

3. LAND REFORM AND AGRICULTURAL DEVELOPMENT

Introduction

This chapter investigates the relationship between agriculture and land reform and attempts to determine what “type”¹ of land reform programme (1) would be appropriate to South African agriculture. (2) Is most likely to maintain/ increase current levels of agricultural production and, (3) will alleviate poverty in rural areas through agriculture (should this be possible).

Section one, therefore, sets out to illustrate the importance of the South African agricultural sector - some international examples are also listed - in economic growth, employment and poverty alleviation. Section two lists a number of international examples, which highlight the close relationship between land reform and agricultural production, but does not provide clear guidelines on which reform policies will increase production and which will not. Therefore, in an attempt to establish guidelines for appropriate land reform policies in South Africa, sections three, four and five, seek to understand the nature of the agricultural sector in South Africa. As a result of Apartheid policies, the South African agricultural sector can loosely be divided into two sectors – the white commercial agricultural sector and the black communal/ small-scale/ subsistence agricultural sector. This part of the chapter also includes a discussion of the changes (liberalisation and deregulation) that have taken place in the overall agricultural sector in the last couple of decades (section 4) and the actors and thinking involved in this process – with particular emphasis on the World Bank.

Having provided a context and account of the nature of the South African agricultural sector(s), section six gives an exposition and analysis of the debates, between the advocates of the relative efficiency of small-scale farming as opposed to large-scale farming (as the basic structure of a land reform programme). Section six also looks at alternative ways in which to interpret the empirical evidence for the arguable inverse relationship between farm size and efficiency. In this regard, section 6.5 and 6.6 are the most important parts of this chapter and discuss the factors that influence the success or failure of small-scale farmers, as well as, whether small-scale farming can alleviate poverty for the poorest sectors of South African rural society. These sections are based on a wide range of international case studies (approximately 17 countries).

The final section of this chapter highlights some pertinent questions. For example, do South Africa’s potential land reform beneficiaries want to farm? If insufficient numbers of people are interested in farming, should the land reform programme emphasise agriculture? Or, should land reform emphasise restitution, justice, housing, vegetable gardens and financial compensation? How many households can be satisfactorily

¹ For example, does the land reform programme promote large or small-scale farming? Or, is the programme supply or demand driven? Or, is the programme supported by government policies that emphasise assistance to emerging farmers? Or, is it a state-led reform programme or, is it a market-based reform programme. As the discussions throughout this thesis will show, these are all factors that have an impact on the success of land/ agrarian reform programmes, on whether these programmes alleviate poverty and, on which groups, in any particular society, benefit from the land reform programme

supported by the available land? Will farming generate sufficient income (i.e. alleviate poverty)? And, what impediments are there to the development of African large/ small-scale agriculture?

1. The importance of agriculture

Land reform programmes have the potential to increase or decrease agricultural production. Given the importance of the agricultural sector in economic growth, employment and poverty alleviation in rural areas, it is crucial that land reform contributes to increased (or at least sustained) levels of agricultural production. A large percentage of people in African countries, including South Africa, live in rural areas and depend on agricultural activity for their livelihoods. This is the case in South Africa where 46.3% of the population live in rural areas², Botswana (86% in 1985), Kenya (80% in 1985), Tanzania (86% in 1985), Mozambique (82% in 1985) and Zimbabwe (73% in 1985).³ In addition, these are countries that generally have inadequate food security, inequitable distribution of resources and high unemployment rates. Agricultural sector development (given the industry's forward and backward linkages in the economy) can contribute to urban and rural development, increased food security and employment and income generation.

In 1997, directly and indirectly, the South African agricultural sector sustained more than 25% of total employment, accounted for 13% of the Gross National Product, provided 32% of the total inputs used by the food sector and contributed 9.2% of total exports.⁴ The agricultural sector has important forward and backward linkages – supplying raw material to the secondary and tertiary industries and in turn providing a market for goods and services – which are of immense significance to both the rural and urban economies.⁵ For example, in 1992/3, farmers spent approximately R503 million on packaging materials, R1 419 million on fuel, R1 069 million on fertiliser and R882 million on dips and sprays. They further invested R931 million in tractors, machinery and implements and another R835 million on fixed property improvements.⁶

The South African agricultural sector is also extremely important in providing employment. With the exception of the construction industry, agriculture created the greatest number of employment opportunities in 1981 and 1985 per unit increase in capital.⁷ In 1996, 32% of the rural population and 1.9% of the urban population were employed in the agricultural, forestry and fishing sectors.⁸ Furthermore, an investment of

² Central Statistics Service, The people of South Africa Population Census, 1996, Report 03-01-19, 1996

³ Rumulika K, "Participatory Democracy in the Agricultural Sector as a Strategy for controlling Africa's crisis", *Alternative Strategies for Africa Volume 2*, Suliman M (Ed.), IFAA, London, 1991, p. 42

⁴ Nomvete B.D, Maasdorp G.G & Thomas D (Eds.), *Growth with Equity*, Africa Institute for Policy Analysis and Economic Integration, Cape Town, 1997, p. 48

⁵ Nomvete B.D, Maasdorp G.G & Thomas D (Eds.), *Growth with Equity*, Africa Institute for Policy Analysis and Economic Integration, Cape Town, 1997, p. 48 - 52

⁶ Department of Agriculture, Abstract of Agricultural Statistics, Pretoria, 1994

⁷ Kirsten J & Van Zyl J, "Agricultural Growth Linkages: international experience and some South African estimates", *Agricultural Land Reform in South Africa*, Van Zyl J, Kirsten J & Binswanger H (Eds.), Oxford University Press, Cape Town, 1996, p. 349

⁸ Central Statistics Service, The people of South Africa Population Census, 1996, Report 03-01-19, 1996

R1 million in agriculture will generate twice as many jobs as an equivalent investment in the manufacturing sector, and nine out of ten of the country's top employment generators are to be found in agricultural industries.⁹

(Agriculture also dominates the Zimbabwean economy, despite the fact that agriculture's contribution to the Gross National Product, in most years, is less than 20%. The agricultural sector in Zimbabwe provides an income to almost 75% of the population, accounts for 30% of formal sector employment and 40% of total national exports. Furthermore, manufacturing is partly dependent on the agricultural sector as a source of raw materials and 70% of consumer expenditure is on products derived directly from agriculture.¹⁰ In fact, there is such a close relationship between agricultural development and national development in Zimbabwe that national growth rates closely mirror annual rainfall variations. For instance, in 1987, when annual rainfall was low and the agricultural sector experienced a negative growth rate of 18.1%, the economy also suffered and recorded a negative growth rate of 0.7%. In 1988, when rainfall figures were high and agriculture grew by 25.5%, the economy grew by 6.3%.¹¹)

In brief, agriculture can contribute to economic development in four ways. Firstly, through product contribution, for example, food production. Secondly, through market contribution, for example, providing a market for produced goods. Thirdly, a factor contribution, for example, providing employment and finally, a foreign capital contribution through export earnings.¹²

2. The relationship between agriculture and land reform

Many critics of land reform base their arguments on the need to sustain agricultural production and the belief that land reform involves too radical an alteration of the production structure for output to be maintained.¹³ Evidence from international case studies supports both detractors and proponents of land reform. In Mexico, following the land reform attempts of the Cardenas government in the 1930s, the agricultural sector in 1940 was "*at an all time low*" and "*was not even producing enough to feed itself*".¹⁴ In Tanzania, the introduction of the villagisation programme was followed by a major food crisis in 1974 and 1975. The production of food crops for internal consumption as well as the production of export crops for foreign exchange earnings declined dramatically. The villagisation programme contributed to resource destruction and a decrease in agricultural production because of a lack of incentives for farmers to produce. The

⁹ Nomvete B.D, Maasdorp G.G & Thomas D (Eds.), Growth with Equity, Africa Institute for Policy Analysis and Economic Integration, Cape Town, 1997, p. 49

¹⁰ Muir R, "Agriculture in Zimbabwe", Zimbabwe's Agricultural Revolution, Rukuni M & Eicher C.K (Eds.) University of Zimbabwe Publications, 1994

¹¹ Chidzero B, "Macro-economic adjustment and trade liberalisation", in Zimbabwe's Agricultural Revolution, Rukuni M & Eicher C.K (Eds.) University of Zimbabwe Publications, 1994

¹² Ghatak S & Ingersent K, "Role of Agriculture in Economic Development", Agriculture and Economic Development, Harvester, Sussex, 1984

¹³ Thiesenhusen W.C, "Introduction", Searching for Agrarian Reform in Latin America, Unwin Hyman, London, 1989

¹⁴ Cline F.H, "Agrarianism: A Basic Revolutionary Goal", Mexico: Revolution to Evolution 1940 -1960, Oxford University Press, London, 1962

consequent crisis in agricultural production underpinned the collapse of the industrial economy (where capacity utilisation decreased by 30%), the crisis in the marketing system and the degeneration of the transport system. The gross domestic product declined by 1.7% in 1981 and by 3.4% in 1982.¹⁵

Allende's socialist government introduced a land reform programme in Chile in 1970 that achieved a significant amount of redistribution of wealth and income, dramatic changes in rural social relations, important advances in participatory development and significant increases in employment.¹⁶ The effect on agricultural production was, however, "*little short of disaster*". Output declined by 3.6% in the 1971 – 1972 crop year and by 13.7% in the 1972 – 1973 crop year. Food imports increased by 60% in 1971, 91% in 1972 and 27% in 1973 (compared to 1970).¹⁷

The rural development and land reform programme introduced by the Mao government in China was based on the collectivisation of agriculture, the mass mobilisation of rural labour through labour intensive investments (irrigation, flood control, land reclamation) and attempts to increase yields per hectare.¹⁸ In the early period of collective farming (1950), agricultural production levels remained high and China became one of the world's largest grain producers – capable of providing food for one fifth of the world's population on one fifteenth of the world's arable land.¹⁹ The gross value of agriculture measured in 1952 prices increased by 27.8% and grain output increased by 21.9% in the same period.²⁰ By 1961, however, China had changed from a grain exporter to a grain importer even though consumption levels had remained stable. Grain yields had fallen by 25% and wheat by 41%. Production levels of coarse grains like sorghum, millet and corn were lower than 1949 levels. Oil-seed production was down by 64%, cotton by 41% and textiles by more than 50%. The number of pigs had fallen from 146 million in 1957 to approximately 75 million in 1961.²¹ It was only after 1978, following a policy shift towards private land ownership, that grain production increased by 45%.²²

On the other hand, there are a number of examples where land reform programmes led to increased agricultural production, notably Cuba, Egypt and Zimbabwe. Land reform in Cuba resulted in increased agricultural production. Despite a drought in 1961, a

¹⁵ Shao J, "Politics and the Food Production Crisis in Tanzania", Commins S.K, Lofchie M.F & Payne R (Eds.), African Agrarian Crisis, Lynne Rienner Publishers, Colorado, 1986

¹⁶ Brown M.R, "Radical Reform in Chile 1964-1973", Searching for Agrarian Reform in Latin America, Thiesenhusen W.C (Ed.), Unwin Hyman, London, 1989

¹⁷ Schuh E, "Approaches to Basic Needs and to Equity that Distort Incentives in Agriculture", Distortions of Agricultural Incentives, Schultz T.W (Ed.), Indiana Press, London, 1978

¹⁸ Lin Y.Z, "Institutional Reform and Chinese Agriculture: Retrospect and Prospect", Economic Reform in China: Problems and Prospects, Dorn J.A & Xi W (Eds.), University of Chicago Press, Chicago, 1989

¹⁹ Selden M, "Marxism and the Peasantry: Collectivisation and Strategies for Socialist Agrarian Development", The Political Economy of Chinese Socialism, Sharpe M.E, Armonk, 1988

²⁰ Lin Y.Z, "Institutional Reform and Chinese Agriculture: Retrospect and Prospect", Economic Reform in China: Problems and Prospects, Dorn J.A & Xi W (Eds.), University of Chicago Press, Chicago, 1989

²¹ All statistics on agricultural decline from Becker J, Hungry Ghosts: China's Secret Famine, John Murray, London, 1996

²² Lin Y.Z, "Institutional Reform and Chinese Agriculture: Retrospect and Prospect", Economic Reform in China: Problems and Prospects, Dorn J.A & Xi W (Eds.), University of Chicago Press, Chicago, 1989

hurricane in 1963 and the emigration of many technical staff to the United States, agricultural production grew by 3.9% in the 1960s and 3.4% in the 1970s. Cereal production grew by 12% between 1970 and 1980. Furthermore, overall investment in agriculture increased by 130% between 1970 and 1983.²³

One of the factors that served as motivation for the introduction of a land reform programme in Egypt was the continued decrease in agricultural production in the 1940s. The consequent land reform programme resulted in an overall increase in agricultural production. Between 1952 and 1962, food production increased at an average annual rate of 3.5%. Furthermore, cotton, sugarcane and maize yields were increasing faster in the land reform sectors than in the rest of Egypt – probably because of state investments in these areas. Agricultural growth rates were maintained in the 1970s.²⁴

There are also examples where agricultural production levels remained more or less constant before and after land reform. Following the land reform programme introduced by the military government of Juan Velasco Alvarado in Peru in 1969, which redistributed approximately 40% of agricultural land, agricultural output levels were maintained at levels similar to those in the pre-reform period.²⁵ In Japan, agricultural production levels remained stable pre and post land reform, partly because of investments in infrastructure and the provision of support services to land reform beneficiaries.

The nature²⁶ of the land reform policy and the economic and social contexts are therefore factors that determine the effect of a land reform programme on agricultural production. It is therefore important to understand the history and nature of the South African agricultural sector, as well as the major policy debates around agrarian reform (i.e. large-scale versus small-scale agricultural production). Nevertheless, even effective and well-implemented land reform programmes are socially and economically disruptive and it is very likely that agricultural production will temporarily decrease in the period immediately following redistribution.

3. Development of the white commercial agricultural sector

Throughout the 19th century, successive white governments' policies contributed to the development of the white commercial agricultural sector and the demise of African agriculture. These policies had three central elements – dispossession, coercive labour

²³ El-Ghonemy M.R, "Cuba", The Political Economy of Rural Poverty, Routledge, London, 1990

²⁴ Figures for Egypt from El-Ghonemy M.R, "Egypt", The Political Economy of Rural Poverty, Routledge, London, 1990

²⁵ Lastarria-Cornhiels, "Agrarian Reforms of the 1960's and 1970's in Peru", Searching for Agrarian Reform in Latin America, Thiesenhusen W.C (Ed.), Unwin Hyman, London, 1989

²⁶ For example, does the land reform programme promote large or small-scale farming? Or, is the programme supply or demand drive? Or, is the programme supported by government policies that emphasise assistance to emergent farmers? Or, is it a state-led reform programme or is it a market-based reform programme. As the discussions throughout this thesis will show, these are all factors that have an impact on the success of land/ agrarian reform programmes, on whether these programmes alleviate poverty and, on which groups, in any particular society, benefit from the land reform programme.

legislation and financial support.²⁷ The protracted and violent process of dispossession and territorial segregation²⁸ resulted in a significant increase in the total value of agricultural output by white farmers – from 29 million pounds in 1911, to 200 million pounds in 1948 and 385 million pounds in 1959.²⁹ The state's active role in the labour market since the early development of capitalist agriculture ensured that white farmers had access to a constant supply of cheap labour.³⁰ Coercive labour legislation included the Native Labour Regulation Act of 1911 that banned “non-farm” labour recruiters from white farming areas, pass laws and influx control, the exclusion of agricultural workers from protective legislation and collective bargaining statutes, the homeland (migrant labour) system and the anti-squatting provisions of the 1936 Native Trust and Land Act. As the commercial agricultural sector began to mechanise, agricultural employment began to decrease (2.67% annually between 1970 and 1980).³¹

Financial support to the white commercial agricultural sector included the provision of infrastructure, subsidies, guaranteed sales and artificially high prices, marketing facilities, agricultural research and credit. Subsidised irrigation, transport³² and fencing as well as education and electricity were all routinely provided to white farmers. Legislation affected all aspects of agriculture and production including prices (increasing under the Pact government). By 1936, state intervention in the agricultural sector focussed on marketing arrangements and price controls. The Marketing Act 26 of 1937 established the marketing boards, which had far ranging powers that included “*powers to regulate production and prices for both internal consumption and export, and to restrict or prohibit imports*”.³³ The Meat Board, for example, regulated almost all aspects of the meat industry including supply and demand, production, distribution and processing.³⁴ Maize was marketed through a statutory single channel marketing scheme, operated by the Maize Board, which was dominated by white farmers and held by co-operatives who owned many of the grain silos, channelled credit to maize farmers and supplied them with inputs such as seed, fertiliser, machinery and fuel.³⁵ As was the case in Zimbabwe, state monopoly marketing systems conferred structural advantages on the large-scale

²⁷ Bernstein H, “Social change in the South African countryside? Land and production, poverty and power”, PLAAS, UWC, 2000

²⁸ Refer to Chapter 1

²⁹ Jeeves A.H & Crush J (Eds.), “Introduction”, White Farms, Black Labour, University of Natal Press, Pietermaritzburg, 1997

³⁰ Hamman J, “The impact of labour policy on rural livelihoods on Western Cape Wine and Fruit Farms”, Land, Labour and Livelihoods, Volume One, Lipton M, De Klerk M & Lipton M (Eds.), Indicator Press, 1996

³¹ Kirsten J & Van Zyl J, “The Contemporary agricultural policy environment: undoing the legacy of the past”, Agricultural Land Reform in South Africa, Van Zyl J, Kirsten J & Binswanger H (Eds.), Oxford University Press, Cape Town, 1996, p. 199 & 200

³² For example, the introduction of tariffs by the Pact government in order to subsidise the transport of agricultural products.

