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South Africa

Agrarian reform is needed to slay apartheidâEuros"s land demons

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The controversial announcement by the African National Congress that land will be expropriated without compensation has raised contentions on land reform in South Africa. Land is symbolic of the discontent at post-apartheid transformation but it is real agrarian reform to improve income and livelihoods that is desperately needed for the black majority that are living below the poverty line.

The security of land tenure of black South Africans remains largely unaddressed since 1994 with insufficient progress on land restitution and redistribution of less than a third of the target 26 million hectares in 24 years since democracy. But if land reform is to address the challenges of disenfranchisement, underemployment, poverty and inequality then the political leadership and will needs to be focused on overhauling state support for agricultural development that targets the poor.

Addressing South AfricaâEuros"s past is essential to agrarian reform. Even before apartheid was introduced in 1948, the state secured white commercial interests, including land for agriculture. The Land Act of 1913 allocated only about seven percent of arable land to blacks. In 1936, the Natives Trust and Land Act increased arable land to blacks to a potential 13 percent but it also formalised the separation of white and black rural areas and put in place restrictions on blacks living in white areas. These laws created a huge reservoir of cheap African labour as pressure on land could not sustain traditional agrarian livelihoods. Further pressure was exerted with the Group Areas Act of 1950 curbing movements and the Bantu Authorities Act of 1951, which pushed blacks into âEurosoehomelandsâEuros self-governed by ethnic groups recognised by the apartheid state.

A system referred to as âEurosoeseparate developmentâEuros under South African Prime Minister Hendrik Verwoerd dominated from 1958 but this amounted to the deliberate neglect driving deprivation and poverty in the homelands, which has entrenched these as the legacy of apartheid. Today almost a third of South AfricaâEuros"s population lives in the former homelands that are characterised as areas of low economic activity with little economic potential and high numbers of people living in poverty. Land in these regions is owned by the state but governed under traditional tenure arrangements to make land available for use to households predominantly for small scale, subsistence farming regions using labour-intensive, traditional production techniques.

In comparison, apartheidâEuros"s legacy for former white farm areas has created commercial, large-scale agriculture regions held by white capital. For eight decades before democracy, the South African government passed legislation and created institutional capacity to support the development of white farmers. The Land Bank of South Africa, established in 1912, provided subsidised financial services and credit to white farmers and the Agricultural Credit Board, provided credit to white farmers who did not qualify for borrowing from the Land Bank.

But financial services to farmers were curtailed under liberalisation that followed democracy. Subsidies were cut and the Agricultural Credit Board was closed down on the recommendation of the Strauss Commission (1996).

The commissionâEuros"s recommendation that the Land Bank should receive grants from the national treasury to enable it to expand its developmental mandate to small farmers was never implemented. Lending by the Land Bank itself was also curtailed. Farmers had to borrow from commercial banks at decidedly less favourable interest rates. This created an unfavourable environment for the development of black farmers in the post apartheid era, even more so for small scale black farmers.

The apartheid policy of separate development resulted in a dual system of state supported services in agriculture that existed up to 1994. One institute provided agricultural extension services to white farmers while another served farmers in the homelands. The former was made up of a relatively small number of well-qualified staff, often university graduates, while the latter consisted of large numbers of less qualified staff. The separate agriculture support services for white and black farmers were not brought together successfully and deteriorated in the decade after democracy. Critical staff vacancies led to the âEurosoeAgricultural Extension Officer Recovery PlanâEuros by the department of agriculture and funded by the national treasury, aiming to raise the number of extension officers from 2 000 to 5 000. Today the linkages and coordination between the parastatals, science councils, higher education and development institutions and the private sector that make up South AfricaâEuros"s National Agricultural Research System remain weak.

Cooperatives were an intrinsic part of the successful development of white owned farming. The Cooperative Society Act, 1925 established a network of primary producer cooperatives that were able to negotiate cheaper prices and provided services such as grain storage and transport of produce to the market. They also monitored quality, regulated planting quotas and got rid of surpluses through processing. Cooperatives were important financial intermediaries, the Land Bank used them as agents to provide short and medium-term credit to commercial farmers at subsidised interest rates.

Cooperatives were also agents to marketing boards, giving them regional monopoly power to set floor prices. State-controlled marketing boards set up a single channel system and were in charge of price setting of most agricultural commodities, controlling movement, monitoring quality standards and controlling the sale and export of agricultural produce. But reform in the marketing of agricultural products in the transition period to democracy in the early 1990s set up the National Agricultural Marketing Council that dismantled the marketing control boards and is responsible for managing state intervention in the sector.

Although the African National Congress (ANC) government contemplated re-orientating the marketing boards to promote the interests of small scale farmers, it was not considered economically or politically viable, apart from the sugar cane industry. It was argued that the boards would have perpetuated and increased many of the inefficiencies associated with controlled agricultural marketing; that it would have been a very inefficient way of achieving welfare transfers to the poor, and that the cost of the system would have undermined governmentâEuros"s macro-economic policy objectives.

Support by the apartheid state to the agricultural sector was so generous that by the 1990s cooperatives had amassed an asset value of R15.2 billion (about US $ 3.4 billion at that time) with the top eight cooperatives accounting for 45 per cent of this total. As the political handover of 1994 loomed, white farmers started to fear not only that their land, but also the assets in their cooperatives would be expropriated. The National Party government passed the Co-operatives Amendment Act (No 37 of 1993), a year before they handed over power to the ANC, which provided for the incorporation of co-operatives as public or private companies.

The privatisation of cooperatives led to the accumulation of financial assets accumulated from four decades of state subsidisation to privately owned companies. Many cooperatives consolidated, so for example by 2004, three privatised former co-operative agribusinesses together owned more than 70 percent of domestic grain storage facilities. Some even listed themselves on the Johannesburg Stock Exchange, enabling them to reinvent themselves as private agribusiness corporations.

South African agrarian and agribusiness capital, with the support of the apartheid government, had positioned itself for the new dispensation in the transition period leading up to democracy. This was achieved through a series of connecting âEurosoeplotsâEuros by groups with more knowledge of how agriculture works and greater coherent purpose than the ANC was able to mobilise, and which laid the ground for subsequent market deregulation and liberalisation. Agribusiness, defined as corporate activity upstream of farming (suppliers of seeds, fertiliser, agrichemicals, machinery) and downstream (milling and other processing, marketing and distribution), was highly concentrated in some branches and commodities by the end of apartheid and have become comprehensively more concentrated since 1994.

In 1996, there were 120,000 commercial farms in South Africa but today this has declined by two thirds to fewer than 40,000 mostly as a result of consolidation leading to high capital concentration of amongst a small pool of commercial farmers. It is also proof of the failure to develop sustainable small scale commercial viable farms and transforming subsistence livelihoods that are impoverishing rural households. Today farming accounts for less than eight percent of formal employment and jobs in agriculture are generally low paid and insecure.

Whilst majority of black South Africans still depend on the land to sustain themselves, their ability to survive off the land is no less challenging today than it was under apartheid. Addressing land ownership that remains deeply skewed along racial lines is important. Equally important is the long term commitment of the government to develop agriculture, providing support services, credit and subsidies to rural households to address poverty, vulnerability and inequality especially in rural areas and former homelands.

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