

CHAPTER 2

THE HISTORICAL JUSTIFICATION OF THE SOUTH AFRICAN LAND REFORM POLICY

2.1 Overview of the literature review

The aim of the review is to outline historical justification that led to the formation of the South African land reform policy so as to situate the emergence of LRAD and Agri-BEE against the background of the Post-apartheid Land Reform Policy implementation experience of the last 11 years. In particular one will look at how the history of apartheid colonialism led to the emergence of the white commercial farmers at the expense of black small-holder farmers under the bimodal agricultural system. The bimodal agricultural system was characterised by the intervention of the apartheid state in the economy through offering subsidies to a white minority group while destroying the majority of the Black peasantry. However this binary model found in the South African agriculture will be compared with those found in other parts of the African continent, especially drawing from countries like Kenya and Zimbabwe in an attempt to show the negative impact that white settler colonial land policies had on black farmers in the African continent.

The second section of the literature review focuses on tracing the etymology of Black Economic Empowerment discourse within the South African Land reform policy. This will be achieved through dividing the South African land reform policy into two historical epochs: one commencing from 1994-1999, followed by the era spanning 1999-2006. More focus will be placed on the latter era, since it is credited with formally aligning LRAD with the broader objectives of Agri-BEE in the agricultural sector.

To conclude the section one will look at the aims, challenges and achievements of the Agri- BEE and the redistributive pillar of the South African land reform policy, since scrutiny of the two will give an indication of whether BEE is succeeding in the agricultural sector or not. As Cousins (2000) asserts, over the years a range of interventions have been made by the South African state to increase the number of black

commercial farmers in the agricultural sector. However most of these interventions have reached only a small elite and many have proved unsustainable in the absence of major state support (Lahiff 1997; Walkinson 1996).

2.2 Historical Overview

Historians have argued that land dispossession and South African history are synonymous⁴. This history of land disposition dates as far back as 1652 and marks the first European settlement at the Cape. During the nineteenth century South Africa was characterised by colonial wars, and its White-led government was concerned about securing domination over its people. This history of land dispossession was accelerated by the era of the discovery of diamonds and of gold, which perpetuated the colonial economy requiring a large cheap labour force, thus land dispossession was driven by a need to draw peasants away from their land and to push them into the system of migrancy (Wildschut and Hulbert 1998). The process of land dispossession was re-enforced by the pass laws, which restricted and controlled the movement of people, and the introduction of the system of poll taxes, which forced people into the cash economy and obliged them to sell their labour. The South African history of land is also defined by the loss of substantial rights to land, facilitated by a series of laws which were passed to outlaw black people from owning land in towns, and outside the reserves.

Letsoalo (1987) postulates further that the South African history of land and agriculture was defined by high levels of inequalities shaped by a number of critical factors. The notion of white settlement and the alienation of land previously owned by the indigenous population are among the critical factors mentioned above. The White settlement was a movement commonly known as the “Great Trek”, meaning the occupation of land previously owned by blacks. Its purpose was to reduce land for the blacks in the rural

⁴ In his paper titled “Not Rural, but Agrarian Reform. Beyond the Neo-Liberal Agenda”, Cousins (2005) reintroduces the issue of land dispossession into the agenda of agrarian transformation, by arguing that the first step to a successful agrarian reform is to confront the legacy and the history of land dispossession. Cousins draw from the works of Bernstein 1996; Hart 1996; Levin and Weiner 1996, 1997; Levin and Neocosmos 1989; Neocosmos 1993. These studies will be introduced in the next section of this study in order to extend Ben Cousin’s assertion that an appropriate analytical framework for understanding continuing inequalities and deep poverty in South Africa’s rural areas is to tackle the unresolved classical question of the dispossessed.

areas, thus the reduction of land and survival options forced many blacks to exchange their labour for work on the European farms, and they became tenants engaged in “Kaffir farming”. This reinforces Wildschut and Hulbert’s (1998) point about one of the critical factors that facilitated the history of land dispossession. For him land dispossession was perpetuated by the nineteenth century gold and diamond discoveries, which contributed to the formation of the capitalist economy in South Africa, by greatly increasing the need for labour in the mines and industries (*ibid.*). These strategies of turning farmers into labourers was one way to take black people out of their land to go and sell their labour to the Europeans, hence South African conflict over land was linked to conflict over labour (Mbeki 1964).

These labourers were divided into two: those who worked for cash and payment in kind, and those who were allowed to settle on European farms to graze and to cultivate, but the latter group was obliged to work for the landlord for a certain period of time. Letsoalo (1987) asserts that both labourers contributed to the emergence of the capitalist agricultural sector in South Africa. He argues that the “Kaffir farming” was later replaced by the logic of colonial capitalism, where blacks were living in the era of white settler colonisation which pushed and confined the black population into the reserves. The colonial wars and contests over land during that time led to the dispossession of many indigenous people, thereby reducing the number of peasant farmers (Tilley 2000).

Mbeki (1964) asserts the existence of such a peasantry was incompatible with the distinctive pattern of capitalist development in South Africa.

That is the growth of the peasantry was reversed after the Gold mining industry developed its vicarious appetite for cheap labour and the produce market made capitalist forms of production on white-owned farms economically viable, and its reversal required not only the grabbing of immense quantities of land, but the determined intervention of the state to keep land from the hands of the most successful African farmers and to drive smaller-scale tenant farmers into wage labour (Mbeki, 1964:166).

Intrinsic to this process of migrant labour was the destruction of African agriculture in which black people were only allowed to remain in the white areas as servants, never as independent producers or co-workers. Given their minority population, whites venturing into mining and agriculture were in dire need of labour. This led to the emergence of a semi-proletarianised class of worker-peasants which had to become wage labourers in order to pay land taxes and buy goods. Consequently most of the conquest was linked to demands for labour. By destroying African agriculture the Bantustans made rural Africans increasingly dependant on alternative sources of livelihoods.

Contrastingly, Bundy (1972) argues that the years 1830 to 1870 saw the emergence of a South African peasantry, as hundreds of thousands of Africans in the colonised areas successfully resisted migrancy or entry into poorly remunerated wage-labour, instead entering the produce market. It is because of this analysis that Kariuki (2003) states that the discovery of diamonds in Griqualand west in 1867 had a contradictory effect on the peasantry. On the one hand it intensified the demand for African labour on the mines, roads, railways, and white commercial farms, a demand reflected in the passing by the Cape Assembly. On the other hand it also made possible a virtual explosion of peasant economic activity which enabled many to meet both the new taxes, and satisfy growing consumer wants of the peasantry.

Subsequently, apartheid policies that included forced removals of millions of black people and the Bantustans system condemned the majority to lives of utter deprivation in overcrowded and impoverished reserves, most of which are in the rural areas (Letsoalo 1987). As such the over-population of the Bantustans and their underdevelopment restricted the development of the African peasantry. For instance the 1913 Land Act led to the formal establishment of black labour reserves, which subsequently became the Bantustans under apartheid. The South African Land Act of 1913 designated 8% of the country's farmland as the only area that could be legally farmed by blacks (Mbeki 1964).

2.2.1 The impact of apartheid on the bimodal agricultural system

The 1913 Native Land Act was enacted to provide a surplus of cheap labour while reducing competition from African farmers. The 1913 Land act therefore promoted segregationist principles in order to punish independent African producers. In promoting racial divisions the act aimed to establish bureaucratic machinery that could bring about an orderly separation between white and black farming areas. When the National Party came to power in 1948, its apartheid policies were built on the foundation laid by previous government Acts and practice. However the National Party aimed to move beyond mere segregation into a far more comprehensive policy of social engineering. To achieve this end the apartheid state commissioned the Tomlinson Commission, which was aimed at developing and devising a scheme for the rehabilitation of the native areas with the view to developing within them a social economic planning (Letsoalo 1987).