³³ Kirsten J & Van Zyl J, “The Contemporary agricultural policy environment: undoing the legacy of the past”, Agricultural Land Reform in South Africa, Van Zyl J, Kirsten J & Binswanger H (Eds.), Oxford University Press, Cape Town, 1996, p. 203 & 208

³⁴ Eales K, “The Commercial Agricultural Sector”, Down to Earth, Marcus T, Eales K & Wildshut A (Eds.), LAPC, Indicator Press, Natal, March 1996, p. 98 & 99

³⁵ Eales K, “The Commercial Agricultural Sector”, Down to Earth, Marcus T, Eales K & Wildshut A (Eds.), LAPC, Indicator Press, Natal, March 1996, p. 100 - 101

white commercial agricultural sector, distorted prices and acted as a drain on government funds. In Zimbabwe, for example, annual losses of the marketing parastatals were estimated at Z\$820 million in 1986.³⁶

Agricultural research in South Africa has always (and to a large extent still is) focussed on issues and problems pertaining to large-scale white commercial agriculture. These include initiatives to improve stockbreeding, to raise crop yields and to fight diseases.³⁷ Agricultural policies included the provision of cheap subsidised credit and direct state grants and loans to white farmers. Marcus argues that this is partly what kept successive generations of white farmers on the land.³⁸ These credit policies also had negative consequences including the distortion of land and input prices and high levels of debt and default.³⁹

Policies designed to protect and develop white/settler agriculture are not particular to South Africa. In Zimbabwe, white farmers were given access to training, generous loans, cheap labour, technology and a wide range of extension facilities.⁴⁰ As a result, the white commercial agricultural sector in Zimbabwe came to dominate agricultural production. By 1980, white commercial farmers produced an estimated 75% of total agricultural output and 96% of agricultural sales.⁴¹ In Tanzania (1921 – 1967), the British colonial government encouraged the development of the settler commercial agricultural sector at the expense of indigenous Tanzanian agricultural production by means of racial discrimination and preferential policies. These included price subsidies, preferential crop and transport prices, soft credit, research and extensions services and the monopolisation of the most fertile land.⁴² A process of land alienation and protection for settler agriculture in Kenya had similar consequences. The white agricultural sector was protected by an extensive structure of marketing boards and market controls as well as, for example, the Coffee Plantations Ordinance of 1918 that prevented Africans from growing coffee and the Native Produce Ordinance Act of 1935, which confined marketing rights to Europeans and Asians.⁴³

³⁶ Binswanger H & Deininger K, "South African Land Policy: the legacy of history and current options", in Agricultural Reform in South Africa, Van Zyl J, Kirsten J & Binswanger H (Eds.), Oxford University Press, Cape Town, 1996, p. 87 - 93

³⁷ Jeeves A.H & Crush J (Eds.), "Introduction", White Farms, Black Labour, University of Natal Press, Pietermaritzburg, 1997

³⁸ Marcus T, "White Farmers and corporate agriculture", Down to Earth, Marcus T, Eales K & Wildschut A (Eds.), Land and Agricultural Policy Centre, Indicator Press, Natal, March 1996, p. 71

³⁹ Eales K, "The Commercial Agricultural Sector", Down to Earth, Marcus T, Eales K & Wildshut A (Eds.), LAPC, Indicator Press, Natal, March 1996, p. 104

⁴⁰ Palmer R, Land and Racial Domination in Rhodesia, University of California Press, Berkeley, 1977

⁴¹ Bratton M, "Land Redistribution 1980 to 1990", Zimbabwe's Agricultural Revolution, Rukuni M & Eicher E (Eds.), University of Zimbabwe Press, 1994

⁴² Mbilinyi M, "Restructuring Gender and Agriculture in Tanzania", African Perspectives on Development, Himmelstand U, Kinyanjui K & Mburugu E (Eds.), James Currey Ltd, London, 1994, p. 166 - 173

⁴³ Alila P.O, "Smallholder credit for rural development in Kenya", in African Perspectives on Development, Himmelstand U, Kinyanjui K & Mburugu E (Eds.), James Currey Ltd, London, 1994, p. 107

What is important in South Africa is that these policies resulted in the concentration of political and economic power in the hands of a small group of white commercial farmers. This ensured the National Party government of the sector's political support but also enabled the sector to resist policy changes that they perceived to be detrimental to white agricultural production.⁴⁴

Although some liberalising policies had already been proposed and implemented in the 1940s and 1950s, the 1980s were characterised by the increased liberalisation of the white agricultural sector and a move away from subsidies and market regulation. Arguably, agricultural policies based on racial discrimination and price distortions were no longer viable. Changes included a weakening of the Rand that resulted in input prices rising faster than output prices, a decrease of budgetary allocations to white farmers by 50% in 1987, extensive deregulation of controlled marketing, the abolition of price controls in some sectors and the termination of consumer subsidies for maize meal and bread.⁴⁵ The commercial agricultural sector became increasingly indebted. In 1976, an average farm was worth R250 000 with an average debt of R30 000. In 1985, the value of the average farm had risen by nearly 200% to R730 000, while the average debt had increased by over 500% to R184 000.⁴⁶ A rise in interest rates made it impossible for the Land Bank to continue subsidising white farmers' debt repayments and bankruptcies started to increase – from 144 in 1985, to 412 in 1987 and as many as 3 000 white farmers on the verge of sequestration in 1988.⁴⁷ By 1987, the total debt of the white farming sector was over R11 billion, exceeding the total income of the agricultural sector with interest payments alone at nearly R2 billion.⁴⁸

This is not to say that state support for and involvement in the agricultural sector ceased in the 1980s and early 1990s. In fact, National Party support for the white agricultural sector appears to have peaked during the early 1990s. Between 1981 and 1987, the NP government embarked upon debt consolidation policies that amounted to R344 million, paid drought relief amounting to R120 million and disbursed crop production loans worth over R470 million.⁴⁹ Large subsidies were paid to individual farmers and industries throughout the 1980s. In 1987, R1.7 billion of the R2.1 billion budget for the 14

⁴⁴ For further analysis of the development of the white commercial agricultural sector see Morris M, "Apartheid, Agriculture and the State: The Farm Labour Question", Working Paper, Southern African Labour and Development Research Unit, July 1977

⁴⁵ Kirsten J & Van Zyl J, "The Contemporary agricultural policy environment: undoing the legacy of the past", Agricultural Land Reform in South Africa, Van Zyl J, Kirsten J & Binswanger H (Eds.), Oxford University Press, Cape Town, 1996, p. 210 - 212

⁴⁶ Mbongwa M, "The Political Economy of Post-1960 Dispossession in South Africa, Paper presented at a conference of the Newick Park Initiative, Land Reform and Agricultural Development, UK, October 1990, Jubilee Centre Publications

⁴⁷ Dolny H, Banking on Change, Penguin Books, South Africa, 2001, p. 70 - 73

⁴⁸ Mbongwa M, "The Political Economy of Post-1960 Dispossession in South Africa, Paper presented at a conference of the Newick Park Initiative, Land Reform and Agricultural Development, UK, October 1990, Jubilee Centre Publications

⁴⁹ Eales K, "The Commercial Agricultural Sector", Down to Earth, Marcus T, Eales K & Wildshut A (Eds.), LAPC, Indicator Press, Natal, March 1996, p. 97 - 112

Agricultural Departments was still allocated to white agriculture⁵⁰ and in 1992, white farmers received R2.4 billion in drought relief.⁵¹ Thus, by 1993, 95% of the value of agricultural production in South Africa still originated from the white commercial agricultural sector.⁵² And, by 1996, 55 000 white farmers still owned 102 million hectares of land, while 1.2 million small-scale farmers had access to approximately 17 million hectares in the former homelands.⁵³ Further legislative changes were introduced in the early 1990s. These included the abolition of influx control and the Land Acts, as well as, extending the Basic Conditions of Employment Act to farm workers in May 1993.

4. Influence of the World Bank

The World Bank began to play a visible and key role in agricultural policy development in September 1993 when it set out its recommendations in *Options for Land and Rural Restructuring*⁵⁴ at a conference organised by the Land and Agricultural Policy Centre. World Bank representatives⁵⁵ argued that South Africa was one of a group of countries⁵⁶ that had inherited extremely inequitable systems of land ownership after the Second World War and in which the bulk of public sector support was concentrated on large-scale farming. This resulted in the development of a relatively successful, highly mechanised, large-scale commercial agricultural sector, but at a heavy and unsustainable fiscal cost. At the same time, small-scale farmers sank deeper into poverty. Mechanisation also resulted in the premature shedding of labour and the creation of urban slums where crime and violence were prevalent.⁵⁷ *Options* stated that its “guiding principle” was “political and economic liberalisation”.⁵⁸ Therefore, the Bank called for an extension of the policies initiated in the 1980s – abolishing subsidies and fixed prices and ending market regulation. World Bank representatives argued that this would contribute to greater productive efficiency as well as level the playing fields for emerging black farmers.

⁵⁰ Njobe B, Criteria for Participation, Paper for the World Bank & LAPC conference in September 1993, Swaziland

⁵¹ Moloi D, "Levelling the ploughing fields", *Land and Rural Digest*, Vol.1, No.3, October/ November 1998

⁵² Njobe B, Criteria for Participation, Paper for the World Bank & LAPC conference in September 1993, Swaziland

⁵³ Eales K, "The Commercial Agricultural Sector", *Down to Earth*, Marcus T, Eales K & Wildshut A (Eds.), LAPC, Indicator Press, Natal, March 1996, p. 97 - 112

⁵⁴ "Options" is based on a relatively large number of papers presented at the conference by World Bank delegates and World Bank sponsored South African academics. For a critical analysis of *Options* with regard to small-scale farming also see Hart G, "The Agrarian Question and Industrial Dispersal in South Africa: Agro-Industrial Linkages Through Asian Lenses", in Bernstein H (ed.), *The Agrarian Question in South Africa*, Frank Cass, London, Portland, 1996

⁵⁵ Binswanger H.P, Agricultural and Rural Development: Painful Lessons", World Bank Workshop, September, 1993

⁵⁶ Other countries included Brazil, Colombia and Guatemala

⁵⁷ Binswanger H.P, Agricultural and Rural Development: Painful Lessons", World Bank Workshop, September, 1993 & Lipton M, De Klerk M & Lipton M, "Introduction", *Land, Labour and Livelihoods*, Volume One, Indicator Press, Durban, 1996

⁵⁸ Williams G, Ewert J, Hamann J & Vink N, "Liberalising markets and reforming land in South Africa", *Journal of Contemporary African Studies*, 16.1, 1996

The World Bank's influence and the commitment to liberalisation was reflected in the RDP and the signing of the Uruguay Round of the General Agreement on Trade and Tariffs (GATT) in 1994. The RDP emphasised agricultural productivity and the importance of agriculture to general economic development.⁵⁹ The RDP stated that the present agricultural sector would remain an important provider of employment and foreign exchange and that the "*RDP must provide a framework for improving performance by removing unnecessary controls and levies as well as unsustainable subsidies*".⁶⁰ The signing of GATT committed the South African government to altering the forms of import protection from state monopolies to tariff regulation.⁶¹

Accordingly the ANC set out on a policy of economic liberalisation that went even further. In 1996, the Marketing Act of 1937 and the monopoly on deciduous fruit exports were abolished. The maize and wheat boards were abolished in 1997. By 1999, all domestic agricultural markets, with the exception of sugar, had been fully deregulated and government subsidies to commercial farmers had ceased.⁶² (Despite these measures, Cosatu claimed in March 2003 that three privatised co-operatives still controlled 72% of all maize storage silos, four handlers controlled milling and three retail groups had 88% of the maize market share.⁶³)

The basic motivation for the liberalisation policies was the belief that deregulation would result in the relatively large-scale failure of the white commercial agricultural sector (particularly as a result of unserviceable debts). This would release a significant amount of land for redistribution on the one hand and, increase the economic efficiency of the remaining white farmers on the other.⁶⁴ It was also assumed that once the legal restrictions of Apartheid in terms of access to land and resources and the competitive advantage of white farmers had been removed, African farming would be reanimated. To some extent, this assumption was correct. During the 1980s, the white commercial agricultural sector did experience a decrease in profits and an increase in debts and bankruptcies (exacerbated by drought and high inflation).⁶⁵ By August 2001, the sector was facing record debts of R30 billion.⁶⁶

⁵⁹ Section 4.5.2.2 of the RDP of 1994

⁶⁰ Section 4.5.2.3 of the RDP

⁶¹ Williams G, Ewert J, Hamann J & Vink N, "Liberalising markets and reforming land in South Africa", *Journal of Contemporary African Studies*, 16.1, 1996

⁶² Eales K, "The Commercial Agricultural Sector", *Down to Earth*, Marcus T, Eales K & Wildshut A (Eds.), LAPC, Indicator Press, Natal, March 1996, p. 97 - 112

⁶³ *Mail & Guardian*, "Cosatu hits out on food", March 14 - 19, 2003

⁶⁴ One of the proponents of this argument was M. Mbongwa, see Mbongwa M, "The Political Economy of Post-1960 Dispossession in South Africa, Paper presented at a conference of the Newick Park Initiative, Land Reform and Agricultural Development, UK, October 1990, Jubilee Center Publications

⁶⁵ Kirsten J & Van Zyl J, "The Contemporary agricultural policy environment: undoing the legacy of the past", *Agricultural Land Reform in South Africa*, Van Zyl J, Kirsten J & Binswanger H (Eds.), Oxford University Press, Cape Town, 1996, p. 199 - 233

⁶⁶ *Business Day*, "Black Farmers are the Future", August 24, 2001

Broadly speaking, however, the reality was different. Despite having the world's "*freest agricultural markets, with no subsidies or government intervention*"⁶⁷, in 1996, approximately 90% of South Africa's agricultural production still came from the white commercial agricultural sector, which still owned 85% of the agricultural land.⁶⁸ According to Schirmer,⁶⁹ this continued (and expanded) level of production was the result of the dual strategy followed by the National Party government in the 1980s (as reflected in the 1984 White Paper on Agriculture). This strategy included liberalisation policies to support more efficient farmers as well as sufficient support to help farmers through the transition and the difficult natural conditions of the time (e.g. drought relief). Schirmer found that the commercial agricultural sector was able to adapt to the transition in a variety of ways. Some farmers opted for part-time farming, some sold excess land and many converted to more financially viable crops – either more lucrative crops like horticulture production or options requiring fewer inputs like game and livestock farming.⁷⁰ Statistics provided by the Department of Agriculture and Statistics South Africa support Schirmer's argument. The statistics show a small but consistent increase in livestock production from 1978 to 1998, while the number of hectares under livestock production decreased. The total volume of horticultural production also increased. Another indication of the strategies utilised by the commercial agricultural sector to adapt to the increasing liberalisation of the economy is the 27% decrease in farm size, from an average of 1 356 hectares in 1988 to 1 320 hectares in 1992.⁷¹

A Markinor Survey conducted in mid-2000 found that 57% of farmers believed that commercial farmers had adapted to a deregulated marketing environment and that 67% believed that farming could still be pursued profitably in South Africa.⁷² According to the commodity organisation, Grain South Africa, the "*free-market system has stabilised the production areas and the market is in a degree of equilibrium*" and despite many financial casualties the agricultural sector "*has emerged leaner and more competitive*".⁷³ The competitive index for agriculture drawn up by the Agricultural Business Chamber showed a steady improvement from 0.16 in 1992 to 0.46 in 2000, and processed agricultural products for export rose 16.79% in value in 1999/2000.⁷⁴ In June 2002, following the devaluation of the currency, agricultural exports had increased by 28.8% from R17 424 million in 2000/01 to R22 341 million for 2001/02.⁷⁵ The Department of Agriculture's 2002 review showed that the commercial agricultural sector's income had risen by 53% between June 2001 and June 2002.⁷⁶

⁶⁷ Mail & Guardian, "White farming groups critical of state intervention", June 14 – 20, 2002

⁶⁸ Cowling R, "Options for rural land use in Southern Africa: An Ecological Perspective", in A Harvest of Discontent: The Land Question in South Africa, De Klerk M (Ed.), Idasa, Cape Town, 1991, p. 15

⁶⁹ Schirmer S, "Policy visions and historical realities: Land reform in the context of recent agricultural developments", African Studies, 59, 1, 2000

⁷⁰ Statistics provided by the Department of Agriculture and Statistics South Africa in "Agriculture Historical Table", Pretoria, 2000.

