

Policy successes and policy failures in agriculture and land reform in South Africa The 1990s

by

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1. INTRODUCTION

There have been a number of recent reviews of contemporary South African agricultural policy that have considered the issues from different perspectives. Van Zyl, Vink, Kirsten & Poonyth¹ in addressing the period of the 1990s, summarise the main policy changes that took place (land reform, institutional restructuring in the public sector, and marketing, water, trade and labour market policies). They then review the evidence on the impact of these policies in terms of land transfers, employment, and the profitability of commercial farming.

Vink & Schirmer² discuss agricultural policy in the period 1970-2000. They provide a review of the macroeconomic and political circumstances of the 1970s and 1980s, and come to the conclusion that:

The main structural features of the agricultural economy during this era were the mechanisation of field crop har-

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1. J. van Zyl, N. Vink, J. Kirsten & D. Poonyth, "South African agriculture in transition: the 1990s", *Journal of International Development*, 13(6), 2001, pp 725-39
 2. N. Vink & S. Schirmer, "South African agriculture in the period 1970-2000", in S. Jones (ed), *The decline of the South African economy*. London, 2002, pp 51-67

vesting in commercial farming, increased pressure on food production in the homelands, tight control over the marketing of agricultural products under the consolidated Marketing Act of 1968, the shift away from a small-farmer friendly policy in commercial agriculture, and attempts to address the environmental consequences of agricultural policies.

These issues are then described in some detail with reference to the performance of the agricultural sector in the 1970s and 1980s. This is followed by a description of the main policy shifts that were implemented during the 1990s.

Vink & Kirsten³ also describe the main policy shifts that took place during the 1990s, and add a discussion of the Strategic Plan for Agriculture, which was tabled through a collective effort between commercial farmers, the Black farmers union (NAFU) and the National Department of Agriculture following an instruction from President Thabo Mbeki. They then review the contributions that agriculture makes to the South African economy, focussing on the conventional economic contributions in terms of the composition of output, investment in agriculture, employment and wage rates, productivity, and the degree of state intervention.

Both Vink and Kirsten in three papers report⁴ the results of a research project on *Socio-economic analysis and policy implications of the*

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3. N. Vink J.F. Kirsten, "Agriculture in the national economy", in L. Nieuwoudt & J. Groenewald (eds), *Challenges for change: Agriculture and land in South Africa*, Pietermaritzburg, 2003, pp 3-20
 4. N. Vink & J.F. Kirsten, *Country synthesis report: South Africa*, FAO project on the roles of agriculture in developing countries, Food and Agricultural Organisation of the United Nations, Rome, 2003; N. Vink, "Macroeconomic and sector policy changes in South African agriculture, 1996-2002", paper prepared for the Roles of Agriculture International Conference, Rome, 20-22 October 2003; N. Vink, "The influence of policy on the roles of agriculture in South Africa", *Development Southern Africa*, 21(1), March 2004

*roles of agriculture in developing countries*⁵. Research on various 'roles' of agriculture (including its role in poverty alleviation, the provision of food security, in protecting the environment, in acting as a buffer in times of crisis, in fostering culture, and in providing social services) was conducted in eleven countries, including South Africa.

The purpose in this article is to draw on this most recent research to identify some policy successes and policy failures in agriculture and land reform in South Africa from the 1990s, and to assess their significance to agriculture in the new millennium. To this end, the article starts with some policy successes in the form of a discussion of the positive roles of agriculture in South Africa. This is illustrated by means of the identification of positive and negative externalities caused by policy-induced structural changes in the sector. This section also includes an analysis of positive and negative complementarities between these external effects. This is followed in Section 3 by an analysis of the effects of policy failure on the commercial and 'traditional' farming systems respectively, in terms of the relationship between policies and markets. Finally, two specific examples of policy failure are analysed in more detail in Section 4.