The Tomlinson Commission also aimed to modernise black farmers as they were believed to be hazardous to the environment, since they did not know how to use the latest technology due to the impact of the apartheid bimodal system. The Commission proposed that the betterment of black farmers could be facilitated through injecting necessary capital, infrastructure and land. The report also stated that the betterment of black farmers could be achieved through relocating people to the villages in which land was allocated to residential, arable, grazing and woodland areas. The Tomlinson Commission estimated that about 50% of black South Africans would be rendered landless by betterment planning (Letsoalo 1987: 60). By so doing, the Commission placed a premium on commercialisation while compromising rural people's livelihoods and access to land. The government rejected the Tomlinson Commission recommendation of making half the population of the reserves landless while continuing with the betterment of the reserves

Even though the apartheid government rejected these recommendations it continued to proliferate a number of policies devised to support large-scale white commercial farmers over small-scale black commercial farmers. For example, in the period prior to the 1980s, the government used 80 Acts of Parliament aimed at assisting the large-scale white

commercial farming sector while compromising the small-scale black commercial farming sector (Greenberg 2004).

The government also provided more than R4 billion in direct financial assistance to about 27 000 white farmers during the 1980s (Wegeriff 2004). Furthermore, government subsidies to wheat amounted to R500 million in 1998 (Greenberg 2004). In addition to direct financial subsidisation, the government maintained a high level of tariff protection for agriculture in South Africa. The above-mentioned made the South African agricultural sector one of the highest subsidised sectors in the world during the early 1980s (Centre for Development and Enterprise 2005).

However, (Vink 2000:4) points out that the investment the apartheid government made towards large-scale white commercial farmers did not match the output, since growth in both labour and land use was negative. Besides the surplus that was produced from huge financial subsidies provided by the state, most farmers exported at a loss, which really proved that the apartheid government's interest in retaining white commercial farmers was a political one, not that they produced more than small-holder black farmers. For instance in the 1960s, over 80% of the nearly 500, 000 hectares of white-owned lands was farmed by black tenants who proved to be as efficient as large-scale white farmers (Mbeki, 1964).

Greenberg (2004) postulates further that large-scale white commercial farmers formed the core of government's support base, so it was prepared to carry the costs of this system of surplus removal by providing consumer subsidies on basic food items. In contrast, black farmers were left with limited access to land, markets, finance, communication infrastructure and technology, which prevented them from making progress (Lahiff 2001).

2.2.1.1 Evaluating prospects for agrarian change in post-apartheid South Africa, Post-Smith regime in Zimbabwe and post-British era in Kenya.

This study will show how the current South African land reform policy through the Land Redistribution for Agricultural development (LRAD) aims to counter the effects of the bimodal agricultural system in the agricultural sector. However the debates invoked in the literature reveal that instead of exploding these binaries, models and biases that were created during apartheid, the current LRAD grant structure perpetuates some of these biases that were noted herein. For instance Cousins (2002) notes that the progressive farmer model that was pursued during the apartheid era still persists, thereby favouring well-resourced and experienced large-scale commercial farmers, which is considered a noble way of spending rural development funds.

A similar bias is also recorded in the post-Smith regime in Zimbabwe and post British rule (1963) in Kenya, where there is a strong bias towards the progressive farmer model. The bias towards large-scale commercial farmers was informed by rural development literature which influenced rural development initiatives in countries like South Africa, Namibia and Kenya. For instance, in Kenya there were widespread assumptions that favouring progressive farmers is a prudent policy⁵. There was a belief that the safest way of investing rural development funds was to allocate them to those who have already succeeded in farming or business, or who have had relevant training and education (Leo 1987). It was believed that these are people who are most likely to achieve increased levels of production and income.

For instance, an interesting Zimbabwean case of the Umfarudzi smallholder reveals that in 1981-1982 smallholder farmers recorded an average cotton yield of 1738 kg/ha, as compared to 15000 kg/ha for local large-scale commercial farms (van Zyl and van Rooyen, 1990: 184 as cited in Schirmer 2000). During the same period the smaller figure

⁵ In practice progressive farmers are those who have shown, by past success, that they are capable of earning money as commercial entrepreneurs. The policy favouring the progressive farmer, therefore, means that the government should intervene in the economy to offer extra advantage to an already existing privileged minority.

for maize was 4067kg\ha, compared to 4164 kg \ha for large-scale commercial farms. In addition smallholder farming is labour intensive and is able to generate employment, while commercial farming is much more capital intensive and thereby generates far less employment (Schirmer 2000). Moreover the Zimbabwean smallholder farmers were able to triple the maize surplus from 10% between 1980 and 1987, and increased their share of the national market surplus from 10% in 1980 to 40% in 1987 (Eicher 1994 as cited in Machete 2003).

Similarly, in post-independent Kenya during the Kenya Million Acre settlement scheme, it was found that non-progressive farmers performed better than progressive farmers (Leo 1987). For example smallholder farmers who owned farms of less than two hectares managed to increase their share of national agricultural production from 4% in 1965 to 49% in 1985 (Machete 2003). The above shows that even though the terms of Kenya Million Acre settlement favoured progressive farmers, the output per hectare of non-progressive farms was 19 times higher and employment 30 times higher on smaller holdings under 0,5 hectares than on larger holdings of over 8 hectares (van Zyl 1996: 266).

It is because of the above-mentioned evidence that Machete (2003) suggests that African governments should give priority to the development of both smallholder and middle farmers. This assertion ties in neatly with this study's broad research concern that for South African land reform to attain its goal of introducing a radical shift from the previous land regime, it also has to develop smallholder black farmers who were excluded during apartheid.

The following sections, which discuss the current land reform policy, will show how this attempt to deracialise the agricultural sector continued to fail even during the former part of the first decade of the post-democratic dispensation. These failures will be exemplified through the failures of the Settlement for Land and Acquisition Grant (SLAG) where land was redistributed under SLAG, but there were limited inroads towards deracialising the Agri-economy.

2.2.2 The Post-1994 Land Reform Policy Formulation Process

South Africa's transition to democracy in 1994 resulted in the election of the first black president and black ruling party into power; a party that was born out of the land struggle of 1922 (Kariuki 2003). The election of the African National Congress as the ruling party resulted in a meteoric rise in people's expectations, one of which was that the ANC government would transform property rights dramatically and reverse the history of land dispossession. The thinking was that this would establish the basis for an improvement in the lives of the poor and dispossessed (Tilley 2000).

Fanon (1967) notes, many post-colonial ruling parties do not rise to the expectations of the people who voted them into power. Instead they rely heavily on forming neat categories that are devoid of participation of those they seek to assist. On the same note, Levin (1997) observed that the transition from pre-colonial era to development is a contradictory process, where concrete solutions for improving the quality of people's lives are slow to emerge and participatory efforts remain peripheral. Walker (2003) attributes the above to a protracted nature of post-transition environment, where the state finds itself having to reconcile competing objectives from various interest groupings. In finding solutions to these constraints the state could either use elite or societal consensus approach (*ibid.*). The former denotes a consensus by central actors such as delegates from different interest groups, policy-makers and politicians during policy developments, while the latter means that all stakeholders should agree, tacitly or openly, with the implementation and consolidation of the policy.

Levin (1997) however argues that most former colonies often opt for elite consensus as opposed to societal consensus. He attributes the above legitimisation of top-down technicism, to policy-makers who are disconnected from people's everyday struggles and long-term aspirations. Escobar (1997) blames this on the type of policy discourse planners promulgate in the post-independence era. He notes that the discourse of the new ruling class goes through a series of structural changes during the post-independence stage, but the architecture of the discursive formation laid down in the period 1945-55 remains unchanged, allowing the discourse to adapt to new conditions. The result has

been the successive development strategies and sub-strategies up to the present moment that fall within the confines of the same discursive space.

Escobar (1997) further argues that development models proceed through the creation of abnormalities such as the illiterate, the ‘underdeveloped’, the ‘malnourished’, ‘small farmers’, or landless peasants. To overcome this underdevelopment there is a view that international organisations (such as the World Bank and IMF) and governments of the Northern countries should take an active role in promoting and orchestrating necessary efforts to overcome general backwardness and economic underdevelopment of these countries (*ibid.*).

