

# AGRICULTURE AND RURAL DEVELOPMENT

In these three papers, **Professor Johan van Zyl**, Dean of Agricultural Sciences at the University of Pretoria, and his colleague **Johann Kirsten** review the structure and characteristics of agriculture in South Africa, the position of blacks in the sector, access to and utilisation of land and other resources by white and black South Africans, the scope of agriculture to make a contribution to the alleviation of poverty, and measures that would enhance effective black participation and performance in the sector. Specific research topics are identified

An overriding characteristic of the South African agricultural economy is the skewed distribution of income and wealth. This pattern is particularly noticeable in black rural areas, which have the added characteristic of widespread poverty

The principal cause of this inequality is the skewed distribution of access to resources, markets and power. The differential access was determined by such laws as the 1913 and 1936 Land Acts, which established the racial division of farm land and a host of other measures. The net effect of this discrimination has been that black farmers are confined to farming in the 'homelands', which constitute 13 per cent of the total available land. In contrast to white farmers, they are also not served by a comprehensive agri-support system, including physical infrastructure, extension, financing, co-operatives, marketing support, and political lobbying power. The debate about land reform and agricultural restructuring involves around a broad set of ethical, juridical, social, technical, ecological and economic considerations. It would seem that, very broadly stated, a fair amount of consensus has been reached on the ethical question: that the 'new' South Africa should be democratic, non-racial and non-sexist, and should broaden opportunities for all South Africans. Specifically, there is broad acceptance that all people have equal claims on social services and public goods, and equal access to economic opportunities. [Eckert 1991]

There is, however, a need to qualify the concept of equality to give due recognition to the need for the economically optimal allocation of scarce production factors in order to produce sustainable levels of welfare. In principle, the market as an institution which links demand and supply

provides an effective mechanism to allocate scarce resources according to need and utility, while differentiating on the basis of performance. [Eckert, 1991; Van Rooyen et al, 1990]

The principle of equal opportunity raises a derivative concern. Enormous differentials in ability to enter and compete effectively in the South African market exist as the result of a legacy of a structured process of unequal access and opportunities and social discrimination. Simply ensuring an equal access opportunity to compete in market processes must be viewed as insufficient, when the ability to compete and contribute optimally by the majority of South Africans has been constrained by the past. This implies that the market mechanism needs to be supported and complemented to bring about fairness in the economic processes.

In the South African situation it is argued, therefore, that one must supplement equal opportunity with the right to an 'equal start'. This cannot, of course, be achieved easily, or quickly, as it implies massive education and training and the creation of opportunities for those previously kept out of the mainstream. The practical value, but at the same time the cost of 'learning by doing' experiences, should also not be underestimated. People must be afforded the opportunity to be successful or make mistakes and at the same time accept responsibility for their actions. Adopting this ethic would give direction to future economic restructuring programmes.

Turning to the farming sector, the argument is therefore that efficient resource allocation can only occur within a sustainable system if all prospective participants have fair access to the relative scarce resources, inputs and product markets. Important also is access to the political market: the ability to lobby effectively for governmental support.

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These in turn require entitlements (the legal ability to act) and empowerment to act effectively. The 1913 and 1936 Land Acts (and a plethora of related acts and regulations) constituted a major impediment to fair access to farming opportunities. The attainment of equal rights through the scrapping of these acts and other legislation will enable some black persons to acquire agricultural land for farming purposes.

However, this will not be sufficient to ensure that all people interested in farming, including small farmers, part-time and women farmers, will have a fair chance of access to farm land and to practice economically viable farming. The skewed distribution of wealth and farm size will inhibit many potential farmers, especially black smallholders, from obtaining land through outright purchase with their own funds. Apart from land purchase, the right of access to the other farmer support services will also not necessarily be self-evident for smallholder black farmers and other categories of farmers who have been discriminated against in the past.

This means that access through entitlement will have to be supplemented by specific measures aimed at empowering these farmers to be able to put these rights to use. Such a programme of entitlement and empowerment can be termed an Economic Affirmative Action approach. These programmes will have to attempt to identify and then support those farmers who can emerge as competitors in the agricultural resource, input, commodity and political markets, on a par with other farmers. Absence of such an approach will render any land reform unsustainable, unfair and politically unacceptable.

South African agriculture was subjected to two phases of restructuring in the period up to the early 1980s. [Marcus, 1989 Vink and Kassier 1991)

The first phase consisted of the initial steps aimed at the territorial segregation of white and black farmers. The second phase of restructuring took place after World War Two, and saw the increased mechanisation of commercial farming and the introduction of such high yielding genetic technology as hybrid seeds and pesticides. [Van Zyl et al 1987a] These innovations were mainly directed towards increased production in white commercial farming. However, since 1970 efforts were also directed towards increased agricultural production in the homelands. [Simkins 1981]

The recommendations of the Tomlinson commission of 1955 in effect implied that a comprehensive farmer support approach based on economic incentives was required to upgrade agricultural productivity in the 'homeland' areas. These recommendations were, however, not accepted by government. In the early 1970s, government intervention in homeland agriculture was directed rather towards providing physical/technical planning through 'betterment planning' and administrative control. This policy failed to achieve its objective of raising welfare, largely due to its failure to provide economic incentives either for commercial farmers,

smallholder producers or the non-farming rural population, and the neglect of the social, cultural and political components of rural development.

