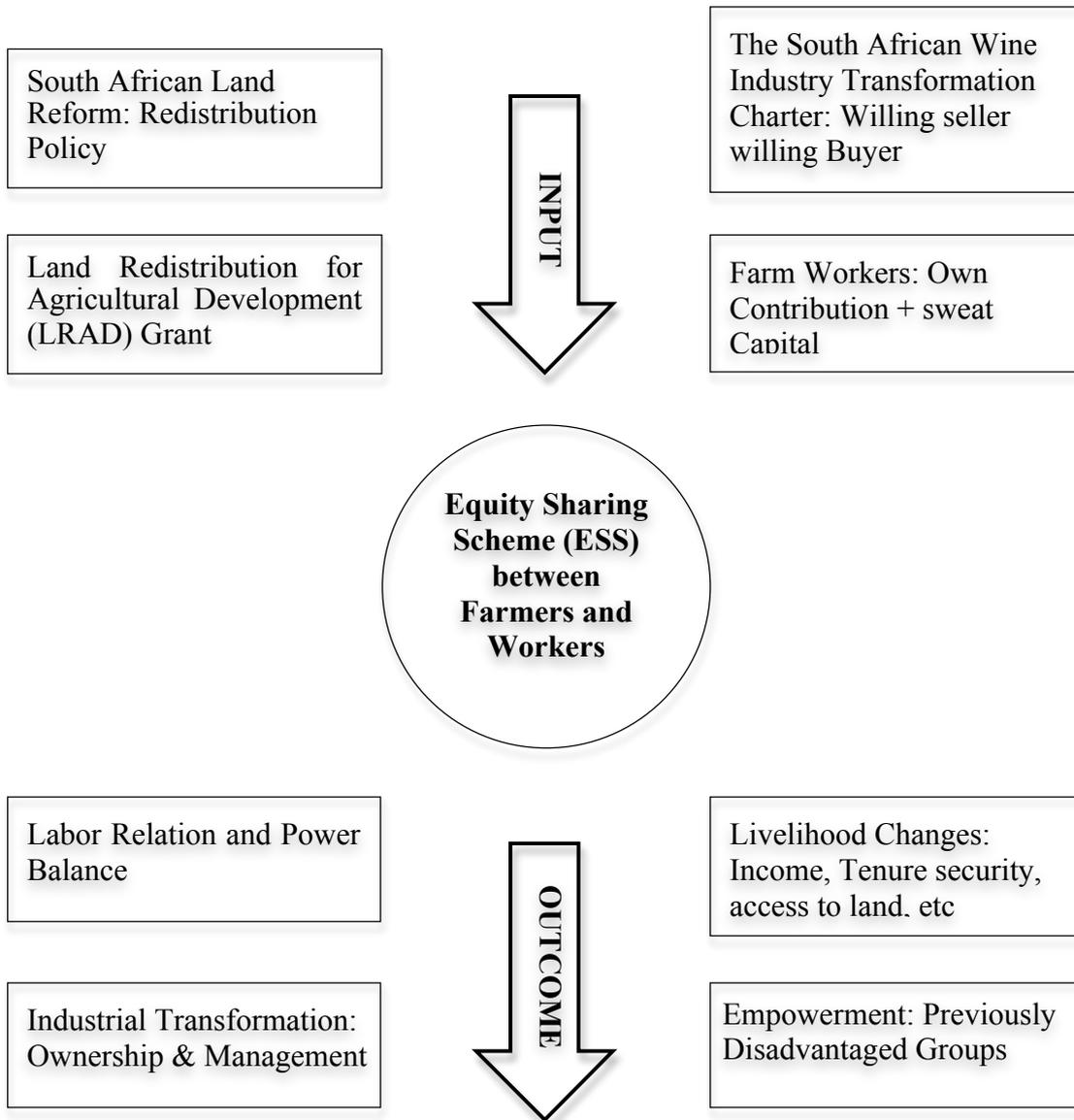
- I. What is the agricultural structure in the research area?
 - i. Land ownership pattern
 - ii. Social economic make up of farms
 - iii. Characteristics of agrarian structure of the area

- II. What are the characteristics of the South African Land reform?
 - i. What is happening in the land reform (from the broader concept to the land redistribution policy, which this study will focus on)
 - ii. The beneficiaries of the land redistribution policy

- III. What are the characteristics of Equity- sharing Scheme in the wine industry?
 - i. What is Equity- Sharing Scheme, how does it work
 - ii. The beneficiaries of this initiative
 - iii. Participation of the initiative (percentage of wine farms participates)

- IV. What are changes brought by the equity-sharing scheme in the wine farm?
 - i. A meso level analysis of changes in power balance in the wine farming sector
 - ii. To what extent this imitative influence the business structure of the wine industry (changes in the decision making process)
 - iii. A micro level analysis of change in livelihood of the farm workers

4.2 CONCEPTUAL MODEL



This model conceptualized the framework of this study, which is the ESS operation in the South African wine industry. It represents the joint effort of the government land reform policy (LRAD) and the ‘willing seller’ from the wine sector. Together with the own contribution and sweat capital of the farm workers from previously disadvantaged groups.

As the center of focus, the ESS presents a discourse of transformation in the wine industry. The outcome of the ESS will be studied from both the industrial perspective and the livelihood approach from the beneficiaries.

4.3 SELECTION OF THE RESEARCH AREA

This study focused on the traditional wine growing regions of the Western Cape Province (also referred to as the ‘Cape Winelands’), namely Stellenbosch, Paarl and Worcester.

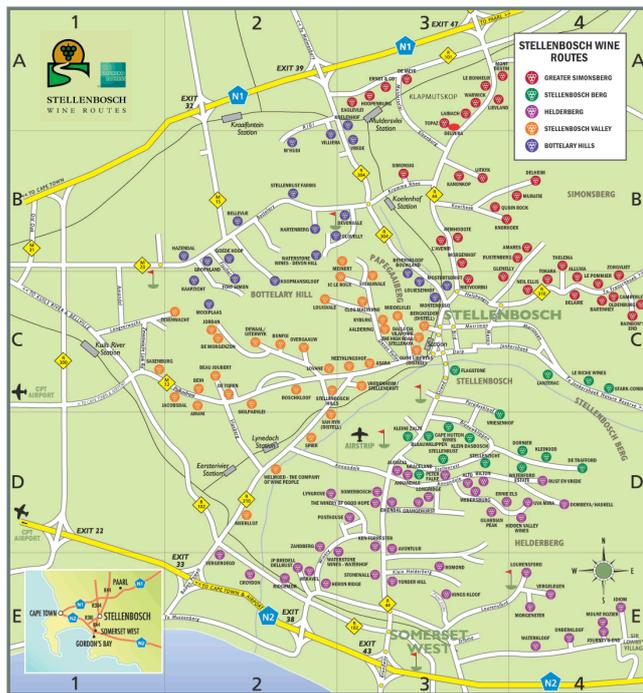
FIGURE 7 MAP OF WESTERN CAPE PROVINCE, SOUTH AFRICA



Source: *ifashion.co.za*.

Figure 7 shows the Cape Winelands is situated in the middle of the Western Cape Province. To many, Stellenbosch is considered the wine capital of South Africa. Stellenbosch also has established a sophisticated wine route for wine tourism, Figure 8 indicates over 80 winery participate in this wine route. Some includes a wine farm, a restaurant and even a hotel; some are just a cellar. However, it gives an idea of the significance of wine industry in the Stellenbosch economy, not only primary production, but also wine-related tourism.

FIGURE 8 MAP OF STELLENBOSCH WINE ROUTE



Source: Stellenbosch Tourism

4.4 OPERATIONALIZATION AND DATA COLLECTION

4.4.1 DATA REQUIREMENTS

The Methodology of this study can be derived from the sub-questions generated in order to answer the research question. The methods of data collection can be categorized at Table 5 below with explanation follows:

TABLE 5 REQUIRED DATA AND METHODS OF COLLECTION

| 1. What is the agricultural structure in the research area? | | | |
|--|--------------|---------------------------------------|------------------------------------|
| Issues | Scope | Data Required | Data Source |
| 1.1 Agrarian structure | WC | Business Structure | Literature/ Government publication |
| | | Characteristics of commercial farming | Literature/ Interviews |
| 1.2 Land ownership | WC/ST | Land use | Literature/ Government publication |
| | | Ownership types/patterns | E-survey/ Telephone Survey |
| 1.3 Social-Economic Pattern of wine farms | ST | Farm Size | Platter Wine Guide |
| | | Ownership structure | E-survey/ Telephone Survey |

| 2. What are the characteristics of the South African Land reform? | | | |
|--|------------------|--|--|
| Issues | Scope | Data Required | Data Source |
| 2.1 Land Reform Policy | ZA/ WC | Land Reform Grants (LRAD) | Literature/ Government publication |
| | | Budget and Policies | Literature/ Government publication Interviews |
| | | Beneficiaries | Literature/ Government publication |
| 2.2 Policy for readdressing the past | ZA/Wine Industry | BEE/ AgriBEE | Literature/ Government publication |
| | | Wine Industry Transformation Charter | Literature/ Wine Industry Publications Interviews |
| 3. What are the characteristics of Equity- sharing Scheme in the wine industry? | | | |
| Issues | Scope | Data Required | Data Source |
| 3.1 Equity-Sharing Scheme (ESS) | WC/ ST | Scheme Structure | Literature Interviews |
| | | Government/ Land Reform Grants & Supports | Training Program Interviews |
| | | Wine Farm participants on BEE/ ESS | E-survey/ Telephone Survey |
| 3.2 Participants of ESS | ST | Participants of ESS with Land Reform Support | Interview Observations: farm visits |
| | | Percentage of wine farm participants | E-survey/ Telephone Survey |
| 4. What are the changes brought by the Equity-Sharing Scheme in the wine farm? | | | |
| Issues | Scope | Data Required | Data Source |
| 4.1 Business Structure | ST | Power Balance: Decision making | Interviews Questionnaire |
| | | Wine Farming in the value chain | Literature Interviews |
| | | Forms of management | Interviews Case Study |
| 4.2 Livelihood | ST | Farm Workers perception on ESS | Questionnaire Interviews |
| | | Changes in Income, power relations and satisfaction due to ESS | Questionnaire Interviews Case Study |
| | | Empowerment from ESS | Questionnaire Interviews Case Study |
| Note: WC= Western Cape Province; ST= Stellenbosch; ZA= South Africa | | | |

Sub question 1: Describe the agrarian structure of Western Cape Province using literature review; as well as land ownership pattern of WC province with a focus on Stellenbosch. Using the John Platter Wine Guide to identify all wineries in Stellenbosch then distinguish social-economic make up of wine farms in Stellenbosch using an E-survey/ Telephone Survey.