Instead of developing third world countries, Escobar (1997) argues that development theory perpetuates the discourse of exploitation, dependency and further underdevelopment. This is exemplified by the system of power relations established behind the elements of the strategies used to deal with development. This system of relations establishes a discursive practice that sets rules of the game: who can speak, from what point of view, with what authority and according to what criteria of expertise; it sets rules that must be followed for this\ that problem, theory, and how it can be analysed and eventually transformed into a policy or plan”(Escobar, 1997:87). The challenge with this deficit model of development is that it encourages policy-planners to exclude people whom these policies are designed to serve.

Similarly, Taylor (2000) asserts that the discourse of development reveals itself as an empirical social phenomenon situated within the web of social relations and subject to a political domain of power. It appears bifurcated at a number of different levels: tradition and modernity; science or knowledge and ignorance; technology transfer and participation. However in her view all these comprise different aspects of the same fundamental discourse, one in which low-resource farming is viewed as inherently lacking technology, knowledge or capability. On the other hand commercial farmers assume a ‘modernity’ which is undefined.

It is because of the above that Escobar (1997) argues that development discourse identifies a trait or abnormality by which to characterise its objects, namely subsistence farmers, who are assumed to be traditional; emerging farmers, who occupy an intermediate phase between tradition and modernity; and commercial farmers who are the champions of modernity.

The above categorisation is also exemplified in the LRAD policy document where three categories of farmers are catered for, namely commercial farmers, smallholder farmers and subsistence farmers in the food safety net section (*ibid.*). Taylor's (2000) observation which was influenced by Escobar shows that whenever the ruling elite failed to deal with the challenge of underdevelopment confronting their country, they resorted to neat categories such as large-scale and small-scale, formal and informal, first and second economy. In other words it has always been easy for the ruling elite to create neat categories that obscure the messy picture on the ground; for instance that there is a parasitic relationship between the first and the second economy. This approach often inhibits an honest analysis of complex and often overlapping interactions between these layers of society. For instance van Zyl (2001), as cited in Cousins (2005), makes the point that the structure of the South African society and its economy is deeply divided, or dualistic, with a sophisticated and industrial 'core' which is well-connected to the international economy, and a large periphery (the township and rural areas) characterised by weak local economies, and therefore highly dependent on the core economy.

Escobar (1997) argues that there is an essential link between how policy-planners conceptualise social reality and their intervention, since the course of action taken to 'right' these 'wrongs', is to optimise in the face of inefficiencies or to force 'tradition' into the realm of modernity. For instance, one way is to produce discourse, which circulates and maintains its volition as an integral part of the exercise of power where exogenous interventions such as markets are imposed by the state, research organizations and business (Taylor, 2000)⁶. This discourse results in the exclusion of dissenting voices

⁶ In February 1992, the World Bank initiated a report on the agricultural sector in South Africa, and in November of the same year a series of studies of the implication of international experience for agricultural

of indigenous people, voices that emanate from the people who voted for the ruling party in power.

2.2.3 The Triumph of the World Bank

Using Escobar's (1997) analysis can be instrumental in accounting for reasons that led the development of land reform policy in South Africa to take the technicist, top-down route, even though the policy process was presented as a societal consensus. The policy process followed conventional stages where ordinary civilians were consulted in various forums and mediums. One of the famous forums used was the Bloemfontein Conference in 1994, where civil society groupings, non-governmental organisation and ordinary members of our society were called to present their propositions on how the land policy should look like. Amongst many key policy issues that were proposed at the Conference were the introduction of land tax, no compensation for expropriation of land in the hands of white farmers who stole it, and an appeal for retracing land restitution to a period prior to 1913. Nevertheless the final document did not reflect core demands that ordinary South African proposed, since land tax, private property rights and financial compensation for white farmers is still intact. Moreover the final document also asserts that restitution will start with people whose land was dispossessed in 1913 after the introduction of apartheid racial policies, as opposed to the people who were also forcefully removed from their areas in 1652 during the arrival of the first European settlers at the Cape.

Levin (1997) attributes the above to an entrepreneurial role that was played by international monetary institutions such as the World Bank and the IM during policy formulation process. The World Bank's role is particularly highlighted by the international experts who gathered to present on land reform and agricultural policy in South Africa in Mbabane, Swaziland, in 1992 (Hall and Williams 2003). Furthermore,

6 In February 1992, the World Bank initiated a report on the agricultural sector in South Africa, and in November, the same year a series of studies of the implication of international experiences for agricultural policy and land reform in South Africa was presented, at the Royal Swazi Sun. After the documents were produced the World Bank entered into a series of discussions with prospective policy-makers in South Africa concerned with housing and urban issues, education, health, land and agriculture and macro-economic strategy for the new South Africa (Williams, 1996, p.2).

Hall and Williams (2003) state that it was the World Bank's contribution with the then newly-formed Land and Agricultural policy Centre (LAPC) in 1993 that served to persuade the new government to adopt the land reform programme based on its prescriptions. The acceptance of these prescriptions by the ruling elite was largely influenced by a policy vacuum on the part of the ANC, as most of the ANC policy statements were guided by visions outlined in the Freedom Charter. This vision of the freedom Charter also influenced the party's pronouncement on land reform. The ruling party borrowed heavily on the Freedom Charter's pronouncements of ending restrictions of land ownership on the basis of race, and the re-division of land amongst those who work it to banish famine and hunger. However the final product of the land policy watered down some of the radical demands proposed by the freedom Charter, such as those that calls for the right to occupy land wherever the tillers of the land chooses. Hendricks (2001) attributes this cautious restraint on the side of the ruling party to the surveillance and the influence of international bodies such as the World Bank during the policy formulation process.

For instance one of the World Bank's prescriptions was that in five years time, 30% of land must be redistributed to blacks. Ironically the same 30% target was pronounced as the RDP target, this was followed by the target's appearance in the redistributive pillar of the South African land reform policy (Hendricks 2001). Moreover private property rights and market-oriented land reform followed through SLAG R16 000 grants, which were meant to help interested beneficiaries to articulate their demand for land in the land market.

Kariuki (2003) asserts that the above is not surprising, since in every country where the World Bank has intervened private property rights, market-led land reform, and rights-based land reform become landmarks. He further consolidates his assertion by looking at the pattern that has emerged in Kenya and South Africa around private property rights and market-oriented land reform. Thus Levin and Weiner (1997) argue that the end product of the South African Land reform policy reflected World Bank motivation for a land reform process driven by the transnational interest of global capital, where property

rights are negotiated and codified in the context of transnational bargains of power to democracy.

In summary, this conceptual approach to policy formulation provides the study with a framework for understanding policy choices that were made during the land policy formulation process. This is exemplified in the protracted nature of the policy formulation process, where competing interests are presented by different stakeholders during the consensus bidding phase, but the final outcome of the policy safeguards and consolidates the interest of the well-resourced few through the imperatives of the market-led reforms and private property rights regime. This exemplifies an elite-driven top-down developmental approach which contradicts participatory, bottom up approaches to development, proposed in the next section by the radical political economic school of thought for the advancement of black commercial farmers.

2.2.4 The Agrarian Question

Levin (1987) argues that two approaches to the agrarian question are discernable in the academic social sciences. He states that the first may be associated with what Henry Bernstein (1985), as cited in Levin and NeoCosmos (1987), termed, Neo-classical populism and is closely identified with the perspective increasingly adopted by the World Bank. This position advocates the achievement of efficiency and equity through perfect market conditions sustained by communities of peasant freeholders and co-operatives. It carries with it populist attacks against an oppressive state, while calling for capitalism without exploitation, and efficiency without inequality.

According to Levin (1987), such approaches find expression in the South African context through the works of Merle Lipton, who sought to explode the myth that blacks are poor farmers by attempting to demonstrate how the diabolical hand of the state has prevented the emergence of rational and efficient small family farming units. NeoCosmos (1987) further observed that the other broad approach to the agrarian question is the radical political economy which originates from the work of Wolpe and Legassick. These

scholars placed emphasis on the destructive effects of apartheid and capitalism on African peasantries who were transformed in a linear way to becoming proletariats.

