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Assisting poor wool producers to access the international wool market: Successes and stumbling blocks

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Assisting poor wool producers to access the international wool market: Successes and stumbling blocks

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1. Introduction

The marginalisation, by means of a various pieces of legislation, of black farmers in South Africa is well documented (Bundy, 1979; Beinart, 1982; Keegan, 1986; Van Rooyen *et al*, 1987). Little doubt exists that legislative and other measures of institutionalised discrimination were “instrumental in creating an artificial degree of dualism in South Africa’s agricultural sector” (Kirsten, Vink & Van Zyl 1998:1).

According to Vink & Van Zyl (1998:61), African family farming was relatively viable during the latter half of the 19th century and, in some areas, well into the 20th century. With the discovery of diamonds and gold, white farmers were well positioned to provide products to these agglomerated markets. However, as Vink & Van Zyl (1998:62) argued, “in competition to supply these markets, African farmers proved themselves more than able to compete successfully”. The success of black farmers at this stage of history can be ascribed to the availability of arable land and limited government intervention while markets were relatively undistorted (Vink & Van Zyl 1998). However, a variety of factors soon had an impact on this success. Vink & Van Zyl (1998) argue that, due to the need for labour, white farmers started to place pressure on the colonial government to limit black farmers and competition. The Natives’ Land Act of 1913 inhibited black farmers in a number of ways, for instance, sharecropping and labour tenancy were prohibited by law. Wilson (1971) argues that the main intention of the law was to transform tenants to wage workers.

By 1936, African ownership outside of the areas reserved for native reserves amounted to 0.7% of the available farming land. These initial pieces of legislation were followed by a variety of strategies that crippled black farmers. Due to the fact that black farmers lost the ability to buy land outside of the communal areas, they were virtually removed from the commercial farming areas. Vink & Van Zyl (1998:68) summarise this in the following words: “In addition to the creation of the artificial land shortage, state policy excluded them from credit markets, created barriers to access output markets and denied them access to quality extension services and public sector investment”. The result was a declining agricultural involvement of black farmers. In contrast to the direct intent to limit the viability of the black agricultural sector, much attention was devoted to white farmers. In this regard, a range of subsidies was available while specific protection from foreign competition was also the order of the day. With the inception of democracy in South Africa in 1994, it became important to ensure a larger black participation in the agricultural economy of South Africa.

Against this background, a number of initiatives have been undertaken to address the historical legacy. One of the initiatives has been in the sphere of wool production. The National Wool Growers Association (NWGA) and other organisations have played an important role in assisting black farmers on communal land. The paper will argue that the initiatives in the wool industry in helping poor people to access the international markets have been fairly successful despite a number of structural barriers that still exist. Against this background, the paper unfolds as follows. Firstly, it provides an overview of the methodology. This is followed by a description of the international wool production and wool market. Thirdly, wool production and the wool market in South Africa are discussed. This in turn is then followed by a

discussion of a number of case studies on how poor farmers have accessed the international wool market. These case studies are finally followed by assessments of aspects that have contributed to farmers accessing wool markets and those factors still inhibiting market access.

2. Methodology

The paper is based on the following three main methodologies. In the first place, existing literature is used. On the one hand, the existing literature on the wool production of commercial farmers can be divided into academic literature in academic journals, conference proceedings, and books. On the other hand, a large number of more popular papers have appeared in agricultural magazines such as the *Farmers Weekly* and the “*Landbouweekblad*”. The literature provides background to the South African and national wool market and also provides the basis for some of the case studies presented in this paper. Secondly, the methodology consists of correspondence and interviews with individuals in the wool industry¹. These interviews assisted in providing us with a thorough understanding of the programmes on which they have embarked during the last decade. The third approach used is the case study in Thaba Nchu in which a number of emerging farmers were interviewed and the wool project was assessed from a producers’ perspective.

3. Understanding the international wool market

The international wool market is influenced by a number of factors. The main factors are the demand for wool, competition amongst processors, the influence of the Chinese market, factors influencing the Australian market, and production and exchange rates (Coetzee, 2004). The South African wool market closely follows international trends. More than 90% of wool produced in South Africa is exported. According to D’Haese et al. (2003), South Africa is ranked seventh in the world in terms of wool production, with a production of approximately 50 million tons. Australia is the world’s leading wool-producing country. Wool makes up only 2%-3% of the international fibre output (Botha 2005a). This is considerably less than its share in the fibre market 50 years ago.

Historically, wool producers in producing countries collaborated by means of the International Wool Secretariat (IWC). The secretariat’s main functions were to oversee the value chain, from the development of wool products and processes, to playing an active role in the international fashion scene in Paris (Coetzee 2005). With declining prices and the deregulation of the wool industry in South Africa, the South African wool producers sold their shares in the IWC. The IWC is currently dominated by Australian wool producers who monopolise the use of the wool trade mark. The result is that Australian wool is sold at prices that are 10% higher than South African wool (Botha 2005b). Furthermore, due to fact that South African wool producers sold their shares in the IWC the promotion of South African wool does not take place in especially Europe.

¹ A special word of thanks is due to Leon De Beer at the NWGA in Port Elizabeth, Gerald van Heerden of the NWGA in Bloemfontein, Derick Swart at the Grootfontein Agricultural College near Middelburg in the Eastern Cape, and the ComMark Trust for information they provided.

4. Understanding national wool production

4.1 Changing wool production in South Africa

According to Vink & van Zyl (1998), wool production in South Africa amounted to 13,600 million kilograms in 1830. By 1872, it increased to 22 million kilograms. During this period, wool exports also increased considerably. By 1868, more than 80% of wool produced in South Africa was exported (Vink & Van Zyl 1998). In 1965, wool production reached an all-time high when 150 million kilograms of wool were produced. However, wool production has declined considerably since 1965. By 1993, it had dropped to 100 million kilograms per annum (Bezuidenhout & Pieterse 2003). Currently, wool production has declined to its lowest level in 80 years, namely below 50 million kilograms per annum (Cilliers 2004). Against this background, Bezuidenhout and Pieterse (2003) argue that the carrying capacity of grazing available to existing wool producers could easily allow for the production of at least 60 million kilograms more.

The main reasons for the decline in wool production can be attributed to the following factors (NWGA 2005):

- Internationally, the demand for wool is declining. In this regard, the economic dominance and demand in China, but also the markets in Europe and India, play an important role (Pretorius 2004). At the same time, international disasters, such as the SARS virus, influence South Africa's export opportunities.
- The livestock withdrawal scheme ("veeontrekkingskema") during the 1970s influenced wool production. This scheme was aimed at commercial farmers to assist them to reduce their stock. The main motivation was ecological as it attempted to motivate farmers to farm within the carrying capacity of their farms.
- A considerable increase in stock theft since the early 1970s also contributed to the problem (see also Botha 2002a; 2002b; NWGA 2005). "Die Volksblad" (Kruger, 2003) reports that, as a percentage, stock theft is the fifth largest crime in South Africa.
- Although the rand-dollar exchange rate cannot be blamed for the decline since 1965, it is currently one of the main factors determining the price of wool.
- Labour legislation has resulted in farmers switching from wool production to meat production as fewer labourers are required (see also Brynard 2002).