Sub question 2: Introduce the Land Reform Policy in South Africa and the distinctive effects it has on different provinces and sectors. Discover influences of Wine Industry of Land Reform as well as its realization on land transformation by implementation other initiatives. Mainly using literature reviews and semi- structure interviews.

Sub question 3: Focus on the Equity-Sharing Scheme and its operational rationale, discover pros and cons of the scheme. Using various methods including in-depth interviews with participants and stakeholders, Survey and observation during farm visits.

Sub question 4: Identify the business structure of ESS of wine farms in Stellenbosch, reviewing the experience of this empowerment trust and investigate who really benefit from the scheme. Livelihood approach will also be taken in order to assess the impact of ESS.

4.4.2 DATA COLLECTION

John Platter's South African Wine Guide

The most important tool for identifying the characteristics of all wineries in Stellenbosch was the 2011 edition of the John Platter's Wine Guide. The John Platter South African Wine Guide is considered to be one of the most authoritative guidebook with comprehensive information about all the wine entities in the South African wine industry. The John Platter Wine Guide includes information on hundreds of old and new wineries, cellars and directions, as well as culinary, recreational and tourist hotspots throughout the country. The guide had provided relevant data for this study, one can identify all wineries in the Stellenbosch area and created a data set with farm name, location, contact information, farm size and for some, information of the owner. This complete list serves as the basic pool of wineries in the search area for this study to

conduct E-survey and later on telephone surveys in order to discover the ownership pattern and potential foreignization of this wine region.

E-Survey/ Telephone Survey

With the list of wineries in Stellenbosch area from the John Platter Wine Guide, a tabular form is created and 239 wineries with all the basic information such as location, contact detail and farm size are identified. By using this guide, an email survey is sent out to all those wineries (see Appendix A) about ownership information and BEE/ESS participation. Some of these wineries are not farms, but only cellars. Only wine farms can participate in ESS with Land Reform grants, hopefully the cellars can be filtered out. After the E-survey, wineries that have not yet responded are decided to reach by a telephone survey.

Questionnaire

This survey is conducted using a stratified sampling. The Questionnaire is designed for the beneficiaries of the scheme, and they are known as the member of an empowerment trust (see Appendix B). First is to identify the wine farms in Stellenbosch that are in the ESS program that are supported by the Land Reform funding, then acquired that the most recent funding application farms for the Program for Redistribution and Agriculture Development (LRAD) from the district office of the Department of Rural Development and Land Reform (DRDLR). Information of five wine farms in Stellenbosch which fits into the profile are acquired from the district land reform office. Then try to reach members of the trust to participate in the survey through farm visits, email and telephone contacts acquired from the farm workers unions and NGOs.

Farm Visits

In order to understand the mechanism of Equity Sharing Scheme and Land Reform in the wine industry, observation will be made during the field visit to different wine farms in the Western Cape, certainly on Stellenbosch specifically.

Three Months Field Work: Counterpart Organization –SANPAD

South Africa Netherlands research Program on Alternatives in Development (SANPAD) is in Phase III (2009-2013) of its establishment. The general objective of this phase on land governance, the balance between protecting rights and promoting the most productive use of land; between economic progress, sustainable land use and social justice. SANPAD aims to fulfill the critical engagement of spatial, economic and social aspects of land acquisition in various scales, context and locations in South Africa. The research collaboration aims to explore current processes of land alienation, and identify the actors and stakeholders behind the process, and the position of local communities.

In corporation with Stellenbosch University, SANPAD had focus on the role of policy and market in the courses of land acquisition; as well as social problems such as poverty and disparity. SANPAD aims to accumulate knowledge and information into understanding the impact of the land grabbing process on South Africa's local development, in terms of environmental, economic and social sustainability.

4.5 MAIN LIMITATIONS

The biggest challenge of this study falls into the part of the experience and perception from the beneficiaries. The farm workers are relatively difficult to approach, because they have to work during the day and if the farm is not willing to participate at the survey or not willing to share the information about the ESS trust then there is no other way to have contact with the ESS beneficiaries.

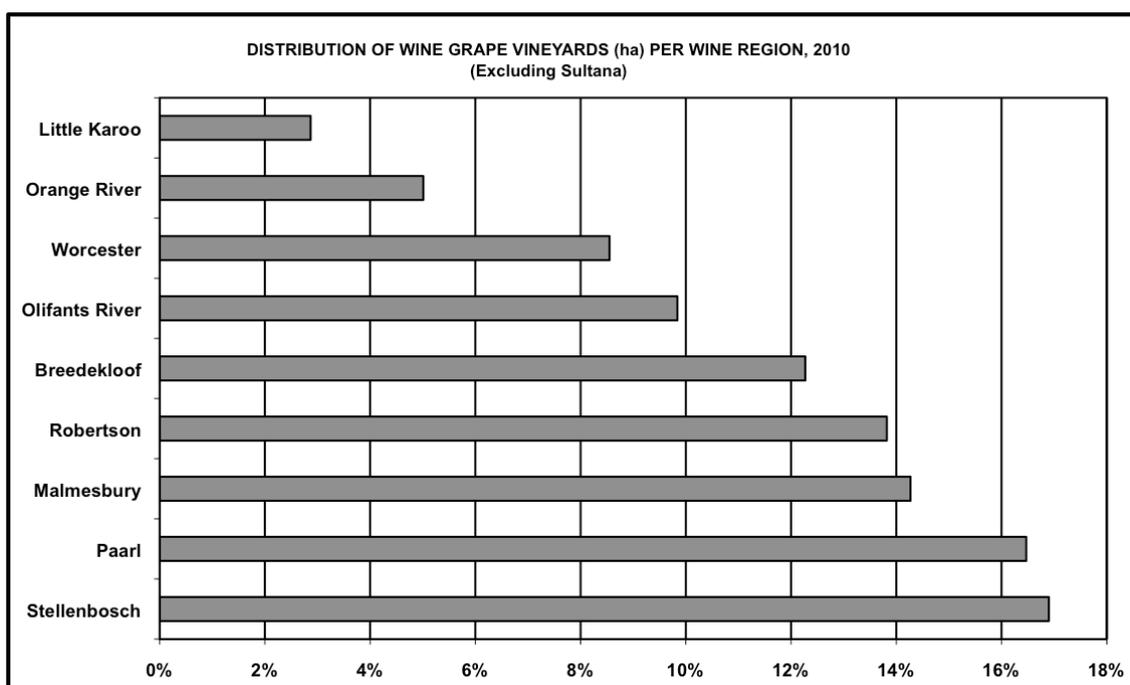
Another limitation is the length of this research. Each ESS project is different and because it is a relatively recent project in the wine industry, not much evaluation or information has been published. The fieldwork is three months but there are still some farms and projects have not yet been visited in this study. This may influence the inclusiveness of this study and one should consider that during interpretation.

CHAPTER 5 FINDINGS AND ANALYSIS

5.1 CHARACTERISTICS OF THE CAPE WINELANDS

Stellenbosch has the most wine grape vineyards in South Africa. The annual publication of SAWIS (2010) indicates that about 17,100 hectares of land in Stellenbosch area has been cultivated for wine farming.

TABLE 6 DISTRIBUTION OF WINE GRAPE VINEYARDS PER REGION 2010



Source: SAWIS, 2010, p.5

5.1.1 OWNERSHIP CHARACTERISTICS OF WINE FARMS IN STELLENBOSCH

According to the *John Platter's South African Wine Guide* (2011), there are about 270 wine estates in Stellenbosch, in which over 150 of them are wine farms. The following table shows the generic characteristics of the wine farms in Stellenbosch in regards to the ownership.