Cousins (2005) states that the aforementioned strategy was devised in order to safeguard the interests of white commercial farmers. The social and political order of white commercial farmers meant that policies, in both the segregation and apartheid eras, promoted cheap agricultural labour, provided exclusive subsidies, and installed a bureaucratic regime to regulate production and distribution of trade in the interests of agricultural capital. The concentration, scale and productive capacity of capitalist agriculture in the late 20th and 21st centuries is clear evidence that the agrarian question of capital was resolved, via accumulation from above (Bernstein 1996 as cited in Cousins 2005).

According to Cousins (2005), accumulation from above sees pre-capitalist land owners transformed into agrarian capitalists. On the contrary, accumulation from below occurs where conditions for petty commodity production are established and a fully capitalist agriculture emerges through class differentiation and other kinds of small producers (*ibid.*).

However, Levin (1987) argued that a common weakness in both these approaches is that, they tend to homogenise black people in rural areas. The neo-classical populism does this through attempting to establish the essential viability of black agriculture in the absence of apartheid. In so doing, he argues that they overlook the contradictions and unevenness of capitalist development, because the concept of viability in the abstract implies homogeneity, since it carries with it the notion that under perfect conditions, all “rational” small-scale producers will make utilitarian choices and calculations and hence become viable. The second approach homogenises black rural areas by arguing that the fate of people in the rural areas is bound to be proletarian (*ibid.*). This signals that black rural areas tend to be viewed as being inhabited by undifferentiated black masses, vegetating on the periphery of the centres of capitalist development in South Africa.

In Tilley's (2000) view the strength of the neo classical school is that it identified the fact that black rural areas are agriculturally deficient due to social injustice of the past and state intervention, therefore the path to overcoming historical injustices is to encourage the post-democratic state to intervene on behalf of a stratum of black farmers. This inadvertently subverts the operation of the free market, as the path to capitalist development cannot be achieved without state intervention. This proposition challenges the neo-liberal assumption that no additional funding from the government is required and that additional funding will be derived from the private sector, public-private partnership, donors etc. (Cousins 2005). Therefore Cousins (2005) suggests that a proactive approach can make use of market mechanisms to target land reform in regions of emerging opportunities where need and demand are also found. This will in a way explode the fictitious dichotomy drawn between demand-led (or market-based) and supply-led (or state-based) land reform as experiences dating from 1994 proved that this dichotomy is not particularly useful (*ibid.*)⁷. This idea will be expressed fully in the next section that deals with the post-1994 policy formulation process, since the land reform policy is a direct response to the issues raised by the land question.

This study finds the radical political economic theory useful for proposing ways in which black commercial farmers can be empowered. The theory suggests that the first step towards the successful empowerment of black commercial farmers is to resolve the agrarian question of the dispossessed. This can be done through restructuring the agrarian economy to provide the previously dispossessed with access to land and productive assets. This is premised on the potential for accumulation from below in both agricultural and non-agricultural forms of petty commodity production and expanded opportunities for multiple livelihood strategies.

Furthermore the neo-classical theory foregrounds this study by exploding the notion that black commercial farmers are bad farmers: instead it identifies the historical injustices of

⁷ In a demand-driven approach beneficiaries define the project type and size they want to pursue and then the state gives them grants to buy land in the land market. A supply-driven approach to land acquisition occurs when the state identifies and purchases land in the land market and then identifies those in need of land.

the past as the main factors contributing to black farmers' poor performance. Therefore they propose that the only way of bridging the gap between black and white farmers is through a strong state intervention. This aspiration of deracialising the Agri-economy is encapsulated in the next section, that discusses the South African land reform policy as an epitome of the South African state's attempt at diffusing the bimodal agricultural system of the past.

2.2.5 The Land Reform policy in South Africa

The political and economic pressure for land reform grows out of South African history of colonial dispossession in the eighteenth and nineteenth centuries and the racial patterns of land ownership that the successive white minority government enforced after 1910, which resulted in 13% of land being reserved for use by the African majority (Walker, 2003). To correct these inequalities, the ANC-led government introduced a number of measures, chief amongst these is the South African Land Reform Programme which gets its mandate from section 25 of the South African Constitution. Section 25 empowers the state to advance the objectives of land reform in the country through dealing with insecurity of tenure and victims of land dispossession (South Africa, Department of Land Affairs, 1997:7). Furthermore the Constitution of the Republic of South Africa, Act no.108 of 1996, placed the responsibility on government to take steps that would enable citizens to gain access to land.

The Constitution further created a constitutional mandate for the Department of Land Affairs, together with the Commission on Restitution of Land Rights or Land Claims Court to ensure that there is equitable land distribution among South Africans and that the injustices of land dispossessions dating back to 1913 are effectively addressed. What is shown above clearly reflects that section 25 of the Constitution serves as an agenda of transformation, which obliges the government to implement land reform in the nation's interest (Hall 2005). Section 25 (4) goes on to say the public interest includes the nation's commitment to land reform. Subsections 25 (5), (6) and (7) equip the government with powers to intervene in and override the markets, including through expropriation in order to fulfill its public purpose (Wegeriff 2004).

The foregoing is quoted against the background of clause 1 of section 25, which gives qualified protection to property rights while clauses 8 and 9 are about transforming property rights. While the Constitution seeks to reconcile competing objectives, it also reflects tensions and trade-offs that might be associated with the need to protect property rights and the obligation to undertake land reform in a manner that will reflect the spirit of reconciliation and national transformation (Cousins 2000).

Furthermore, Hendricks (2001) argues that the land policy is overburdened with objectives ranging from (i) redressing historical injustices, (ii) fostering national reconciliation, (iii) underpinning economic growth and, (iv) improving household welfare by alleviating poverty. Taken together these objectives engender notions of efficiency and rights. The underlying assumption is that efficiency can be achieved while satisfying the rights of individuals. However, Thwala (2003) asserts that the two cannot be met concurrently since satisfying either of the two results in a trade-off.

Thwala's (2003) concern is also reflected in the White Paper of 1997. The 1997 White Paper on South African Land Policy sets out to promote economic growth and provide secure tenure for all (Wegeriff 2004). The White Paper on agriculture also aims to build an efficient and internationally competitive agriculture through supporting the emergence of small and medium-sized farms side by side with large scale commercial farms (White Paper on Agriculture 1997).

Furthermore, the land reform programme aims to contribute towards fostering reconciliation, stability, growth and development in an equitable and sustainable way (South Africa, Department of Land Affairs 1997:7). To achieve these objectives three pillars are utilised namely tenure reform, restitution programme and redistribution (Mather 2002).

2.2.6 Tenure Reform

The aim of tenure reform is to address the insecurity of household living in a range of different situations including former homelands, informal settlements around urban areas, and farm workers on white-owned farms. Tenure reforms also needed to address a range of problems that resulted in the frequent dispossession and exploitation of blacks on commercial farms. The Land Reform (Labour Tenants) Act of 1996 protects labour tenants and gives them the right to claim land.

Tenure reform has two distinct aspects, one dealing with improving the security of tenure for those living on other people's land, primarily farm dwellers on commercial farms, and the other aimed at providing legally secure tenure for people living on communal land, primarily in the former Bantustans (Mather 2002).

Notwithstanding what has been stated before, Lahiff and Cousins (2004) assessment of the impact of tenure reform on land redistribution exposes some of the key failures of tenure. In their view there is little evidence available on the impact of land tenure and land redistribution on intended beneficiaries. A total of 2,493,567 million hectares has been transferred through various land reform programmes (as of 29 February 2004), including state-owned land (some of it within the former homelands), former white commercial farmland, and protected areas such as nature reserves. Out of this 2,493,567 million hectares that has been redistributed only less than 4% of land has been redistributed through tenure.

These failures can be attributed to a deep-seated problem in the South African land reform programme of relying heavily on market redistribution with less government support. This minor state intervention approach is informed by a mistaken assumption that is often made by policy-planners, by assuming that once black farmers have secured freehold rights they will be able to provide collateral to improve in order to attract investments. However, a research conducted by Hall (2003) revealed that most communal small-scale farmer's projects collapse and lose the land because they cannot access capital to facilitate production.