In 1998, wool production made up 1% of agricultural output in South Africa (D'Haese et al 2003). The annual turnover is approximately R1 billion (Botha 2004). Historically, more than 70% of the wool produced in South Africa was washed and combed in South Africa. This has declined to approximately 20% (Botha 2005b). Historically, the Wool Board was the only agency allowed to sell wool in South Africa. The wool market was, however, deregulated in the early 1990s. This deregulation took place despite the fact that, at that stage, 70% of wool producers voted for a regulated environment (Coetzee 2005).

4.2 Geographical overview of production

This section will provide a brief overview of wool production in South Africa (see Figure 1).

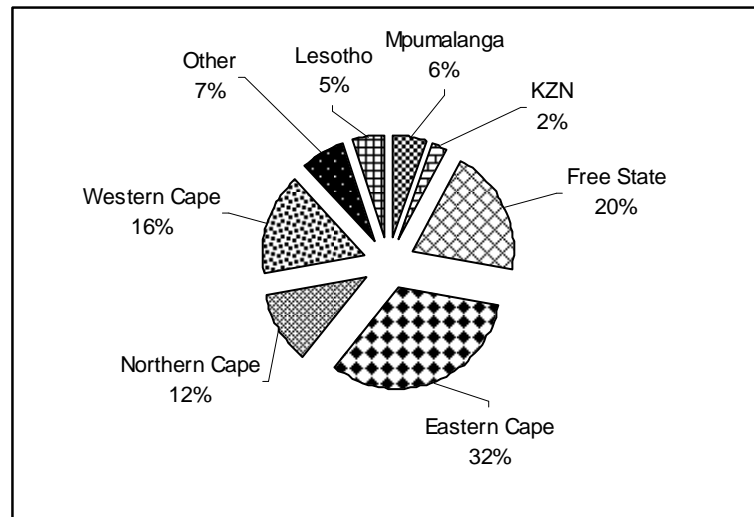


Figure 1: Wool production per region in South Africa, 2004

Wool production in South Africa is dominated by the Eastern Cape, where 32% of Southern Africa's wool (including Lesotho) is being produced. The Eastern Cape is followed by the Free State (20%), the Western Cape (16%), and the Northern Cape (12%). Approximately 9% is produced in areas such as the Transkei and Ciskei, as well as other smaller areas of wool production on communal land. If Lesotho is included, the figure is 14%.

4.3 Commercial and emerging wool producers: An overview

The focus now shifts to an overview of production by means of three different marketing mechanisms: (1) emerging wool farmers marketing through a trader, (2) emerging wool farmers, marketing through formal auction, and (3) commercial wool farmers (see Table 1). Commercial farmers usually sell their wool through an agent. Historically, farmers from the communal areas sold their wool to a trader who sorted the wool and marketed it.

Table 1: A comparison of wool production for emerging wool farmers and commercial wool farming in South Africa, 2004

Criteria	Emerging wool farmers: Market through trader	Emerging wool farmers: Market through formal auction	Commercial wool farmers
Number of farmers	63000	8340	8000
Total wool production	2.3 million kg	2.03 million kg	44.3 million kg
Number of shearing sheds	0	278	Approx. 8000
Farmers per shearing shed	No shearing shed	30	1
Number of sheep	1.9 million	1 million	12.7 million
Sheep per farmer	30	120	300 – 20000
Kg of wool per sheep	1.2kg/sheep	2.03kg/sheep	3.5kg/sheep
Price per kg	R2/kg	R10/kg	R20/kg???
% share of wool production in South Africa	4.7%	4.2%	91.1%

Source: NWGA, 2005

Considering the table above, the following comments need to be made:

- The 63000 communal wool farmers that own 1.9 million sheep, produce 2.3 million kilograms of wool per annum. This represents 4.7% of the wool production in South Africa. On average, these farmers own 30 sheep and shear an average of 1.2kg of wool per sheep. The wool is sold to traders at approximately R2/kg. It should be borne in mind that this wool is not sorted.
- The other 8340 communal wool farmers sell their wool in bulk (together with neighbouring farmers as part of farming associations) directly to the market. They produce just over 2 million kilograms of wool. Shearing sheds are shared, with approximately 30 farmers per shearing shed. On average, these farmers have approximately 120 sheep. They shear approximately 2 kg of wool per sheep and sell it at five times more to the market agent than those farmers selling their wool to the traders. Overall, this group of farmers produces 4.2% of the South African crop.
- The 8000 commercial farmers produce just over 91% of the South African crop, owning 81% of the wool sheep in South Africa. Their production per sheep is 1.5 kilogram higher, while their price per kilogram is double that of the communal farmers who also sell directly to the market.

The information above and the case studies will show why these differences exist, how some of the communal farmers have actually accessed the market, as well as the barriers to future development.

4.4 The wool supply chain

Before a more in-depth analysis is provided, a brief overview of the wool supply chain in South Africa is required. On commercial farms, the wool is shorn by a shearing team. Each shearer is paid a fee per sheep. The wool is sorted into different types. The wool supplied to the broker is packed in bales of approximately 120 kilograms, or in bags. The wool is transported to the market (auction) either by the

farmer or as organized by the broker. However, the farmer is financially responsible for this. It is also possible to sell wool by means of a private contract. South African auctions are centralized in Port Elizabeth, the historical export city for wool in South Africa. Wool is also warehoused in Cape Town and Durban. All South African wool is tested on mean fibre diameter, vegetable-matter content, and clean yield (D’Haese & Vink 2003). The procedure for this testing is laid down by the International Wool Textile Organization in accordance to international standards. The number of sheep shorn and the wool produced for each individual farmer are recorded.

There are approximately three million wool sheep in the former Transkei/Ciskei region of the Eastern Cape. Historically, their supply chain differs considerably from that of the commercial farmers. Traditionally, individual owners used to shear their sheep on their own in poor conditions and sell the wool, not sorted and often of low quality, to traders. They realised poor prices of only R2.50/kg. This is in stark contrast with the neighbouring commercial farmers who received between R15 and R20 per kilogram for their wool (Swart 2005). The trader then sorted the wool and transported it to the market. The market mechanism of selling through traders has been one of the reasons contributing to a low price for the farmer.

The way the market is accessed is not the only reason for low prices. D’Haese & Vink (2003) are of the opinion that low income from wool is the result of loss of sheep (either through wild animals or by theft), low wool prices, and a low wool-production volume. The following factors impact negatively on wool production: lack of proper feeding and clean water (poor rangelands), disease control, the low number of animals, loss of wool due to scab,² and animal reproduction practices (inbreeding) (D’Haese & Vink 2003, Jordaan 2005). In essence, good genetic material and good rangelands are key fundamentals to ensuring higher levels of wool production per sheep as well as to the production of quality wool.