⁷¹ Farmworkers' Research and Resource Project, Farm Labour Review, November 1996

⁷² Mbeki T, "Strong support from all side for meaningful land reform", Land Info, Volume 8, no.1, 2001

⁷³ Mail & Guardian, "White farming groups critical of state intervention", June 14 – 20, 2002

⁷⁴ Mail & Guardian, "White farming groups critical of state intervention", June 14 – 20, 2002

⁷⁵ Mail & Guardian, "Food prices rocket out of control", September 13 – 19, 2002

⁷⁶ Barnard D, Interview with Laurie Bosman, Deputy President of Agri South Africa, SAFM, September 20, 2002

In fact, the commitment to economic liberalisation and the protection of property rights in the 1996 Constitution enabled the white commercial agricultural sector to “*stake its place in the new South Africa on the claim of its efficiency in a non-racial capitalism, while white farmers retain a de facto monopoly of resources and institutional, as well as economic power in the countryside*”.⁷⁷ The confidence of the large-scale white commercial agricultural sector is also evident in the sector’s response to and involvement in land reform. Some white farmers have expressed that they are prepared to accept land reform and aid emerging black farmers but, the broad sector has generally tried to minimise reform. In late 2002, the Agri Business Chamber – which represents 90 businesses with a combined turnover of R23 billion per annum – conceded that the response from members, to a call to participate in the linking of black farmers to commercial farming, was poor.⁷⁸ A Markinor Survey in 2000 found that 63% of white farmers thought that land reform was indispensable for peaceful coexistence in South Africa and that 82% felt that land reform would fail without input from commercial farmers. However, only 6% felt that the government’s agricultural policies were in touch with the realities experienced by people actually involved in agriculture.⁷⁹

In terms of African agriculture, the expected revival did not take place. A lack of resources and a harsh and competitive agricultural environment were partly to blame. A key report on a comprehensive strategy for the agricultural sector, released late in 2001, cites uncertainty in land ownership and lack of access to land as the main factors that hinder black empowerment in the agricultural sector.⁸⁰ Further obstacles identified in the report include skills deficiencies, the absence of suitable markets and unrealistic business plans. More fundamentally, the report says that agricultural liberalisation policies did not address the fact that systematic support to white farmers had placed them in a dominant position that they were able to maintain. Emerging farmers, without access to statutory privileges, could not compete with the dominant and established agricultural sector.

After eight years of land and agrarian reform, South Africa still has two very distinct agricultural sectors, similar to the Zimbabwean sector that began to disintegrate in mid 2000 (i.e. a large-scale white commercial agricultural sector and impoverished small-scale black farmers in the former homelands). After two decades of land reform, Zimbabwe still had an unequal economy where 4 500 (white) commercial farmers on 11 million hectares of privately owned land produced 70% of the value of agricultural output, and one million households engaged in small-scale farming in communal or resettled lands. It is in this context that the South African Department of Agriculture proposed to renew statutory controls and re-regulate agricultural marketing in July 2002. Penned by the Deputy Director General of Agriculture, the document envisaged the creation of an “*independent national statutory institution representative of all major commodity groupings in the sector, to carry out the functions that the market would not*

⁷⁷ Bernstein H, “Social change in the South African countryside? Land and production, poverty and power”, PLAAS, UWC, 2000

⁷⁸ Business Day, “Black Farmers are the Future”, August 24, 2001

⁷⁹ Mbeki T, “Strong support from all sides for meaningful land reform”, Land Info, Volume 8, no.1, 2001

⁸⁰ At this stage less than 2% of agricultural land had been redistributed. Source for report Business Day, “Black Farmers are the Future”, August 24, 2001

be willing or able to do on its own".⁸¹ The document was heavily criticised by the former Minister of Agriculture and Land Affairs, Derek Hanekom, who said that "*returning to market controls . . . would undermine our hard-won competitiveness and would not be in the interest of the economy*".⁸² Representatives from (white) organised agriculture called the document "outlandish" and "outmoded". Predictably, the National African Farmers' Union expressed support for the policy shift arguing that government intervention was necessary to "*level the playing fields*".

5. Agriculture in the former homelands

On the other hand of the social equation, Apartheid policies have forced 15 million⁸³ Africans into the overcrowded former homelands where poverty is widespread. Estimates indicate that 40% of the former homelands' population live below the household subsistence level.⁸⁴ In the Ciskei, for example, Operation Hunger was feeding 150 000 people per day in 1984, and estimated that 62% of children in the homeland were malnourished.⁸⁵ As early as 1953, the Commission for the Socio-Economic Development of the Bantu Areas (Tomlison Commission) concluded that the existing homeland areas could accommodate only 307 000 full-time farming families (51% of the population at the time). Between 1919 and 1974, the homeland population increased by 280%, thereby exacerbating problems related to overcrowding.⁸⁶ Given the absence of good infrastructure and limited access to markets, credit, land and water, agricultural production in the former homelands steadily declined throughout the 1970s and 1980s. Agricultural output in the homelands, for example, declined from two bags of cereal per capita in 1919/1923 to 0.55 bags in 1971/1974. By the early 1990s, homeland areas produced only 6% of the gross value of agricultural production – little of which reached commercial markets.⁸⁷ An increase in commercial agricultural production from R56.2 million in 1970 to R163 million in 1985 did occur, but this mostly took place within the South African Development Bank's estate schemes.⁸⁸ In 1994, farming in the homelands represented about 10% of national agricultural output.⁸⁹

⁸¹ Mail & Guardian, "White farming groups critical of state intervention", June 14 – 20, 2002

⁸² Mail & Guardian, "Agriculture officials sent mixed messages", July 19 – 25, 2002

⁸³ Figure for 1994.

⁸⁴ Porteus D, "Land Reform: Potential and Priorities for South Africa", Paper presented at a conference of the Newick Park Initiative, Land Reform and Agricultural Development, UK, October 1990, Jubilee Centre Publications

⁸⁵ Turshen M, "Food and Hunger in the Ciskei", World Recession and the Food Crisis in Africa, Lawrence P (Ed.), James Currey, London, 1986

⁸⁶ Porteus D, "Land Reform: Potential and Priorities for South Africa", Paper presented at a conference of the Newick Park Initiative, Land Reform and Agricultural Development, UK, October 1990, Jubilee Centre Publications

⁸⁷ Porteus D, "Land Reform: Potential and Priorities for South Africa", Paper presented at a conference of the Newick Park Initiative, Land Reform and Agricultural Development, UK, October 1990, Jubilee Centre Publications

⁸⁸ Schirmer S, "Policy visions and historical realities: Land reform in the context of recent agricultural developments", African Studies, 59, 1, 2000

⁸⁹ Lodge T, Politics in South Africa, David Phillip, Cape Town, 2002, p. 70 - 75

A degree of state support was extended to homeland farmers before 1994, mainly through the South African Development Bank – between 1987 and 1992, 25 000 farmers each received R50 000 from this source.⁹⁰ The costs of supporting these farmers were very high and met with limited success. The biggest successes were achieved with small-scale sugarcane growers in KwaZulu-Natal.⁹¹ Policies of agricultural liberalisation and deregulation also meant a loss of state support for small-scale farmers in the homelands. In Bophuthatswana, for example, support institutions that provided resources to a small group of elite farmers were weakened and subsidies were reduced. AGRICOR, the major institution of support in Bophuthatswana, was phased out in 1994 and replaced by AGRISERVE. AGRICOR previously provided loans to farmers via AGRIBANK, cheap access to farming inputs such as seed and fertiliser and in the case of state farms provided the heavy machinery and implements required for farming. AGRICOR's functions were supposed to be taken over by the Department of Agriculture, but by early 2000 there were almost no extension services in the area.⁹²

As suggested estimates indicate very low levels of agricultural production in former homeland areas. Estimates for the Ciskei indicate that only 8% of the former homeland's inhabitants were engaged in subsistence farming in the 1980s, 30% of whom could be classified destitute. Furthermore, only 36% of the income earned by residents of the Ciskei came from inside the former homeland in the 1980s, whereas commuters or migrant workers earned 64% of income.⁹³ However, a number of factors make it extremely difficult to obtain accurate production statistics for the former homelands. Firstly, as Beinart⁹⁴ points out, because it is difficult to quantify production in an agrarian system where the producers consume much of the produce. Secondly, Beinart points out that surveys tend not to take account of the range of crops produced. In the Transkei, for example, surveys often omit at least two important crops – marijuana and wattle. Beinart argues that these crops do not necessarily have cash value (although marijuana probably does⁹⁵) but that the cost of not producing these crops would be high. With regard to wattle, Beinart explains that *“in itself, the cash value of the trees is not significant. But the costs of not having them – both the extra labour costs involved in collecting firewood and the financial costs of purchasing fuel – can be very high”*.⁹⁶ In a very interesting study conducted in the maize producing Willowvale district of the former Transkei, in

⁹⁰ Lodge T, Politics in South Africa, David Phillip, Cape Town, 2002, p. 70 - 75

⁹¹ See next section on small-scale versus large-scale farming for more detail.

⁹² Discussion of AGRICOR from Mathoho M & Schmitz T, *Poverty, civil society and patronage: A study of two farmers' associations in North West Province*, Centre for Policy Studies, Report no. 80, JHB, June 2001

⁹³ Turshen M, “Food and Hunger in the Ciskei”, World Recession and the Food Crisis in Africa, Lawrence P (Ed.), James Currey, London, 1986

⁹⁴ Beinart W, “Transkeien smallholders and agrarian reform”, Journal of Contemporary African Studies, Vol. 11, no. 2, 1

⁹⁵ For an account of the cash value of marijuana crops as well as the impact of marijuana production on rural poverty in South Africa see Leggett T, Rainbow Vice, David Phillip, Cape Town, 2001, p. 22 – 40 & 178 - 179

⁹⁶ Beinart W, “Transkeien smallholders and agrarian reform”, Journal of Contemporary African Studies, Vol. 11, no. 2, 1

2000, McAllister⁹⁷ argues that the conventional view – that subsistence agriculture in the Transkei is very unproductive – is based on survey data that is “incomplete”, “unreliable” and “utterly misleading”. By questioning the meaning of basic words like harvest, maize, and even bag, McAllister shows that past survey evidence probably underestimates production levels and the role that agriculture plays in the lives of these communities.⁹⁸

In the homelands, approximately 1.7 million households had access to an average of between five and eight hectares of farming land, but about 70% of these used less than one hectare of their land allocation.⁹⁹ Village level studies indicate that the average landholding in the former homelands is no higher than 1.5 hectares per household and that around one third of rural households have no access to land.¹⁰⁰ In comparison, small-scale farmers/households in Zimbabwe’s communal areas have access to an average of two hectares of arable land, half a hectare for residential land and approximately 15 hectares of grazing land.¹⁰¹ Only a small minority of the homeland population derives a significant part of their income from agricultural activities. Agricultural production contributed an average of R171 per annum to homeland households’ incomes in 1985 and agricultural earnings were a mere 10% of total household earnings.¹⁰² Figures from the Transkei indicate that the contribution of farming to family income has steadily decreased over the last couple of decades and that poverty has increased significantly.¹⁰³ In 1994, only approximately 3% of the homeland population could make a living from farming and those with access to external off-farm income were the most likely to use their land fully.¹⁰⁴ This is supported by a 1976 study conducted in the Transkei, which found a strong correlation between access to wage income and agricultural output – the higher the income from non-agricultural sources, the higher the agricultural output.¹⁰⁵

⁹⁷ McAllister P, Maize yields in the Transkei: How productive is subsistence cultivation?”, Occasional Paper Series, Number 14, PLAAS, UWC, 2000

⁹⁸ Examples include (1) for cultural reasons people in the area tend to understate their yields. (2) The land area under cultivation differs significantly each year. (3) Maize is seldom the only crop grown, but is the only crop counted in previous surveys. (4) Most families collect green maize prior to the actual harvest and this is not included in survey material. (5) When asked “how much maize did you harvest” respondents only provided information of the maize “harvested” in the period May to June that was threshed and stored and did not include the maize used for household consumption or the lesser quality maize used to feed their animals. (6) There are major issues around measuring, with some “bags” literally much bigger than others, and others using sleds or baskets to measure.

⁹⁹ Schlemmer L, “The situation in South Africa with special reference to rural productivity”, in Vorster S, Land Reform in Southern Africa, Conference Paper, Democratic Union of Africa, Cape Town, 2001, p. 41

¹⁰⁰ Porteus D, “Land Reform: Potential and Priorities for South Africa”, Paper presented at a conference of the Newick Park Initiative, Land Reform and Agricultural Development, UK, October 1990, Jubilee Centre Publications

¹⁰¹ Moyo S, Rutherford B & Amanor-Wilks D, “Land reform and changing social relations for farm workers in Zimbabwe”, *Review of African Political Economy*, 84, 2000

¹⁰² Schirmer S, “Policy visions and historical realities: Land reform in the context of recent agricultural developments”, *African Studies*, 59, 1, 2000

¹⁰³ Beinart W, “Transkeian smallholders and agrarian reform”, *Journal of Contemporary African Studies*, Vol. 11, no. 2, 1

¹⁰⁴ Schlemmer L, “The situation in South Africa with special reference to rural productivity”, in Vorster S, Land Reform in Southern Africa, Conference Paper, Democratic Union of Africa, Cape Town, 2001, p. 41

¹⁰⁵ Beinart W, “Transkeian smallholders and agrarian reform”, *Journal of Contemporary African Studies*, Vol. 11, no. 2, 1

Nevertheless, agriculture and access to land continues to play an important role in general economic survival as is evidenced in Cross et al's¹⁰⁶ findings on the importance of garden plots. Cross et al identified a trend towards cultivating high value crops like vegetables on garden plots. Vegetables require less labour time (i.e. no processing) than maize, and by substituting vegetables rather than staples for what they would otherwise buy, these families saved both labour time and income. Thus, while these households were not integrated into the cash economy they continued to depend on agriculture for their economic survival. What is also important (and according to the 1992 SALDRU survey) is that the poorest 20% of households derived 35% of their income from agricultural resources, which was significantly higher than the average of 15% for all households.¹⁰⁷ Furthermore, although agricultural production is an important aspect of land reform, policies need to take account of the intrinsic value of land (discussed in chapter one). People demand land for reasons other than agricultural production - residential land, justice, to achieve a sense of belonging, to build or maintain identity, as a pension scheme for old age, and/or to enhance overall household income.

In terms of agricultural production, significant variations exist between former homelands based primarily on the differences in natural resource distribution, which, in turn, have an effect on household earnings and the nature and effect of land reform policies. The Eastern Cape and KwaZulu-Natal, with better agricultural land, earned more from agriculture than the areas in the Northern and North West Provinces. In the Transkei in 1985, agriculture made up 31% of household earnings, while the figures for Qwa-Qwa and KwaNdebele were 4% and 1% respectively.¹⁰⁸

The populations of the former homelands are highly differentiated in terms of gender, class, and agricultural production, as well as, between urban and rural, as a result of forced removals and displaced urbanisation. A large proportion of the homeland population is not rural, based on "*any meaningful criteria*" and is concentrated in "*sites of displaced urbanisation, in many cases supplying labour to large and small industry*".¹⁰⁹ Furthermore, some 40% of homeland populations reside in urban environments (85% in the case of Qwa Qwa, KaNgwane and KwaNdebele).¹¹⁰ As Weiner et al¹¹¹ argued, it is the failure of policy developers to take adequate account of the significant variations in

¹⁰⁶ Cross C, Mngadi T, Sibanda S & Jama V, "Making a living under land reform: weighing up the chances in KwaZulu-Natal", Land, Labour and Livelihoods in Rural South Africa, Volume 2, Lipton M, Ellis F & Lipton M (Eds.) Indicator Press, December, 1996

¹⁰⁷ Schirmer S, "Policy visions and historical realities: Land reform in the context of recent agricultural developments", African Studies, 59, 1, 2000

¹⁰⁸ Schirmer S, "Policy visions and historical realities: Land reform in the context of recent agricultural developments", African Studies, 59, 1, 2000

¹⁰⁹ Bernstein H, "Social change in the South African countryside? Land and production, poverty and power", PLAAS, UWC, 2000

¹¹⁰ Porteus D, "Land Reform: Potential and Priorities for South Africa", Paper presented at a conference of the Newick Park Initiative, Land Reform and Agricultural Development, UK, October 1990, Jubilee Centre Publications

¹¹¹ Weiner D, Levin R and Chimere-Dan O, "Understanding the Bantustans through Socio-Economic Surveys" in Levin R, Weiner D, No More Tears . . . Struggles for Land in Mpumalanga, South Africa, Africa World Press Inc., Asmara, Eritrea, 1997

people's socio-economic condition, skills, desires and aspirations, that contribute to failed reform/ development policies. It is, therefore, imperative that the agricultural policies developed and implemented in South Africa take account of these differences. For example, the large proportion of the former homeland population that is effectively urban, probably do not require/ demand land for agricultural production.

6. The Efficiency Debate: Small-scale versus large-scale agriculture

“The discourses of economists have come to dominate debate of agricultural policy in South Africa, subordinating issues of democratic politics to contending calculations of efficiency while simultaneously sowing ideological confusion and demoralisation.”¹¹²

The debate around agrarian and land reform in South Africa has largely been defined by two opposing positions, those advocating large-scale farming and those advocating small-scale farming. The limited nature of this debate has ensured that many of the complexities around land and agrarian reform have been omitted from the development of land reform policies and strategies that aim to increase agricultural production.