This lack of tenure in communal areas leads to underdevelopment of black farmers, as it prevents those who have secured freehold rights from attracting investment and accessing mortgage capital, since their tenure is insecure. This undermines the emergence of black farmers since they cannot invest. In a later section of the report the author will show how this problem of lack of finance has been identified and addressed by LRAD through one of its components called “agriculture in communal areas”.

2.2.7 Restitution

The restitution pillar of land reform sets up a legal and administrative process for the resolution of land claims, governed by the Restitution of Land Rights Act (Act 22 of 1994). The aim is to restore land rights to people who can prove that they were dispossessed of such rights after 19 June 1913 due to racist laws or policies of former the government (Brown, et al. 1998): Lahiff (2001) estimates that over 3, 5 million black South Africans in rural and urban areas were forcibly dispossessed of their land and homes during the apartheid era. Restitution can take different forms, namely restoration of land under claim, granting alternative land or financial compensation. Claimants can also receive preferential access to state development projects. In other words all restitution claims are against the state as opposed to the current landowners.

Kariuki (2005) revealed that out of the 79 000 claims with the Commission on Restitution of Land Rights (CRLR) before the 1998 cut-off date, 2005, 62 127 claims had been settled, at a total cost of R 4.9 billion, by 30 June. Out of this money, R2.5 billion was given out in financial compensation, and about 900 000 hectares of land was redistributed at a cost of R1.9 billion. So far, nearly 900 000 people have benefited from the restitution programme. This means that out of three-quarters of claims which have been settled, only 6% of these involve the transfer of rural land. Most of the land that has been delivered involves cash compensation, which has made limited inroads into the broader objective of land reform of restoring land to the previously dispossessed black citizens. Moreover the land that has been transferred is of low quality, which cannot genuinely empower claimants and enable them to pursue land use options of their choice (*ibid.*).

It is important to note that the restitution process has not met any target for redistribution of land. Instead the original targets for the restitution programme were three years for the lodgment of claims, five years for financial compensation of all court orders (from a base date of 1 May 1995). However for the purpose of this study the author will concentrate more on the redistributive component of the South African land reform programme.

2.2.8 Land Redistribution

The genesis of the land redistribution pillar dates as far back as the end of apartheid in the 1990s, when those aspiring to lead the country after liberation faced a crisis of slow economic growth, high inflation, mounting government debts, growing poverty and massive inequalities in wealth. In this context it was necessary to meet redistributive demands of those in the liberation struggle and the poor, while not provoking a right-wing backlash, and avoiding the flight of capital and skills from the country (Thompson 1995 as cited in Wegeriff 2004).

The assumption at the time was that the government was committed to a land reform that would target the poorest of the poor. This assumption was further consolidated when the first non-racial government began with the Reconstruction and Development Programme RDP (Jacobs 2004). Hence the Land Redistribution Programme is said to derive its influence from the Reconstruction and Development Programme. Initially the aim of the redistribution component was to widen the net of opportunities for acquisition of land by the poor for residential and productive use (Cousins 2000).

The redistribution programme was initially introduced as a pilot programme in each province (Tilley 2000). It was aimed at the poor black communities who either did not have sufficient, or lacked land. Through the use of a state grant package, the Settlement/Land Acquisition Grant (SLAG) was initially set at R15 000 but was later changed to R16 000. Eligible households could buy land on the land market, and with the balance of the funds, if any, attempt to develop the land. This approach set the tone for

market-led land redistribution which came to characterise land redistribution for many years to come. In South Africa the market-led land reform took the form of the willing buyer and willing seller approach, where the state only offered beneficiaries with grants so that they could purchase land that they identified in the land market from willing sellers (Cousins 2000). Hence the post-apartheid government initially chose market-led welfarist land redistribution programmes such as Settlement Land Acquisition Grant (SLAG) with its minimum income ceiling grant (Lahiff 2002).

One of the advantages of SLAG was that it was pro-poor, since it targeted households or individuals who could prove they earned less than R1500 a month to acquire land through R16, 000 grants. However in 1999 the Minister of Agriculture and Land Affairs instituted a moratorium on land redistribution after realising that it was failing to reach its targets. The moratorium lasted until an internal policy review was conducted (Hall 2003). One of the issues that were revealed by the review was that the R16 000 grants per household were small compared to the price of land.

As a result beneficiaries pulled their resources together in order to buy expensive farms that were sold in the land market. Pooling resources together implies the formation of a legal entity. This process also takes some time, since individuals have their own differences and expectations. Decision-making by the Communal Property Association (CPA), although democratic, does not address every member's needs and this creates conflicting group dynamics (Tilley 2000). In many instances, SLAG beneficiaries lacked interest in their projects, thus threatening the sustainability of those projects.

Furthermore, under CPA beneficiaries did not have anything to prove that they owned land, since the title to the land was based on the entity (Tilley 2000). This problem was further exacerbated by limited post-settlement support that was offered under SLAG in the form of extension services, training, infrastructure development and access to credit and markets for emerging farmers (Hall 2003). This clearly reveals that SLAG prioritised land delivery over agrarian transformation and as a result SLAG failed to advance the vision of the ANC government of fast-tracking the emergence of a stratum of black commercial farmers. Essentially SLAG was not proving to be an agent of rural

development, as previously envisaged in the RDP in relation to the objective of the Land reform policy.

Coupled with these limitations was the adoption of government's new macro-economic policy called Growth, Employment and Redistribution (GEAR) in 1996, which saw government opening up markets for exports (Mather and Adalzadeh 1997 as cited in Greenberg 2004). For agriculture, this involved the removal of direct state support in the form of soft loans, tax breaks, state-run cooperatives and single-channel marketing, and the opening up of South Africa's markets to international competition through the dismantling of tariffs (Hall 2005). All of these reforms were exceedingly badly timed for the small class of black commercial farmers, since it became too risky to do farming under state deregulation (Greenberg 2004).

It is because of the aforementioned that impact studies revealed that land delivery between the period 1994-1999 was prioritized, and agrarian transformation was hardly achieved. For instance in 1998 and 1999 the pace of land delivery quickened and by December 1999 a total of 667, 825 hectares of land (representing less than 1% of the country's farmland) had been redistributed and about 60 000 households were allocated grants (Tilley 2000).

Kariuki (2004) blames this on the manner in which the SLAG programme had been structured. SLAG was structured in such a way that land delivery depended on market forces, which confined the individual's level of choice, suitability and quality of land parcel acquired by beneficiaries of the land reform programme. This impacted negatively on land prices, and the Department of Land Affairs had to pay inflated land prices for unproductive land. This made SLAG fail to create a class of independent and small-scale family farms that were initially envisaged.

Moreover most emerging farmers were unable to sustain the risks involved with full time commercial farming, unless there was substantial support from the state. As a result the

government introduced a policy shift which resulted in SLAG being replaced by Land Redistribution for Agricultural Development (Kirsten 2000 as cited in Mather 2000).

2.2.9 Paradigm shift from pro-poor SLAG to commercialisation LRAD

Since the 1999 elections there has been a new focus and a shift in land policy, to accelerate the emergence of a layer of black commercial farmers (Schirmer 2000). For instance, in 2000 the Minister of Agriculture and Land Affairs announced a new policy direction, wherein the 30% target was confirmed, but would be pursued over a longer period of a further 15 years (from 2000-2015). Under this new policy-environment redistribution policy is pursued through LRAD, which aims to transfer 30% of the nation's medium and high-quality agricultural land (estimated at 25 million hectares) to blacks over the next fifteen years (Bernstein 2005). The above policy would also be achieved through promoting access to land for productive use, specifically for agricultural purposes (*ibid.*).

As noted in Chapter1, LRAD is designed to assist previously disadvantaged South African citizens of the black, indian and coloured communities with the acquisition of land, land improvements, infrastructure investments, capital assets such as agricultural implements and short-term agricultural inputs (Kgosana 2005). To achieve the above, LRAD introduced four components, namely production for markets, equity schemes, agriculture in communal areas, and a food safety net.