The absence of commercial agriculture in the homelands was officially attributed to the perception that it was caused by the lack of entrepreneurial and managerial ability among black farmers. This, combined with the philosophy of 'optimal resource use', a cornerstone of 'white' agricultural policy, dictated that expatriate management should be introduced in order to develop agriculture. This resulted in an approach which emphasised large-scale, centrally managed estate project farming, with little or no community participation.

In a later adaptation, schemes were adjusted to settle selected participants and project labourers as 'project farmers' under the control of central management. This so-called farmer settlement approach became the mainstay of agricultural development efforts in the late 1970s and early 1980s. These settlement projects also failed to generate sustainable development processes, although surpluses were produced. [Vink 1981; Van Rooyen et al 1987]

The projects were expensive to maintain, often requiring government subsidisation to sustain production levels. Employment was provided at a high cost, while labour productivity remained low. Project farmers were also restrained from accepting accountability due to the central control nature of these schemes. Limited linkages with the local environment resulted in such projects becoming 'islands of prosperity in oceans of poverty'. State-subsidised project farming furthermore increasingly competed with local (non-project) farmers and with farmers in the commercial areas for the production and marketing of cash crops.

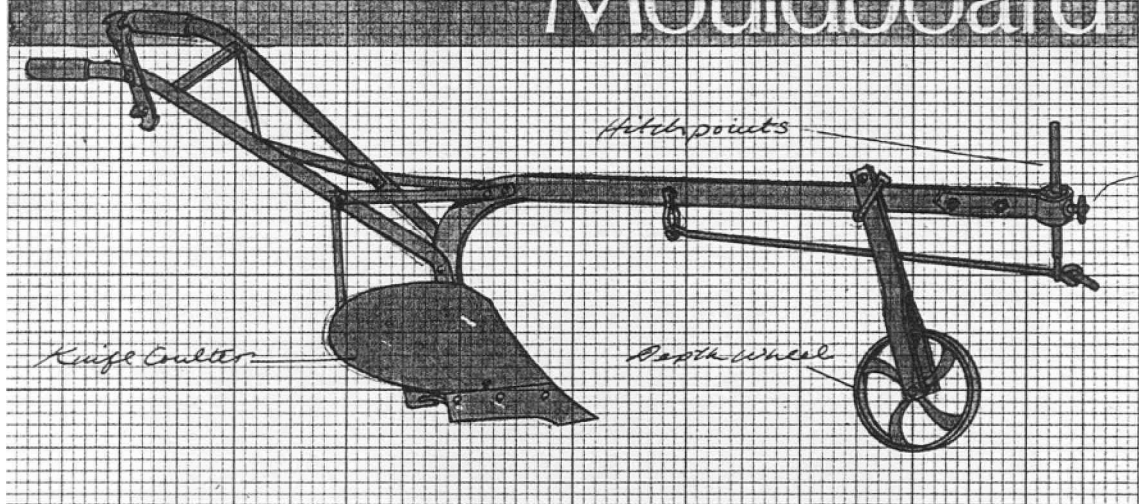
The beginning of the 1980s saw the start of a new phase of restructuring of agriculture, again as a result of a change in farm policy, mainly phasing the agricultural sector away from regulations and government subsidisation towards a more competitive market based on freer market principles. Positive real interest rates, the depreciation of the rand, and declining real product prices had (and still have) dramatic implications for farmers.

Farmers, producing on marginal land in especially the grain producing areas, were increasingly pressurised by the price cost squeeze. Repayments on farms, acquired at above agricultural production values, severely jeopardised the cash flow position of many farmers. Widespread droughts of these years severely aggravated matters. [Van Zyl et al 1987b; Van Zyl et al 1987c]

A further interesting observation relates to the productivity of farming in South Africa. An analysis of the commercial grain production sector indicated that whereas labour and machinery productivity increased substantially since 1960, the decreasing productivity of intermediate input use [fertiliser, seed, pesticides] resulted in decreasing levels of overall productivity: from an index value of 100 in 1960 to an index value of 88 in 1990. [Van Zyl 1990] This analysis, although not representative of South African commercial



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agriculture, draws attention to a serious problem within a major farming sector.

In developing agriculture a shift away from settlement schemes, as the major instrument of agricultural development in the homelands, in favour of a farmer support approach became apparent. [Van Rooyen et al 1990] This shift, strongly supported by such institutions as the Development Bank of Southern Africa (D13SA) and various development corporations, was based on two assumptions.

It was assumed that farmers in general are rational decision-makers who operate in an environment constrained by a lack of access to agricultural support services and incentives. It was also assumed that for farmers to be operationally successful, the provision of access to the support services would have to accommodate all producers of agricultural commodities, regardless of whether they were full- or part-time farmers or men or women.