2. THE ROLES OF AGRICULTURE

In the 'Roles of Agriculture' project, the point of departure was to look at the influence of macroeconomic policies, agricultural sector policies, and policies from related spheres, such as trade policy, social security policy, etc. on the structure of the agricultural sector. In this regard structural effects include the impact on the mode of production (including labour and capital intensity), the location and the composition of production, farm size structure, export orientation, and the rural

5. The first phase of this research, funded through a trust fund from the Government of Japan, and organised by the Agricultural and Development Economics Division of the Food and Agriculture Organisation (FAO) of the United Nations, was completed in October 2003.

economy in general. This was followed by an assessment of the effects of such structural changes on the roles that the agricultural sector plays in the broader society and economy of South Africa, and subsequently by the identification of the environmental, poverty, social and cultural externalities that arise from these structural changes in the sector. The following environmental, social and cultural externalities were identified in the investigation:

Environmental

- The overexploitation of groundwater in certain parts of the country;
- The effects of soil degradation on impoverishment of the soil; silt-ing of water storage reservoirs and of harbours, rivers and estuaries; and the modification of land- and water-based ecosystems;
- Significant evidence of the positive environmental effects of the switch to minimum and low tillage production systems among field crop farmers;
- Loss of biodiversity because of bush encroachment, alien plant invasion and deforestation. The first two result in reduced grazing capacity of the veld, while the latter also has important social costs, especially for women who collect wood;
- Alien plants alter the vegetation structure to make habitats unsuitable for pollinators and seed dispersers; invaders modify disturbance regimes by changing fire frequencies or changing the primary productivity of natural systems by increasing the levels and availability of nutrients;
- The direct benefits from the Working for Water and other programmes in terms of employment generation are well-known; more importantly, the removal of alien invader plant species brings benefits in terms of greater availability of water and increases in biodiversity.

Social, poverty and food security

- Agriculture forms a small but important buffer against poverty for some households, acts as a cushion for the poorest, while also acting as a strategy for wealth creation for wealthier households. However, as the single most important determinant of food security is

cash in hand rather than the ability to produce food, unless agricultural production moves out of subsistence to some scale of commercialisation, little impact is possible on food insecurity and poverty;

- In the Western Cape, export growth stimulates economic activity. Skilled agricultural workers experience the greatest increase in incomes. Rural household incomes increase relative to urban household incomes, which suggests a positive impact on rural poverty;
- Households involved in agriculture have better nutritional status, thus the improvement of agricultural productivity in less-developed areas has the potential to improve household and child nutritional status;
- The withdrawal of labour intensive public works programmes in rural areas has not only reduced employment but also failed to deliver much-needed infrastructure;
- Policy-induced structural changes have a positive influence on the livelihoods of those permanently employed on commercial farms (the better skilled, either on-farm or as contractors or managers), on the participants in small grower schemes, and for those who can benefit from the creation of up-stream employment opportunities associated with the value chains of especially export oriented agricultural sectors.
- Policy-induced structural changes have a negative influence on those who fall victim to the casualisation and externalisation of employment, the increase in competition for part-time and seasonal work and the shift from rural to urban areas of up-stream employment opportunities. These latter groups are generally the less skilled and poorer rural people;
- The commercial farming sector provides institutional capacity to facilitate state delivery of social services or provides such services directly. This economic benefit ensures greater household security and thereby household stability than in the traditional sector;
- In the traditional sector, institutional authority is crumbling as the agrarian economy continues to deteriorate;
- Migration has a number of effects on both the sending and the receiving communities. In the case of the former, lower population

pressure arguably favours those left behind, although migration of the able bodied leaves them more vulnerable. In the case of the latter, the effect depends on the destination. In most cases, people end up in the 'other rural' areas, hence are likely to remain unemployed and poor.

Cultural

- Agriculture did not contribute to cultural unity or 'sameness' in the past, nor is it contributing to sameness in the contemporary era. In fact, strategies to get access to farmland are currently dividing people;
- Agriculture does have the potential to contribute to greater connectedness in society, as there is growing consensus among commercial (White) farmers and 'emerging' commercial farmers on the need for successful land redistribution and that support from commercial farmers is indispensable for sustainable land reform;
- Connectedness through agriculture will largely depend on how Government manages the tempo of land reform and title to land.