The food safety net component is linked to the equity component, as it is meant for beneficiaries who access LRAD to acquire land for food-crop and/or livestock production to improve household food security (South Africa, Department of Land Affairs, 2000). This can be done on an individual or group basis. Many of these projects will be at the smallest end of the scale, because poor individuals may be able to mobilise only the minimum own contribution in cash, labour, and materials (Kgosana 2005). This is targeted at those who cannot participate on the market.

Hence equity schemes gives beneficiaries access to grants, depending on the amount of their own contribution in kind, labour and /or cash (Sama Yende 2005). The grant is intended for people who are actively and directly engaged in agriculture: the grant recipient in the case of the equity scheme will be both a co-owner and employee of the farm. The purchased equity should be marketable in order to retain its value. Those beneficiaries who make the minimum contribution of R5000, or sweat equity, receive the minimum grant of R20000 (*Ibid.*). Those who make a higher contribution of own assets, cash and/ or labour receive a higher grant, determined as a basic proportion of their contribution. The grant and own contribution are calculated on an individual adult basis (South African, Ministry of Land and Agriculture, 2000:7 as cited in Kariuki 2005).

Put differently, applicant would need to make a contribution to the cost of the land of between R5,000 and R400,000 and, depending on the level of this contribution, would be eligible for a matching grant of between R 20,000 and R100 000, on a sliding scale (DLA 2000 as cited in Hall 2004). However community members who demand agricultural land but lack the financial contribution of R5,000 could contribute this in the form of sweat equity and, in turn qualify for the minimum grant of R20 000 from the government to aid them in buying land in the land market⁸.

The agriculture in communal areas project was designed for those people living in communal areas, who already have secure access to agricultural land, but may not have the means to make productive use of that land (Kgosana 2005). Such people would be eligible to apply for assistance to make productive investments in their land such as infrastructure or land improvements. These projects may take on the character of food-safety-net projects, or may be more commercially oriented, which reflects that LRAD is flexible enough to accommodate a number of types of projects. However purely residential projects would not be supported under LRAD unless beneficiaries seek to establish household gardens at their new residences (Cousins 2000).

⁸ Sweat equity is based on an in-kind contribution, where beneficiaries provide their assets such as machinery, equipment, livestock, labour and other assets that a beneficiary may possess and will apply for the operation of the project as opposed to the R5, 000 grant. This contribution is made until beneficiary's contribution matches the R5, 000 grant, and before this contribution matches the R5,000, beneficiaries do not get paid for their labour on the farm: instead they only get dividends. In some cases beneficiaries have not been paid for a year and at the end of that year they get dividends of R1, 000 (see Calcom case study in the methodology section).

Furthermore production for market recognises the fact that some beneficiaries will enter LRAD to engage in commercial agricultural activities (Sama Yende 2005). They will access the grant and, together with normal bank loans and their own assets and cash, they will purchase a farm (Kgosana 2005). These applicants will typically have greater farming experience and expertise than those accessing land for subsistence or food-safety-net-type activities (*Ibid.*).

Further questions that arise concern the effectiveness of the shift from SLAG, which was pro-poor to LRAD. The latter policy is a more market-friendly approach, closer in design to the suggestions of the World Bank and other proponents of market-based land reform. Amongst many questions asked with regard to this shift is whether the objectives of Broad Based Black Economic Empowerment and Agri-BEE will be adequately met under the influence of a market-based LRAD.

2.2.10 Limits of LRAD and the challenge of creating black farmers

While it is true that LRAD represents a break with the previous grant system that was pegged at R 16 000, since the minimum grant provided under LRAD is R 20 000, which can be accessed through an own contribution of R5 000 (South Africa, Department of Land Affairs Implementation Manual for provincial land reform offices, 2000). However Hall (2004) argues LRAD still falls prey to more or less same limitations that bedeviled SLAG.

For instance problems of lack of post-settlement support still persist under the new grant structure of LRAD. A study conducted by the HSRC on three South African provinces, Limpopo, Kwazulu Natal and Eastern Cape, reveal that although LRAD introduced inroads with its new grant structure, greater resources available through LRAD for

project costs have generally not translated into better post-settlement support, which is probably more important for keeping group farm projects on track⁹.

While the above criticisms are justified, the study also shows that the new grant structure or LRAD recognises the critical importance of the sustainability of new farming enterprises, and support is being provided by a range of private providers in addition to provincial Department of Agriculture. The study also reveals through individual cases in Limpopo that there is still no institutional alternative to laying the whole burden of training, mentoring and general capacitation on the provincial Agricultural Departments. Furthermore, individual cases in this study report that the responsibility of Land Affairs and Land Bank stops in practice at handover, with provincial Department of Agriculture expected to take over at that point. The study concludes that limited capacity for undertaking this mandate often makes it difficult for provincial Department of Agriculture staff to take on this task, though in some cases Provincial department of agriculture post-settlement support has been provided effectively (Human Science Research Council 2003).

Kariuki (2004) postulates that the problem associated with LRAD grant structure is its rigid and inflexible nature in dealing with the specificities of South Africa's nine provinces with regard to the land markets. For instance, in provinces where land is expensive, such as Mpumalanga (eg the Lowveld Region), people are forced to form groups so that they can increase the grant funds they are eligible for, and consequently reduce the loan component they can qualify for from the Land Bank. This in turn introduces community dynamics that could derail the success of the projects.

The above problem is exemplified through limited grants that are provided to subsistence farmers, which remains at R20, 000 while the grant for full-time farmers range from R20, 000 to R100, 000 (South Africa, Department of Agriculture and Land Affairs, Implementation manual for provincial land reform offices 2000). In order to qualify for

⁹ The study was commissioned in 2003 and is titled Integrated Rural and Regional Development: Case Studies in three Provinces namely Limpopo, Kwazulu Natal and Eastern Cape. The study found a strong correlation between lack of post settlement support and collapse of LRAD projects in these three provinces.

support, beneficiaries are required to provide investments of at least R5, 000, which can be made either in cash or kind. Higher beneficiary contributions result in higher grants from the Department of Land Affairs. For instance it is easy for well-resourced people to access R100, 000 grants since most can afford to pay their own contribution of R 400 000.

Hence Hall (2004) argues that LRAD has an ideologically driven preference or bias for large-scale commercial farmers, as opposed to poor farmers. This also becomes evident when assessments of application are made by the Department of Agriculture on who qualifies for which grants. For instance Hall (2004) cites a case of Kwazulu natal where the Department of Agriculture has adopted an income criterion to assess LRAD applicants. A projection of R 20, 000 profit per person within the first five years of operation is required for applicants who are unable to access the minimum grant level. This will mean generating 100% return on investment within the first year, which is somewhat unfeasible for subsistence agriculture (*ibid.*). Notwithstanding the above-mentioned hurdle it should be noted that LRAD also has a pro-poor feature as evidenced in the sweat equity criterion which is non-monetary. Underlying the principle of sweat equity is an assumption that applicants will be ready to offer their labour freely until their own contribution equals the R5 000 sliding scale that qualifies them to participate in LRAD projects (Kariuki 2004).

Moreover, LRAD's equity schemes encourage a grant recipient to form joint ventures with a co-owner, which can come in a form of leasing the property to former owners of the farm. Jacobs *et al.* (2003) argues that this has come to mean black people might own land but not farm it themselves, satisfying both the demand for racial transformation and the imperative of retaining existing modes of capital-intensive production.

Furthermore, LRAD only gives farmers grants for acquisition of land not for production; instead new beneficiaries are encouraged to borrow funds for production from banks. This proposition fails to recognise that poor farmers do not have access to credits since they fail to present mortgage assets in order to acquire loans. Moreover many farmers are

not accessing services provided by the Land Bank, which is the main financial institution land reform beneficiaries can turn to. This can be attributed to a number of reasons. For instance, a study conducted by Cousins (2002) reveals that most beneficiaries are usually unaware of opportunities to access credit, and some do not meet lending criteria, while others avoid risks involved in getting into debt. As a result some farmers fail to sustain their LRAD projects because of bankruptcy, and go out of business.