6.1. Advocating large-scale agriculture

The belief in the superiority and greater efficiency of large-scale farming has a long history dating back to colonial land and agrarian policies. In South Africa, it has *“become so deeply embedded in the subconscious that it is beyond the powers of persuasion even of the World Bank experts to convince many practitioners otherwise”*.¹¹³ Many South African agricultural and economic researchers continue to have (often justifiable) reservations about small-scale farming.¹¹⁴ One of the arguments most frequently employed against land reform based on small-scale agriculture (and land reform in general) - particularly in South Africa and Zimbabwe - is that countries' economies depend heavily on the export earnings generated by large-scale farming. Some argue that small-scale farmers tend to consume their own output and therefore reduce the marketed surplus.¹¹⁵ Furthermore, if export oriented large-scale farms were redistributed to small-scale farmers (understood as subsistence farmers), it would have a negative impact on the economy in terms of export earnings and a consequent decline in the trade balance.¹¹⁶ This argument is questionable in South Africa where statistical evidence points to the fact that quite a large number of white farmers are making no significant contribution to agricultural production. Towards the late 1970s, the top 5% of white farm units accounted for about 45% of white farmland, while the share of 50% of white farm units was a mere 5% of white farmland. The top 20% of white farm units accounted for

¹¹² Bernstein H, “Social change in the South African countryside? Land and production, poverty and power”, PLAAS, UWC, 2000

¹¹³ Cliffe L, “Land Reform in South Africa”, Review of African Political Economy, No. 84, 2000

¹¹⁴ See the following arguments for details

¹¹⁵ Hatch G, “Livestock and Rural Livelihoods in KwaZulu-Natal”, Land, Labour and Livelihoods in Rural South Africa, Volume 2, Lipton M, Ellis F & Lipton M (Eds.), Indicator Press, December, 1996

¹¹⁶ McKenzie C, “Providing access to commercial farming in the Western Cape: An analysis of the fiscal performance of alternative farm models”, Land, Labour and Livelihoods Volume 1, Lipton M, Ellis F & Lipton M (Eds.), Indicator Press, December, 1996

about 75% of white farmland. The top 1% of farm enterprises produced 16% of total farm income in 1983, the top 6% produced 40% and, about one third produced three quarters of the total income.¹¹⁷ Studies, in 1986, indicated that 590 farmers generated 16% of gross agricultural income, 3 500 farmers generated 40% and 17 000 farmers generated 75%. Further studies in 1988, indicated that 70% of farmers generated only 25% of income, and 50% of farmers generated only 10% of income.¹¹⁸

Secondly, it is argued that well over half the rural population of South Africa depends on agricultural wage employment for survival and, therefore, investment in “labour intensive” and “internationally competitive” farming will generate more rural employment than land reform based on small-scale production.¹¹⁹ Empirical evidence for the above argument is drawn mainly from the capital and labour intensive farming regions – high rainfall and irrigated areas in the north-eastern Lowveld, the Western Cape and the most fertile parts of the eastern Highveld.¹²⁰

Thirdly, many authors¹²¹ maintain that Africans are not interested in farming (particularly younger people) and that those who are interested in farming have lost the skills and resources required to farm. The argument is that Africans are not likely to return to rural work because decades of participation in urban labour markets, lack of opportunities in rural areas, poverty and the experience of dispossession have destroyed agricultural skills and accustomed people to a lifestyle with regular incomes.

Fourthly, there is the economies of scale argument, which points to the existence of lumpy inputs that cannot be used efficiently below a certain minimum level, such as machinery and management skills. The argument is that lumpy inputs reach their lowest cost of operation per unit in large areas.¹²² Fifthly, it is argued that large-scale farmers are superior to small-scale farmers in their ability to adopt new technology.

Sixth, is the argument that small-scale farmers are more risk averse than large-scale farmers are. Agriculture is, by nature, a risky enterprise. Thomas¹²³ argues that the risk associated with agriculture is amplified in the case of small-scale or resource poor farmers, which suggests an inability and/or unwillingness to increase investment. The

¹¹⁷ Statistics from the 1970s and early 1980s from Mbongwa M, “The Political Economy of Post-1960 Dispossession in South Africa, Paper presented at a conference of the Newick Park Initiative, Land Reform and Agricultural Development, UK, October 1990, Jubilee Centre Publications

¹¹⁸ Figures from Venter A, “Die herverdeling van landbougrond in Suid Afrika”, Politieke verandering in Suid Afrika, Kriek D & Labuschagne J (Eds.), RGN, Pretoria, 1996

¹¹⁹ Macroeconomic Research Group (MERG), Making Democracy Work: A Framework for Macroeconomic policy in South Africa, Belville, UWC, 1993

¹²⁰ Bernstein H, “Social change in the South African countryside? Land and production, poverty and power”, PLAAS, UWC, 2000

¹²¹ For example Cross C, Mngadi T, Sibanda S & Jama V, “Making a living under land reform: weighing up the chances in KwaZulu-Natal”, Land, Labour and Livelihoods in Rural South Africa, Volume 2, Lipton M, Ellis F & Lipton M (Eds.) Indicator Press, December, 1996

¹²² Van Zyl J, “The farm-size efficiency relationship”, Agricultural Land Reform in South Africa, Van Zyl J, Kirsten J & Binswanger H (Eds.), Oxford University Press, Cape Town, 1996

¹²³ Thomas D.J.J, A critical assessment of the promotion of small-holder agriculture in South Africa, MA, University of the Witwatersrand, Johannesburg, 1994

argument is that small-scale/resource poor farmers derive a larger proportion of their income from farming than is the case with large-scale farmers, who generally diversify their investment portfolios. A 1974 Kenyan survey, for example, found that innovation in the small-scale agricultural sector has been undertaken principally by the wealthier farmers who were able to overcome the capital constraints and risk associated with innovative investment.¹²⁴ A similar phenomenon was evident in Mozambique in the early 1980s, where part-time farmers with access to non-farm income invested heavily in agriculture, while poor farmers tended to spend their income on their families' needs and not on agricultural investment.¹²⁵ Empirical evidence from Kenya supports reservations about a small-scale agricultural strategy. In 1976, agriculture employed 85% of Kenya's labour force, contributed 29% of the GDP and accounted for 69% of total exports.¹²⁶ Land reform policies had created 1.5 million small farms (average 2.3 hectares) accounting for 11 million people. Although smallholders' share of agricultural production increased from 20% in 1960 to 51% in 1976, smallholder production still lagged behind the production on large-scale farms.¹²⁷

Finally, it is argued that redistributing land to small-scale farmers would place an insurmountable financial burden on the government. A small-scale agricultural strategy would have to include the provision of physical infrastructure, training, extension services, credit and financial grants.¹²⁸ Such support would be required because small-scale farmers would be unable to compete with large-scale farmers in a free-market system in terms of access to land, agricultural inputs, credit, high transaction costs, information and technology and, would be forced out of the agricultural sector unless they received assistance.¹²⁹

Examples of this can be found in the emerging small-scale farming sector in South Africa. In many cases where small-scale farmers have been able to access land, they have been unable to engage in productive activity. In some cases, small-scale farmers have not had adequate resources after land purchase to clear the acquired land for productive use and certainly have not had the capital necessary for investment and development. Lack of access to water is a major impediment. The lack of access to infrastructure, to transport, to necessary equipment and agricultural supplies and, the distance from markets are further limiting the efforts of South Africa's small-scale farmers. There are cases in Gauteng, for example, where farmers have to travel 340km to obtain fertiliser,

¹²⁴ Peterson S, "Neglecting the Poor: State Policy Toward the Smallholder in Kenya", in Commins S.K, Lofchie M.F & Payne R (Eds.), African Agrarian Crisis, Lynne Rienner Publishers, Colorado, 1986

¹²⁵ Wenzel H.J & Weyl U, The Sector of Small-Scale Farmers in Mozambique, August 1992

¹²⁶ Anderson M.B, "Kenya: Egerton College", Gender Roles in Development Projects, Overholt C, Anderson M.K, Cloud K & Austin J.E (Eds.), Kumarian Press, Connecticut, 1985

¹²⁷ Anderson M.B, "Kenya: Egerton College", Gender Roles in Development Projects, Overholt C, Anderson M.K, Cloud K & Austin J.E (Eds.), Kumarian Press, Connecticut, 1985

¹²⁸ McKenzie C, "Providing access to commercial farming in the Western Cape: An analysis of the fiscal performance of alternative farm models", Land, Labour and Livelihoods Volume 1, Lipton M, Ellis F & Lipton M (Eds.), Indicator Press, December, 1996

¹²⁹ Lyne M & Ortmann G, "Estimating the potential for creating additional livelihoods on commercial farmland in KwaZulu-Natal", Land, Labour and Livelihoods Volume 1 Lipton M, Ellis K, & Lipton Merle (Eds.), Indicator Press, December, 1996

seed and diesel.¹³⁰ In terms of credit, large-scale farmers are considered less risky by debtors and, therefore, acquire easier access to formal lending institutions at lower interest rates.¹³¹ Furthermore, land reform will have to compete with other sectors of the economy that require government resources such as education, housing, health and service provision.

6.2. Countering the arguments for large-scale agriculture

Some proponents¹³² of small-scale agriculture argue that small-scale farming will only result in a decline in the trade balance if export orientated agriculture is the main target of land reform policies and/or if land reform beneficiaries engage in subsistence farming and abandon the production of valuable crops (which has not been the case in many Asian, African and Latin American countries). In a study to estimate the effects of a change in the distribution of farm size on agricultural livelihoods in KwaZulu-Natal, Lyne and Ortmann found that land redistribution from large to smaller farms could, other things being equal, produce a moderate increase in rural livelihoods without diminishing the range and quantity of agricultural commodities currently produced in KwaZulu-Natal.¹³³

Bernstein¹³⁴ questions the MERG report's claims that large-scale farming could generate more employment and argues that this is probably only applicable to highly fertile, capital-intensive agricultural areas, particularly the Western Cape. However, in the Western Cape, where farm employment grew by 3.3% between 1980 and 1992, average wages per worker declined by 12% in real terms. Bernstein argues that this reflects the tendency in the *"most dynamic sectors of capitalist agriculture to reduce the ratio of permanent farm workers to seasonal and casual workers, who are subject to greater insecurity, lower rates of pay and much lower annual earnings"*.¹³⁵

It is clear from numerous case studies and surveys¹³⁶ that many rural Africans (particularly younger people) are not interested in farming. However, in an improved environment, which includes better service provision and security of tenure, this might change. Furthermore, in the absence of economic opportunities elsewhere in the South African economy, small-scale farming might be the only available livelihood strategy for some. Farm workers, labour tenants, female subsistence farmers and the small number of commercial African farmers have retained agricultural skills. Skills training programmes

¹³⁰ Mosoang K & Manye Mangene V, "Not yet uhuru for emerging farmers", Land and Rural Digest, Vol.1, No.3, October/ November 1998

¹³¹ See chapter 4

¹³² Lipton M, De Klerk M & Lipton M, "Introduction", Land, Labour and Livelihoods, Volume One, Indicator Press, Durban, 1996

¹³³ Lyne M & Ortmann G, "Estimating the potential for creating additional livelihoods on commercial farmland in KwaZulu-Natal", Land, Labour and Livelihoods Volume 1 Lipton M, Ellis K, & Lipton Merle (Eds.), Indicator Press, December, 1996

¹³⁴ Bernstein H, "Social change in the South African countryside? Land and production, poverty and power", PLAAS, UWC, 2000

¹³⁵ Bernstein H, "Social change in the South African countryside? Land and production, poverty and power", PLAAS, UWC, 2000

¹³⁶ See next section, *Who wants to farm?*

and extension services to small-scale farmers will of course also address this problem. Finally, it is not necessary for small-scale agriculture to provide total livelihoods, and it would be sufficient if it made a significant contribution to overall household income.¹³⁷

Binswanger¹³⁸ argues that genuine economies of scale exist only in plantation crops (sugarcane, tea and bananas) and that such economies of scale emerge from economies of scale in processing and transport and not from farming. Out-grower and contract farming schemes, for example, sugarcane in South Africa, can circumvent such economies of scale. In terms of lumpy inputs, machine rental, for example, can allow small-scale farmers to circumvent the economies of scale advantages.¹³⁹ Others argue that an efficiency problem of large-scale agriculture is, in fact, the under-utilisation of machinery. *“A combine harvester can permit uniform harvesting of a grain crop in two days; but if the machine then remains idle for the year, the social cost per ton harvested may be much higher than would be incurred by harvesting with hired labour and less machinery, especially if there is unemployment”*.¹⁴⁰

In terms of responsiveness of small-scale farmers to technological change, studies conducted in India, Brazil and the Philippines indicate that small-scale farmers are at least as adaptive to technological change as their large-scale counterparts.¹⁴¹ The adoption of green revolution technologies by small-scale farmers in Asia, Latin America and North Africa also indicate that small-scale farmers are adaptive to technological change.¹⁴² The fact that small-scale farmers in Kenya lagged behind large-scale farmers in terms of production can, in part, be explained by the fact that the Kenyan government's agricultural policy at the time promoted the interests of large-scale farmers and the more progressive strata of smallholders.¹⁴³

The other objections to small-scale agriculture are not as easily met. As long as small-scale farmers are poor and marginalised, they will continue to be averse to risk. Furthermore, a small-scale farming strategy probably cannot be successful without significant government spending to develop and support the sector. This places an enormous financial burden on the state but it certainly is not insurmountable. As will be discussed, empirical evidence suggests that the success of small-scale farming is partially determined by the level of state and/or institutional support extended to farmers. Small-

¹³⁷ Lipton M, De Klerk M & Lipton M, “Introduction”, Land, Labour and Livelihoods, Volume One, Indicator Press, Durban, 1996

¹³⁸ Binswanger H.P, Agricultural and Rural Development: Painful Lessons”, Address to the Agricultural Economics Association of South Africa, Pretoria, September, 1994

¹³⁹ El-Ghonemy M.R, "Large Estates: Issues in efficiency and employment", The Political Economy of Rural Poverty, Routledge, London, 1990

¹⁴⁰ Lipton M, De Klerk M & Lipton M, “Introduction”, Land, Labour and Livelihoods, Volume One, Indicator Press, Durban, 1996

¹⁴¹ El-Ghonemy M.R, "Large Estates: Issues in efficiency and employment", The Political Economy of Rural Poverty, Routledge, London, 1990

¹⁴² Binswanger H, "Patterns of Rural Development: Painful Lessons", in Agricultural Land Reform in South Africa, Van Zyl J, Kirsten J & Binswanger H (Eds.), Oxford University Press, Cape Town, 1996, p. 21

¹⁴³ Peterson S, “Neglecting the Poor: State Policy Toward the Smallholder in Kenya”, in Commins S.K, Lofchie M.F & Payne R (Eds.), African Agrarian Crisis, Lynne Rienner Publishers, Colorado, 1986

scale farmers in Tanzania, for example, were able to increase production between 1967 and 1978 – a period during which they received extensive state support. This included the construction of market and transport systems to reach formerly isolated areas, crop schemes and rural development programmes to generate capital, as well as the provision of extension services and farm inputs to groups that were previously excluded. Following the 1978 foreign exchange crisis in Tanzania and the consequent drop in donor and foreign funding for the land reform programme, the Tanzanian government's ability to sustain this support was undermined and consequently production in the small-scale agricultural sector decreased.¹⁴⁴

6.3. Advocating small-scale agriculture

World Bank representatives¹⁴⁵ in South Africa have consistently argued that a land reform programme must address justice, equity and efficiency. Efficiency in agriculture would be achieved by redistributing land to small-scale farmers.¹⁴⁶ A number of South African academics¹⁴⁷ and researchers have also argued that land reform based on small-scale farming would be uniquely able to achieve both equity and efficiency in South Africa's rural areas. Proponents of a land reform programme based on small-scale agriculture have argued that large-scale farming undermines economic development, is not sustainable, is ecologically destructive¹⁴⁸ and uses resources (including labour) inefficiently. They argue that the poor performance of the small-scale agricultural sector in a number of countries, including South Africa, is the result of agricultural and economic policies with an urban bias. Such policies take predominantly two forms and are based on the assumption that large-scale farming is more efficient than small-scale farming. The first version is anti-agricultural bias that involves policies to industrialise at the expense of agriculture by worsening its terms of trade (e.g. Bulgaria and Argentina).¹⁴⁹ The second version is intra-agricultural bias that involves laws and institutions that favour large-scale farming and discriminate against small-scale farming (e.g. South Africa).

The result of policies with an urban bias is the emergence of large-scale mechanised farms that are often not viable without continued state support (price supports, subsidies and debt relief).¹⁵⁰ The results are similar in state-controlled and free-market systems.

¹⁴⁴ Mbilinyi M, "Restructuring Gender and Agriculture in Tanzania", *African Perspectives on Development*, Himmelstand U, Kinyanjui K & Mburugu E (Eds.), James Currey Ltd, London, 1994

¹⁴⁵ Notably Hans Binswanger a senior policy advisor for the World Bank on agriculture and natural resource issues.