The quality of the wool (impacted on by the quality of rangelands and genetic material) influences the price of wool in the following manner: short wool results in lower prices and is in essence the consequence of poor feeding. At the same time, dirty wool realises considerably lower prices than clean wool does. Dirty wool is the result of scab infection, weeds in the wool and dirty kraals. The low income from wool received by communal farmers in Table 1 above is therefore the result of the following factors summarised in Table 2:

Table 2: A summary of reasons why emerging wool farmers receive low prices for their wool

Environmental, genetic, managerial issues	Technical skill	Inefficiencies in terms of market access
Poor rangelands (feeding) and water access	The inability to sort the wool	Selling to the trader
Poor quality of genetic materials	Not addressing animal diseases	Not accessing the market at all
Dirty Wool	Dirty wool	Wool production too small to pay for transport costs
		Limited access to finance for the farmer

Sources: Developed from D’Haese & Vink 2003, Jordaan 2005

² Scab is a disease that effects the amount of wool a sheep produces (D’Haese & Vink 2003:205)

The case studies and the assessment of these case studies will indicate that addressing some of the constraints at the production level, as well as the constraints at the market level, have made a major difference to poor people being able to access the market.

5. Case studies

The emphasis now shifts to the case studies. The aim of these case studies is to describe how wool producers in the communal areas of South Africa and Lesotho have actually accessed markets. The following case studies will be addressed:

- the Transkei / Ciskei case study;
- the Thaba Nchu case study;
- evidence from Lesotho;
- rethinking the provision of infrastructure for shearing sheds; and
- the case of black economic empowerment in the wool business environment.

5.1 The Transkei and Ciskei case study

This case study is largely linked to the contribution by D'Haese & Vink (2003) in their book "Local institutional innovation and pro-poor agricultural growth: The case of small-woolgrowers' associations in South Africa." They have managed, by means of empirical evidence, to show how communal farmers have accessed international markets successfully. Their study focused on three villages, namely Xume, Luzie, and Mhlahlane. Each of these villages has a different profile of participation in the project. In Mhlahlane, farmers did not participate, while in Xume farmers are participating to some extent. In Luzie, farmers are participating extensively in the project.

When considering the price of wool, it is important that the change in the wool price in South Africa should be considered. The price per kilogram in this section varies considerably from the prices listed in Table 1. The study collected data in 1999-2000 before the devaluation of the rand. Therefore, the prices are considerably lower than in 2001/2002.

5.1.1 Background to the project

This section provides a broad overview of the content of the programme as implemented.

Providing infrastructure

The price for wool is determined by, amongst other things, the ability to sort the wool effectively and the ability to provide clean wool. The project provided shearing sheds to the three communities, which enabled the communities to shear the wool in a place secured from rain and which enabled effective sorting. The shearing shed, as a physical infrastructure, also provides a potential platform for extension services to improve the farmer's knowledge. The provision of dipping tanks should also be mentioned as an important initiative in the development of infrastructure.

New institutional arrangements

The NGWA project, evaluated by D'Haese and Vink (2003), requires farmers to form a farming association. This requires the farmers to shear the wool, grade it, pack it, and transport it as an association. D'Haese & Vink (2003) argue that: "As an association, the farmers could also increase their bargaining power and ensure that they gain access to new market outlets." These farming associations are not a new concept to the rural farmers of the Transkei. The National Department of Agriculture (1998) summarises the value of wool-growers' associations in the following words: "These associations will be the means of securing shearing facilities, skilled grading of wool and proper packaging for the market for their members."

D'Haese & Vink (2003:213) are of the opinion that: "New institutional arrangements, such as the ones between farmers member of the local association and between the local association and the brokers, have the possibility to e.g. increase the availability of the information on production practices and decrease the processing, transport and transaction costs (including uncertainty, asset specificity and information costs) to link the farmer more directly in the market." Although the institutional arrangements were instrumental in providing farmers with access to markets, specific emphasis should be placed on the value of bulk marketing.

Bulk marketing

Many emerging farmers do not have the inputs to produce quality wool. Furthermore, the lack of market access has contributed extensively to farmers selling their wool to wool traders at a price far below what they could receive at the market. D'Haese & Vink (2003:212) state it in the following words: "The farms do not aim at increasing in size and wool production does not display obvious economies of scale. Thus, the farmers are price takers, and the price is set by informal traders or by the brokers." In essence, in selling wool to the traders, the farmers are in a weak bargaining position and therefore have little incentive for investing in better wool production. It will be argued later that better market access also provided the opportunity for increased investment.

In general, the projects to improve wool production focused on providing infrastructure and organisational structure to emerging farmers in order to improve their potential access to markets. Farming associations were revived and farmers were encouraged to shear their sheep together and market the wool in bulk. This meant that they could access markets because:

- Transport costs could be shared between the farmers.
- The bulk marketing meant that market agents were able to process the selling of the wool for the various associations and not per individual. This also made it viable for the agents to market the wool without an increase in administrative costs.
- In shearing and marketing in bulk, the farmers are now able to bypass the trader. In the process, they are not victims of the price fixing of the traders anymore.

D'Haese & Vink (2003) are also of the opinion that, by bypassing the traders, farmers' income from wool production increases considerably. The increase in income, as well as the further potential increase in income, makes it a viable option for the farmers to invest in wool production.

Technical advice and improved knowledge

D'Haese & Vink (2003) are of the opinion that the low levels of production are directly related to the farmers' low levels of knowledge regarding the different aspects of keeping sheep and producing wool. The project provided extensive support on disease management. Assistance was provided in dipping and inoculating the sheep in an appropriate manner. Farmers were also assisted in increasing the grazing hours of sheep. Traditionally, the sheep are herded by a herd boy whose interest is not necessarily to keep the sheep grazing for as long as possible. These projects assisted farmers to try to motivate herders to stay in the fields longer.

In addition to the technical aid described above, farmers were also trained on how to sort wool. In most of the cases, the women in the villages received this training (Mlangu 2003). The market requires that wool be well sorted. This training assisted the farmers in competing directly on the market and in minimizing the role of the trader who traditionally sorted the wool.

Improved genetic materials

Improving the genetic material of flocks is also an important contribution of most projects. More than 3200 rams have been distributed in a project in the Transkei (Louw 2003). In the process, the new rams were exchanged for old rams and the home-bred rams have been slaughtered. The remaining home-bred rams have been castrated.

5.1.2 Project results

The research by D'Haese & Vink (2003) proved a number of points. In the first instance, it showed that the income from wool increased considerably because of the interventions. Table 3 provides an overview of the three villages that they have compared while, in Table 4, a comparison is made between members and non-members of associations.