The research conducted for this study on the roles of agriculture revealed some measure of positive and negative complementarities between the different externalities that flow from these roles. Positive complementarities include:

- The benefits to the environment from a relatively lower population pressure on the land in the former homelands because of the collapse of agriculture in these areas. While the absolute number of people may have increased, less cropping has allowed relatively large tracts of land to revert to a more pristine state.
- The benefits in terms of greater food security, better access to social services and lower poverty rates for those (fewer) farm workers who have been lucky enough to remain in full time employment on commercial farms;
- The fact that some households from poor communities are able to supplement their income from agriculture has a positive effect on their livelihood strategies;

- More importantly, the fact that some Black farmers are able to exploit opportunities for wealth creation via agriculture has a positive effect on attitudes among Black and White farmers alike, and among farm workers, and augers well in terms of fostering connect- edness in South African society;
- Programmes such as Working for Water not only reduces the nega- tive effects of alien invasions with positive environmental external- ities, but also increases food security among poor households.
- The adherence to environmental and socially friendly production practices has contributed to increased export earnings with some positive employment and poverty impacts, especially in the horti- cultural industry.

Negative complementarities, on the other hand, include:

- The costs, in terms of weakened food security, access to social ser- vices and poverty for those farm workers who have been not been able to remain in full time employment on commercial farms, and instead find themselves in the 'other rural' sector, sometimes still as seasonal agricultural workers;
- The beneficial environmental effects of the less invasive cropping patterns in the commercial farming areas have been noted. Howev- er, these shifts in the mode of production have resulted in a lower demand for labour, especially unskilled workers, with all the social consequences that this entails;
- The deleterious impact on women of the loss of biodiversity and the consequent social implications in terms of the use of firewood as a source of fuel.

3. THREE INSTITUTIONAL SECTORS

In his contribution on the social role of agriculture in the Roles of Ag- riculture project, Bekker⁶ argues that one way of addressing the dualis-

6. S.B. Bekker, "The social role of agriculture in South Africa", paper prepared for the Roles of Agriculture International Conference, Rome, 20-22 October 2003

tic nature of South African agriculture in more detail is by focusing on the different institutional sectors found in rural areas. He suggests that there are three such frameworks, namely the *commercial farming institutional sector*, the *traditional institutional sector* (comprising African smallholder farmers, chiefly located in the former homelands) and, in the *third* place, an institutional sector that aggregates those rural areas – such as dense informal settlements, dense tenancy areas and mission settlements – that fit into neither the traditional nor the commercial farming sectors. This third category comprises households whose way of life may be described in anthropological terms as more rural (or communal) than urban (or individualistic), while involvement in agriculture is negligible. In the discussion below, the effect on the commercial farming and traditional institutional sectors is analysed further.

3.1 Commercial farming

The main policy influences on the commercial farming sector come from macroeconomic policies (especially monetary, fiscal, trade and labour market policy) as well as the reform of the agricultural marketing system. These policy shifts have affected the field crop, horticultural and livestock sectors differently. These effects are in addition to the general effects of land reform as well as other social policies that aim to improve the provision of infrastructure and other social services to poor rural people in the commercial farming areas.

Field crops

The main effect of policy in the field crop sector has been the extensification of the mode of production that has resulted in an increase in productivity, a geographic and sectoral shift in the multiplier effect, a positive influence on the environment, a negative social impact (mainly as a result of job losses, increased rural-urban migration and increasing pressure on municipalities to deliver services), and an ambiguous impact on culture. In the process, South African society has not reaped the full benefits of the process of deregulation, largely because of problems of institutional structuring, but also because of a

failure in policy coordination. In this regard, the following observations can be made:

- The withdrawal of state support from commercial farmers coincided with the restructuring of the agricultural bureaucracy, and the establishment of the provincial Departments of Agriculture. Unfortunately, these provincial departments display many of the weaknesses of the former homeland Departments in their inability to maintain support services to farmers. The result is that, as commercial farmers switched to privately provided services such as research and extension, credit, on-farm infrastructure, etc., these services were no longer readily available to assist new farmers. Thus, a market failure (the inability to ensure private provision of such services to all but a few commercial farmers) was compounded by policy failure (the inability of the state to compensate for the market failure).
- Furthermore, the extensification of field crop production has resulted in a decline in total employment in agriculture, although there is evidence that there may have been an increase in the employment of more skilled workers. This has come at a time when the cost of employing workers has been increased through the provisions of the Basic Conditions of Employment Act, and uncertainty has been increased among commercial farmers with legislation regarding tenure security for farm workers and others who live on commercial farms through the Extension of Security of Tenure Act (despite the decline in the unit cost of labour). Thus, while output markets were being liberalised, some input markets (land, labour, water) were becoming subjected to greater state intervention. The combined effect of this lack of coordination has arguably been a more rapid decline in employment in the sector in an economy that already faces extremely high rates of unemployment.
- At the same time, the land reform programme has both failed to provide an alternative livelihood for most displaced farm workers, and has not succeeded in providing more than a small supplementa-

ry livelihood to a small proportion of those 'trapped' in the former homeland areas under apartheid laws. These two groups make up the majority of the people who now live in the 'other' rural institutional sector.

- These changes have resulted in some increased opportunities for non-farm rural enterprises such as maize milling, agro-tourism, etc. However, while such enterprises can access some forms of support from the state (eg credit funds from dedicated SMME financing institutions) there are no dedicated rural programmes, hence they compete with urban SMMEs for such support services.

Horticulture

The main effect of policy in the horticulture sector has been the greater access for fruit producers to export markets that resulted directly from the processes of political change in the country, as well as from changes in trade policy. The major change has been a shift in the location of production as large new producing areas have been established (eg table grapes, citrus) as well as a replanting of established production areas. Exposure to the global market has resulted in the widespread adoption of Integrated Pest Management techniques (partly forced on producers through compliance with EUREPGAP,⁷ SPS measures⁸ and food safety measures introduced by importing supermarkets) in the fruit and wine sectors, which is expected to ameliorate the negative environmental effect of these intensive farming practices. From a social point of view, these changes have benefited skilled workers, but have been detrimental to large numbers of mostly less skilled workers. In this regard, the following observations can be made:

- The changes in the fruit sector have created opportunities for new entrants to the market at the same time as the barriers to entry, for

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7. EUREPGAP is an international farming standard that was initiated by various European retailers for farmers to comply with internationally accepted Good Agricultural Practices (GAPs).
 8. SPS: Sanitary and Phytosanitary Standards (these refer to standards of health and safety in food products)

example high capital requirements (also due to the need for packing houses complying with stringent food safety and HACCP⁹ measures), have increased. This has been caused by, among others, the high real rates of interest in the country. There is little doubt that the conservative monetary and fiscal policies in South Africa have been good for the country in general, and for the poor in particular, principally through lower inflation and lower real food prices in the rural areas. Yet there is also little doubt that high real interest rates have a larger impact on small and medium scale businesses such as the typical farming enterprise. A wide range of innovative strategies has been followed to try and overcome this problem (eg back-loaded interest repayment schedules, worker share equity schemes). These have, however, suffered from the same problem as the rest of the land reform programme, namely the slow pace of implementation.

- Pressure from the buyers of fruit in developed countries to conform to standards of 'ethical trade' and environmental and food safety standards that are higher than official sanitary and phytosanitary requirements represent an interesting case study of the interaction between markets and policies.
- Higher real wages for farm workers are most likely the result of wage trends in the intensive horticultural sector. These wages have been increasing for more than a decade, and cannot be ascribed to the minimum wage, which has only recently been introduced. Together with employment growth in this sector, this translates into higher real incomes in the intensive farming areas of the country. This growth in wages will likely continue as long as export growth is maintained, ie it is dependent on demand growth and competitiveness, which is in turn dependent on a range of government policies.

9. HACCP: Hazard Analysis and Critical Control Points – a food safety management system used in the food manufacturing industry to identify areas of high risk in food safety and implement risk mitigation strategies.

- The horticultural sector has also been influenced by farmers' risk diversification strategies, and hence the rise in off-farm employment in agro-tourism, on-farm retailing, etc.