TABLE 7 OWNERSHIP PROFILE OF THE WINE FARMS IN STELLENBOSCH

| Variables | | % (N=92) |
|---|----------------|-----------------|
| Ownership | | |
| - Corporate/ Trust | 37 | 40.2 |
| - Individual/Family | 55 | 59.8 |
| Farm Size | Hectare | |
| - Average Farm Size | 110.7 | |
| - Min | 2 | |
| - Max | 670 | |
| - Average Cultivation Size | 68.8 | |
| - Min | 2 | |
| - Max | 520 | |
| Nationality of the Farm Owner(s) | | |
| - South African | 64 | 69.6 |
| - Foreign | 28 | 30.4 |
| | | % (N=64) |
| - South African | 58 | 90.6 |
| - Joint Venture (SA partnership) | 6 | 9.4 |
| Year Purchased | | |
| Before 1994 | 47 | 51.1 |
| After 1994 | 45 | 48.9 |

Ownership Structure

Types of ownership in Stellenbosch wine farms can be classified into two categories: Corporate or trust owned and individual or family owned farms. The Survey of this study showed that 55 out of 92 wine farms in Stellenbosch are individual or family owned. Legacy of traditional family farming continues to be the main characteristic for the heart of the Winelands.

Another characteristic can also identified within the different types of ownership- the business structure. The corporate owned wine farms are averagely smaller; however, corporate or trust owned farms have significantly more farm areas that are actually cultivated for wine grapes. The situation when the individual or family owned farmland is bigger then the corporate or trust owned farm might due to the history or accessibility of acquiring land.

TABLE 8 FARM SIZES OF DIFFERENT TYPES OF OWNERSHIP

| Ownership | Farm Size (ha.) | Cultivated Size (ha.) |
|---------------------------|------------------------|------------------------------|
| Corporate/ Trust | | |
| - Average | 127 | 83 |
| - Min. | 14 | 4 |
| - Max | 670 | 520 |
| Individual/ Family | | |
| - Average | 177 | 60 |
| - Min. | 2 | 2 |
| - Max | 4000 | 353 |

As shown in Table 8, average 65% of the land from a corporate or trust own farm is cultivated; in comparison with 34% at an individual or family owned farm. According to this set of numbers, it is clear that the productivity of that the corporate or trust own farms are higher then the individual or family owned farms.

In order to explain this phenomenon, one should take into account the extended products of wine production. Life style farming and wine tourism are two major by-products of wine growing. Wine tourism refers to tourism that which purpose is or includes the tasting, consumption or purchase of wine, often at or near the source. It consist of visits to wineries, vineyards, restaurants even vintage resorts, as well as organized wine tours, wine festivals or other special events (Carlsen & Charters, 2006). The phenomenon of individual or family owned farms have only about half amount of cultivation rate of the vineyard in comparison to the corporate owned farms can be explained with the development of wine tourism. Individual and family owned farms could utilize the history and legacy as an attraction for wine tourism. Vineyards that are involve in wine tourism need to establish pertinent facilities on farm, such as restaurants and accommodations, and that will shrink the cultivation size of wine grape farming.

Life style farming refers to the land as a ‘hobby farm’, where the owner farm as a form of recreation while maintaining an income from off-farm activities, usually productivity is not the main objective of these farms (Holmes, 2006, p. 143). Assuming life-style farming in Stellenbosch is mainly by individual and family owned farms due to the less cultivation size, it is logical according to the definition of life style farming while productivity and profitability are not the main objective of the farm.

TABLE 9 FOREIGNIZATION OF OWNERSHIP STRUCTURE

| | South African | Foreign | % Foreign Ownership | Average Farm Size | % Cultivation Size |
|---------------------------|----------------------|----------------|----------------------------|--------------------------|---------------------------|
| Corporate/ Trust | 27 | 10 | 37% | 127 | 65% |
| - South African | | | | 129.5 | 100% |
| - Foreign | | | | 121.3 | 58.8% |
| Individual/ Family | 37 | 18 | 48.6% | 177 | 34% |
| - South African | | | | 219.2 | 30.9% |
| - Foreign | | | | 82 | 41% |

Furthermore, as shown in Table 9, by using the cultivation rate, other activities in the wine farm can also be identified. In corporate owned farms, South African vineyards cultivated 100% of the land, productivity is high in terms of wine farming; however, only 58.8% of the farm in foreign vineyards are cultivated. The logical supposition of this fact is that foreign corporate farms has a higher level of wine tourism development then the South African corporate own farm. This can be a result of financial capacity due to the capital intensity of the investment of wine tourism.

In contrast, the individual or family owned farms do not have a large difference in farm cultivation. Foreign own individual or family farms cultivate about 10% more then the domestic farms. However, one interesting fact is the average farm size of foreign farms owned by individual or family is considerably smaller (82 hectares) then the domestic farms (219 hectares). The small wine farms possess one of the characteristics of life style farming- ‘hobby farms’ are usually small in sizes. In addition, according to Henry Peterson, the project manager of WIDA (personal communication, 28 March 2011), these small wine farms are sometimes considered as the boutique vineyards. These boutique vineyards only produce wine grapes that are for high quality wines, and their profit margin per hectare is also higher then a ordinary farm. Thus, hobby farms and boutique farms owned by foreigners perhaps is the emerging characteristics of the wine farms in Stellenbosch.

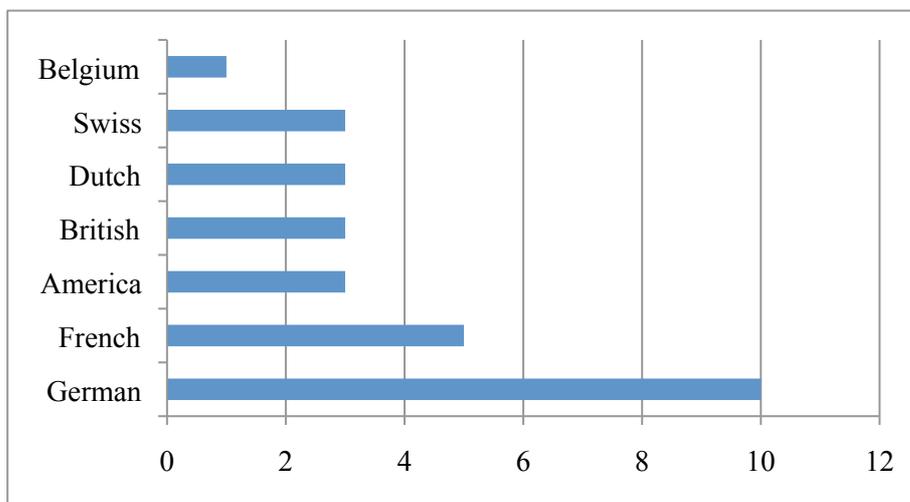
Foreign Ownership

In order to see how much the wine farms are “foreignized” in Stellenbosch, the nationality of the farm owner certainly is an important indicator for the influence of globalization and possibly land grabbing in the area. In Stellenbosch, South Africans are

still the predominant possessor of the wine producing farmlands. Near 70% of the wine farms remain, in whole or in part, domestically owned.

The foreign ownership of wine farms in Stellenbosch uptakes about 30% of total industry that has participated in this study. The nationalities of farm owners can also be associated with the export destination of South African wines. As shown in Figure 9, farm owners from Germany, France, The Netherlands, USA, and other foreign countries are also the major importer of South African wines¹¹.

FIGURE 9 NATIONALITIES OF FOREIGN FARM OWNER

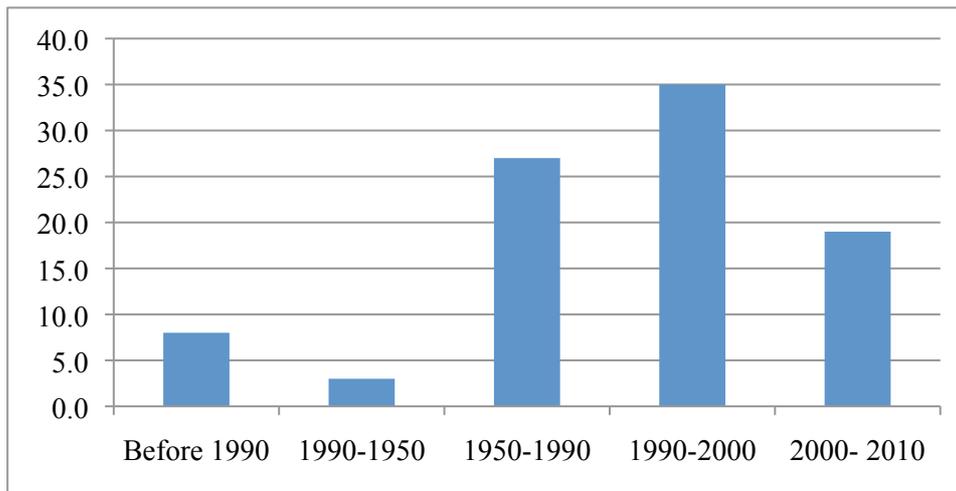


5.1.2 LAND PURCHASE AND PROPERTY PRICE

Stellenbosch is known for its relatively high property price. After the end of apartheid regime in 1994, the country has returned to the global stage and reconnected in international trade. The post-apartheid South African government has demonstrated a willingness to institute changes towards greater equality and socio-economic freedom (Zegeye, 2005). Within the 92 wine farms of this study, 51% of the participants had acquired the farm, financially or politically, before the year 1994. The remaining 49% of the farm owners purchased or inherited the farm after the end of apartheid.

¹¹ According to Wines of South Africa, in the year 2009, top export countries of South African wines are: United Kingdom (32%), Germany (18%), Sweden (10%), The Netherlands (7%) and USA (4%).