Table 3: Statistical comparison of some key characteristics for sheep production in three villages (rand per sheep)

Criteria	Mhlahlane	Xume	Luzie
Expenditure on veterinary care	R6.25	R9.90	R21.75
Income from wool sales (Rand/kg)	R1.71	R2.37	R10.63
Productivity (kg/sheep)	1.34	1.23	2.11
Price of wool per kg (c/kg)	148.16	126.61	391.20
Gross margin for wool sales and sheep	R6.42	R9.46	R29.98
Gross margin for sales of wool and sheep (including expenditure of buying sheep)	R-4.28	R4.65	R18.56

Source: D'Haese & Vink 2003:231

Table 4: Statistical comparison of some key characteristics for sheep production in three villages (rand per sheep)

Criteria	Non-Members	Members
Expenditure on veterinary care	R10.51	R19.98
Income from wool sales (Rand/kg)	R2.51	R10.25
Productivity (kg/sheep)	1.39	1.94
Price of wool per kg (c/kg)	135.86	408.85
Gross margin for wool sales and sheep	11.34	26.90
Gross margin for sales of wool and sheep (including expenditure of buying sheep)	3.96	17.00

Source: D'Haese & Vink 2003:231

In terms of the above tables as well as Table 1, a number of comments need to be made. In the first place, the difference between the price per kilogram should be discussed: The income per kilogram of wool varies considerably between members and non-members, as well as between villages in which associations are functioning and those in which associations are not functioning. The ability of associations to bypass the traditional sale of wool to the traders is the main reason for the increase in the price per kilogram. In the case of members, the price of R10.25 per kilogram is more than four times higher than the price received by non-members. A similar trend is found in the case of villages in which the associations exist, compared to villages in which they do not exist or are not operational. In Luzie the average price is R10.63, which is much higher than that of Xume (R2.37/kg) and Mhlahlane (R1.71/kg). The association enables the farmers to market their wool in bulk, which, in turn, provides advantages in respect of transporting the wool. The higher wool price can also be attributed to technical efficiency in sorting the wool and the availability of a shearing shed. This means that basic infrastructure is available for shearing and that well-sorted wool finds its way to the market – with an immediate increase in price. Table 1 reveals the same trends for the rest of the country. The income from the wool of emerging farmers belonging to associations is up to five times higher than that of those selling to traders on an individual basis.

The second aspect that needs to be compared is the difference in terms of wool production. In the case of members, the wool production per sheep is nearly 30% higher. The same trend is found in Luzie where the association is active and a larger number of farmers are members. As wool production per sheep is directly dependent on the health of the sheep, the quality of the rangeland and genetic material should each be discussed in more detail. Table 4 and Table 5 show that in cases in which higher investments are made in terms of veterinary services, the production per sheep is higher. On average, members spend nearly R20 per sheep on veterinary services while non-members spend approximately half of that. D'Haese & Vink (2003) argue that this investment in sheep farming (through spending money on veterinary services) should be viewed against the increased income from wool. Having received these prices, they are willing to invest in their businesses. D'Haese & Vink (2003) further prove, by means of the Pearson correlation, that more extensive inoculation, dipping, extra feeding and de-worming can improve the condition of the sheep. An improvement in the condition of the sheep and their wool, depending on market conditions, is likely to improve the income from wool.

Good feeding and rangeland management also play a crucial role in wool production. The technical assistance was intended to help farmers to manage aspects such as grazing hours, water access, and extra feeding. D'Haese & Vink (2003) showed that an increase in grazing hours and extra feeding has increased the production per sheep. The improvement in feeding also improved the birth rate as well as the price for meat when sheep are sold. Furthermore, general proof of the impact of technical support, beyond the specific case study, is also available. Louw (2003:58) provides evidence that the number of bales of wool produced in nine villages in the Transkei area increased from 160 in the 2001/2 season to 198 in 2002/3 season. This represents an increase of nearly 20% within one year. The main reason for this increase was the assistance regarding flock management.

A third factor that plays a crucial role in wool production is an improvement in the genetic material. Although extremely limited time-line data is available in this regard, estimates suggest an improvement of at least 30% in wool production once the new genetic material has been introduced (Van Heerden 2005).

Overall, the picture in Table 4 and Table 5 suggests that a change in market access has resulted in a considerable increase in income from wool production. The improved access to the market and the subsequent increase in income from wool production, in turn, has made it financially viable for farmers to start investing in veterinary services and extra feeding. Hopefully, in the long run, they will also invest in improving their farms. Overall, the gross margin per sheep has been considerably higher for members or villages with high membership than for villages in which farmers are not members or where the associations are not functioning. Other research on emerging wool farmers in the Transkei area reported similar findings. Swart (2003) estimates the revenue from wool produced – before the intervention – by 247 500 sheep in another area, at R1 237 500. Considering the impact of the intervention, this has increased to R 6 187 500. Swart (2003) somewhat idealistically estimates that, if this can be replicated to all 3 million sheep owned by small wool farmers, the potential income will be R74 992 500. This is R60 million more than the present R14.9 million. If wool quality can be improved through better breeding, the potential revenue could be as high as R105 million (almost 10 times the current income) (Swart 2003).

The case studies above has shown that the changing structure of market access have assisted poor people to gain an increased income from wool production. In order to change the market access farmers had to form an institution. At the same time basic shearing shed infrastructure assisted in better market access. The increased income in wool production made it possible for these farmers to start investing in their farming activities which, in turn, resulted in a higher gross income from wool.

5.2 Thaba Nchu

The above case study showed how a number of interventions have increased market access as well as income from wool. The emphasis in this section shifts from a project description and impact analysis only, to include local farmers' experiences of the project. The case study focuses on Kommissiedrift and Yorkford, two villages in the rural areas of Thaba Nchu.

5.2.1 A brief historical and socio-economic overview of farming in the Thaba Nchu area

Thaba Nchu has been an area of Tswana settlement since the mid 1850s (Murray 1992; Krige 1998). According to the 2001 census data, the Thaba Nchu magisterial district has a population of 75 000, people of which approximately 12 000 reside in rural areas. The majority of the rural population resides in small villages, although a number of commercial black farmers farming on economic viable farms are also present. Under apartheid rule, Thaba Nchu became part of Bophuthatswana (see Krige 1998). The former Bophuthatswana government provided extensive agricultural support service to farmers in the Thaba Nchu area (Erasmus & Krige 1998). Land

around the rural villages was divided sectorally and a range of management services was in place. An extensive programme for the provision of water also existed. In fact, in some cases the government provided tractors to farmers to be able to plough (Erasmus & Krige 1998). However, in the early 1990s, with the inclusion of Bophuthatswana into South Africa, the majority of these systems disintegrated as government involvement declined. Typically, boreholes were not maintained, fences were stolen and range management systems were no longer enforced (Erasmus & Krige 1998).

In order to gain an understanding of the area, a brief socio-economic profile of the two villages will be given. This is important to gain some understanding of the importance of the project. The following main aspects should be mentioned as calculated from Census 2001 (Statistics South Africa 2003):

- The percentage of males in Kommissiedrift is 49% while in Yorkford it is 43%. These figures probably suggest the presence of a degree of migrant labour.
- Only 4.1% of the residents in Kommissiedrift indicated that they are employed in the agricultural sector. In Yorkford nobody was recorded to be working in the agricultural sector.
- The joint annual household income for the two villages is just below R1.5 million.

5.2.2 Project overview and impact

The NWGA introduced similar projects in Thaba Nchu and QwaQwa. The following components are present:

- Shearing sheds were built. In the villages in Thaba Nchu the sheds are also used as community halls.
- A local wool-growers' association was formed.
- The traders were bypassed and the wool was sold directly to the market in Port Elizabeth. In the case of Thaba Nchu, the traders were called "Peep-peeps". The term refers to the traders arriving in the villages and pressing the hooters of their vehicles as an indication for the farmers to bring their wool.
- The farmers and their families were trained to sort the wool effectively.
- Technical assistance and veterinary advice were provided and new genetic material was introduced through new rams. There was some doubt about the relevance of veterinary services as this might impact negatively on the natural resistance of sheep.
- Specific attention was also paid to the historical role of the herd boy. The farmers association now employs a herd boy to look after the stock of a number of stock owners.