Livestock

The main effects of policy on the livestock sector include the deregulation of the trade in meat and the concomitant rise in informal (unrecorded) sales as well as the shift of abattoirs back into the rural areas and to a smaller scale of operation. However, there is a dearth of research on the socio-economic aspects of the livestock sector.

3.2 The traditional rural sector

Farmers in the former homeland areas of South Africa have been affected by neglect, principally because of the withdrawal of farmer support systems, and by an urban bias in the provision of infrastructure, where provision has tended to be concentrated in urban and peri-urban areas rather than in the 'deep' rural areas. In this regard, the following observations can be made:

- While the right to food is enshrined in the Constitution, there is little evidence that this has resulted in improved nutrition for poor rural people. These areas, which are characterised by market failures, also experience the effect of policy failures. Policy failures are evident in the lack of a definitive poverty line and insufficient resources to monitor and evaluate poverty relief programmes, in the uncoordinated withdrawal of farmer support programmes, in the misallocation of the budgets of provincial departments of agriculture, and in the lack of agreement among government departments regarding the definition of household food security, and hence on best practice food aid and other programmes to alleviate poverty. In short, the country lacks effective safety nets to protect the poor in times of rising prices, natural disasters and health shocks such as HIV/AIDS.

- Yet the most important effect of this state of policy failure is not only the poverty of those who remain behind in the traditional sector, but also the poverty of those who migrate and find themselves in the 'other' rural institutional sector where they are as poor, but at least have some access to transport, communications and other infrastructure, and to social services.
- These areas are also characterised by overlapping competencies between traditional authorities and local municipalities. In communal areas, for example, traditional authorities exercise rights over the allocation and use of farm land, while municipalities have been charged with responsibility for local economic development. Furthermore, the legal status of women under traditional authorities has to be addressed, while a growing body of legal decisions has ruled that many such customs are unconstitutional.

4. MARKETS AND POLICIES

As a developing country, the main market failures in South Africa are those that relate to the inability to achieve a more equal distribution of income rather than those that relate to environmental impacts. Thus, for example, it is clear that neither land nor water markets, two key inputs into agricultural production, function efficiently. In the case of land, this has resulted in the perpetuation, and even the strengthening, of dualism in agriculture. Unfortunately, this market failure has to date been accompanied by policy failure as progress with the land reform programme (including the provision of secure tenure rights in the communal areas and the abolition of the Subdivision of Agricultural Land Act) has been too slow, and land transfers have not been accompanied by farmer support services. In the case of water, the implementation of water users associations has also been too slow, hence the status quo in the allocation of water for agriculture has largely remained in place.

Market failures are also prominent in the information and credit markets. Poor people have limited access to credit due to the standard

problems of intertemporal markets. Resource poor farmers also complain about limited access to market information – they have little information about market opportunities, prices, etc.

These measures have been accompanied by a range of interventions in the conditions of employment, etc of farm workers. However, it is not always clear that these interventions are properly coordinated, nor is it clear that they are necessary. Real wages of farm workers have, for example, been increasing at a relatively fast rate for more than a decade even in the absence of legislated wages, while labour law has not been able to stem the decline in employment, to affect the substitution of permanent workers with temporary and seasonal workers, or the shift to the use of labour contractors. Nevertheless, these interventions into the land, water and labour markets have impacted negatively on investor confidence in the agricultural sector, except in those instances where there are clear market opportunities, such as has been the case with wine and export table grapes, etc.

5. TWO EXAMPLES OF POLICY FAILURE

5.1 Irrigation policy

It is estimated that about 25 per cent of the gross value of agricultural production in South Africa is produced on irrigated land¹⁰. This translates to between a third and a half of all plant production (field crops plus horticulture), given the wide annual variability in dryland production. Some 20 per cent of the total sugar cane crop is produced under irrigation, mostly in Mpumalanga province,¹¹ ie in the areas where most lateral expansion in the sugar industry has taken place over the

10. Assuming that all wine grapes, all fruits and vegetables, flowers and some relatively minor field crops are grown on irrigated land, this proportion has fluctuated between 20 and 30 per cent since 1991/92.