FIGURE 10 YEAR THE FARM IS PURCHASED BY CURRENT OWNER



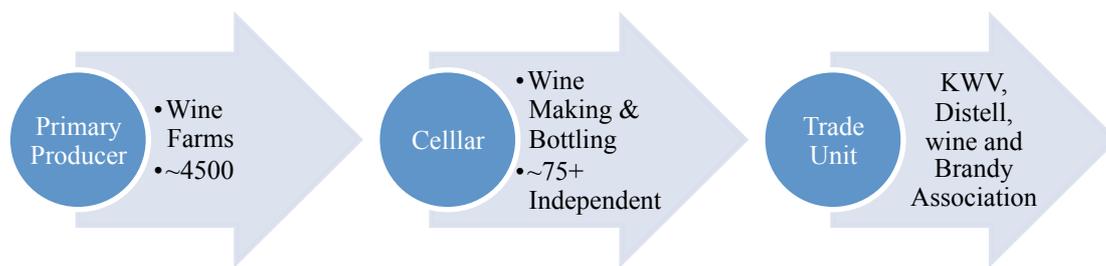
The oldest farm participant is a family owned farm established in the year 1665, and the newest farm was just purchased by a German Corporate in 2010. The amount of purchasing activities of the farmland for over 300 years is not able to outgrow the amount of farm purchased in the last 20 years. In Figure 10, the distribution of in which year the vineyard is purchased by the current owner. During the apartheid, the farm purchases raised from early 20th century, the segregation policy became the foundation the inequality in the economy, and in the case of wine industry, established a white dominate sector. After the embargo was lifted, more demand for wine export causes the soar of farm purchase during 1990s. Only 6 out of 28 foreign owned vineyards in Stellenbosch are purchased before 1994, this reconfirmed the beginning of foreign land purchase in the wine industry after the apartheid.

5.1.3 SOCIAL-ECONOMIC PATTERN OF WINE INDUSTRY

The CEO of the South African Wine Industry Trust (SAWIT), Charles Erasmus, explained the current situation of the wine industry and the transformation that SAWIT aims to achieve. Figure 11 shows the abbreviated structure on the wine industry; over 95% of the wine producing activities takes place in the Western Cape Province. Hence, it is fare to say that the value chain above represents the wine industry's current setting in the Western Cape Province. There are more then 4500 Wine farms growing wine grapes and these farmers are often price takers and possess risks of a bad harvest, as well as factors such as weather and diseases. Cellars are where the actual wine making and preparation process take place, it is placed in the middle of the supply chain, the

amount of the cellar is hard to identify in the Wine producing area because there are numerous of private lifestyle cellars, as well as cellars that do not produce wine regularly. Though the important wine making and bottling facilities are very capital intensive but at the same time, high in returns.

FIGURE 11 SOUTH AFRICAN WINE INDUSTRY SIMPLE SUPPLY CHAIN



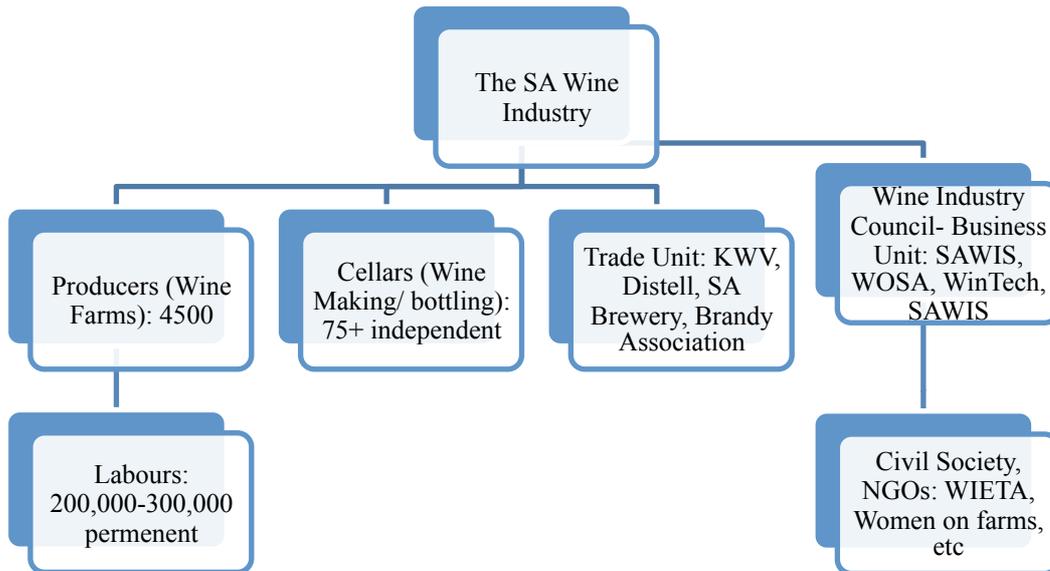
Farmers from the only black owned farm in Stellenbosch- M'Hudi (Oupa Rangaka, Personal communication, April 5 2011), stated that the next objective of the family farm is to obtain sufficient money to build a cellar. It not only can better manage the quality and price control for the wine brand, but also, under apposite circumstances, higher the profit winery.

At the top of the supply chain locates the trade unit, which their function includes price determination of the bottle of wine that can be purchases in supermarkets and restaurants. Until the early 1990s, KWV controlled the majority of the wine business; wine export increased after the end of apartheid regime in 1994, this monopolistic situation began to lighten in the wine industry. However, today the KWV, Distell Company and South African Breweries Ltd still dominate vast majority of the export and sales of the South Africa Wine Industry.

Charles Erasmus (personal communication, 29 March 2011) raised the interesting question of: Who owns the industry? Less then 1% of the primary producer out of around 4500 wine farms are BEE participatory, or black owned. Power Relations in the Wine Industry showed in Figure 12 illustrated by Mr. Erasmus, stated that the entire supply chain of the wine production: wine farm, cellars, and trade units are controlled

by the whites. The black domination part of the industry belongs to the relatively “powerless” body: 20,000 to 300,000 permanent laborers, civil societies and the development organization for the wine industry such as the Wine Industry Development Association (WIDA).

FIGURE 12 POWER BALANCE ON THE SA WINE INDUSTRY



5.2 THE EQUITY SHARING SCHEME

The South African Wine Industry is one of the first private sectors to adopt the equity-sharing scheme to tackle poverty and empowerment of previously disadvantaged groups. The idea is to provide opportunity for farm workers to purchase equity and become beneficiaries of the farm where they employed while earning regular salary by working there. The farm workers are also supported by the capital provided from the land redistribution grant or other development funds. The principle objectives of the scheme are to ensure greater income and sustainable capital assets to farm workers and closing gap between the farm owners and workers (Gray, Lyne, & Ferrer, 2004, pp. 6-7). At the same time, the transformation of ownership and redistribution of wealth also contribute to the empowerment of workers and truly improve their livelihood. Under this scheme of employee shared ownership, a changing power relation between farmer

owners and workers occurs. Workers are offered opportunity going from laborers to shareholders and at the same time, creating good products. While farmers are committed to empowering their employees through ownership, training and recognition of their efforts and making them proper partners in the production process and shareholders in their own business.

One of the most critical comments of the ESS is that the scheme should be isolated from the broad land reform objectives since it do not fundamentally change land ownership. Thus, it should not be consider as a land reform strategy. However, this study aims to argue that even though ESS is not a proper form of land reform, but it reaches the same anticipation as a land reform program in balancing power relations in the farm, improving livelihood and secure tenure. Thus, the Wine Industry (VinPro, 2004, p. 2) has its own idea about the ESS and what a successful land reform model should aim to ensure (see Box 3).

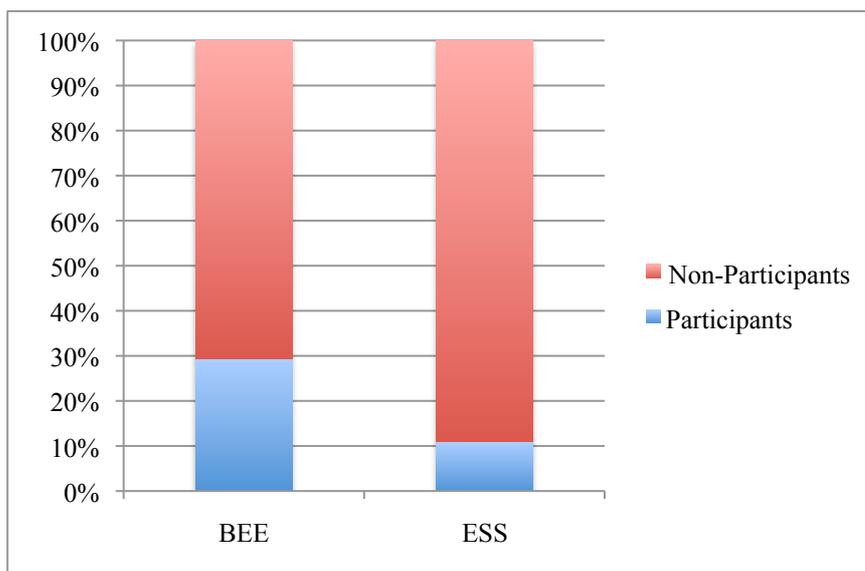
BOX 3 LESSON FROM EXPERIENCE

- The Farming operation were profitable, that all participants should be able to anticipate a return to the capital and effort that they invested in the enterprise;
- The farming enterprise was sustainable in the longer run, it had to lead a commercially and environmentally viable commercial enterprise;
- The farming enterprise had to lead to real and tangible empowerment within acceptable time limits, i.e. to the achievement of real ownership, management and/or control over the business enterprise by participants in the initiative;
- Each land reform project had to contribute in a meaningful manner to transformation, and ultimately to the process of Black Economic Empowerment.