The outcome of the project was a major increase in income from wool. The income increased from about R8-R10 per sheep, to R26 per sheep in Kommissiedrift and R32 per sheep in Yorkford. The scale of the intervention is fairly small with the wool payment in Kommissiedrift being approximately R8 000 and about R13 000 in Yorkford. However, these amounts are still 300% more than previous amounts. Mr. Van Heerden³ is also of the opinion that it took a long time to convince people to accept the principle of not selling to the "Peep-peeps". One of the main reasons was

³ The NWGA's representative responsible for the project

that they did not receive their money immediately and had to wait for the wool to be sold at the market. At this stage, the “Peep-peeps” also spread a rumour that the NWGA had stolen their money. During the 2004 season, the international price of wool also decreased. Once again the “Peep-peeps” used the opportunity to spread the word that the NWGA had taken their money.

Two other aspects should be mentioned with regard to the project. The project in Thaba Nchu, according to Mr. Van Heerden, is also the only project of the Free State Department of Agriculture that has produced tangible results for black farmers. On the negative side, one of the shearing sheds provided by the state has been poorly constructed. Due to the inefficient procurement systems of government, inferior infrastructure has been provided.

5.2.3 Interviews with beneficiaries

Up to now, the case studies have dealt with the project, the service provided through the project, and how the service has improved the wool production and market access. Accessing markets is, however, not only dependent on improving the external factors. Sometimes, cultural reasons also play a significant role in preventing poor people from gaining access to markets. This section deals with three case studies.

Case study one

The person interviewed is 74 years of age, male, and he has passed grade six at school. He has four members in his household and all of them are staying with him. His income comes from selling cattle (40%), selling sheep (20%), selling wool (10%), and collecting a pension (the remainder).

Although wool has not been a major source of income, in the past he attempted to sell his wool in Cape Town. The wool was sent by rail to Cape Town and sometimes got lost. He also argues that he sometimes did not receive his money for the wool. He then decided that he would rather sell to the “Peep-peep”. In his words: “They just took the wool for nothing because they knew we were desperate.” He also refers to the “Peep-peep” as a “Tsotsi” – his way of calling the person a crook. Despite knowing that sorted wool would increase the price at the market-place, he knew it would have no impact when selling it to the “Peep-peep”.

When asked how important wool farming and farming in general was twenty years ago, he said that the price was extremely low and that he did not consider it important. However, he alludes to the fact that the former Bophuthatswana government provided adequate medicines for the stock. He also suggests that the current government is not providing this free of charge. The Bophuthatswana government also provided adequate fencing to everybody, which prevented stock theft (a major problem at the moment). It also helped the farmers with managing the fields.

He is experiencing the project as extremely positive for a number of reasons. In the first place, he mentions the fact that all those farming with wool are cooperating. Shearing together enhances the sense of working together. The availability of a shearing shed ensures that the wool is stored safely. The introduction of new rams also helps in producing lambs that will produce good quality wool. In addition the farmers’ children have been taught how to sort the wool.

Having seen the major improvement in terms of income from wool, he is thinking of expanding his business in future. However, he views the lack of water and the lack of an effective camping system, which was available under the Bophuthatswana government, as barriers to further wool production. He also prefers land belonging to himself, but he would not want to access credit. The main reason for not wanting credit is he is more than 70 years, have never used credit and do not want to use it at this stage of his life. He has never applied for a bank loan before, but he has a bank account.

Case study two

The person interviewed is 81 years of age, male, and has passed grade six at school. He has five members in his household and four of them are living with him. The other person lives in Bloemfontein. His income comes from selling cattle (50%), selling sheep (30%), selling wool (10%) and a pension (the remainder).

When asked about the history of farming in this area, he mentioned that, twenty years ago, wool farming was very difficult. He argues: "Our wool was basically taken from us for nothing. Acquiring shearing tools, transport, and dosing medicines were big problems". Traditionally, he sold the wool to the "Tsotsi" (Peep-peep) in Thaba Nchu. He had no other choice as he did not have transport available to market his wool elsewhere. He will never consider selling to the Tsotsi again as "he (the Tsotsi) is a crook". He started with about 100 sheep, but now he has more than 200 sheep and 60 cattle.

The current project assisted him to increase his profits considerably. However, after receiving high prices in 2003 "Gerald van Heerden (the NWGA project manager) decided by himself to change the market in 2004, which led to a very low profit." As with the first case study, the interviewee argues that the shearing shed provided a safe environment in which to shear. It also forced people to work together. Similarly, the introduction of new rams would also improve their wool production. However, the fact that they do not have camps results in the sheep having to come to the kraals at night. This, in turn, results in the wool getting dirty, and consequently a lower market price. Other obstacles identified are a lack of money, no access to private land, and scarce water resources. The poor quality of the farming shed is also mentioned. He foresees access to credit as an important consideration in improving his farming access. He is of the opinion that in order to access private land and ensure scientific farming some credit will be essential. However, he has never applied for a loan before.

Case study three

The person interviewed is 49 years of age, female, and she has passed grade seven at school. She has five members in her household, two of which are living in Bloemfontein. Her income derives from selling cattle (60%), selling sheep (30%), and selling wool (10%).

According to the interviewee, wool farming was very difficult twenty years ago. The wool price was very low compared to now. There was no positive government intervention of any kind to assist farmers. Instead, the Bophuthatswana government enforced a quota of twelve sheep and twelve cattle per person. For widows and unmarried women, the minimum numbers were seven sheep and seven cattle.

Nowadays it is possible to have as much stock as one can as “the government has provided land for us”. This emphasis on government providing access to land should be seen against the specifications set above with regard to land access prior to 1994. With the aid of government, the wool project has also helped the farmers to produce more wool. She is of the opinion that her stock has increased and that she has a larger income from the stock as a result of the project.

She also alludes to the fact that the wool farmers are now cooperating and that it helps them to access the market in Port Elizabeth. The shearing shed is seen as an appropriate infrastructure to assist them with preparing their wool adequately for the market. She is also excited about the introduction of new rams to the area and expects this to increase wool production. She originally doubted whether she would receive anything for her wool after sending it to the Port Elizabeth market. She was used to receiving her money once the wool leaves her premises.

She foresees a good future for wool farming in the area. However, she sees the lack of transport and finance (money) to improve her business as major obstacles. She is not interested in private land, but would like to see more communal land made available. She is of the opinion that communal land has assisted her to start her business, her family is around and that there is no reason to change that. However, according to some research by De Villiers (1998) the current land is already over grazed and no extra land for stock to graze is available. Consequently, more communal land access seem to be highly unlikely. She is also not interested in accessing credit and she has not applied for any before. The main reason for not wanting credit is she is not prepared to pay the interest to the bank she does have a bank account and a mobile phone, which assists her in communicating with people in Thaba Nchu when wanting to buy cattle or sheep.