11. Ø, Krabbe, "The comparative advantages of sugar cane production in South Africa", unpublished MAgriAdmin thesis, University of Stellenbosch, 1999

TABLE 1

**Percentage producer subsidy equivalents (PSE)
per commodity**

Commodity	1996	1997	1998
Wheat	-21,70	16,09	19,44
Maize	-9,68	-1,55	-18,25
Other grains	-123,43	-35,10	-56,06
Oil seeds	-152,34	-90,74	-137,11
Sugar	39,60	42,62	39,55
Livestock products	4,09	10,62	8,30
Total PSE for SA (%)	1,78	10,89	4,18

Source: J.F. Kirsten, M. Gouse, N. Tregurtha & N. Vink, "Producer Subsidy Equivalents (PSE) for South African agriculture for 1996, 1997, 1998", a report to the National Department of Agriculture, Pretoria, 2000

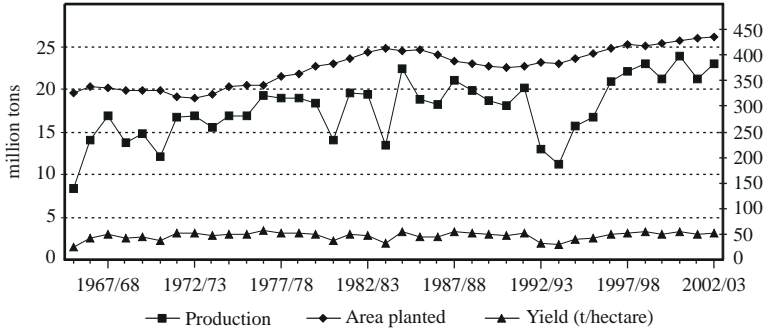
past three decades. The sugar industry is also the only agricultural industry in South Africa that is still afforded significant protection (see Table 1), although red meat is also protected by tariffs.

Figure 1 shows the rising trend in output of sugar cane over the past four decades, as well as the wide annual variations in supply. These data also show that most of this increase in production has come from the expansion in the area planted to cane (principally in the irrigated lowveld areas of Mpumalanga), as industry average yields are not significantly higher now than in 1969/70.

The fact that sugar is produced in KwaZulu Natal and Mpumalanga provinces has to be seen within the context of the distribution of land resources in South Africa. More than 90 per cent of the highest potential land is found in those two provinces, while the Western Cape, with

FIGURE 1

**Area planted, output and yield of sugar cane in South Africa
1965/66–2002/03**



Source: National Department of Agriculture, *Abstract of agricultural statistics*, Pretoria, 2001

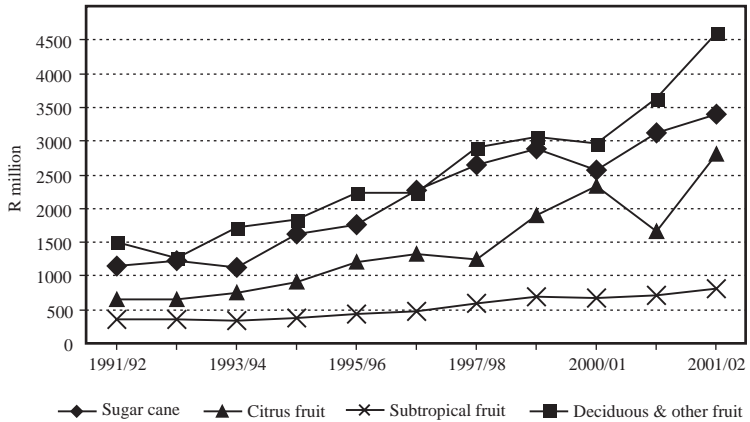
a relatively poorer resource base, is the source of the larger share of the country's agricultural exports, largely horticultural products.

Figure 2 suggests that the expansion in sugar production into irrigated areas may have been at the expense of potential export revenues from subtropical fruit, as the latter has grown at a slower rate than citrus and deciduous fruit exports since 1991/92. During the past decade total production (and exports) of the other fruit types has expanded rapidly, while that of subtropical fruits has grown more slowly (total production of citrus fruit in 2001/02 was 4,3 times as high as in 1991/92, of deciduous fruit 3,1 times as high, and of subtropical fruit only 2,3 times as high).