5.2.1 ESS IN STELLENBOSCH

Some of the wine farms in Stellenbosch are participating in the Black Economic Empowerment (BEE) and Equity Sharing Scheme (ESS) as part of the initiative from the *Wine Industry Transformation Charter*. Almost 30% of the vineyards in Stellenbosch participate in the BEE project but only about one third of them are involve in ESS (see Figure 13).

FIGURE 13 STELLENBOSCH VINEYARDS' PARTICIPATION OF BEE/ESS



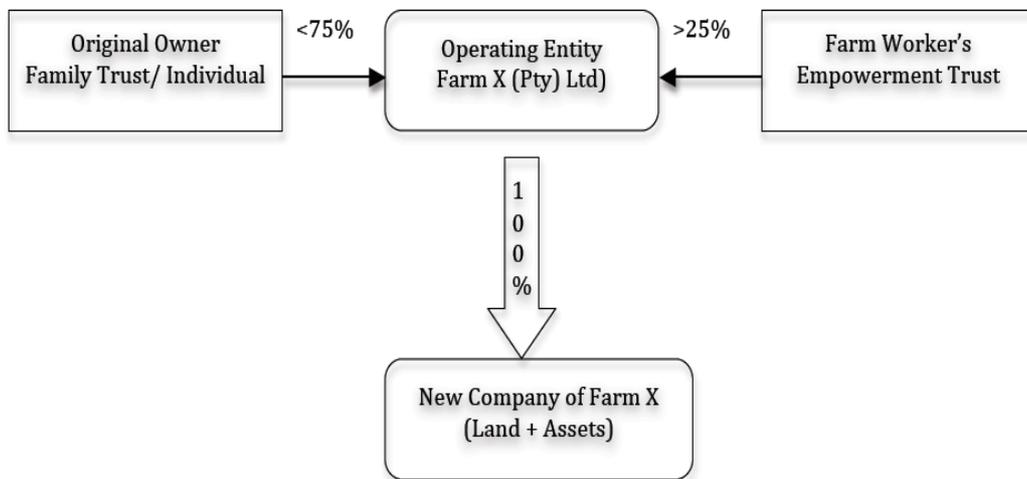
The first element of BEE about ownership states a BEE accredited entity must have 25% or more share own by black people. So almost all of ESS farms are BEE certified. However, not every BEE farm is also participating the ESS at the same time, potential reasons being:

- Some BEE farms focus not in land transformation but more towards the uplifting the farm environment such as housing, education and facilities for farm child, etc.
- A few farms have a workers' trust and the workers hold over 25% of shares of the farm. However, they do not seek land reform funding, namely LRAD, to establish a larger scheme. Therefore, it is a BEE certified farm but does not fall into the category of ESS due to the size of the ownership sharing.

5.2.2 ESS STRUCTURE

An example of the structure of ESS wine farm is shown in Figure 14. An operating entity of Farm X is formed with a share of holding from the original farm owner and the workers trust, sometimes refer to as empowerment trust. The workers will hold at least 25% share of the operating company that was sold to then by the original farm owner. Then together with all the shares of the operating company Farm X, they will form a new company that suppose to include all assets of the farm such as land, cellar and all the farming facilities.

FIGURE 14 GENERAL STRUCTURE OF ESS WINE FARM



Each vineyard possesses distinctive characteristics in under the equity- sharing scheme. Five ESS wine farms in Stellenbosch with LRAD grant support have different characteristics and various in size and structure. A comprehensive outlook of these farms can be seen in Table 10:

TABLE 10 DIFFERENT ESS STRUCTURE OF WINE FARMS IN STELLENBOSCH

| | Operation Entity | Share | Members | Farm & Entity |
|-------------------------|---|--------------|----------------|--|
| 1. Meerlust | Great Force Investment (Pty) Ltd | | | Portion A & B of farm 108/3 |
| | Meerlust Empowerment Trust | 50% | 72 | Farming vineyards (30 ha) |
| | The Myburgh Family Trust | 50% | | Bottling & storage facility |
| 2. Villeria | Blue Crane Vineyards (Pty) Ltd | | | Portion A of Land Welmoed 468 |
| | A Blue Crane Trust | 60% | 23 | |
| | B Visser Family Trust | 40% | | |
| 3. Swartvier | Klein Swartrivier Wine Estate (Pty) Ltd | | | Klein Swartriver Farm (100ha) |
| | Swartrivier Farm Workers Trust | 51% | 72 | Nuutegin Farm (70ha) |
| | JJ Trust | 24.5% | | |
| | Westhuizen Family Trust | 24.5% | | |
| 4. Koopmanskloof | Koopmanskloof Vineyards (Pty) Ltd | | | Rent Farms |
| | Vredehoek Trust* | 18% | 68 | Koopmanskloof |
| | Black Group | 18% | | De Waalshof |
| | Management | 10% | | Marbon |
| | WS Smith Family Trust | 54% | | Alpha |
| | | | | Houdenmond |
| | | | | Vredehoek (41.84 ha) |
| | * Vredehoek Trust owns 100% of the Vredehoek Farm | | | |
| 5. Rust en Vrede | Paul Roos Boerdery (Pty) Ltd | | | Portion of Gedeeltef Farm 502 (13.5 ha) |
| | Rust en Vrede Community Trust | 70% | 54 | Lease farm 502 of municipal land (40.5 ha) |
| | Rust en Vrede Family Trust | 30% | | |

The workers trust owns on average 46% share of the farm and the size of the trust also varies from consist of 20 and few workers to over 70 members. The structure of ESS wine farm seems to be very empowering on paper with the majority of holdings. However, the following problems and challenges haven been identified faced by all the ‘Do-good vineyards’.

5.2.3 THE TRANSACTION

The ESS was also challenged by the inclusiveness of the scheme, all the beneficiaries, in order to apply to LRAD grants, individuals own contribution is required. For instance a fairly new ESS project established December 2010, the beneficiaries own contribution is R 55,556 per person and even the amount is acquired as a 50% long term loan, each farm workers still need to provide with R 27,778 in order for the transformation to take place and that is relatively large amount of money for farm workers.

TABLE 11 THE ESTABLISHMENT OF ESS (MEERLUST EMPOWERMENT TRUST)

| | |
|--|---------------------|
| Total Funding | |
| Beneficiaries own contribution (50% of long term loan) | R 4 000 000 |
| - Beneficiaries individual contribution (72 individuals) | R 55 556 |
| LRAD Grant (Total) | R 14 855 112 |
| - LRAD Grant (Individual) | R 206 321 |
| Total Funding (Total LRAD Grant+ own contribution) | R 18 855 112 |
| Application of Funding | |
| Purchasing 50% share | R 7 427 556 |
| Storage and Bottling facility | R10 587 556 |
| Production capital | R 825 000 |
| Total | R 18 855 112 |

Profitability results in the problem with the investment of no return. Some ESS farms are promised the dividends in 5 to 10 years, some even longer. Henry Peterson (personal communication, 28 March 2011) are concerned about the workers are not able to monitor the actual operation of the farms. The farm might show with no profit in the annual report but the workers are not able to understand the money that us taken place in the monthly management account, so ‘the farmers can still buy a Mercedes and the workers are still workers’.

5.3 IMPACT OF ESS PROJECTS

5.3.1 CHARACTERISTICS OF BENEFICIARIES

A survey conducted by this study among a small group of members from the Empowerment Trust, also known as beneficiaries, contributed into the data from 3 different ESS wine farms, the majority of the participants are from The Meerlust Wine Estate.

TABLE 12 GENERAL CHARACTERISTICS OF ESS BENEFICIARIES

| | | |
|--|--------------|------------------------|
| Gender | | |
| Female | 12 | % (N=20) 60% |
| Male | 8 | 40% |
| Age | | |
| Average | 41 | |
| Min. | 25 | |
| Max. | 59 | |
| Originality | | |
| Stellenbosch | 12 | 60% |
| Other, within the Western Cape Province | 8 | 40% |
| Outside The Western Cape Province | 0 | 0% |
| How long have you been working on this Farm? | Years | |
| Average | 12.2 | |
| Min. | 3 | |
| Max. | 31 | |
| How Long have you been the member of the trust? | | |
| Average | 2.4 | |
| Min. | 1 | |
| Max. | 5 | |

Most of the ESS beneficiaries have been members of the Empowerment Trust since the beginning, and the ESS project has newly set into place since December 2010. Because of the trust had pledged to pay dividends in 5 years, all members had not yet experience an increase of total income from the Equity scheme. In the result of the survey, we see a good gender balance in the ESS projects, and various experience in the farm, working there from 3 to 31 years. And the majority of the participants are Stellenbosch Native, the rest are from within the Western Cape Province, this shows that the beneficiaries of ESS in Stellenbosch are targeted for local farm dwellers.