Lack of sustainability of most LRAD projects at the provincial level can also be attributed to weak coordination between the DLA and other agencies, notably the provincial Departments of Agriculture. Mather (2000) states that the two departments manage the programme jointly where decision-making has been devolved to a provincial Grants Committee where the two departments jointly approve or reject the project proposal. These decisions are made based on the commitment to deliver the necessary support services and grant resources within the mandate of the two departments. Lahiff (2000) asserts that LRAD only supports the Land Affairs component of the plan and no clarity exists on how the agriculture component should be financed. Consequently this component has been organised on an ad hoc basis, with the result that its impact has been partial at best.

Having mentioned all the limitations of LRAD, it is important to note that some strides have been made under LRAD. For instance out of the 4,3% of land that has been redistributed nationally, LRAD has been able to redistribute 1.7 million hectares of land, which is equal to about 2% of commercial agricultural land. This percentage is higher when compared to the per cent of land redistributed under land tenure and land restitution (Centre for Development and Enterprise 2005).

As an attempt to bridge the previous gap identified in land redistribution projects, for instance lack of post-settlement support, lack of agricultural support services, poor coordination amongst provincial Departments of Agriculture and local governments, leading to poorly designed projects, the Comprehensive Agricultural Support Program (CASP) was introduced (South Africa, Department of Agriculture, information

extrapolated from CD file 2004). The Comprehensive Support Programme is a programme designed to enhance the provision of support services in order to promote and facilitate agricultural development, targeting beneficiaries of the land reform and agrarian reform programmes. CASP draws its mandate from the recommendations of the Strauss Commission, which introduced the adoption of the “sunrise” package, aimed at improving the conditions of the beneficiaries of the land reform. CASP is mandated by a range of policies, such as the White Paper on agriculture (1995) and the Strauss Commission report of 1996 (South Africa, Department of Agriculture, 2004).

CASP beneficiaries are usually farmers, including beneficiaries of LRAD and other strategic programmes, e.g SLAG, Restitution, Redistribution and Tenure reform provided with farm level support. CASP targets beneficiaries from previously disadvantaged groups, so as to enhance national and household food security. Beneficiaries receive a once-off grant for an agricultural-related project, in which the request for the grant must adhere to the guidelines as proposed in the LRAD operational manual. An allocation of R750 million has been made through the Division of Revenue Act (DORA). This budget allocation was divided from 2004-2006, with a different amount to different provinces (see table below).

Table 1

Budget allocation	Amount
Eastern Cape	R38 043 000
KZN	R37 016 000
Limpopo	R33 482 000
North West	R26 875 000
Mpumalanga	R18 903 000
Free State	R16 870 000
Western Cape	R13 765 000
Northern Cape	R10 518 000
Gauteng	R 4 582 000

Source: South African Department of Agriculture 2003: Intergovernmental fiscal review. Pretoria: Department of Agriculture.

However, despite this enabling budget, it should be noted that CASP can only be implemented successfully if certain limitations in effective service delivery within the

agricultural sector are removed. For instance the 2003 Intergovernmental Fiscal Review process on Agriculture has come to the following conclusion with regard to Government's Agricultural support activities:

“The lack of delivery and implementation of a wider range of governmental measures, regulations and programmes, as well as an ineffective support system, all of which are critical to ensure an enabling environment for agriculture, constitutes a major concern and challenge to all state agencies supporting the agricultural sector” (Intergovernmental Fiscal Review 2003).

The end result is that a disjuncture is created between progress that the Department of Land Affairs has made with providing access to land to black people, and the provision of agricultural support to these beneficiaries (South Africa, Department of Agriculture, 2004). The Intergovernmental Fiscal Review process on Agriculture (2003) further noted that the greatest challenge facing the provincial budget is to reduce the share of the personnel expenditure in poor provinces, in order to fund and support agricultural priorities. The above-mentioned makes authors such as Cousins (2000) argue that the dedicated post-transfer support promised when the state introduced its land redistribution for agricultural development policy in 2001 has not materialised.

Hence, Hall (2005) asserts that transferring land in isolation from wider changes in access to resources and infrastructure leaves beneficiaries with constrained choices: to engage in low-input agriculture that they can finance themselves, or to engage in joint ventures with public or private sector partners.

Where land has been transferred, some have started to farm it themselves as a group, often combining resources. In other cases, they have leased it back to their former white owner, as they lack the capital to farm it commercially. Though in some cases this may prove more profitable than other uses to which it might be put, rental incomes have to be divided

among larger communities, often bringing limited benefit to individual members (Hall, 2003:222).

The above-mentioned strategy is sometimes referred to as rent-a-crowd strategy where individual beneficiaries pool their limited grants together to be part of a group project. Du Toit (2000) argues that these group projects are usually based on a false notion of a community, which ignores the fact that different individuals come with different expectations and interest into projects which involves beneficiaries in conflicting group dynamics. In some instances this has led to corruption and members' turnover¹⁰.

Furthermore, Hall (2004) states that the replacement of SLAG with LRAD at the end of the 1990s brought land reform in line with GEAR's emphasis on entrepreneurship as a means of building a black middle-class, with limited direct involvement in the economy by the state and reliance on partnership with the private sector. However, ownership of agricultural land is not a top priority for black economic empowerment, since more significant opportunities for capital accumulation lie in joint ventures and value-adding industries in secondary agriculture (*ibid.*). 'Redistribution' as BEE, then, has been more actively pursued in the high-value sector of the economy, for instance in the form of the Mining Charter (Hall 2004). The limits of LRAD raise questions about its potential for heralding the aspiration of Broad Based Black Economic Empowerment in the agricultural sector, which largely aims to afford Black people an opportunity to participate meaningfully in the economy of the country¹¹.

2.2.11 Fulfilling the Aspirations of Broad Based Black Economic Empowerment (BBBEE) and Agri-BEE through LRAD.

As mentioned in chapter 1, Broad Based Black Economic Empowerment is a strategic and systematic intervention that is focused on addressing the economic inequalities in the South African economy. It is an initiative that has its objective to broaden the economy

¹⁰ For more details on group dynamics see Calcom case study in the methodology section.

¹¹ The link between the South African land reform policy and Broad Based Black Economic Empowerment can be understood in this way: the aspirations of BEE lies hidden within LRAD and LRAD ambitious plan for the upliftment of black commercial farmers is realised through BEE sub-component coined Agri-BEE.

and to ensure that everyone, especially those that were previously disadvantaged, gain from it (SamaYende 2005). BEE is also defined as an integrated and coherent socio-economic process that is aimed at redressing the imbalances of the past by seeking to substantially and equitably transfer and confer the ownership, management and control of South Africa's financial and economic resources to the majority of its citizens (Kgosana 2005). BEE seeks to ensure broader and more meaningful participation in the economy by black people in order to achieve sustainable development and prosperity.

The Broad Based Black Economic Empowerment Act was promulgated in January 2004 and derives its powers from Section 12 of the Broad Based Black Economic Empowerment Act of 2003 (South Africa, Department of Trade and Industry, 2004). It followed on the policy document of the Department of Trade and Industry that was published in March 2003, and serves as a guideline for the whole South African economy.

Like the South African land reform programme, BEE attempts to address the legacy of colonial conquest and apartheid. In the same way as the land reform policy, BEE is located in the context of the country's national transformation programme (Greenberg 2004). Interestingly the 30% target of productive land that should be redistributed to black hands by 2015, cited in the land reform policy, also appears in the BEE policy document as defined in its preamble (Kgosana 2005).

However, it is important to note that BEE assumes different meanings in different sectors. In the agricultural sector the term Agri-BEE is used to denote a sub-programme of broad based black economic empowerment. In other words Agri-BEE is a sectoral broad based black economic empowerment framework intended as a deliberate and systematic support of black South Africans to actively participate fully in the agricultural sector.