The conclusion is inescapable – the country is not using its natural resources, and in particular its irrigation resources, optimally because of the protection afforded to the sugar industry. This does not, of course,

FIGURE 2

**Total output of different fruit types and sugar cane
1991/92 to 2001/02**



Source: National Department of Agriculture, *Abstract of agricultural statistics*, Pretoria, 2003

mean that there should be no sugar production in South Africa, for the following reasons:

- The world market in sugar is highly distorted by subsidies provided to producers in the developed countries. It has been estimated that the world price of sugar would increase by as much as 16,4 per cent if these subsidies were removed.¹² This would make a substantial difference to the profitability of the South African industry, and thus the need for protection. Given the current pressure on rich

12. X. Diao, A. Somwaru & T. Roe, "A global analysis of agricultural reform in WTO member countries", in M.E. Burfisher (ed), *Agricultural policy reform in the WTO – The road ahead*, Agricultural Economic Report N° 802, Market and Trade Economics Division, Economic Research Service, United States Department of Agriculture, 2001

countries to reform agricultural subsidies, it would be unwise to fully deregulate the sugar industry as rapidly as was the case with other agricultural commodities;

- The industry is a large source of investment and employment, both in the production of cane and in the further processing of sugar;
- The industry has been a leader in the implementation of empowerment and land reform, and has been implementing such policies for decades, ie from before the time of the formal land reform policy. The benefits to newly empowered farmers and to surrounding communities that result from the production of sugar cane and from the multipliers created by these economic activities are clear and should not be jeopardised.
- Land resources are not perfectly substitutable, hence it is not possible to produce subtropical fruit on all land currently planted to sugar. In many cases the alternative would be commodities with a lower value¹³.

Nevertheless, the country could be earning more from agricultural exports than it does at present, and at least part of the reason is that some of its highest potential land is not being used in its 'highest and best' use. Although sugar industry policy has been liberalised over the past decade¹⁴ there is little evidence that this has been coordinated with the Department of Agriculture, especially in terms of the best use for irrigation resources, or that the latter has given any attention to dedicated support programmes for the subtropical fruit industry. In this sense, this sub-optimal use of irrigation resources in South Africa can be seen as the symptom of policy failure.

5.2 The subdivision of Agricultural Land Act, N° 70 of 1970

The White Paper on land reform¹⁵ described the intentions and application of the Subdivision Act in some detail. The purpose of the Act

13. Krabbe, *op cit*

14. The sugar industry falls under the Department of Trade and Industry rather than Agriculture.

15. Republic of South Africa, *White paper on South African land policy*, Pretoria, 1997

was to regulate the subdivision of title deeds, stipulating that this could only be done with the approval of the Minister, and to regulate changes in the zoning of land.

In the White Paper it was suggested that:

There is general agreement that the Subdivision of Agricultural Land Act must be phased out to free up the land market. Its repeal should be accompanied by statutory provisions to protect high potential agricultural or environmentally sensitive land, where it is considered necessary. (Emphasis added)

In the formal policy statement of the Land Redistribution for Agricultural Development (LRAD) programme,¹⁶ it is argued that:

The ability of participants to subdivide existing large land units will be critical to the success of LRAD. Signature of the repeal of the Subdivision of Agricultural Land Act, Act No. 70 of 1970 is still pending, and in the meantime subdivision requires the approval of the Minister. Retention of the requirement for ministerial approval prior to subdivision could in principle create a serious obstacle to implementation. However, the Provision of Land and Assistance Act, Act No. 126 of 1993, makes provision for subdivision, such that approval for subdivision is not necessary when the Minister or Minister's delegate has approved the project for funding. (Emphasis added).