5.3.2 LIVELIHOOD, HOUSING CONDITIONS AND TENURE SECURITY

Up to 70% of the trust member indicated that their income has not ben increased after they had become the member of the trust. The ones who said yes have given the reason for the rasie in income to normal annaul increses. Sometimes this adjustment is not corresponding to inflation, a farm worker from a BEE (but not ESS) farm pointed out ‘Salary increased, but so as the cost of living, the more they pay us, the higher the cost of living’.

Livelihood indicators used within this study for assessing the living standards of farm workers who live on and off farms (see Table 13) not only showed the general living standards of ESS Beneficiaries, also might indicated the different in quality of housing

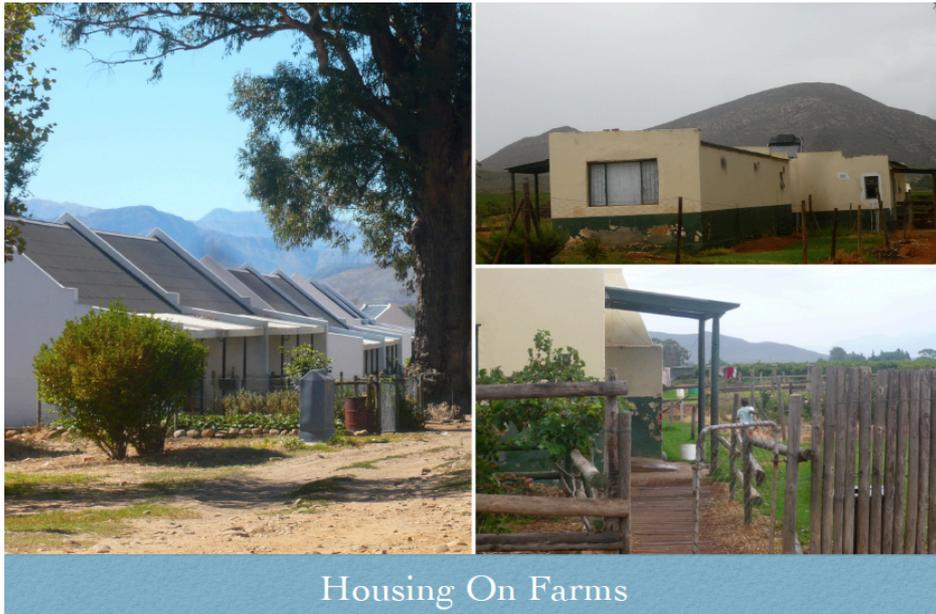
when living on farm or off farm. Essential living needs are used as an indicator, such as access to water, flush toilet, refrigerator and electricity. Other items are placed to assess the standards of living of the participants. Access to non-essential facilities to such as radio, microwave and telephone are considerably lower for workers who do not live on the farm.

TABLE 13 LIVELIHOOD INDICATORS

| Item | Average % (N=20) | On Farm Housing % (N=16) | Off Farm Housing % (N=4) |
|------------------------------|-----------------------------|-------------------------------------|-------------------------------------|
| Running Water | 95% | 100% | 75% |
| Flush Toilet | 95% | 100% | 75% |
| TV Set | 95% | 100% | 75% |
| Hot Water | 90% | 100% | 50% |
| Fridge/ Freezer | 90% | 93% | 75% |
| Radio | 75% | 75% | 75% |
| Electricity | 100% | 100% | 100% |
| Microwave | 45% | 43% | 50% |
| Telephone/ Cell Phone | 85% | 93% | 50% |

For example, few of the participants who do not live on the farm live in *Macassar*, a small town 24 kilometers from Stellenbosch, also known to be a predominantly colored area. The transportation for the farm workers to go to work mainly depends on unreliable mini buses. It can take up to 2 hours each day on commuting from home to work.

Farm housing seems to be a better option for farm workers in terms of facilities and lower the cost of commuting to work. 80% of the participants live on the farm; nevertheless, only 12.5% of them own the house that they are currently living in. The reason of it was that they cannot afford houses out side of the farm in a decent location, and for some they cannot purchase the houses on farm. Farmhouses for workers can various from a small one-room cargo to a four-room house with front garden. On average, 4.7 people are living in one household for the ESS farm workers. Considering the needs and conditions for better housing, some vineyards have BEE projects targeted to uplift on-farm housings or assist workers for acquiring decent housing off the farm.



In terms of the livelihood of farm children and their accessibility to education, ESS wine farm are doing well on younger children. Almost every child under age 16 is attending school or nursery (see Table 14). Youths are facing challenges with finding a job after education usually from middle school, attending university is still a luxury for children of farm workers. In addition, with the problem such as drug abuses and violence at the close by townships. A few of the female trust member has expressed their concern of the young peoples who are unemployed will easily go into drug problems or get involved in local crime groups.

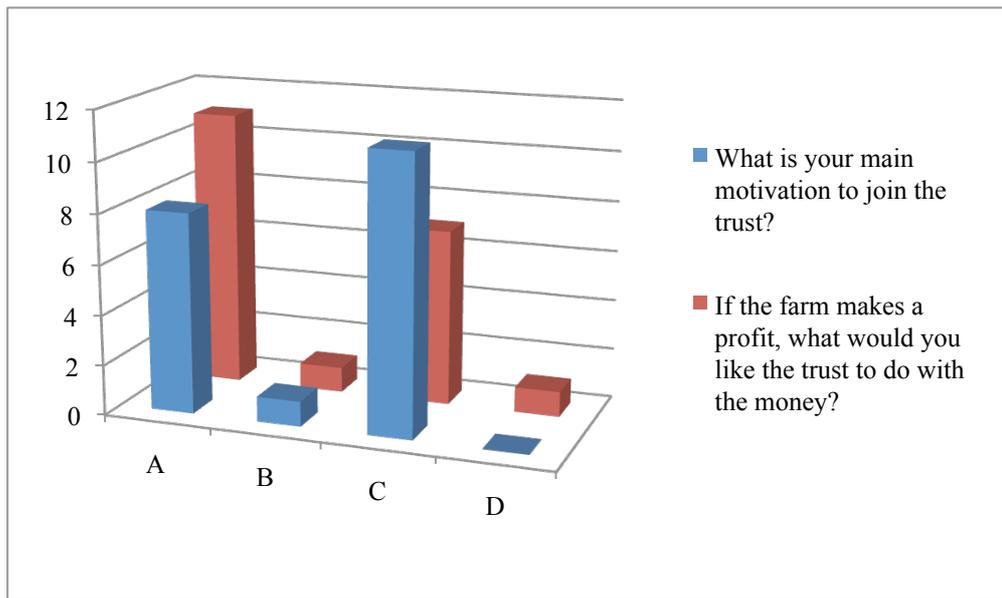
TABLE 14 CHILDREN ON FARM

| | | |
|------------------------------------|-----|--|
| Children Under 16 Years Old | | |
| Total | 28 | Schooling: 27 |
| Average per household | 1.4 | |
| Children Over 16 Years Old | | |
| Total | 21 | Studying: 5 Working: 10 Neither: 6 |
| Average per household | 1 | |

5.3.3 WORKERS PERCEPTION OF EXPECTATION OF ESS

The motivation for the workers to participate the trust can reflect their expectation of the ESS. In the survey asking why they choose to join the trust and what will they prefer the trust to do with the revenues are shown in Figure 15.

FIGURE 15 FARM WORKERS PERCEPTION ON THE ESS



When asked the reason for them to participate the trust, 55% of the participants chose option C, which is ‘improve the farm community’; 40% chose A, to ‘make more money’; the remaining are for reason B ‘want to own a farm’ and no one joined the trust because they ‘enjoy wine farming’. This unpopularity of reason D has already predicted by Birch (personal communication, 3 March 2011). She illustrated that there is an emotional characteristic of the ESS or transformation in the industry is the nature of beneficiaries: ownership sharing is not that all about sharing equity, aspiration and passion about winemaking are not transferable, and black or colored people in South Africa do not share a legacy of wine drinking or wine making.

This separation in profit orientated and community lead approach of engaging in ESS also reaffirmed in the second question asking what the farm worker would like the trust to do with the money if the farm makes profit. 55% of the participants would like their dividends to be paid if the farm is doing well. 35% of them would like to establish some public facilities in the farm, and the rest chose option to invest in the trust such as farming implements; also a few would like some job opportunities for the unemployed youths on farm.

TABLE 15 CONFIDENTS AND SATIAFICTION OF ESS TRUST MEMBERS

| Statement/ % (N=20) | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|--|----------------|-------|---------|----------|-------------------|
| You believe this farm can make profit in the coming year. | 70% | | 30% | 0% | |
| | 7 | 7 | 6 | 0 | 0 |
| You are happy to work on this farm. | 95% | | 5% | 0% | |
| | 14 | 5 | 1 | 0 | 0 |

Despite the diverse in motivation and expectation on the scheme, there is a unanimous approval for the confidence and satisfaction on ESS farms. 75% of the participants believe that the farm will do well and make a profit in the upcoming year; an even higher number of them state that they are happy to work on the farm.

5.3.4 LABOR RELATIONS AND POWER BALANCE

In an email response, General Manager of a Stellenbosch Wine Estate comments on these BEE/ ESS projects are futile in solving the fundamental problem of rural development:

... My personal opinion is that these projects do not add value. In fact, it adds economic costs without actually doing what it were allegedly designed to do, which is re-distributing. Instead, it gives elite a very distinct advantage.