¹⁴⁶ See Hart G, "The Agrarian Question and Industrial Dispersal in South Africa: Agro-Industrial Linkages Through Asian Lenses", in Bernstein H (ed.), *The Agrarian Question in South Africa*, Frank Cass, London, Portland, 1996, for more on the World Bank's commitment to small-scale farming.

¹⁴⁷ Notably Johan Van Zyl, Frank Ellis and Merle and Michael Lipton. Michael Lipton has also worked with the World Bank and as Director of Food Consumption and Nutrition Programme at the International Food Policy Research Institute.

¹⁴⁸ See section on environmental sustainability in chapter 2

¹⁴⁹ Lipton M, De Klerk M & Lipton M, "Introduction", *Land, Labour and Livelihoods*, Volume One, Indicator Press, Durban, 1996

¹⁵⁰ Binswanger H.P & Deininger K, "South African Land Policy: The legacy of history and current options", Paper presented to the World Bank & UNDP workshop, Swaziland, November 1992

According to Binswanger¹⁵¹, one of the reasons for the failed collectivisation of agriculture in communist countries was the assumption that large-scale farming is more efficient than small-scale farming. Evidence from the Soviet Union (1970s) supports the argument that collectivisation (a form of large-scale agriculture) can result in a decline in agricultural production. According to Laird and Laird, however, the causes for decreased agricultural production lie not so much in collectivisation or the size of farms, but in “problems of farm organisation”, incentive structures, inappropriate technology and “central interference in farm decision-making”.¹⁵² The authors point out that agricultural production levels were maintained (or increased) in the Soviet Union in the 1920s partly because Lenin’s policy was that collectivisation should be voluntary. It was only in 1928, after the introduction of forced collectivisation policies under Stalin’s leadership that the first major crisis in agricultural production took place – a man-made famine in which millions lost their lives. Production continued to decline in the 1930s due to inefficiencies on the large-scale state farms, despite state investment in agriculture and the development of rural areas. The authors explain the decline in agricultural production as a result of the fact that peasants had little or no influence over the management and operation of farms. The problem with collectivisation was, therefore, that human attitudes and skills were not taken into account - i.e. farm management, workers’ skills and incentives were not taken into account in agricultural policy formation. Whereas, management and sufficient interest in, and motivation to farm, are crucial factors in the success of agricultural enterprises.¹⁵³

In market economies, Binswanger argues, the belief in the superiority of large-scale agriculture led to costly policies and programmes (often unsustainable) to support large-scale commercial agriculture. Similar policies in sub-Saharan Africa led to unprecedented falls in per capita income and food production, a rise in unemployment and fiscal and balance of payment deficits.¹⁵⁴ In South Africa (predominantly intra-agricultural) policies led to the emergence of an impoverished, almost non-existent small-scale farming sector (African) and a large-scale capital intensive farming sector (white). This led, not only to inequality, but was also economically irrational. South Africa failed to utilise its increasing labour supply and, although the subsidised white large-scale farms continued to provide food, they did so at an increasingly unsustainable cost.¹⁵⁵

Proponents of a land reform/rural development programme based on small-scale agriculture argue that this will lead to a decrease in poverty, an increase in employment, greater equity and improved productive efficiency. The argument is based on three basic tenets. The first is that small-scale farming is more labour intensive and generates more employment than its large-scale counterpart. Because small farmers have less access to capital and credit, labour constitutes a greater part of their input mix (i.e. substitute labour

¹⁵¹ Binswanger H.P, *Agricultural and Rural Development: Painful Lessons*”, Address to the Agricultural Economics Association of South Africa, Pretoria, September, 1994

¹⁵² Laird R.D & Laird B.A, *Soviet Communism and Agrarian Revolution*, Penguin Books, 1970, p. 26 & 27 & 31 & 36

¹⁵³ Laird R.D & Laird B.A, *Soviet Communism and Agrarian Revolution*, Penguin Books, 1970, p. 40 - 90

¹⁵⁴ Binswanger H.P, *Agricultural and Rural Development: Painful Lessons*”, Address to the Agricultural Economics Association of South Africa, Pretoria, September, 1994

¹⁵⁵ See section on the White Commercial Agricultural Sector

for equipment). It is also argued that increasing employment through small-scale agriculture in South Africa will be cheaper and more extensive than through industry or mining.¹⁵⁶ This relates to the argument that small-scale farmers use resources more efficiently. Van Zyl points out that numerous studies provide empirical evidence at the micro-level of the existence of an inverse relationship between farm size and efficient resource use.¹⁵⁷ Secondly, small-scale agricultural growth can contribute to overall economic development through increased employment and forward and backward consumer linkages – particularly increased consumer demand for rural goods. It is argued that small farmers tend to spend their money locally (in rural areas) whereas richer farmers spend extra money on urban products.¹⁵⁸

In addition, small-scale farmers produce more efficiently than their large-scale counterparts because,

- (a) they choose a wider variety of crops to reduce the risks associated with mono-cropping,
- (b) because of a constant supply of family labour they use their land productively for larger parts of the year,
- (c) labour relations are better organised because the owner is the operator and family labour requires less administration and management and,
- (d) family labour implies greater incentive because workers (family members) receive a share of the profits.¹⁵⁹

Proponents, of the greater productive efficiency of small-scale farmers, rely largely on international empirical evidence to support the argument for the inverse relationship between farm-size and efficiency.

6.4. Empirical evidence for the greater efficiency of small-scale farming

Empirical evidence for the inverse relationship is drawn from a wide range of studies and countries in Sub-Saharan Africa, Asia and Latin America. El-Ghonemy argues, based on a number of studies, that with slight variation, output per unit of land in all countries declines systematically with the rise in farm size.¹⁶⁰ The studies include;

- (a) A joint study by Peter Donner and Don Kenel, in 1971, in which the findings of surveys in seven countries were analysed. These are India 1955 – 60, Japan 1960, Mexico 1960, Brazil 1963, the Philippines 1963 –64, Taiwan 1965 and Colombia 1996.

¹⁵⁶ Lipton M, De Klerk M & Lipton M, "Introduction", Land, Labour and Livelihoods, Volume One, Indicator Press, Durban, 1996

¹⁵⁷ Van Zyl J, "The farm-size efficiency relationship", Agricultural Land Reform in South Africa, Van Zyl J, Kirsten J & Binswanger H (Eds.), Oxford University Press, Cape Town, 1996, p. 266

¹⁵⁸ Lipton M, De Klerk M & Lipton M, "Introduction", Land, Labour and Livelihoods, Volume One, Indicator Press, Durban, 1996

¹⁵⁹ Points (a) and (b) from Lipton M, De Klerk M & Lipton M, "Introduction", Land, Labour and Livelihoods, Volume One, Indicator Press, Durban, 1996, and points (c) and (d) from Van Zyl J, "The farm-size efficiency relationship", Agricultural Land Reform in South Africa, Van Zyl J, Kirsten J & Binswanger H (Eds.), Oxford University Press, Cape Town, 1996

¹⁶⁰ El-Ghonemy M.R, "Large Estates: Issues in efficiency and employment", The Political Economy of Rural Poverty, Routledge, London, 1990

- (b) A study of seven Latin American countries; Argentina, Brazil, Chile, Ecuador, Guatemala and Peru, carried out between 1963 and 1966, by CIDA.
- (c) Berry and Cline's 1974 cross-country comparison with the use of regression analysis from 30 countries and,
- (d) Giovanni Cornia's 1985 comprehensive analysis of data taken from 15 countries by the United Nations Food and Agriculture Organisation (FAO).

These studies also indicate that labour intensity per unit of land is positively correlated with land use intensity and negatively correlated with farm size. The Liptons¹⁶¹ draw similar conclusions from evidence in Kenya, Taiwan, the Punjab, Zimbabwe, South Korea and mainland China.

For example, in Tanzania, where agriculture contributes approximately 46% of the GDP and 75% of total export earnings (1991), agriculture is carried out primarily by small-scale farmers on plots averaging less than 2.2 hectares.¹⁶² Kenya has also witnessed an increase in the number of economically successful small-scale farmers following policies of land registration and consolidation. By 1986, on holdings under five hectares, output per hectare was 19 times higher and employment 30 times greater than on holdings over eight hectares.¹⁶³ Kenya provides a particularly interesting example, because the Kenyan government consistently argued (throughout the 1960s and 1970s) that large-scale farming was more efficient than small-scale farming. Kenyan authorities also believed that the maintenance of the large-scale commercial agricultural sector in Kenya was crucial for economic growth and sustainability, for the export economy, as well as for food security. Agricultural policies were designed to assist and benefit large-scale farmers on low-density schemes, while small-scale farming on high-density schemes was discouraged. Despite this policy bias, the Kenyan government's Economic Appraisal of Settlement Schemes showed that from 1964 to 1968, farm profits per hectare grew considerably faster in small-scale farming areas than in large-scale farming areas and, that although small-scale farmers began the period with lower profits, they ended with higher profits.¹⁶⁴ The results in two further categories of comparison – the proportion of farms achieving a positive cash surplus and the proportion reaching target incomes – failed to reveal any superiority in the performance of large-scale/low density settlement schemes.¹⁶⁵ By 1974, the Kenyan authorities had changed their policy and investment approach to focus on the development of small-scale agriculture.

In the first decade of Zimbabwe's independence, small-scale maize and cotton production increased dramatically. Prior to independence, small-scale farmers in Zimbabwe's communal areas contributed approximately 10% of total maize and less than 25% of

¹⁶¹ Lipton M, De Klerk M & Lipton M, "Introduction", Land, Labour and Livelihoods, Volume One, Indicator Press, Durban, 1996

¹⁶² Banyikwa W.F, "Construction on Subsistence Use of Natural Resources in Tanzania", Alternative Strategies for Africa Volume 2, Suliman M (Ed.), IFAA, London, 1991

¹⁶³ Peterson S, "Neglecting the Poor: State Policy Toward the Smallholder in Kenya", in Commins S.K, Lofchie M.F & Payne R (Eds.), African Agrarian Crisis, Lynne Rienner Publishers, Colorado, 1986

¹⁶⁴ Leo C, Land and Class in Kenya, Chapter 8, University of Toronto Press, Toronto, 1984

¹⁶⁵ Leo C, Land and Class in Kenya, Chapter 8, University of Toronto Press, Toronto, 1984

cotton production. Eight years later, this had increased to 40% and 50% respectively.¹⁶⁶ In the 1980s, Zimbabwe's small-scale cotton and maize farmers were also responsible for a "mini productive revolution".¹⁶⁷

During the colonial period in Mozambique, small-scale farmers produced one third of marketed yields and three quarters of total agricultural production.¹⁶⁸ Following independence, the Mozambican government embarked on a policy of agricultural nationalisation and consequently, approximately 90% of agricultural funds were spent on the development of large-scale agriculture, while the small-scale sector was almost totally neglected. Nevertheless, when the Mozambican government admitted to the failure of the large-scale farm sector in 1983, the small-scale sector was still producing one third of all agricultural products.¹⁶⁹ By 1996, small-scale farmers in Mozambique accounted for 50% of the GDP and a significant share of Mozambican exports.¹⁷⁰

In 1973, in Chile, a CIDA report showed that family units - i.e. those with enough land to maintain a family - produced 30% more per arable hectare than medium units employing up to 12 workers and 50% more than those with more than 12 workers.¹⁷¹ By 1958, the ejido sector in Mexico accounted for 28 058 communities and 3.1 million households. Heath argues that given the vast area occupied by ejidos (family farms operated on partly communal basis), it is highly probable that if these ejidos were less efficient than (large) private farms they would act as a drag on overall production. Nevertheless, agricultural output rose faster than the population, enabling Mexico to become self-sufficient in basic foodstuffs by the late 1950s.¹⁷²

Following a land reform programme based primarily on the development of small-scale agriculture, Taiwan achieved significant economic growth (an average rate of 9% from 1952 to 1990) and greater equity (the land reform programme of the 1940s and 50s made landowners out of almost half of Taiwan's rural households).¹⁷³ Data on a hundred Polish state farms, in the late 1960s, shows that when divided into groups according to size, on all accounts measured, the smaller farms are more efficient than the larger farms.¹⁷⁴ The increases in Egyptian agricultural production, referred to earlier, occurred in a context where the number of smallholdings (0.42 hectares) nearly doubled, while the number of large-scale landholdings decreased considerably, in terms of number, as well as in total

¹⁶⁶ Maganya E.N, "Of Large Scale and Small Farms", African Perspectives on Development, Himmelstand U, Kinyanjui K & Mburugu E (Eds.), James Currey Ltd, London, 1994

¹⁶⁷ Rukuni M, "The Evolution of Agricultural Policy", Zimbabwe's Agricultural Revolution, Rukuni M & Eicher C.K (Eds.) University of Zimbabwe Publications, 1994

¹⁶⁸ Wenzel H.J & Weyl U, The Sector of Small-Scale Farmers in Mozambique, August 1992

¹⁶⁹ Wenzel H.J & Weyl U, The Sector of Small-Scale Farmers in Mozambique, August 1992

¹⁷⁰ Tanner C, "The Land Question in Mozambique: Elements for Discussion", Land Tenure Service, FAO Rural Development Division, December 18 1996

¹⁷¹ Castillo L & Lehmann D, "Agrarian Reform and Structural Change in Chile 1965 to 1979", in Agrarian Reform in Contemporary Developing Countries, Ghose A.K (Ed.), St. Martin's Press, New York, 1983

¹⁷² Heath J.R, "Evaluating the Impact of Mexico's Land Reform on Agricultural Productivity", World Development, Vol.20, No.5 1992

¹⁷³ Adams D.W, Chen H.Y & Lamberte M.B, "Differences in Used Rural Financial Markets in Taiwan and the Philippines", World Development, 21 (4), 1993

¹⁷⁴ Laird R.D & Laird B.A, Soviet Communism and Agrarian Revolution, Penguin Books, 1970, p. 93 & 94

land area.¹⁷⁵ Other countries that are often cited, particularly by the World Bank, are Vietnam, Indonesia and Malaysia.

Given the history of discrimination in South Africa, empirical evidence for the greater efficiency of small-scale agriculture is harder to observe, but it does exist. Using statistics from the 1988 Census of Agriculture, Van Zyl states that

- a) 50% of farming units owning only 6% of the farmland, with farm sizes of less than 500 hectares, were responsible for 30% of gross farm income, 32% of net farm income, 32% of capital investment and 29% of farm debt. The larger farms (1 000 hectares), comprising a third of all farming units, collectively owned more than 50% of the total farm debt but, were only responsible for 53% of total gross farm income.
- b) Farm workers earned 16% of the gross income on small farms but, only 10% and 9% of the gross income on middle and larger farms.
- c) Smaller farms' total expenditure was nearly R5 000 per hectare whereas middle farms spent only R177 and R55 per hectare respectively.
- d) Small farms employed 632 workers per 1 000 hectares compared to 27 and 29 workers per 1 000 hectares for middle and large farms respectively.¹⁷⁶

The sugar industry, based on out-grower schemes, is often held up as a successful example of small-scale farming in South Africa. These schemes are most prevalent in KwaZulu-Natal where small-scale farmers produce on a contract basis. A number of major events over the past 35 years have contributed towards the "success" of small-scale farmers in the sugar industry. In 1973, financial assistance was provided to these farmers for the first time with the establishment of the Small Growers' Financial Aid Fund.¹⁷⁷ In 1990, deregulation measures gave potential small-scale farmers free entry into the industry and by August 1991, the sugar industry was spending R14.6 million per annum on administering development and extension services to small-growers.¹⁷⁸ In May 1992, a Small Grower Development Trust was launched. The Trust was formed to facilitate institutional and community development, to improve extension services to small growers and to provide alternative sources of finance and development.¹⁷⁹ From 1993, the sugar industry was also offering training programmes to small-scale sugar-cane growers. In 1994, new provisions removed most of the restrictions to entry by small-scale farmers into the sugar industry.¹⁸⁰ A particularly successful example can be found in Komatipoort (Kangwane), where some 1 000 small-scale farmers, who were once either formerly unemployed or engaged in low paying manual labour, now earn between R80 000 and R100 000 per annum.¹⁸¹

¹⁷⁵ Christodoulou D, "Agrarian Reform: Solution, Holding Operation or Trojan Horse", The Unpromised Land, Zed Books, London, 1990

¹⁷⁶ Van Zyl J, "The farm-size efficiency relationship", Agricultural Land Reform in South Africa, Van Zyl J, Kirsten J & Binswanger H (Eds.), Oxford University Press, Cape Town, 1996, p. 268 - 271

¹⁷⁷ Dewey G, 'Wilson Luthuli: Championing the Cause of Small Growers', South African Sugar Journal, February 1993

¹⁷⁸ South African Sugar Journal, "R67m Loan for Small Grower Development", August 1991

¹⁷⁹ South African Sugar Journal, "Small Growers Development Trust Launched", May 1992

¹⁸⁰ Nourse P, "Removal of Entry Restrictions to Cane Growing", South African Sugar Journal, September 1994