5.2.4 Thaba Nchu: Some concluding comments

The project under the auspices of the NWGA, is the only project of the Department of Agriculture in the Free State with such a high level of success (Van Heerden 2005). The outputs of the project in terms of an increase in wool production and an increased price for wool, are also visible in this project. However, the individual interviews with the three small farmers in Thaba Nchu suggest the following:

- There is a huge barrier to overcome to change people’s behaviour. It took some time to overcome the initial resistance to accept the idea that wool should be sold to the market and not to the “Peep-peep”. The lack of information and understanding of the international market mechanisms will be a problem for some time to come – despite their existing experiences.
- Wool contributes about 10% to the income of farmers and, therefore, one could ask whether the investment to provide the infrastructure is optimal from a cost-benefit perspective.
- Few appear to want to own private land to farm, and the reasons for this are that they used to a communal system, that the existing land tenure system does not require any direct costs (although it costs them indirectly), and that the institutional arrangements created by the project would allow them to share expensive equipment. Another possible reason is the capital required to access private land. There is also a perception that government assistance will not take place once private land is accessed.

- The type of government investment that is currently used is in stark contrast to the approach of the former Bophuthatswana government. While the former Bophuthatswana government tried to control everything and provided extensive farming inputs and support at the input side, it did not assist the farmers to access markets in a more effective manner.
- However, providing the shearing shed as a grant might also create an environment in which the expectation of aid, rather than commercial decisions, is the main motivator for business decision making.
- An aspect that should be kept in mind (mentioned by Gerald van Heerden and visible in the information in the interviews) is the average age of the farmers. A large number of farmers are fairly old. This raises the question whether supporting relatively aged farmers is an appropriate action.
- There is also some aggression towards the traders for having kept them in the dark for so long.
- The government's provision of the shearing sheds in Thaba Nchu, leading to inferior quality, show that governments could also be too much involved in making markets work for the poor.

The Thaba Nchu case study confirms the main results from the eastern-Cape case studies. In addition it stresses the importance of information and the case study also suggests that the current approach of focusing on access to markets is more appropriate than the inputs driven approach under the former Bophuthatswana government. However, from a more critical perspective the Thaba Nchu case study also warns against providing aid rather than appropriate market access. The provision of the shearing sheds as a government grant as well as the low levels of dependency from wool income could potentially lead to an increase in dependence

5.3 Evidence from Lesotho

A system of shearing sheds and cooperative wool-farmer organisations has been in place in Lesotho for some time. Although the shearing sheds mainly provided an adequate environment to shear and market in bulk, they also sometimes went hand in hand with technical assistance to these farmers. What is important from the Lesotho information is that the data provide information for nearly 20 years (see Table 5).

Table 5: Shearing shed wool production in comparison to the total national production (1983 to 2002).

Year	National wool production (kg)	Wool production in shearing sheds (kg)	National average yield (kg/unit)	Average yield at shearing sheds (kg/unit)
1983/84	3 088 148	1 860 941	2.41	2.40
1984/85	2 902 195	1 780 346	2.06	2.40
1985/86	3 242 651	1 934 845	2.33	2.44
1986/87	3 134 870	1 791 807	1.97	2.35
1987/88	1 671 440	1 572 360	0.87	2.36
1988/89	2 402 107	1 634 937	1.60	2.39
1989/90	1 569 107	1 518 048	1.14	2.46
1990/91	2 544 040	1 621 060	1.73	2.47
1991/92	1 882 716	1 288 658	1.36	2.40
1992/93	2 090 076	1 545 523	1.78	2.50
1993/94	1 710 064	1 649 526	1.45	2.62
1994/95	1 955 167	1 407 862	1.73	2.47
1995/96	2 082 534	1 570 432	2.23	2.70
1996/97	1 801 618	1 365 023	1.92	2.46
1997/98	1 462 284	1 300 972	2.02	2.47
1998/99	2 091 360	1 288 601	2.23	2.57
1999/00	2 151 280	1 301 654	1.94	2.67
2000/01	2 077 015	1 327 455	1.86	2.62

Source: Jordaan, 2005

Table 5 above shows that the production in shearing sheds is considerably higher than the average production per sheep at a national level. Over the 18-year period attested to above, shearing sheds have produced approximately 72% of the wool in Lesotho. In respect of shearing sheds, the average production of wool per year for the period above is 28% higher than that for the country as a whole. Compared to production by non-members, it is in the vicinity of 40% more. Although there has been an overall decline in wool production in Lesotho since 1983, the decline in the shearing sheds has been 28%, i.e. less than the average decline in Lesotho of 33% for the period.

According to Jordaan (2005), farmers using shearing sheds are much better trained than farmers not using the shearing shed system. More than 70% of the shearing shed respondents indicated that they had received training in disease management (83%), animal judging (73%), feeding (73%), and small stock reproduction (71%). Approximately 46% of farmers using shearing sheds indicated that they had received training in wool sorting, financial management and sorting standards. Only 4% of these farmers were trained in rangeland management. Farmers not using shearing sheds are not exposed to the same level of training and only 8% of them indicated that they received some training.

The evidence from Lesotho suggests that the institutional arrangements around shearing sheds have had long term benefits. In addition such arrangements also make training and access to knowledge easier for support organisations and farmers – a crucial aspect of making markets work for the poor.

5.4 Looking at shearing sheds from a different perspective

5.4.1 Using tents

The construction of a shearing shed is a fairly expensive endeavour. Some shearing sheds have been provided as grants by governments (as the case is in Thaba Nchu). This might create a problem of aid to farmers without them required to pay for the infrastructure). However, creative financing methods and reducing the cost of the infrastructure might assist in this regard. In some areas of the Eastern Cape, a mobile wool shearing system has been introduced, e.g. in the Ngamakwe areas of the Eastern Cape (Eastern Cape Business News 2002). The goal is to improve the yield from the estimated 130 000 sheep belonging to 500 farmers in the area by moving the fully equipped shearing marquees amongst villages. It should be mentioned that tents were used successfully during the 1950s. Permanent sheds can cater for around 3000 sheep per season before the cost of transporting the sheep becomes uneconomical. The mobile units can be kept in production throughout the whole period. The project is made possible through a loan of R150 000 to the farmers by the Eastern Cape Development Corporation. The payment takes place in terms of a levy of 70c per kilogram of wool. By means of providing the correct infrastructure in innovative manner the income of farmers in this area is expected to increase from R390 000 to R1.3 million. Should the programmes in animal health and flock management be introduced, it could range to R2.6 million per annum (Eastern Cape Business News, 2002).

5.4.2 Making the shearing shed a business by working with traders

ComMark, through TEBA Development, is considering an approach through which traders manage shearing sheds for their profit. TEBA is funded by a number of mining companies in South Africa. This section is based on a proposal by TEBA Development in this regard (TEBA Development 2005). Currently, the marketing intervention is undertaken by TEBA development in cooperation with a private sector trader, Mehloenyeng Trading, to whom wool is sold by farmers who bring their sheep to a shearing tent established by TEBA Development. Features of this approach are that wool is sorted at source, maximising the value to farmers, and that cash payments are made through TEBA on behalf of Mehloenyeng. Farmers achieve approx R30 per sheep, as opposed to R5–R10 if they sell wool directly to a trader. They propose to extend this initiative to operations at sites owned by more than one private sector trader, where they would both buy in wool and shear. They propose to employ a mentor at each hub, who will guide the trader in adopting the practices established by TEBA at its Mafeteng-based livestock project. Each farmer will contribute to the costs associated through paying a R5 levy per sheep for livestock services, while the balance of the cost will be paid for by ComMark. It is necessary to operate at least four hubs to make the scale of intervention meaningful and to create the necessary management capacity to make the intervention effective and sustainable, without placing an undue overhead on a smaller intervention.