ESS often anticipated to ‘add value’ on the status quo, members of the scheme should have financial gains, yet a few really question who are actually benefiting from it. In the comment above, the inclusiveness of this kind of transformation is criticized for giving ‘elite a very distinct advantage’. During this study, criticisms are received in regards to the management of the trust, and that trust members have been taken advantage due to their lack of education and business knowledge. In fact, the changes, or lack of changes in labor relations in the ESS is also an indicator for the successfulness of ESS. Therefore, the group of farm workers was asked about their perception and management of the scheme as shown in Table 16.

TABLE 16 PERCEPTIONS AND MANAGEMENT OF ESS

| Statement | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|---|----------------|-------|---------|----------|-------------------|
| 1. You Consider yourself an owner of this farm. | 40% | | 5% | 55% | |
| | 1 | 7 | 1 | 5 | 6 |
| 2. You know what happen in board meetings. | 15% | | 20% | 65% | |
| | 2 | 1 | 4 | 3 | 10 |
| 3. The head of the trust can represent your interest. | 50% | | 15% | 35% | |
| | 4 | 6 | 3 | 2 | 5 |
| 4. You have a voice in decision-making of this farm. | 40% | | 15% | 45% | |
| | 4 | 4 | 3 | 5 | 4 |
| 5. You work harder when you are the “owner” of his farm. | 30% | | 20% | 50% | |
| | 3 | 3 | 4 | 2 | 8 |

Statement 1 goes together with statement 5 aims to examine the sense of belonging or ‘ownership’ to the farm. Two set of result are consistent in the part of disagreement. When responding to the statement ‘you consider your self an owner of this farm’, 55% of the trust members disagree. This reflects the concern of some people from the wine industry that the ESS is merely “window dressing”; the workers are still workers, and the owners remain person in charge of the farm. As for the motivation for worker to work harder after, they become shareholders (or owners) of the farm, the response to that also unenthusiastic. 70% of the participants stated that they work just as normal after they became shareholders, this also can result in the income has not really been increased due to that scheme. Prof. Kees van der Waal (personal communication, 3 March 2011) commented on the model of *Solms-Delta Wine Estate* by saying, this kind of initiative can ‘unlocked the energy of the workers but incorporated them into the business model’. However, this study shows his assumption is not necessarily true, at least might not be the case of every ESS farms.

Half of the participants agree that the head of the trust represents their interest; this might result in the person who is selected to be the head of the trust are usually farm worker him/herself. The separate opinion on the statement on weather they feel like having a voice in the decision-making of the farm. Even a considerable share of them is rather satisfied about the power they have over the farm, 45% of the participants they their voices are not being heard. This discontent of the farm workers can also be cause by the superficial way of management; their voice are heard, but never listened.

CHAPTER 6 CONCLUSION

This study attempts to gain knowledge of the equity-sharing scheme and its implementation supported by the government land reform and the South African wine industry. The research question has been responded in the previous chapter with four different scopes. To conclude this study, focus will be drawn on the main question and will be illustrated in the following parts: the experience and outcomes of the ESS; the relationship between this model and development in South Africa, and lastly, the future.

6.1 EQUITY SHARING SCHEME IN THE WINE INDUSTRY

6.1.1 THE ESS MODEL

In order for an ESS project to be considered successful, the most important aspect is at the attitude towards the scheme instead of the mechanism behind. Cases in Stellenbosch or the Western Cape Province demonstrated the achievement of different types of ESS model; thus, a proper mental approach towards ESS is vital to the successfulness of the scheme.

Firstly, farm owners need to realize that the ESS is not a way of government taking land away from the current farmers, but more like a transaction, under the initiative of Willing Seller, Willing Buyer (WSWB). In addition, more education and promotion is needed for farmers to understand BEE is not another way of taxation; money investment is not necessarily required, but more time and effort, or “empowering”, such as training and support from the farmer. Most importantly, some farmers, especially for those who are struggling to survive, might see the ESS as a way to “Op-out”: a way of getting quick cash for the farm under trouble times.

It is also important for the farm workers to know that the ESS is not a short cut, or a quick way to get rich; they need to be prepared to invest in themselves on things such as education and trainings, in order for this empowerment to be “sustainable”. Due to the WSWB nature of the initiative, workers are passive in this initiative- farmer need to agree to sell their share first in order for workers to consider forming a trust or apply for the LRAD funding. Own contribution is needed for the worker to obtain the grant so often workers will apply for a long-term loan. There is a chance for workers to get into

debt if the scheme does not go well. Hence, this opportunity must be taken carefully and realistically.

A Successful ESS model supported by the LRAD ought to fulfill the qualities mentioned above. Both sides, buying and selling need to have the correct mind-set at the beginning of the scheme. Farmers who are knowledgeable in not only wine growing but also managerially, should be willing to be the mentor of this farm workers trust and ready to go through this transformation together. More ideally, the wine farms in the ESS also should have a profitable, or sustainable performance initially.

6.1.2 LIVELIHOOD IMPACTS

The ESS scheme was accused by for its length of return, it does take awhile for the shareholders receive dividends; it takes from 5 to even 30 years. For some, this is an “investment of no return” (Peterson, 28 March 2011). In this study, income has not been increased for to the establishment of ESS, this can also explain why some workers are unenthusiastic about the project. For non-ESS farms, the primary objective of the farmers is to maximize profit, and for the farm workers, to make a living. One of the byproducts of ESS is to unify the objectives of the farmers and workers, by making them shareholders. A mutual interest will be formed between the farmers and workers, thus the workers will work harder, or be more enthusiastic about the farm, now ‘their farm’. However, this hypothesis has not been proven true in this study; one speculation of this occurring is the money factor: the sense of belonging of the farm comes with the actual money influence from the share, and some ESS participants have not yet receive that return.

By talking to farm workers, these two things most of them have expressed strong desire for: to own a house, and to send their children to better school. An owner of a BEE wine farm explains the farm's choice for not doing the ESS and focus on housing and education instead (email communication, 25 March 2011):

...Our initial idea was to form winemaking company with the workers as partial shareholders... we had to take quite a comprehensive risk and accompanying leap of faith in borrowing funds to start up a proper winery. During dialogue it came about that this was seen as a 'bridge too far' for our employees, they

wanted houses off the farm and the opportunity for their children to study further... the value of their respective properties has increased more than five-fold and we'll be sending the first farm child to university next year. On the other hand the winery is still running at a loss with a substantial debt burden to carry forward in future...

This study discovered that the majority of farm workers in the ESS, living on or off the farm, do not own the house they are currently living in. Under the impression that ESS can increase the access to credit for farm workers to obtain loans such as mortgage or school tuition for children, one often disregard the fact that ESS participants are often in debt for the long term loans that is used as their own contribution in establishing the scheme. Therefore, acquiring credit base on this fact is no less difficult then having the share of the ESS farm.

In order for true empowerment, post-ESS support is as important as the setting up the scheme itself. Action training contains the training from the government (Ministry of Agriculture) and often time in collaboration with the wine industry. For the power relations of the industry, there is a high need for PDIs to enter the management level of the vineyards. However, even though they have received training for management or accounting, there is not necessary enough position in movement level on the ground for them to enter. Not only the post-ESS training should be more complex and targeted individually of each worker, it also should be flexible, provides on-job trainings in different levels and areas to increase the upward mobility of the beneficiaries.

6.2 CHALLENGES AND OPPORTUNITIES

The reason that ESS scheme has a higher chance for success in the wine industry is due to its high capital intensiveness and long-term nature of return on investment. The initiative of the scheme aims to transform the wine industry and readdress the past, basically inline with the South African Land Reform. The ESS focuses on empowering the workers to be the “owner” of the farm, expecting to transform the wine industry into a more harmonious place. This vision comes from development, though some might argue that a farmer’s decision to participant in the ESS can be purely commercial.

6.2.1 CHALLENGES

There are four major challenges of the ESS project, though the Ministry of Land Affairs is now renamed and the LRAD program has been lifted, by reflecting to the experience of LRAD funded scheme, helps to better understand the challenges it faces and make improvement.

1) *Profitability*

Most farmers in Stellenbosch are struggling, and the majority of the ESS project have not yet generate revenue for the beneficiaries. Johan Giliomee (personal communication, 23 March 2011) stated the struggle with profitability of wine farms due to capital intensiveness of the industry and high land price partly caused by foreign land rush. Most farmers are struggling the Western Cape to survive let alone making a profit. R130, 000 is needed to invest in per hectare of land per year for maintenance only, and of not for ESS farms, even the farmer got the land for free, it still takes 4 years before the first harvest. Therefore, the concept of sharing- farming lowers the cost of entrance for the black farm workers in the industry. It also takes a long time for transformation to take place in the industry; the ESS must ensure the profitability of the wine farm while transformation ownership. The “empower first, profit later” idea will not work because it is a profit driven industry after all and good management is needed in order to survive.

2) *Access to Land*

Partly due to the foreign land rush, as well as the pressure from domestic market, the price of land in Stellenbosch is very high. In this market-based land reform transformation, the transaction must take place in a price that close to market level. This makes more difficult for the workers to generate enough of their own contribution, and also makes the Land Reform office to run out of their budget (in LRAD) and not able to support too many projects.

3) *Management and Monitoring*

This study finds that the workers' trust for the ESS farms do not have an organized management. For example, no reports or any publication about the trust, form both the wine farm itself and the land reform office, making it more difficult to monitor the progress and current situation of these ESS projects.

