

Farm Equity Schemes in South Africa

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4 August 2000

BACKGROUND

Farm Equity Schemes were initiated by the private sector in the mid-1990's to contribute to the land reform programme. The Department of Land Administration (DLA) built on this experience to expand and encourage private sector participation. A White Paper defined such initiatives as partnerships/agreements between the recipients of the Settlement/Land Acquisition Grant and owners of private businesses. These partnerships/agreements broaden the base of land ownership, offer security of tenure and raise applicants' income.

DEFINITION

In a farm equity scheme, the participants (both land reform beneficiaries and private sector partners) purchase equity in the form of shares in an agriculture/natural resource-based enterprise (either a land and operating company or separate land and operating companies). Participants receive returns in the form of dividends and capital growth. Equity can be purchased directly through the grant or through interest received from a debenture issued by the enterprise to the participants.

OBJECTIVES OF A FARM EQUITY SCHEME

The defining objectives of a Farm Worker Equity Scheme are normally a combination of the following gains for farm workers:

- participants obtaining part ownership of land
- participants obtaining security of accommodation
- improved job security and better wages
- input in farming decisions
- farm workers advancement/empowerment
- profit sharing
- improved living conditions
- participants obtaining a share in moveable assets corporate share holding, and
- maximising land potential.

Farm owners also gain from Farm Equity Schemes in that they obtain additional capital through the beneficiary contribution, increased productivity through a more committed and responsible workforce and thus increased capital growth. The Schemes could also increase the personal security of farmers and farm workers and reduce losses due to theft.

Further Information

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