¹⁸¹ Paton C, "Sweet Sweet Success", Sunday Times, June 28, 1998

6.5. Interpreting the empirical evidence for small-scale agriculture

Although there is much empirical evidence for the inverse relationship between size and efficiency, it requires careful interpretation. In Kenya, growth within the small-scale agricultural sector has generated uneven and inequitable development. Many small-scale farmers remain extremely poor. This is partly a result of government policies that sought to assist large-scale and more “progressive” small-scale farmers (anti- and intra-agricultural policies). Credit programmes, agricultural research and extension services and infrastructure provision, undertaken by the post-independence Kenyan government, favoured large-scale and progressive small-scale farmers. According to a 1974 rural survey in Kenya, most of the gains in economic growth had gone to the upper 60% of small-scale farmers, while the poorest 40% had experienced little gain in real income.¹⁸² Furthermore, although agricultural production has increased, it has done so at levels consistently below population growth rates. Increased agricultural production and related economic growth in Egypt also favoured the middle classes (particularly in urban areas) while contributing to the increased marginalisation of the poor (particularly in rural areas).¹⁸³

What the increase in maize and cotton production in Zimbabwe’s communal areas indicates is that small-scale farmers are capable of very efficient production if (and probably only if) they are given a “package of prime movers¹⁸⁴”. This package included the provision of new and appropriate technology (i.e. hybrid seeds), credit, effective marketing and service institutions and a favourable price and economic environment. The political context (i.e. peace in rural areas after the liberation war) also formed part of the package that contributed to increased production. Secondly, increased participation in agricultural production amongst small-scale farmers in Zimbabwe’s rural areas since independence appears to be restricted to those with access to some cash or credit, or those located in the areas with greater soil fertility and higher rainfall.¹⁸⁵ In fact, the bulk of the maize is produced by the 15 to 20% of smallholders located in favourable natural resource areas.¹⁸⁶ Furthermore, within favourable maize production areas, those households with greater resources (i.e. land, oxen and credit) contributed most to aggregate maize production and sales in the 1980s.¹⁸⁷ Initial increases in agricultural production amongst land reform beneficiaries was partly a result of the fact that under-utilised and unutilised land was brought under cultivation. As soon as this source of land

¹⁸² Peterson S, “Neglecting the Poor: State Policy Toward the Smallholder in Kenya”, in Commins S.K, Lofchie M.F & Payne R (Eds.), *African Agrarian Crisis*, Lynne Rienner Publishers, Colorado, 1986

¹⁸³ Christodoulou D, “Agrarian Reform: Solution, Holding Operation or Trojan Horse”, *The Unpromised Land*, Zed Books, London, 1990

¹⁸⁴ Rukuni M, “The Evolution of Agricultural Policy”, *Zimbabwe’s Agricultural Revolution*, Rukuni M & Eicher C.K (Eds.) University of Zimbabwe Publications, 1994

¹⁸⁵ Muir R, “Agriculture in Zimbabwe”, *Zimbabwe’s Agricultural Revolution*, Rukuni M & Eicher C.K (Eds.) University of Zimbabwe Publications, 1994

¹⁸⁶ Takavarasha T, “Agricultural Pricing Policy”, *Zimbabwe’s Agricultural Revolution*, Rukuni M & Eicher C.K (Eds.) University of Zimbabwe Publications, 1994

¹⁸⁷ Stack J, “The Distributional Consequences of the Smallholder Maize Revolution”, Rukuni M & Eicher C.K (Eds.), *Zimbabwe’s Agricultural Revolution*, University of Zimbabwe Publications, 1994

had been (essentially) exhausted, increases in yields also dropped.¹⁸⁸ (The argument made here, is that small-scale farmers in Zimbabwe's communal areas were able to increase production, but that this increase was based on favourable political, social and environmental conditions and supportive government policies. Therefore, as stated before small-scale farmers are capable of very efficient production if - and probably only if - they are given a "package of prime movers"¹⁸⁹. Should the state, for example, withdraw support, or not maintain transport structures, or should a drought occur, or any of a number of possible changes in the "package of prime movers", small-scale farmers will probably not be able to sustain the high-levels of production.)

In Chile, figures from the early 1970s that indicated the inverse relationship between farm-size and efficiency, resulted in the adoption of a "structuralist" economic approach by the military government that took power in 1973. The structuralist argument was that redistributing land from those who used it extensively to those who used it intensively would "*expand the internal market for manufacturers through raising the incomes of the new property holders*" and "*would fuel economic growth in general and reduce inflation*".¹⁹⁰ The military government therefore proceeded to distribute land into family-sized units (defined between 6.75 hectares and 10.1 hectares). By the late 70s, however, agricultural production remained depressed and only those farmers producing for the export market were relatively successful. Producing for the export market required significant capital investment. Hence, it was really only the upper income medium-scale farmers that benefited from the land distribution programme.¹⁹¹

Mexican land reform (between 1900 and 1940) was based on the development of small-scale and medium-scale sized holdings. Individuals in the ejido sector received on average 2.2 hectares and the minifundistas 1.5 hectares.¹⁹² By 1940, however, agricultural production was at an all time low. This can partly be explained by the fact that small-scale farmers were generally awarded inferior quality land. Legislation allowed landowners to select the location of land that would be exempt from expropriation under the land ceiling system, naturally choosing the best (irrigated) land. The result was a "*crazy quilt of ejidal and private lands that broke up productive units*" and afforded former large-scale landowners the opportunity to sabotage collective lands (in many cases) by destroying irrigation systems.¹⁹³ Thirdly, the ejido sector never really attained tenure security – by 1984, 86% of parcelled ejidos lacked title certificates.¹⁹⁴ Small-scale

¹⁸⁸ Land and Rural Digest, "Zimbabwe's frustrations", July/August, 2000

¹⁸⁹ Rukuni M, "The Evolution of Agricultural Policy", Zimbabwe's Agricultural Revolution, Rukuni M & Eicher C.K (Eds.) University of Zimbabwe Publications, 1994

¹⁹⁰ Castillo L & Lehmann D, "Agrarian Reform and Structural Change in Chile 1965 to 1979", in Agrarian Reform in Contemporary Developing Countries, Ghose A.K (Ed.), St. Martin's Press, New York, 1983

¹⁹¹ The whole argument is based on the article by Castillo L & Lehmann D, "Agrarian Reform and Structural Change in Chile 1965 to 1979", in Agrarian Reform in Contemporary Developing Countries, Ghose A.K (Ed.), St. Martin's Press, New York, 1983

¹⁹² Cline F.H, "Agrarianism: A Basic Revolutionary Goal", Mexico: Revolution to Evolution 1940 -1960, Oxford University Press, London, 1962

¹⁹³ Markiewicz D, "Agrarian Structure, politics and economic development", The Mexican Revolution and the Limits of Agrarian Reform 1915 - 1946, Lynne Rienner Publishers, London, 1993

¹⁹⁴ Heath J.R, "Evaluating the Impact of Mexico's Land Reform on Agricultural Productivity", World Development, Vol.20, No.5 1992

farmers received virtually no assistance and remained dependent on former large-scale farmers for access to infrastructure, resources and credit.¹⁹⁵ As stated previously, there was an increase in agricultural production in the 1950s. However, this increase was largely based on the expanding amount of land being cultivated and, could not be sustained in the 1960s, when land became a scarce resource. By the early 1970s, Mexico had become one of the most malnourished countries in Latin America.¹⁹⁶

The success of the small-scale agricultural sector in Taiwan was based on massive state support and assistance. This included extensive investment in rural infrastructure and education, the provision of social services, credit and an effective marketing infrastructure. Rapid expansion in urban and non-farm employment also contributed to this success and the consequent economic development in Taiwan. By 1989, the average family made less than one third of its income from farming.¹⁹⁷

The Taiwanese experience (and East Asia in general) is often held up as an example of a successful land reform programme, but its applicability to the South African case is questionable. The land to the tiller reform programme (used in Taiwan and South Korea) has little relevance in South Africa, where the white commercial agricultural sector is highly mechanised and the number of farm workers and labour tenants is relatively small. Beneficiaries in Taiwan already had access to agricultural inputs such as implements and animals and, since they did not have to be relocated, they already knew the agricultural climate. Taiwan also has a high degree of rural urbanisation i.e. small-scale farmers in rural areas tend to be engaged in other business activities as well; and the distinction between urban and rural areas is less apparent than in, for example, South Africa. Production could continue without disruption. In South Africa, the relatively small number of labour tenants and farm workers implies the need for relocation. Furthermore, farm workers and other prospective land reform beneficiaries lack access to agricultural inputs and the financial resources necessary to acquire them. The main lesson to be learnt from the East Asian experience is that *“given an opportunity, smallholders can produce their way out of poverty and feed their countries. Opportunity is the operative word. Access to land, investment in infrastructure, access to credit and savings institutions and protection from unfair competition are all elements in the range of smallholder strategies developed in East Asia”*.¹⁹⁸

The South Korean land reform programme was comparatively very successful, with 28% of the total agricultural area redistributed from landlords to tenants (573 000 hectares) and a further 245 554 hectares from Japanese settlers to tenants. The Korean government

¹⁹⁵ Otero G, "Agrarian Reform in Mexico: Capitalism and the State", Searching for Agrarian Reform in Latin America, Thiesenhusen W.C (Ed.), Unwin Hyman, 1989

¹⁹⁶ Heath J.R, "Evaluating the Impact of Mexico's Land Reform on Agricultural Productivity", World Development, Vol.20, No.5 1992

¹⁹⁷ Adams D.W, Chen H.Y & Lamberte M.B, "Differences in Used Rural Financial Markets in Taiwan and the Philippines", World Development, 21 (4), 1993

¹⁹⁸ Oxfam, "Rural development through redistribution", Growth with Equity, Oxfam International, UK, 1997. Also see Hart G, "The Agrarian Question and Industrial Dispersal in South Africa: Agro-Industrial Linkages Through Asian Lenses", in Bernstein H (ed.), The Agrarian Question in South Africa, Frank Cass, London, Portland, 1996

also purchased a further 332 000 hectares for redistribution, bringing the total number of hectares redistributed to 1 150 554.¹⁹⁹ A wide range of factors contributed to the success of the programme. The programme was centrally planned and controlled by the United States military government, which administered South Korea from 1945 to 1948. Secondly, the land reform programme occurred in a context of large-scale rural to urban migration (with a relatively small rural population to begin with) and economic opportunities elsewhere in the economy.²⁰⁰ Thirdly, political stability and a favourable economic policy contributed to the success of small-scale farmers. Other factors include improved tenure security and extensive support given to land reform beneficiaries.

The Japanese land reform programme involved redistributing small farms (between 0.8 and one hectare) to beneficiaries. What emerged was a system consisting of numerous fragmented small farms that has acted as a constraint on sustainable development. Despite government support for the small-scale agricultural sector, ranging from new technology and the provision of infrastructure to education and training, the small-scale sector failed to achieve an increase in production in the early 1960s.²⁰¹

In the Indian Punjab, the success of small-scale farmers depended largely on the introduction of “green revolution” technology (i.e. hybrid seeds and fertiliser). The successful adoption of “green revolution” technology, however, depended on access to irrigated land. Bernstein argues that it is this need for irrigation that focuses the Liptons’²⁰² attention on precisely those high potential farming areas that attract the claims of proponents for large-scale agriculture.²⁰³

In a study conducted in rural Egypt, Dyer found that in Giza, where technology was largely absent, the inverse relationship between farm-size and efficiency was strong. In a context where most farmers followed the same productive procedure and the land quality was consistent, labour and land use were crucial factors in production. In Quena, where significant advancements in technology had occurred, the inverse relationship was reversed – the larger the farm, the higher the yield. Dyer therefore argues that the inverse relationship holds only in static conditions and that as soon as advances in technology occur, the relation breaks down. This is because larger (wealthier) farmers are able to access and appropriate new technology that small-scale (poorer) farmers cannot afford.²⁰⁴

In South Africa, a defining characteristic of successful farmers is a substantial non-agricultural source of income. Schirmer argues that the characteristic feature of successful white farmers in the Lydenberg district, during the early and mid 1900s, was

¹⁹⁹ El-Ghonemy M R, "South Korea", *The Political Economy of Rural Poverty*, Routledge, London, 1990

²⁰⁰ El-Ghonemy M R, "South Korea", *The Political Economy of Rural Poverty*, Routledge, London, 1990

²⁰¹ Zhou J, A New Proposal for Land Consolidation and Expansion in Japan and Other Economies, European University Institute, Italy, October 1997

²⁰² Lipton M, Ellis F & Lipton M (Eds.), *Land, Labour and Livelihoods*, Volume One & Two, Indicator Press, Durban, 1996

²⁰³ Bernstein H, “Social change in the South African countryside? Land and production, poverty and power”, PLAAS, UWC, 2000

²⁰⁴ Dyer G, “Farm-size – Farm Productivity Re-examined: Evidence from rural Egypt”, *Journal of Peasant Studies*, Volume 19, 1, 1991

that they had access to non-farm sources of income and that it was this characteristic that was responsible for their willingness to invest in agriculture.²⁰⁵ Thomas found similar evidence among small-scale farmers in the former homelands, where access to regular remittance income has given some households the ability to accumulate capital and invest in agriculture.²⁰⁶ Thomas also argues that the constraint that lack of access to remittance income has on household farming capacity is illustrated by the poverty of female-headed households who tend to engage in subsistence farming only. The implication of this argument is that successful small-scale farming will, in fact, preclude the poorest households from participating because all methods aimed at increasing production require resources.

The sugar industry, which is often held up as the most successful example of small-scale farming in South Africa, is also subject to interpretation. Small-scale sugar farmers have thus far been unable to replicate the economies of scale of large-scale commercial farmers in KwaZulu-Natal.²⁰⁷ Although sugar out-grower schemes tend to significantly increase household income, they generally do not take households out of poverty. Marcus conducted a study in the Umvoti Valley and found that although income from sugar-cane production contributed 19% of overall household income, it did not push average overall income above the primary subsistence level.²⁰⁸ Marcus also found that out-grower schemes were often plagued by inefficiency (e.g. in some cases fertiliser was delivered too late in the production process to be of any use). Producers were further constrained by a lack of capital and machinery and poor infrastructure.

In a 1982 study of two sugar producing communities²⁰⁹ in KwaZulu, Cobbett²¹⁰ found that, given the unequal distribution of arable holdings in both communities, only a small percentage of smallholders could expect monthly earnings equivalent to the household subsistence level. Cobbett found that, although sugarcane contracting created employment opportunities for several well-to-do adult males, the majority of smallholders continued to rely on migrant remittances and for most the cultivation of sugarcane proved to be economically non-viable.²¹¹ Furthermore, the relationship between small-scale farmers and the major sugar companies (Tongaat Hullet and Illovo) has not been without conflict. The KwaZulu-Natal Sugarcane Growers Association

²⁰⁵ Schirmer S, "Policy visions and historical realities: Land reform in the context of recent agricultural developments", *African Studies*, 59, 1, 2000

²⁰⁶ Thomas D.J.J, *A critical assessment of the promotion of small-holder agriculture in South Africa*, MA, University of the Witwatersrand, Johannesburg, 1994

²⁰⁷ *Business Day*, "Coca-Cola slams farmers", November 29, 2001

²⁰⁸ Marcus T, "Black Micro, Surplus and Commercial Producers", *Down to Earth*, Marcus T, Eales K & Wildschut A (Eds.), Land and Agricultural Policy Centre, Indicator Press, Natal, March 1996, p. 62 - 67

²⁰⁹ The two communities are Newspaper and Nqunquma.

²¹⁰ Cobbett M, Sugarcane farming in KwaZulu: Two communities investigated, Carnegie Conference Paper, No. 58, Cape Town, April 1982

²¹¹ Cobbett M, Sugarcane farming in KwaZulu: Two communities investigated, Carnegie Conference Paper, No. 58, Cape Town, April 1982, p. 1 & 15

(representing 45 000 small-scale farmers) publicly criticised the South African Sugar Association (SASA) in July 2000 for “operating in a highly protective environment”.²¹²

It is also questionable whether the sugar-cane experience can be repeated elsewhere in South Africa. Firstly, small-scale sugar-cane farmers have received tremendous support (including training, the establishment of infrastructure and the provision of credit services) from the South African Sugar Association. Whether the South African government will be able to replicate this kind of support is debatable. Thomas identifies three other factors that contributed to the development of the sector that are not likely to be replicated elsewhere. These are (a) the lack of white-owned land within economically viable distances from the sugar mills, (b) the existence of a representative marketing organisation and a relatively stable market and (c) suitable agro-ecological conditions.²¹³ The reasons why the Komatipoort farmers were so successful, for example, include the fact that a real demand for their crop and an accessible means of marketing it through the SASA to local mills existed. Secondly, the Komatipoort farmers received a multitude of extension services and technical support from the Transvaal Sugar Association, the Mpumalanga Development Corporation and the Development Bank.²¹⁴ Finally, the system of communal tenure in Komatipoort meant that small-scale farmers in the area did not face the capital constraints experienced by farmers who have to purchase land.