The initial step will be to establish agreements with traders on the operation of the project after having first sought for and consulted with possible partners. The fluidity arising from the demise of Fraser's wool sheds⁴ and the intention of government to

⁴ Historically Frasers bought the wool from farmers at shearing sheds

not become directly involved in shearing sheds suggests that this is preferable to locking into one trader from the start. TEBA will then work with the traders to enhance the animal health and husbandry practices of farmers in the environments of the traders' operating sites. Hence, they will improve the quality and quantity of wool marketed by them. Equally, TEBA will work with farmers to prepare for the shearing season so that the shearing operation is improved, more wool is shorn and sorted at sheds than at farmers' homes, and prices are clear and fair. They will, therefore, be adding value to both the farmers and the relevant traders. The added value will be equitably shared. Farmers will contribute to the cost of the services provided by paying a levy of R5 per sheep for using the mentoring services. Farmers already pay R5 for shearing and sorting costs at all wool sheds in Lesotho and this practice will apply at the traders' shearing sites.

Sustainability is achieved through two features. First, the trader will be getting more wool and better quality wool as a result of the improved animal health and husbandry practices developed by the mentor. This also translates into increased income for the farmers. Equally, the attraction of shearing with the trader will increase because fair and transparent prices will apply and will be higher than when wool is just sold by the bag. Secondly, the trader's own staff will be trained through the project – both formally and on the job – in a mentoring and monitoring approach to achieve improved animal health. Husbandry services and improved shearing-shed operation, including the use of shearing operations to augment farmers' knowledge of animal health and husbandry, will be provided.

The two case studies around financing wool sheds suggests that creative ways of financing it or creating a viable business do exist and that consideration should be given to the possibilities. It will also reduce the risk of increased dependency.

5.5 Wool business and black economic empowerment

The huge investments in the production of black farmers has also influenced the establishment of black-owned wool companies and encouraged existing companies in the wool industry to sell or transfer shares to black partners (Daily Dispatch 2005). In this regard, the wool and mohair trading company, BKB, has offered 10% of its shares to two black farmers' associations in the Eastern Cape. The shares have been sold at R3 per share while BKB subsidises the difference of R5 per share. The total transaction entails R5.2 million (Roux van Zyl, 2005). In return, farmers are expected to sell their wool through BKB.

Cape Mohair Wool also assisted farmers associations in Simunye to obtain 51% of the shares in a new agri-BEE company, called Sinethemba Mafana (Daily Dispatch 2004). The remaining 49% will be in the hands of Cape Mohair Wool. The aim of the company is to assist farmers in selling their wool and stock effectively. Cape Mohair Wool will stand in for the management of the company during the first three years. After this initial period, it will be managed by someone appointed by the company (Fourie, 2004).

These developments should have a positive long term influence on the farming activities of poor farmers. Although the BKB process provides shares at a subsidised

rate the possibilities of access research and development information through these companies should provide emerging farmers with adequate information.

6. So, what then influences access to the markets and successful development?

The above case studies provided some background on the success of assisting farmers on communal land to access the international wool market. In essence, the wool market depends on a combination of auction-type sales and price setting by objectively measured quality standards. The case studies have shown how these farmers have accessed the markets in an innovative manner without huge investments by government or other role players. This section will attempt to analyse the reasons why these farmers have accessed the markets successfully.

Bulk and direct access to markets

The current scale of farming is too small for farmers to access the markets directly. Historically, they had little choice other than to sell their wool to traders as they did not have the skill to sort the wool nor the money to finance the transport of the wool. By accessing the market as a farmers' association, they addressed the problem of transport by marketing at scale and were therefore able to afford the agent fees and the transport costs. They have managed to reduce the transaction costs by bulk marketing.

Available infrastructure

Small-scale farmers' ability to access the international wool market is directly dependent on having shearing sheds available. To a large degree, shearing sheds can be seen as the provision of appropriate infrastructure to support production and market access. Shearing sheds have reduced the transaction costs by clustering farmers around technology, which is too expensive to afford individually. Although some shearing sheds are provided by means of private finance, others have been built through government grants. In Lesotho, an attempt is being made to turn shearing sheds into individual businesses. However, government provision of infrastructure is not always unproblematic as the quality of the shearing shed in Thaba Nchu is proof. The way in which this infrastructure is made available is also an important consideration. In order to make markets work better this should not increase dependency.

Technical efficiency and product quality through sorting of wool

The international wool market is dependent on well-sorted wool, which is objectively measured at the market place. The transfer of wool sorting skills to the farmers and their families was instrumental in providing them with direct access to the market and eliminating the middleman (trader).

Creative ways of financing loans

The creative way in which the shearing tents are financed through a percentage of the annual wool income ensures access to finance through an association, but with individual responsibility. At the same time, the Eastern Cape Development Corporation also guarantees the repayment of the loan as they receive it directly from the market agent.

An effective support institution

The way in which government has supported technical assistance through its advisory service and through other organisations, such as the NWGA, should be complimented. The state provided basic financial backing, but, in most of the cases, the service was provided by experts in the field – in this case an NGO (NWGA, TEBA). This could be seen as an example of a private-public partnership in addressing market access for the poor. Of course, the challenge beyond the initial support is that farmers would continue best practise in a period beyond the initial support. Although no gauranetee can be provided in this regard, higher income and partnerships with big business should assist in this regard.

The role of farmers associations

D’Haese & Vink (2003) are of the opinion that the changed institutional arrangement for wool farmers is the main contributing reason for successful market access. The ability of farmers to work together gave them access to markets and made the provision of infrastructure more cost-effective.

Farming management and knowledge

As the effective access to markets is also dependent on high quality wool and a high yield per sheep, knowledge of farm and flock management is essential. The case studies showed how important veterinary services and other technical assistance are.

Link between commercial and emerging farmers

In a number of cases, the projects were developed in such a way that communal farmers could learn from commercial farmers. The link between big and small business was mainly in terms of the transfer of knowledge. However, commercial farmers also benefited, as many of the rams introduced to improve the genetic materials of sheep were bought from commercial farmers. There have even been formal links between farmers in Lesotho and South African commercial farmers. Possible ways of doing it should be through farmers’ days. A mentoring system should where both farmers could gain financially could also be investigated. For example, should wool production increase the mentor could be reward financially.

The right intervention by government

The case study from Thaba Nchu is an excellent example in this regard, although the principle is probably applicable to the other areas as well. As was indicated, the historical approach by the Bophuthatswana government was to provide numerous services to the farmers. Despite the technically efficient service provided to farmers, the focus of the intervention was at the level of production. The wool farming projects, as described in the case studies, suggests that the support service should not only be concerned with increased production. Attention should also be given to the barriers that inhibit market access. The current intervention tries to provide an environment in which farmers can access markets, make a profit, and then reinvest the money into the farming environment.