The Farmer Support Programme (FSP) is a comprehensive programme aimed at providing institutional support and incentives for farmers in the less developed areas, in order that they utilise their available resources more efficiently. In the long run, with the development of local entrepreneurial abilities and management skills and the operation of economic forces, it is hoped that the FSP will create conditions for the commercialisation of the developing agricultural sector.

To assist in adequately addressing the constraints on agricultural development identified in the developing areas or

homelands, six elements are provided as part of a comprehensive FSP for crop and livestock activities: the supply and funding of inputs and production assets to farmers; mechanisation services; marketing services; extension services, demonstration and research; training and education; and policy formulation.

This approach is much more cost-effective than the settlement approach, reaches more farmers, and maximises the linkages with other sectors of the economy through multiplier effects. [Van Rooyen et al 1990]

However, these arguments do not mean that the smallholder farming sector (in the homelands) should be replicated throughout South Africa. What these arguments do show is that the FSP approach has highlighted the contribution that black smallholder farmers can make in mainstream agriculture and that they are efficient food producers, if provided with an appropriate support package.

The changes in farm policy since the early 1980s have had significant effects on the agricultural sector, but it is important to note that different farming regions have experienced very different circumstances.

Aggregated data show that the sector is becoming more flexible in at least some parts of the country. This is highlighted by the improved aggregate debt service ratio along with financial difficulties for some groups of farmers; increasing land use intensity in high potential regions and 'over-

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cropping' in more marginal regions; the aggregate decline in farm size; shifts in the cropping pattern; and the relative absence of yield effects in agriculture. [Brand et al 1991]

There are also more recent changes in farm and general policy which will have an effect on the agricultural sector in the future. The scrapping of the Land Acts of 1913 and 1936 and related legislation, the application of certain parts of South Africa's labour legislation to agriculture, and the reorganisation and reorientation of public sector institutions which serve agriculture are cases in point.

Current data sources make comparisons of land use patterns between the white farming areas and black farming in the homelands difficult. As has been shown, black farmers are confined to the homelands, which constitute only 13 per cent of total available land. Recent findings indicate that the homelands possess only 11,1 per cent of South Africa's arable land, taking into account rainfall, slope and soil. [McKenzie and Louw 1990]

Due to more market-related policies, shifts in crop production to the higher potential areas and livestock farming to the drier areas can be expected in commercial areas. A shift to planted pastures is most evident in the marginal commercial cropping region. There is also a widely held view that the average size of farms has been increasing as the number of farmers decreases. However, recent surveys show that the number of commercial farming units in South Africa increased from 59 960 in 1983 to 67 010 in 1968. It is thus no longer possible to assume that farms are getting bigger throughout the country. A movement towards part-time farming and supplementing incomes from non-farming sources will further render farm sizes flexible.

The occurrence of a large number of smallholdings (in homeland areas) relatively far removed from urban concentrations constitutes an abnormal economic spatial location pattern. This pattern can partly be viewed as the legacy of apartheid legislation. Where economic forces are allowed to dictate land use patterns, the accommodation of a large number of small farmers around urban concentrations producing for lucrative high-value urban markets can be predicted. Farming in South Africa will increasingly occur within a more flexible, market-orientated approach, and in view of proposed land reforms, one could expect a differentiation representing a wide continuum in farm size, from large numbers of small farms to fewer large farms.

**T**otal production and consumption of selected agricultural commodities from 1980 to 1990 show that, in aggregate, total production has outstripped total consumption. Self-sufficiency indices for the various commodity groups show grain production to have an index value of 130, horticultural production 142 and livestock production 96, where an index value of 100 represents national food self-sufficiency,

However, national food self-sufficiency does not imply national food security, especially given the skewed distribution of resources, access and income in South Africa. Despite food self-sufficiency, the 'food equation' relating

food supply to consumption is not balanced. This is especially observed in the occurrence of hunger and malnutrition in South Africa.

Most rural households and most farmers are also net consumers of staples. Marketed sales are highly concentrated, with a small minority of households accounting for more than 80 per cent of the developing sector's sales. This puts the 'food price dilemma' on centre stage in land reform: food should be affordable, but prices also serve as incentives to producers, [Van Zyl and Coetzee 1990]

In this respect, international trends, as well as local circumstances - relative prices, inflation rates, protection — are important. Taking this into account, a longer-term view is necessary, and, given South Africa's relative isolation through transport costs, self-sufficiency in staples seems desirable at this stage.

The present farming position in South Africa does not seem sustainable from economic, financial, technical and environmental perspectives. Certain aspects of this argument have been highlighted. The restructuring of the agricultural sector can thus be predicted with a large degree of certainty. Political requirements will further demand changes towards a greater participation of blacks in the agricultural economy of South Africa. Land reform programmes will be viewed as an important instrument to promote reconstruction in the agricultural sector. ■