Some authors²¹⁵ have pointed out that the introduction of commercial agricultural production tends to exacerbate social differentiation and income inequalities in rural areas.²¹⁶ The international cases studies discussed previously, as well as Cobbett’s study in KwaZulu, support this argument. Cobbett found that the cultivation of sugarcane in both study areas (Newspaper and Nqunquma in KwaZulu) contributed to the development of four social strata. In the poorest group (40%), households earned, on average, between R11 and R28 per month from sugarcane production and had access to less than one hectare of land. In the wealthiest group (a small minority – less than 10% - including the chief and some businessmen) earned more than R200 per month and sought to accumulate capital and equipment.²¹⁷

Thus, although significant empirical evidence exists to support the farm-size efficiency relationship, it is less compelling than it might appear at first. Figures indicating increases in production need to be placed in a context. Once this is done, it becomes apparent that increases in small-scale agricultural production are often not sustainable

²¹² The South African Sugar Association is the sole marketer of sugar and until early 2001 was responsible for setting the domestic sugar price. Quote comes from Secombe A, “Black sugar farmers seek new order”, Reuters News, July 25, 2000

²¹³ Thomas D.J.J, A critical assessment of the promotion of small-holder agriculture in South Africa, MA, University of the Witwatersrand, Johannesburg, 1994

²¹⁴ Paton C, “Sweet Sweet Success”, Sunday Times, June 28, 1998

²¹⁵ Notably Lenin VI, The Development of Capitalism in Russia: Collected Works, Volume 3, Lawrence and Wishart, London, 1977 & Abdel-Fadil M, Development, Income Distribution and Social Change in Rural Egypt (1952 – 1979), Cambridge University Press, 1975

²¹⁶ Also see the Egyptian and South African examples on pages 91 & 92 of this chapter.

²¹⁷ Abdel-Fadil M, Development, Income Distribution and Social Change in Rural Egypt (1952 – 1979), Cambridge University Press, 1975, p. 17 – 19. Also see Cobbett M, Agricultural and Social Change in KwaZulu: the impact of sugarcane farming in the Noodsberg sub-region, PhD, London University, 1982

without state support and, can increase social differentiation. In Kenya, for example, the population growth rate was higher than the increases in production. Increased production amongst land reform beneficiaries, in Zimbabwe²¹⁸ and Mexico, was based on an increased amount of land brought under cultivation. As soon as the supply of land decreased, increases in production ceased. (In chapter two in the section on land reform and poverty alleviation it was argued (following Kinsey) that the benefits of land reform in Zimbabwe only became apparent over the long-term which suggests sustainability. However, when one considers Kinsey's sample and argument, there is clearly not a contradiction here. Kinsey, first of all, compares the levels of relative poverty and not the levels of production. Also, he compares small-scale farmers in communal areas with small-scale farmers in land reform projects, and not small-scale farmers with large-scale farmers - as is the case in this chapter). Experiences in South Africa indicate that increases in yields and income do not necessarily lift people out of poverty. People can continue to live below the poverty line even with a significant increase in their household incomes.

It appears that the farm-size efficiency relationship only applies when certain conditions are met. The most important necessary condition for successful small-scale agriculture is the provision of support. Support includes the provision of training, research and extension services²¹⁹, education and other social services, infrastructure (roads), new and appropriate technology, credit, marketing infrastructure and irrigation. This is evident from the discussions on Zimbabwe, Mexico, Taiwan, India, Korea and South Africa. Other necessary conditions are a stable political environment and a favourable economic policy (where the creation of employment elsewhere in the economy also plays a central role).

It is also questionable whether a land reform programme based on small-scale agriculture will significantly alleviate poverty. On investigation, the evidence from Kenya, Zimbabwe, Chile, Egypt and South Africa indicate that the poorest households are not likely to benefit significantly from a land reform programme based on small-scale agriculture. The evidence suggests that those who already have access to some resources (whether land, capital, credit, natural resources or other agricultural inputs) stand to benefit most from such a programme. It therefore stands to reason that a land reform programme based on small-scale agriculture could contribute to greater inequities among rural people (as was the case in all five of the above mentioned countries).

The primary reason for this "elite capture"²²⁰ of the benefits of land reform is the failure of land reform or agricultural development policies to take account of social

²¹⁸ Kinsey B.H, "Land Reform, Growth and Equity: Emerging evidence from Zimbabwe's resettlement programme", *Journal of Southern African Studies*, Volume 25, number 2, June 1999

²¹⁹ Agricultural extension is the process of transferring information and technology to farmers for use in the production process and similarly transferring information from farmers to researchers to solve the problems of farmers.

²²⁰ By "elite capture" I simply mean the "wealthier" or more organised farmers (or groups of farmers) in rural areas – i.e. earning R500 a month cash wage could qualify you as a wealthier farmer, compared to someone who does not have access to such a cash wage.

differentiation in rural areas. “Wealthier”²²¹ or more organised farmers are able to benefit, not because they are necessarily better farmers, but because (as Bernstein argues²²²), they have political influence. “Wealthier” farmers are especially likely to capture the benefits of *demand-driven* reform programmes, because, by definition, they are more capable of expressing their demands than the most marginalised (i.e. not organised, isolated, illiterate, possibly no access to land) inhabitants of rural areas. Access to cash wages, for example, is a crucial determinant of rural social differentiation. Access to wages allow farmers (or any other individuals) to accumulate resources that will enhance their chances to benefit from reform programmes (i.e. to acquire agricultural equipment that increase production or, to acquire education that will increase their ability to access agricultural development institutions and organisations). A similar argument is made in chapter 10, where the failure of reform programmes to differentiate between men and women has contributed to the failure of these programmes, as well as, in chapter seven where it is argued that marginalised communities and individuals cannot sufficiently access demand-driven land reform programmes.

It is a central argument of this thesis, that social mobilisation/direct action is required to overcome the failure of reform policies to reach the poorest sectors of society. As Levin et al argue, *“If the most oppressed and exploited rural groups, including women, are to benefit from rural land reform, the social structures of poverty and oppression, which are rooted in the South African rural political economy will have to be transformed. This will entail a political programme of democratic mass-based participation, which requires a systematic and place-based analysis of class and gender-based differentiation”*.²²³

It is necessary to explain why (1) this farm-size efficiency relationship exists and (2) why this relationship has the potentially negative consequences discussed above.

6.6. Why are small farms more efficient? What does ‘efficient’ really mean?

Some proponents of small-scale agriculture argue that the perceived greater efficiency of small-scale farmers is based on their utilisation of labour (i.e. labour is substituted for machinery, the costs of family labour are far lower than that of hired labour and family members have greater incentives to produce). But, Thomas argues that the reliance on family labour does not explain the perceived greater efficiency of small-scale agriculture. Thomas cites a study in India that distinguished between family-labour farms (where the family provided 90% of the labour employed) and hired-labour farms (where less than 90% of the labour employed was provided by the family). The study found that labour inputs and outputs for the two types of farms were not significantly different. Thomas, therefore, argues that the labour-based theory for the inverse relationship between farm size and productivity does not explain why the inverse relationship still holds with regard to hired labour.

²²¹ See previous footnote

²²² Bernstein H, “South Africa’s Agrarian Question: Extreme and Exceptional?”, in Bernstein H (ed.), *The Agrarian Question in South Africa*, Frank Cass, London, Portland, 1996

²²³ Levin R, Russon R & Weiner D, “Class, gender and the Politics of Rural Land Reform” in Levin R & Weiner D (eds.), *No More Tears . . . Struggles for Land in Mpumalanga, South Africa*, Africa World Press Inc., Asmara, Eritrea, 1997

Another argument is that small-scale farmers are more productive because they use resources more efficiently (i.e. they use more of their land more of the time). But again, Thomas argues that this is not a reflection of greater economic efficiency but rather a reflection of a survival strategy – without this intensive use of productive resources (including labour) small-scale farmers simply could not survive. “*The inverse relationship is an index of poverty*”.²²⁴ Dyer supports this argument, arguing that as poorer households end up with smaller and smaller pieces of land they are forced to intensify their resource use (land and labour) in order to survive. “*Far from being an index of efficiency, the inverse relation reflects the desperate struggle of poor and marginal peasants to scratch a bare subsistence from inadequate patches of land. If we were to follow the neo-populist prescription to redistribute land to high-yield family farms the rural population should consist entirely of half-starved agricultural labour households*”.²²⁵ Dyer further argues (in line with arguments made in the previous section of this chapter) that the idea that productivity is dependent on farm-size is conceptually and methodologically flawed. Rather, farm size depends on productivity e.g. the more fertile the land the smaller the farms. The inverse relationship is thus rather between soil fertility (productivity) and farm-size.²²⁶

The implication, for South Africa, of the arguments made by Thomas, Dyer and this thesis, is that the meaning of indicators such as “efficiency” need to be carefully interpreted. For example, a small-scale farmer, may be using 100% of his/her land, 100% of the time, and producing twice as much per square metre as a large-scale farmer who uses 50% of his/her land, 50% of the time. However, the large-scale farmer could increase production by, for example, expanding the area under cultivation. The small-scale farmer, however, may not be able to even meet the subsistence needs of him/herself or her/his family, unless s/he maintains the level of output suggested above. One of the dangers (if this is correct) of employing land reform strategies based largely on redistribution to a small-scale agricultural sector, is that it might create a group of people who are literally working themselves to death, in order to stay alive.

7. Predicament?

South Africa has limited amounts of land available for agriculture. Only about 16% of South Africa’s land is considered arable and, of this, only 8% is considered high potential agricultural land.²²⁷ At the same time, the former homelands are severely overcrowded and the large-scale commercial agricultural sector is inefficient. In addition, impoverished people in rural areas will clearly not be able to acquire large farms within a free-market system. There is thus a very clear need to redistribute land and to allocate

²²⁴ Thomas D.J.J, A critical assessment of the promotion of small-holder agriculture in South Africa, MA, University of the Witwatersrand, Johannesburg, 1994

²²⁵ Dyer G, “Farm-size – Farm Productivity Re-examined: Evidence from rural Egypt”, Journal of Peasant Studies, Volume 19, 1, 1991

²²⁶ Dyer G, “Farm-size – Farm Productivity Re-examined: Evidence from rural Egypt”, Journal of Peasant Studies, Volume 19, 1, 1991

²²⁷ Schoeman J.L & Scotney D. M, “Agricultural Potential as determined by soil terrain and climate”, South African Journal of Science, volume 86, 1987

smaller land parcels than is the norm. The provision of support and assistance to emerging farmers (whether small or medium-scale) is of utmost importance as indicated by the case studies.

Despite the World Bank's emphasis on the small-farmer path to development, there appears to have been very little discussion of the issue within the Department of Land Affairs - as is reflected in the omission of the debate from DLA policies. The Land Reform for Agricultural Development Programme, with its greater focus on emerging black farmers, has committed the DLA to "*facilitate structural change over the long term by assisting black people who want to establish small and medium sized farms*".²²⁸ This leaves options open for a wide variety of farm-sizes and seems reasonable given the preceding discussion. It seems that flexibility with respect to farm size is one of the conditions for a successful land reform programme. On the other hand, this will do very little to address the plight of the poorest rural households, who cannot engage in commercial production.

7.1. Who wants to farm?

The efficiency debate does highlight a couple of important questions. Firstly, do poor South Africans want to farm? (This question is particularly important when considering that only an estimated 20% of rural households can be satisfactorily supported by the land area of the former homelands. As well as, estimates that in the Ciskei, for example, only 20% of households are said to have an active interest in farming.²²⁹) Second, will they generate sufficient income if they do farm? What are the impediments to the development of black (small-scale or large-scale) agricultural production? What should agrarian reform achieve – poverty alleviation, or significant increases in agricultural production, or both? Finally, how do we ensure sustainable agricultural development?

South Africa's rural population is by no means homogenous and is stratified by area, date of arrival, class, gender and access to resources (including land). People engage in varied and multiple livelihood strategies, which sometimes include agricultural production and sometimes do not. In Ditsobotla, (North West Province), an estimated 60% of the population are pensioners and, for many households this income (R300 per month in 1995 and increased to R620 per month in 2002²³⁰) is their only regular and predictable source of funds.²³¹ In KwaZulu-Natal there are some small-scale sugar farmers who produce commercially but, in most cases, people's incomes derive from a range of resources mostly coming from urban areas in the form of wages, remittances and

²²⁸ DLA, Executive Summary of LRAD, *Land Info*, vol.8, no.1, 2001

²²⁹ Porteus D, "Land Reform: Potential and Priorities for South Africa", Paper presented at a conference of the Newick Park Initiative, Land Reform and Agricultural Development, UK, October 1990, Jubilee Centre Publications

²³⁰ Manuel TA (Minister of Finance), Budget Speech 2002, February 20, 2002, available at <http://www.gov.za/speeches/budgetspeech2002.html>

²³¹ Francis E, "Learning from the local: Rural livelihoods in Ditsobotla, North West Province in South Africa", *Journal of Contemporary African Studies*, 17,1, 1999

pensions. In 1996, May²³² found that in KwaZulu-Natal 62.5% of all households participated in agriculture to some degree and yet, agricultural production was only one of a wide range of income strategies that included state pensions and remittances. In addition, when households differentiated between livelihood packages, agriculture became a minor income source and most stable household incomes were obtained in households with one or more members with permanent formal-sector wage-work.²³³ Hatch supports this finding, pointing out that agricultural needs in KwaZulu-Natal rank far below more pressing needs for water provision, roads, housing and medical care because, only between 5 and 10% of income is derived from agriculture.²³⁴

Rural people also have varied demands for land and there is substantial evidence indicating that South Africa's rural poor may not be interested in farming. For many, the most pressing need is for employment. A study, in the Ditsobotla district of the North West Province, demonstrated that people were reluctant to commit resources to community or agricultural development projects because past experiences had made them suspicious of state institutions and state intervention.²³⁵ Studies conducted by the Liptons also showed that people living in the former homelands prioritised the provision of piped water, housing and education over access to agricultural land.²³⁶ Results from the interviews²³⁷ I conducted with the Sheba community in Mpumalanga indicated that, despite some experience in farming activities, only a small proportion (less than 8% and mostly elderly men) of community members were interested in *full-time* farming. Women and younger members of the community expressed a greater need for employment and the provision of services, particularly water.²³⁸

Indications that younger generations are not interested in farming have serious implications for land reform and/or the development of African agriculture, whether large or small-scale. This becomes particularly obvious when one takes account of the fact that approximately 70% of South Africa's population is under the age of 30.²³⁹ As Beauty Dandala, a relatively successful small-scale farmer in the Eastern Cape explains, "*our cattle died, our children went to school and after that some went to work. But, they did not buy cattle, they only bought cars. Since children have become educated, it has been hard to interest them in agriculture. I have been here since 1957. We were ploughing for my grandmother. But now, when you ask the children to get involved in ploughing they will say that they are abused. They do not want to work. They just go drinking all*

²³² May J, "Assets, Income and Livelihoods in rural KwaZulu-Natal", Land, Labour and Livelihoods in rural South Africa, Volume 2, Lipton M, Ellis K, & Lipton Merle (Eds.), Indicator Press, December, 1996

²³³ May J, "Assets, Income and Livelihoods in rural KwaZulu-Natal", Land, Labour and Livelihoods in rural South Africa, Volume 2, Lipton M, Ellis K, & Lipton Merle (Eds.), Indicator Press, December, 1996

²³⁴ Hatch G, "Livestock and Rural Livelihoods in KwaZulu-Natal", Land, Labour and Livelihoods in Rural South Africa, Volume 2, Lipton M, Ellis F & Lipton M (Eds.), Indicator Press, December, 1996

²³⁵ Francis E, "Learning from the local: Rural livelihoods in Ditsobotla, North West Province in South Africa", Journal of Contemporary African Studies, 17,1, 1999

²³⁶ Lipton M, De Klerk M & Lipton M, "Introduction", Land, Labour and Livelihoods, Volume One, Indicator Press, Durban, 1996

²³⁷ See Appendix 1 & 2

²³⁸ Interviews with Sheba community members, June 27, 28 & 29, 2001

²³⁹ Central Statistics Service, The people of South Africa Population Census, 1996, Report 03-01-19, 1996

the time".²⁴⁰ Furthermore, most of the land claims in South Africa's restitution programme were for urban and not agricultural land and land needs in rural areas are often for residential rather than productive land.²⁴¹

Part of the reason why people appear unwilling to engage in agricultural production lies in their past experiences (forced removals, betterment planning and harsh conditions on white-owned farms) and the stigma attached to farm work. In Jamaica, for example, the association of sugar cane work with slavery resulted in people refusing to work on sugar plantations after independence, despite high levels of unemployment.²⁴² Apart from a mindset that "militates against a willingness to commit themselves"²⁴³ to agriculture, rural people also know that remittances from urban employment are more certain and have less risk attached to them than small-scale agriculture.

The motto of the Department of Land Affairs is "*Back to the Land*", but the notion of a hardy peasant class building the rural economy appears somewhat romantic in light of the previous discussion. Nevertheless, in the absence of employment opportunities elsewhere, efforts should be made to encourage and assist South Africa's rural poor and prospective entrepreneurs to engage in agricultural production. As the Liptons put it, "*the unemployed cannot actually choose the work that they want to do*".²⁴⁴ Despite the relatively little cash income that seems to be generated by agriculture, it does continue to play an important role in the lives and economic survival of rural people. In KwaZulu-Natal, for example, livestock generates very little cash income but provides a variety of products that are vital to households – including milk and as a store for wealth.²⁴⁵ In addition, the Department of Land Affairs' Land Reform Research Programme's samples suggested that 67.7% of African rural households desire farmland.