4) *Planning for government (financial) support*

The government has revised its policy towards ESS and the recognized it to be a land redistribution scheme. Moreover, all the Land Reform funding including the LRAD grant has been replaced with a new policy- Proactive Land Acquisition Strategy (PLAS)¹². The future of ESS Land Reform Project is unclear.

6.2.2 OPPORTUNITIES

Yet again, wine production is capital intensive, this fact can count towards both the challenges also opportunities for the ESS. Even the farmer workers got the land through LRAD grants in the scheme, it still takes 4 year before harvest (if they are starting their new vineyards), R130, 000 is needed to invest in per hectare of land per year for maintenance only. The ESS is sharing more than equity; it shares management, experiences and knowledge.

1) *Sharing beyond equity*

The ESS does not only share ownership of the farm but also many other things. For some ESS projects that the workers will have a piece of land to themselves, the scheme provides a share farming arrangement, the workers can use the farming facilities that already existed and purchased by the farmer to work on their own land. This economy of scale lowers the cost of production of the trust members by sharing farm tools and equipments. Another important aspect is the share experience and knowledge, the initial farm owners will play the role of

¹² Established in 2010 by the Department of Rural Development and Land Reform: In PLAS, the land will hold by the government and provided to beneficiaries through a "trial-lease" period with support; the beneficiary might get the long term lease of the land after a period of assessment.

mentor and the original managing team assists the trust in terms of Agribusiness, management and control of the farm.

2) *Harmonious living*

An ESS project, if carried out appropriately, can be beneficial to the farm owners as well as the farm workers. The community of farm worker will take care of “their” farm. Common understanding is that farm workers do not look after their house on farm because they do not own them, though most of the ESS participants do not own their houses; in order to establish this sense of belong, house ownership will be the next step for the ESS trust to strive for. Another lesson learnt from the study is the need for transparency in the farm, a system that promotes communication and regular feedback between the scheme participants and the management team.

6.3 SUMMARY AND RECOMMENDATION

In South Africa, progress towards equality is a thorny project. The world is overwhelmed by the demands of global capitalism whose strict financial rules often put countries under intense economic pressure, leaving little room for reforms at a local level. The basic profit-related programs of global expansionists with varied social consciousness remain fundamentally different from those of governments (Zegeye, 2005). Racial struggle remains the social problem of the South Africa today, the post-apartheid government has demonstrated a willingness to institute changes towards greater equality, but is often constrained by various internal and external demands.

The Equity Sharing Scheme as an example for a form of public private partnership of South Africa has brought positive influences as much as controversy. From Knight and Lyne (2004) there are six objectives of what a successful ESS should be able to achieve. Six objectives served as a scorecard for this study to assess ESS projects in the Stellenbosch wine farms:

| | |
|---|---|
| 1) Redistribute wealth and future benefit streams | No. Due to the time frame of the establishment of the ESS, farms have not distribute dividends a longer period is need for the transaction to take place. |
| 2) Empower workers through skills transfer and their formal inclusion in policy making | Yes. The head of the trust can represent the interest of the members and participant in decision-making process of the farm. |
| 3) Retain or attract quality management | No. Some farms choose to outsource the management of the farm, for those remains internal management, the trust member sometimes struggle in the management of the farm and the trust. |
| 4) Attract capital from the private sector to finance new investment | Yes. Mainly from the wine industry council, also some ESS farms are able to obtain new assets such as a bottling facility for cost minimization. |
| 5) Improve worker productivity and labor relations | Partly. Workers do not always work harder in an ESS project, though they do have a voice in the decision-making of the farm. Labor union of wine industry are not well organized, the ESS provide an opportunity for an internal association with the farm. |
| 6) Provide for the transform of both ownership and control of commercial farms to previously disadvantaged individuals in the long term | Partly. The ESS projects offer PDIs financial supports and education opportunity. Nevertheless, upward mobility remains low for the PDIs farm workers to enter junior management level. |

The Land Reform Policy and the ESS targeted at the PDGs for a numbers of tasks and projects. However, within this study, evaluation is absent for the ESS or LRAD grant project in order for the government and the wine industry to better monitor the scheme and make plans for the next step. Besides, the Land Reform Department should have a more decisive and consistent policy towards the redistribution. The LRAD grant for ESS are promised to many farm workers in the Western Cape and due to reasons such as high land prices, the budget rapidly runs out and giving false hope for those who are wishing for this opportunity.

The ownership sharing initiative of wine farms starts with the idea of teaching the farm workers ‘how to fish’ instead of ‘give them a fish’, in this case, giving land. Reform or transform, ownership or partnership? Argument on the ratio of the share between farmers and workers are meaningless, the questions is not on weather or not we should

make ESS 50-50 or 60-4; the main focus should be in the operation of the scheme, how it is delivered.

Good communication is needed between farmers and workers; wine farms and the wine industry. If one can carry out the ESS properly, it is beneficial to all parties and creates a harmonious living on the wine farm, this is especially important for the South African society.

If there are dreams about a beautiful South Africa, there are also roads that lead to their goal. Two of these roads could be named Goodness and Forgiveness.

- Sir Nelson Mandela

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APPENDIX

APPENDIX A: E-SURVEY

Dear Sir/Madam,

The Universities of Stellenbosch and Utrecht (Netherlands) are currently conducting research on wine estate ownership in the Winelands District. It will be appreciated if you can take less than 5 minutes of your valuable time to answer the following questions about your wine estate and reply this email to me.

All information acquired from this survey will be used for academic purposes ONLY.

Thank you very much for your time.

Best Regards,
Prof Ronnie Donaldson- Department of Geography, US
Helen Or- Universiteit Utrecht

-
1. What is the name of the wine estate?
 2. What type of ownership is this wine estate?
 - Individual/ Family owned
 - Trust, Corporate owned
 - Joint Venture
 - 2.1. If it is owned by individual/family, please indicate the nationality of the owner(s):
 - South African
 - Foreign (Please specify nationality):
 - 2.2. If it is owned by a trust or corporation, please indicate the country of origin of the entity:
 - South African
 - Foreign (Please specify):
 - 2.3. If it is a joint venture, are there any South African enterprise involved?
 3. When was the wine estate purchased by the current owner?
 4. Is the wine estate currently participating in any Black Economic Empowerment project?
 - Yes (Please indicate projects):
 - No
 5. Is the wine estate currently participating in the Equity Sharing Scheme?
 - Yes (Percentage of the farm share hold by workers):
 - No

APPENDIX B: QUESTIONNAIRE



Universiteit Utrecht

Date of Survey:
Farm:

LAND-BASED LIVELIHOOD IMPACT OF ESS IN WINE INDUTSTRY

Section A: Shareholder Characteristics

| | | | |
|---|--|--|--|
| 1. Gender: Male/ Female | | 2. Age: | |
| 3. Originality: | | | |
| <input type="radio"/> Stellenbosch | <input type="radio"/> Other, Within Western Cape | <input type="radio"/> Outside Western Cape | |
| 4. How long have you been working on this farm? _____ Years | | | |
| 5. How long have you been member of the Trust? _____ Years | | | |

Section B: Livelihood Characteristics

| | | | |
|---|---|---|-----|
| 1. Did your total income increase after becoming a member of the trust? | | | Y/N |
| 2. Do you live on the farm? | Y/N | If No, Where do you live? _____ | |
| 3. Do you own the house that you currently live? | | | Y/N |
| 4. Size of your house: _____ M ² | 5. Number of people living in your house: _____ | | |
| 6. Number of children you have under 16: _____ | Are they attending School? | | Y/N |
| 7. Number of children you have over 16: _____ | They are: Studying/ Working/ Neither | | |
| 8. Do you have the following facilities in your house? | | | |
| <input type="radio"/> Running Water | <input type="radio"/> Hot Water | <input type="radio"/> Electricity | |
| <input type="radio"/> Flush Toilet | <input type="radio"/> Fridge/ Freezer | <input type="radio"/> Microwave | |
| <input type="radio"/> TV Set | <input type="radio"/> Radio | <input type="radio"/> Telephone/ Cell phone | |

Section C: Ownership Transformation

| | | | |
|--|---|--|--------------------|
| 1. What was your motivation to join the trust? (Rank in order from 1-4) | | | |
| | Make more money | | Want to own a farm |
| | Improve the farm community | | Enjoy wine farming |
| 2. If the farm makes a profit, what would you like the trust to do with the money? | | | |
| <input type="radio"/> Pay you the share | <input type="radio"/> Establish public facilities in the farm | | |
| <input type="radio"/> Invest in farming implements | <input type="radio"/> Other, (Please specify: _____) | | |
| 3. Please comment on the following statement: (5=Strongly Agree; 4= Agree; 3= Neither Agree nor Disagree; 2= Disagree; 1= Strongly disagree) | | | |
| 1) You consider yourself an owner of this farm. | | | 5•4•3•2•1 |
| 2) You know what happen in board meetings. | | | 5•4•3•2•1 |
| 3) The head of the Trust can represent your interest. | | | 5•4•3•2•1 |
| 4) You have a voice in decision-making of this farm. | | | 5•4•3•2•1 |
| 5) You work harder when you are the “owner” of this farm. | | | 5•4•3•2•1 |
| 6) You believe this farm can make profit in the coming year. | | | 5•4•3•2•1 |
| 7) You are happy to work on this farm. | | | 5•4•3•2•1 |

---Thank you very much for your time---