Both the White Paper and the LRAD argue that the main reason why this Act has not been abolished despite the 'general agreement' that it should is the fact that it also served a land-use zoning function, where-

16. National Department of Agriculture (NDA), *Land redistribution for agricultural development: A sub-programme of the Land Redistribution Programme*, Pretoria, 2001 (www.nda.agric.za/docs accessed December 2003)

by any application for changes in the zoning of land outside of formally proclaimed towns under the former municipal dispensation also had to be approved by the Minister of Agriculture. As the LRAD states¹⁷:

While it is widely recognised that the Subdivision Act was not an ideal instrument for this function, its repeal risks leaving a void. For this reason, work is underway to develop a comprehensive land-use management system, which will incorporate the present approaches to regulating land-use...

The White Paper argues that the act inhibits land reform in the following ways:

- Policies restricting farm size create rigidities that increase the cost of adapting to market conditions;
- The notion of setting farm sizes to achieve minimum and maximum returns makes assumptions about fixed price ratios and constant technology, neither of which is valid;
- Under-used land suitable for redistribution is spread over many farms. Many farms have a core area of land as well as other land that is less intensively used. Acquiring and redistributing the under-used pieces would have a positive impact on aggregate production and provide opportunities for resettlement and a mix of farm sizes;
- For the land market to work more effectively, owners must have greater flexibility to dispose of less intensively used portions of farms. Laws prohibiting subdivision prevent the price of under-used land from falling towards its low-use value, and prevent the realisation of 'low' prices through the land market.

If these arguments are accepted, it seems that the future of the land reform programme is being held to ransom because of the inability of the state to promulgate satisfactory zoning legislation. In such cases it is always instructive to investigate the winners and losers from the

17. *Ibid*

maintenance of the status quo, and the winners and losers from the abolition of the Act. When the interests of poor rural people are weighed against those of professionals such as lawyers, valuers, etc. it seems clear that the cost of subdivision of land will remain high, and a barrier to land reform.

6. CONCLUSIONS

South Africa's land reform programme is not delivering transfers of land at a satisfactory pace. Some argue that this is because of financial constraints, or because of the degree of bureaucratic intervention.¹⁸ Sender & Johnston,¹⁹ on the other hand, argue that the notion that small farms using family labour produce more efficiently than capitalist farmers is not supported by strong empirical evidence, nor are theoretical arguments in favour of such a strategy coherent. In their view, referring to South Africa and Zimbabwe:²⁰

*The well-financed search for small farms that use family labour to produce more efficiently than capitalist farmers employing wage labour is driven by an ideological vision of the 'potential' of small farms, but has not uncovered satisfactory evidence of such potential, even in the aftermath of enforced liberalization and de-regulation in the economies concerned . Policies to promote capitalist farming and the growth of decently remunerated agricultural wage employment in Africa, as elsewhere, **would require far higher levels of public investment and a much more interventionist state than the current consensus is***

18. NDA, *op cit*

19. J. Sender & D. Johnston, "Searching for a weapon of mass production in rural Africa: Unconvincing arguments for land reform", paper read at an Invited Panel Session on "Efficiency versus equity in land reform", 25th International Conference of Agricultural Economists, Durban, August 2003

20. *Ibid*, p 14

prepared to contemplate. Although both the South African and Zimbabwean governments do appear keen to encourage the emergence of a Black rural bourgeoisie, their efforts to provide them with the required strategic support have been haphazard and have met with limited success. (Emphasis added).

Yet these gloomy prospects do not tell the whole story. The democratisation of South Africa, accompanied by the liberalisation of foreign and domestic markets, not only created market opportunities in traditional commodities and traditional markets for traditional suppliers, but also paved the way for a more diverse range of commodities and value-added products to be sold into a more diverse range of markets. It has also created opportunities for historically disadvantaged farmers and businesses throughout the supply chain. The agricultural export performance of the country attests to the success that has been achieved in this regard.

Furthermore, the deregulation of the agricultural sector has also created a wide range of new opportunities in the agricultural supply chains of even the most basic commodities, and has resulted in a marked shift in the impact of agriculture on the environment. In these respects (democratisation, deregulation and environmental impact) there is clear evidence of a beneficial symbiosis between markets and policies, and the results in terms of the positive roles of agriculture are clear to see.

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