Another related question is: will small-scale farming generate sufficient income? An agricultural specialist hired to build agricultural capacity in land reform projects in Mpumalanga argues that subsistence/small-scale farming and commercial success are mutually exclusive concepts.²⁴⁶ He points to two "land reform myths". This first is the belief that a farm that previously employed 30 people can now sustain and provide employment for 200 people. The second relates to the profitability of agriculture. He argues that (in very generous terms) the return on capital outlay in agriculture is around 8% - very little if the initial investment consists of the R16 000 Settlement/Land Acquisition Grant. Furthermore, the small-scale versus large-scale efficiency debate has

²⁴⁰ Sunday Times, August 4, 2002

²⁴¹ Marcus T, "Demand for Land", Down to Earth, Marcus T, Eales K & Wildschut A (Eds.), Land and Agricultural Policy Centre, Indicator Press, Natal, March 1996, p. 1 - 12

²⁴² Lipton M, De Klerk M & Lipton M, "Introduction", Land, Labour and Livelihoods, Volume One, Indicator Press, Durban, 1996

²⁴³ Zulu P, "The Political Economy of rural livelihoods in KwaZulu-Natal", Land, Labour and Livelihoods in Rural South Africa, Vol.2, Lipton M, Ellis F & Lipton M (Eds.) Indicator Press, December 1996

²⁴⁴ Lipton M, De Klerk M & Lipton M, "Introduction", Land, Labour and Livelihoods, Volume One, Indicator Press, Durban, 1996

²⁴⁵ Hatch G, "Livestock and Rural Livelihoods in KwaZulu-Natal", Land, Labour and Livelihoods in Rural South Africa, Volume 2, Lipton M, Ellis F & Lipton M (Eds.), Indicator Press, December, 1996

²⁴⁶ Swanby, "Communal Property Associations: The Jury is Still Out", Land and Rural Digest, July/August 2001

indicated that successful small-scale farming is premised upon significant state and institutional support, as well as, potential beneficiaries having access to start-up capital.

Furthermore, agriculture is by nature a risky investment (partly as result of its dependence on uncontrollable factors such as weather patterns) and in many international cases farmers succeed by engaging in a wide range of commercial activities. As Helena Dolny put it, “farmers in Europe and the United Kingdom derive only 50% of their income from farming, the other 50% comes from off-farm activities. Nobody is actually stupid enough to engage in farming 100%. One can be successful, but only if one is engaged in high-value industrial crop production or if one is producing for a niche market like wine”.²⁴⁷ In fact, approximately 70% of the income of the farming community of the United States is derived from off-farm sources and 45% of farmers engage in agriculture on a part-time basis. In Europe, one third of farmers are part-time and in Japan the figure is 87%. In South Africa, an estimated 20% of commercial farmers farm part-time.²⁴⁸

If land reform is going to contribute to agricultural production and, particularly, to the emergence of a black farming class (whether small or large-scale) the impediments to these aims need to be identified and addressed. Two of the biggest impediments²⁴⁹ are lack of access to land and insecure land tenure. Other problems include theft of produce and cattle, the price of fuel and flooded markets.²⁵⁰ An Eastern Cape study highlighted the importance of access to oxen and tractors or the capital to rent either. In an area in the Eastern Cape (Elugewheni), where the majority of farmers have abandoned their land and where only three families farmed successfully in 2002, those who succeeded did so because they had access to tractors.²⁵¹ A lack of co-operation between land reform beneficiaries also hampers agricultural development. In Haarlem in the Western Cape, for example, the MEC cancelled all state development aid to a group of farmers in 1998 because, the planned fruit export project “*was getting nowhere*” due to “*factions forming amongst the farmers*”.²⁵² The group of 28 small-scale fruit farmers would have earned an estimated net profit of R450 000 annually, once the government had completed an irrigation scheme and built a fruit packing facility on the redistributed farm.

Rukuni and Eicher identify five basic “prime movers” that have to be developed and co-ordinated to achieve agricultural development.²⁵³

- 1) New technology produced by public and private investments in agricultural research or imported from the global research system and adapted to local conditions.

²⁴⁷ Interview with Helena Dolny (Former Director of Land Bank), June 22, 2001

²⁴⁸ Figures for part-time farming from De Klerk M, “Opening Access: An assessment of market-based options for land reform in South Africa”, Paper presented at a conference of the Newick Park Initiative, Land Reform and Agricultural Development, UK, October 1990, Jubilee Centre Publications

²⁴⁹ excluding those listed in preceding sections of this chapter

²⁵⁰ Kretzman S, “Eastern Cape farmers: some big chances, some big parties, but no big plans”, Land and Rural Digest, 9, July/August, 2001

²⁵¹ Sunday Times, August 4, 2002

²⁵² Cook L, “Local government cancels Haarlem farmers development aid”, Business Day, March 2, 1998

²⁵³ Rukuni M & Eicher C.K (Eds.), “Introduction”, Zimbabwe’s Agricultural Revolution, University of Zimbabwe Publications, 1994

- 2) Human capital in the form of professional, managerial and technical skills produced by investment in schools, agricultural colleges, faculties of agriculture and on the job training and experience.
- 3) Sustained growth of biological capital (genetic and husbandry improvements of crops, livestock and forests) and physical capital investment in dams, irrigation and roads.
- 4) Improvements in the performance of institutions such as marketing, credit, research and extension and settlement.
- 5) Favourable economic policy environment and political support for agriculture in the long-term.

It is obviously important that investments in agriculture and land reform result in sustainable development. In this regard, Whiteside²⁵⁴ argues that governments must recognise that the achievement of sustainable increased agricultural production is a long-term commitment that requires long-term stability in socio-economic conditions, efforts to reduce transaction costs and to facilitate private enterprise and more information sharing, particularly with emerging farmers regarding long-term development and production plans. Whiteside continues that government research and extension services should redress existing biases by prioritising long-term sustainability and bringing low external input techniques into the mainstream. In addition, changes caused by a liberalised economic environment need to be actively managed to minimise economic hardship and environmental damage. Both Whiteside and the National Land Committee argue that continued emphasis is needed on building community capacity and involvement. International experience supports this (i.e. Brazil) and also suggests that a move away from bureaucratisation and excessive centralisation is desirable because, this can make land reform programmes more responsive to the diversity of local conditions and communities.

8. Conclusion

The agricultural sector clearly plays a very important role in the overall South African economy, particularly, with regard to employment creation and income from export earnings. Further, there is a clear link between land reform and agricultural production. Given the existence of the two very different agricultural sectors, I argue that South Africa has to develop a land reform policy that achieves the following; (1) ensures that the “white” commercial agricultural sector is competitive and efficient and employs people in accordance with the Basic Conditions of Employment Act as extended to rural areas in 1993. (2) Agriculture in the former homeland areas must be developed to alleviate poverty in some cases, but also to generate income from profitable commercial small-scale farming in others. (3) The land or agrarian reform policy that is implemented should maintain or increase current levels of production in the agricultural sector. The debate about the “type” of land/ agrarian reform policy, which should be implemented (as it relates to agriculture), has centred on the large-scale versus small-scale farming debate. The discussion in this chapter shows that (as will be explained below) an “either or”

²⁵⁴ Whiteside W, "Encouraging Sustainable Smallholder Agriculture in Southern Africa in the Context of Agricultural Services Reform", Natural Resource Perspectives, No.34, July 1998

approach to farm size is inappropriate, and that the DLA's approach to land reform (i.e. promoting a range of farm sizes depending on the people, area and resources involved) is the most likely to achieve the objectives listed above. This argument is based on four of the themes that emerge from this chapter. These are, firstly, given the sector's contribution to the South African economy it would be sensible to maintain a large-scale commercial sector (obviously not a "white" sector) and to encourage efficiency and good employment practices in the sector. Second, the development of small-scale commercial agriculture in the former homeland areas (and elsewhere) is hampered by a number of factors, all of which point to the need for significant statutory support. Third, small-scale farmers are capable of efficient production if (and probably only if) they are given a "package of prime movers". Related to this is the argument that the empirical evidence for the inverse relationship between farm-size and efficiency, is not necessarily an indication of better entrepreneurial efforts, but rather, could be an indication of poverty. And, finally, the apparent assumption (among the protagonists on both sides of the farm size debate) that land reform should focus on agricultural development may be unrealistic, given the socio-economic differences among the inhabitants of South Africa's rural areas. The implications of socio-economic differentiation include the fact that successful small-scale agricultural development programmes are not likely to benefit the poor. Furthermore, the emphasis on agricultural development as a primary goal of land reform may be inappropriate given the fact that a large percentage of "rural" people (particularly young people) do not want to farm.

The liberalisation and deregulation policies that have been implemented and have been affecting the white commercial agricultural sector should (and have) contributed to greater efficiency. The Basic Conditions of Employment Act has also been extended to rural areas, although there are some questions about the impact that this will have on employment (see chapter nine).

The development of small-scale commercial agriculture in the former homelands is hampered by a number of factors. In some cases, individuals lack access to land. In those cases where people do have access to land, the constraints on development include a lack of capital and the necessary agricultural equipment, inability to access cheap credit, the absence of infrastructure, water, transport and (accessible) markets.

Further constraints include tenure insecurity, skills deficiencies and having to compete on an unequal footing in a relatively harsh agricultural and economic environment. Agricultural liberalisation policies did not "level the playing fields" because these policies do not address the fact that systematic support to white farmers have placed them in a dominant position that, for the various reasons discussed in the section on the white commercial agricultural sector, they were able to maintain. Emerging farmers, without the same access to statutory privileges, cannot compete with the dominant and established agricultural sector. This suggests that without substantial state support and involvement, small-scale commercial agriculture in South Africa's former homeland areas is not likely to succeed.

The discussion throughout this chapter (but particularly section 6.5) shows that, based on evidence from Mexico, Tanzania, Chile, China, Cuba, Egypt, Zimbabwe, Peru, Japan, South Africa, Vietnam, Indonesia, Malaysia, Taiwan, Mozambique, Kenya, Brazil, the Philippines and Colombia, small-scale farmers are capable of efficient production if (and probably only if) they are given a “package of prime movers”. The “package of prime movers” includes a favourable political (e.g. peaceful) and economic environment (e.g. that includes good prices for agricultural produce and accessible and functioning markets). It includes state investment in (and provision of) appropriate technology, appropriate agricultural research, social services in rural areas, infrastructure, education and training, extension services, cheap credit, water and transport. In addition, small-scale farmers require access to sufficient amounts of good quality land, the necessary skills (e.g. management and entrepreneurial) and the necessary agricultural equipment and supplies (e.g. seeds, fertiliser, fencing materials, insecticides and machinery). Therefore, a land reform programme based on redistribution to small-scale farmers can succeed if (and probably only if) there is significant state support for (and investment in) the small-scale agricultural sector.

This thesis accepts the empirical evidence, which shows that small-scale farmers are more efficient (in terms of output per square metre/ hectare etc) if they have the necessary support. What the thesis questions, is whether this greater output is the consequence of entrepreneurial ingenuity, more efficient labour usage or, whether it is an indication of poverty. For example, a farmer with a small piece of land, may be using the entire piece of land, all year, and may be producing twice as much per square metre as a farmer with more land, where parts of the land is idle for some/all of the year. But, this apparent greater efficiency may be an indication of poverty. In the sense that, while the large-scale farmer could still increase production by expanding the amount of land under cultivation or employing more labour, the small-scale farmer may literally starve if s/he does not use 100% of her/his land, 100% of the time. Furthermore, variations in levels of production may have more to do with soil quality, or individual characteristics and talents, than with farm size.

The argument made in this section is that policies that recommend small-scale farming as an exclusive strategy for land reform and agricultural development do not take cognisance of the level of socio-economic differentiation in South Africa’s rural areas, and are therefore unrealistic. It is estimated that almost half of South Africa’s population live in rural areas and that between one quarter and one third of people living in the former homelands are destitute. It seems reasonable, therefore, that agricultural development should be the priority of any land reform programme. However, given the discussion on socio-economic differentiation below, it seems that even with sufficient statutory support the poorest households (destitute) will not benefit. If this is the case, it might be more appropriate to promote production for household consumption on garden-sized plots (i.e. emphasise survival as well as commercial production). This is supported by the data that indicates that many of the households who have access to land in South Africa’s former homeland areas are not using it productively (probably because they require substantial statutory support), that only three percent of the of the population of the former homelands are making a living from agriculture, and that income from

agriculture accounts for only 10% of total household earnings in the former homelands²⁵⁵. Further, people often demand land for residential (including as a form of security in old age) and not agricultural purposes. The demand for land is also often driven by psychological reasons that include a desire to create an identity, or to experience a sense of justice. May²⁵⁶ and Hatch²⁵⁷ both show that people obtain livelihoods from a wide range of sources, that farming is relatively insignificant, and that people often demand employment, water, housing and medical care, long before they articulate a demand for farming land. In addition, 40% of the population of the former homelands are functionally urban and are not interested in farming. It is also clear from numerous case studies and surveys including my fieldwork, that many rural Africans (particularly younger people) are not interested in farming. Furthermore, South Africa actually has limited amounts of land available for agriculture – only about 16 percent of South African land is considered arable and of this, only eight percent is high potential agricultural land²⁵⁸. (This is not to say that the number of people interested in farming will not increase. In particular, statutory support and service provision may promote a new interest in agriculture, and for many agriculture (at least subsistence production) provides a very important part of their overall livelihood package.)

Further, it seems that the development of agriculture (small-scale or large-scale) in the former homeland areas will not necessarily alleviate poverty and is far less likely to generate the level of income required to lift households out of poverty. Support for large-scale agriculture is not going to alleviate poverty unless it is accompanied by effectively implemented labour legislation (see chapter nine). With regard to small-scale farming, it is argued in this chapter that small-scale farming can alleviate poverty (as claimed by World Bank representatives and the proponents of the small farmer strategy), but will not alleviate poverty for the poorest sectors of South Africa's rural areas. (Also see chapter two where I argue that land reform can alleviate poverty under certain conditions).

This is because the degree of socio-economic differentiation in South Africa's rural areas is not reflected in policy approaches. For example, we saw in section five of this chapter (following Schlemmer²⁵⁹) that only approximately 3% of the homeland population are making a living from farming and that the households who are managing to do so, are also the households who have access to off-farm income. In the discussion on the small – scale sugar farming industry, Thomas²⁶⁰ (1994) also found that it was the households who had access to remittance incomes that were able to accumulate the capital required and invest in agriculture. Thomas also argues that the constraint that lack of access to

²⁵⁵ Schlemmer L, "The situation in South Africa with special reference to rural productivity", in Vorster S, Land Reform in Southern Africa, Conference Paper, Democratic Union of Africa, Cape Town, 2001

²⁵⁶ May J, "Assets, Income and Livelihoods in rural KwaZulu-Natal", Land, Labour and Livelihoods in rural South Africa, Volume 2, Lipton M, Ellis K, & Lipton Merle (Eds.), Indicator Press, December, 1996

²⁵⁷ Hatch G, "Livestock and Rural Livelihoods in KwaZulu-Natal", Land, Labour and Livelihoods in Rural South Africa, Volume 2, Lipton M, Ellis F & Lipton M (Eds.), Indicator Press, December, 1996

²⁵⁸ Schoeman J.L & Scotney D. M, "Agricultural Potential as determined by soil terrain and climate", South African Journal of Science, volume 86, 1987

²⁵⁹ Schlemmer L, "The situation in South Africa with special reference to rural productivity", in Vorster S, Land Reform in Southern Africa, Conference Paper, Democratic Union of Africa, Cape Town, 2001

²⁶⁰ Thomas D.J.J, A critical assessment of the promotion of small-holder agriculture in South Africa, MA, University of the Witwatersrand, Johannesburg, 1994

remittance income has on household farming capacity is illustrated by the poverty of female-headed households who tend to engage in subsistence production only. The implication is that it is virtually impossible for the poorest sectors of rural society to engage in profitable farming because all the methods aimed at increasing production, require resources. While households that are “better-off”, or rather, households that have access to regular and predictable wage remittances can plan and invest the money in agriculture.

The debate between the advocates of large-scale vs. small-scale agriculture as the primary strategy of a land reform programme appears to be almost dogmatic. Given the preceding discussion, the idea of a hardy peasant class of wealthy small-scale farmers seems unrealistic – unless these farmers have access to high levels of state support, which South Africa probably cannot afford. It is important, however, not to promote the “large-scale is efficient” bias that kept arguably inefficient large-scale white commercial farmers on the land for decades. At the same time, not all large-scale farmers are inefficient, and redistributing large-scale farms to small-scale producers (who do not have access to significant state support) may result in, as Dyer puts it, a rural population consisting of “half-starved agricultural labour households”. The point is that South Africa should be developing policies that (1) take account of socio-economic differences in the “rural” population and (2) facilitate efficient agriculture irrespective of the farm size and (3) address the inequitable distribution of land and agricultural income according to race.