Support local assets

Local economic development has become one of the important aspects of a post 1994 dispensation in South Africa. LED is, in fact, entrenched in the South African constitution. In order to assist local governments and local communities, the initial approach to LED was through the establishing of an LED fund (the fund has been

closed down in the meantime and integrated into the Municipal Infrastructure Grant). Communities could then apply to these funds to access funding for so-called LED projects. However, the success levels of these projects were limited. In an evaluation of such projects in the Free State, Marais et al. (2002) found that these projects are typified by low levels of success due to poor management, the fact that new start-up programmes were difficult to work, low levels of capacity by project members and municipalities, the direct interference and management by the municipalities, the limited business sense of projects, and the fact that they were driven by consultants who received a percentage of the funds. Supporting wool farmers in the way described in the case studies suggests a different approach to development. In these case studies, the projects support existing activities based on the existing asset bases of farmers. Farmers do have a fairly good idea of what wool farming entails and only require additional support. Nobody needs to be trained in a trade of which they have no prior knowledge. Furthermore, although the support benefited all farmers it was directly focused on the individual as well. By providing infrastructure for all, benefiting individuals and supporting an already available knowledge base create the environment for a possible efficient agricultural business.

Joining big business

Another reason for accessing the market in more depth is the access to shares of commercial businesses in the wool industry. This is an entry into a business in whose interest it is to obtain quality wool. The technical advice and business history of these big businesses, like BKB and Cape Mohair Wool, will play an important role in ensuring long-term market access to the farmers. It will also provide a network through which research and development results could be implemented. This could also be a way of influencing government in future.

Getting the private sector to fund and maintain infrastructure

Government grants have been responsible for the provision of some of the infrastructure, such as shearing sheds. However, the provision of tents in the Ciskei through a parastatal organisation, shows that innovative ways of accessing finance might have a huge impact on the income of an area. The direction of privately managed shearing sheds in Lesotho is a further step in ensuring a larger degree of private sector finance in the provision and maintenance of infrastructure.

7. What then is still hindering market access and efficiency?

Large-scale progress has been made in getting poor farmers to access national and international markets. The question is: What are the factors that still hinder access to markets? Although it should be accepted that some farmers will choose to continue farming under current conditions, others would like to move beyond the current barriers.

Land tenure and the price of accessing private land

Although traditional land tenure systems do have some advantages, they seem to be hindering market access for farmers who would prefer to become commercial farmers. As individuals do not own the land, they would not really invest in it for further improvement. Bembridge et al (1993) argue that a rapid increase in livestock causes a vicious circle of degradation of the land and, consequently, in the condition of animals. A decrease in the condition of wool sheep results in a decrease in production. Although it is probably unwise to try to address the land tenure system by transforming it at once into private ownership, the question is: What are the opportunities for farmers who are farming successfully?

The carrying capacity of the land

The concept of 'the tragedy of the commons' is well known in rural development. Communal land leads to management challenges, and it is unlikely that production will reach the level of that of commercial farmers.

Limited access to private land

Access to private land is currently experienced as a major stumbling block. Ways and means should be found to ensure that communal farmers, who have farmed fairly well and have a fairly large number of stock available, are able to access private land.

Limitations in terms of financial management

Although the interviewees in the case studies all mentioned that they have access to bank accounts, a number of barriers in this regard should be mentioned. The lack of financial management capacity has been mentioned in a number of research reports. Furthermore, in an interview with the NWGA's representative in Bloemfontein, it was mentioned that a number of farmers are managing their finance on a cash only basis. Although this is not necessarily a negative situation, education in terms of financial management might also improve the possibility of reinvestment.

Limited access to finance on communal land

Closely linked to land tenure is the possible access to finance. Without private land ownership, it is unlikely that farmers will be able to secure private sector finance. Although the case studies have indicated that there are ways of providing credit access in a communal way, titled land is essential would these farmers want to expand their businesses through credit. Considering the fact that ideally one wants to get a percentage of the communal farmers to grow their businesses, private land access would be essential

Cultural resistance

A stumbling block to accessing markets is the existing culture of communities. The time that it took to convince people not to sell to the “Peep-peep”, the fact that people are used to communal land, inappropriate expectations from government as well as their doubts as to whether they will actually receive their money are indications that some cultural barriers exist in this regard. The three cases studies also showed some resistance to accessing loans. Although there are good reasons to avoid credit, it can also be a way of expanding business if used appropriately. Although it seems as if some of these stumbling blocks were overcome it might still be present for some time to come.

A lack of understanding of the volatile international wool market

One of the fundamental aspects of accessing the wool market is that it is based on accepting different prices each year. Although the income is still considerably more than that provided by the trader, it will vary annually and is highly dependent on the variable rand/dollar exchange rate, whereas the trader provided the same amount each year.

Inappropriate expectations from government

In some cases there also seems to be unrealistic expectations as to what government should or could provide. As long as these expectations exist, farmers are unlikely to make their own investments. The same type of problems was experienced with funds provided by the Department of Agriculture in the Free State. Typically such projects set of broilers, piggeries or even fish farming units. The state or donors (amongst which the European Union) supported the establishment of these programmes. However, the majority of these programmes did not survive the initial funding phase. The maintenance costs and focus on the group seldom assisted in this regard. The Free State landscape is evident of agriculture projects that failed as government provided for the needs of the poor.

Provision of aid

The provision of aid to farmers could also create long term dependency rather than continued access to markets for the poor. Government grants should therefore be handled carefully and should be seen as once off grants. However, if these grants can be made available in terms of loans (e.g. financing the shearing tents) it could increase the sustainability of projects.

The lack of basic education

The low levels of basic education that became clear from the Thaba Nchu case studies were striking. Basic education, especially basic mathematics, is a fundamental requirement for creating an entrepreneurial environment.

8. Concluding comments

The paper started off by sketching the international wool market and the trends in the South African wool market. World-wide and in South Africa, wool production has decreased considerably, but there is still some room in the market. Enhancing farming practices also offers possibilities to increase wool production. Just less than 10% of the wool in South Africa is produced by poor black farmers farming on communal land. The paper provides extensive evidence on how specific interventions have assisted farmers on communal land to access higher prices for wool as well as

increase their production of wool (which, in turn, also increases income). The increase in production also opened doors for an increase of shares held by poor farmers in the commercial wool industry. Some examples are also provided on how the cost, specifically of shearing sheds, could be minimised through making use of tents. Some initiatives in Lesotho try to transform the shearing sheds into viable business interventions. It is argued that a number of aspects have contributed to market access for emerging farmers in the communal areas of South Africa. Specific aspects are bulk and direct access to markets, available infrastructure, technical efficiency and product quality through sorting wool, creative ways of financing loans, effective support institutions, the role of farmer associations, farming management and knowledge, the link between commercial and emerging farmers, the right intervention by government, support of local assets, joining big business, and getting the private sector to fund and maintain infrastructure. The case studies also showed that a number of barriers existed initially and that a number of barriers are preventing a further increase in wool production. The following main aspects were discussed: land tenure and the price of accessing private land, the limitations of the carrying capacity of land, limits to accessing private land, limitations in terms of financial management, limited access to private finance, a degree of cultural resistance, a lack of understanding of the volatile wool market, unrealistic expectations from government, and a lack of basic education.

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