Agri-BEE is understood as a general legislation and policy regarding empowerment in the agricultural sector (Cousins and Lahiff, 2002). Agri-BEE also gets its mandate from

Section 12 of the South African Constitution. Moreover, similar requirements that are reflected in the policy document of the Department of Trade and Industry concerning the implementation of BEE occur in the Agri-BEE document. For instance it states that black people must participate in agriculture as owners, managers, professionals, skilled employees and consumers (South Africa, Department of Trade and Industry, 2004). The draft Agri-BEE sets out a mechanism of achieving the above, for example it seeks to establish farmers and Agri-business to commit them to lease a further 20% 'high potential' land to black people by 2014; and making a further 10% of land available to farm workers for their own farming activities.

Agri-BEE also seeks to accelerate land reform, improve access to finance, assist the advocacy of rural development initiatives and, more importantly, facilitate the emergence of a stratum of black commercial farmers (Greenberg 2004). Hence Mather (2000) argues that since the mid-1990s, agricultural policy in South Africa has been driven by a clearly defined goal: to reform an agricultural system that had created an inefficient and costly system which supported white commercial farmers while at the same time discriminating against existing or aspirant black producers, hence advancing the growth of an unsustainable bimodal agricultural sector that is at dissonance with the values and aspirations embedded in the discourse of BEE and Agri-BEE.

2.2.12 Limitations of Agri-BEE

The Department of Agriculture is criticised for failing to conduct a thorough consultation with different stakeholders in the agricultural sector, especially during the time when Agri-BEE was drafted. Where extensive consultations were made it was with organisations such as Agri-South Africa and NAFU (Cotzee 2004). The reason cited by Bongiwe Njobe, the then director general of Department of Agriculture and Land Affairs, was that there was extensive consultation with all agricultural sectors, but admitted that the Ministry of Agriculture took up only extracts from the initial discussion document in its framework document. Njobe further stated that it had been taken for granted that the sectors involved would give proper feedback to their members (Coetzee 2004).

Hence Hall (2004) postulates that the adoption of the Agri-BEE document also influences the way it is implemented in the agricultural sector, since it is currently spearheaded by Agri-South Africa and the National African Farmers's Union (NAFU): these are the associations representing established white and black farmers, respectively, both of which have privileged access to the highest executive authority in the country (*ibid*). Together, they constitute a presidential working group on agriculture, with which the president meets a few times each year. Hence Hall (2004) states that this plan is an example of post-transition pacting between the state, white agricultural capital and the small but politically significant class of black commercial farmers.

This elitist tendency makes Greenberg (2004) argue that Agri-BEE will not be able to alter patterns of existing relationship in the agricultural sector. Instead it will merely continue with an agricultural restructuring programme that was started by the apartheid government, which has led to the further concentration of resources in that segment of the population with relatively greater wealth, experience in farming, and resources at their disposal. The poorest segments, in particular rural women, who are meant to benefit, are increasingly marginalised, and their foothold in the formal economy less secure. Tilley (2000) identified the same limitation with LRAD, whereby the movement from household to individual grants, which is supposed to give possibilities for women to access land rights that are independent of family control, achieves the exact opposite, because the weak economic and social standing of rural women does not permit them to access this R5 000 own contribution. Instead only a small minority of better-off and more formally educated women are likely to benefit from LRAD.

Hence Hall (2004) argues that the advent of non-racial democracy has seen a new configuration of class interests, and the emergence of a powerful alliance that is committed to deracialise ownership, but retaining the structure of the commercial farming sector rather than restructuring the agrarian regime. This is done through controlling the pace of land that is redistributed to black people by white commercial farmers, who decide how many black farmers must be given access to land in order to avoid a radical change in the racial patterns of land ownership.

2.2.13 The Limits of market-based land reform in attaining the goals of BBBEE and Agri- BEE

According to Lahiff (2005) market-based land reform presumes existing wealth as a key requirement for acquisition of land in the land market. Tilley (2000) attributes this to the ideals promulgated by economic liberalization, which precipitated onto the world stage in the early 1970s, and replaced redistributive land reform policies in which government intervened directly in the expropriation of land and its redistribution from rich to poor.

However Borass (2003) state that the market philosophy criticised state-led reforms for basing land delivery on the system of patronage, corruption and inefficient markets. Furthermore redistributive policies were seen as politically undesirable, given their economically destabilising effect not only on property markets but also on the investment strategies of land owners.

As a result proponents of market-led land reform proposed that the markets be the only means of delivering land, because markets are perfect. The market with its perfect pricing system is the best means of allocating resources in order to satisfy individual utility, assuming that this will in turn lead to economic benefits such as efficiency, speed in land delivery and peaceful land reform.

The aforesaid economic benefits could be achieved through encouraging the willing buyer to pay the willing seller 100% spot cash based on the full market value of their lands (Borras 2003: 370). This will ensure that sufficient land comes to the market, and that the land prices will not be driven up beyond levels that correspond to the productivity and profit potential of the land (Christiansen 1996: 379). By so doing the market-led approach strives to avoid more radical land reform possibilities by promoting the transfer of land, by means of the willing seller/ willing buyer principle at market prices¹². As thus the market-led land reform is said to be a demand-driven approach that

¹² According to Lahiff (2005) willing buyer willing seller approach has been interpreted to mean that willing buyers have no guarantees that they will acquire the land they want since they continue to depend on state approval to their grant applications and the willingness of owners to transact with them. While on the other hand the interests of willing sellers are fully protected as they are not compelled to sell against their will nor at a price with which they are not fully satisfied. As thus WSWB can be described as a willing seller programme that deceives “so called” willing buyers into thinking their interests are protected.

predominantly focuses on peaceful settlements by voluntary farmers. As a result, the state must ensure on a comprehensive legal system, which will equally protect farmers and applicants from unfair practices. This has had the added benefit of promoting a faster land reform process (Borras 2003: 372) as it avoids and legally resolves disputes that arise during land redistribution.

Notwithstanding the aforementioned benefits, Lahiff (2005) states that markets are not always immune from price distortion, as market-led land reform policies have been adopted in South Africa. However experienced white farmers are still able to inflate the prices of their unproductive farms. Lahiff (2005) attributes this to a fundamental weakness of the current land reform policy, which assumes that market players are equal, thus ignoring major inequalities of power and resources between potential buyers (typical first-time buyers) and sellers (typically experienced land owners and market operators).

Deinenger (1999) postulates further that the current market-led land reform has failed to activate the productive potential of the rural sector despite the liberalisation of the agricultural markets, which has lowered barriers to entry and increased the amount of land available on the market, while at the same time depressing land prices. The transfer of land to successful black small-scale farmers has been disappointingly slow.

Moreover Kariuki (2005) asserts that in the South African context markets have only proven to be efficient when facilitating transactions between private buyers and private sellers. For instance, the Centre for Development and Enterprise report of 2005 reveals that out of the 10% of land sold in the land market from 1999 up to date, 6% was between private buyers and private sellers while only 3,4% was between private sellers and LRAD beneficiaries. From the above-cited statistics the conclusion that can be drawn is that there appears to be a mismatch between the efficiency of the market and the goals of the South African Land Redistribution policy.

This disjuncture is reminiscent of the Namibian case, where most of the land that was sold was outside the ambit of state-sponsored land redistribution programmes: instead

more land was redistributed through the privately managed affirmative action initiatives. As a result Kariuki (2005) argues that the potential for far-reaching land reform through market-assisted land reform in most African countries is restricted by underdeveloped credit markets, rural institutions that are non-existent or unable to assert their authority, barred access to information, and corruption. Thus without securing these prerequisites for a successful market-led land reform, Market Assisted Land Reform (MAAR) will remain de-linked from the broader objectives of LRAD, BBBEE and Agri-BEE of deracialising the Agri-economy in South Africa.

2.2.14 Overview

In short this review looked at the history behind the need to redistribute land to those who were previously marginalised. This shaped the way this review conceptualised policy developments that took place in 1999, which saw Broad Based Black Economic Empowerment through LRAD becoming the key feature of the South African land reform policy. This review also served to outline limitations associated with LRAD and Agri-BEE, and through the Calcom case study the researcher will evaluate whether Calcom replicates or diverges from these limitations. The next chapter that discusses the methodology and interviews conducted on the farm suggests that seeds of LRAD and Agri-BEE limitations are developing, for instance group dynamics and impatience with sweat equity.