

EMPOWERING BLACK FARMERS

What types of affirmative action programmes will help black South African farmers?

Imaginative affirmative action programmes are required if black South Africans are to benefit from their entitlement and become economically empowered in the agricultural sector.

Three principal methods of providing entitlement to farming resources as an element of an affirmative action programme can be identified.

The first was that of removing the various laws which controlled access to land, including the Black Land Act [No 38 of 1927] and the Group Areas Act (No 36 of 1966). Other legislation, such as the Subdivision of Agricultural Land Act (No 70 of 1970), will also have to be studied in terms of their effect on access to land.

The second proposed mechanism - namely legislation which will facilitate various forms of land use security and exchange land rental and tenancy agreements complementing land ownership, and the reduction of transaction costs of disputes over land rights - should receive major attention. [De Klerk 1990; Budlender 1990]

The third legislative instrument which would have to be accommodated is the extension of labour relations legislation to the agricultural sector, a matter which is currently being investigated.

The relevant laws will probably have to be adapted to the special circumstances of agriculture: timeliness of certain production activities, and so on,

As emphasised elsewhere, entitlement actions alone will not be sufficient to provide a level playing field in South Africa. 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. There are a wide range of policy instruments available which could serve to empower prospective farmers.

Access to land through purchase

Improved access to land by people historically deprived of this right will be especially important in the future agricultural system. It will be of cardinal importance to show that the market mechanism can make a meaningful contribution in this respect. Many proposals have been made for state-supported land purchase schemes, for example through the Land Bank.

While there is merit in such arguments, a number of lessons can be learned from the extensive experience with the process of Trust Land transfer to the homeland areas and the resettlement programme in Zimbabwe. [Vink & Louw 1990] The principal lessons are that such land transfer programmes are lengthy and difficult, and therefore costly processes, and that they increase land prices considerably. Extension of the financing facilities of the Land Bank and the Agricultural Credit Board to include black farmers probably represents the soundest approach to affirmative action for those who wish to buy land.

Experience has shown that the constraint lies in the access to finance for land purchase rather than in its costs. If any subsidy is considered, it should rather be directed at reducing the transaction cost of access, than to subsidising the interest rate. Examples of these transaction costs are deposit requirements, conveyancing costs, and loan administration costs. Government guarantees to support such farmers would constitute a further measure of affirmative action.

Other forms of access to land-use rights

Security and exchange of land usage is important to ensure optimal development of and investment in land. The purchasing of land should not be the only form of access to land use rights. The opening up of land rights should be supplemented by legal measures that enable the leasing of land on a just basis, and provide for alternative land use agreements.

Empowering black farmers



The obtaining of security of land use rights (purchasing, leasing, and so on) by people who up to now did not have access to the land market due to restrictive legislation and its economic and other effects, will require special measures.

These measures should be characterised by appropriate terms and interest rates, and should be aimed at the reduction of transaction costs linked to access. Access to land should also be supplemented by measures aimed at access to all other resources and agricultural services. In this respect it is important that the land use rights should be transferable so that this resource can be utilised by the most competent user. It is thus also necessary to review legislation such as the Act on the Subdivision of Agricultural Land, especially because the economic utilisation of agricultural land resides in the operator and cannot be determined by law.

Ecological and environmental factors are important in the correct use of land resources. It is therefore important to take cognisance of the relative scarcity of high potential agricultural land in South Africa. This high potential land should be zoned for agricultural purposes only, while there should be strict guidelines for the ecological conservation

and correct utilisation of this resource.

Equalising access to lobbying power

Due to the fact that white farmers historically had a disproportionate amount of political influence, a non-discriminatory policy by the state towards representation by commercial, part-time tenant and other lobby groups is required. Some public sector support for the establishment of new and small black farmer lobby groups, such as the technical assistance being granted by the Development Bank of Southern Africa to the National Farmers' Union, is also justified.

Infrastructure

It will be necessary to have a range of innovative adaptations to existing and new infrastructure to serve the needs of different types of farming systems in which, for example, small and part-time farmers will particularly need to be accommodated. The issue would be to reduce the transac-

tion costs to participate in the market by introducing appropriate technologies and not hesitating to phase projects when fiscal constraints are being experienced. It is to be expected that most infrastructure funding will come from the public sector.

Farm credit

The formal sources of credit for farmers in South Africa, ie the Land Bank, Agricultural Credit Board, co-operatives and the commercial banking sector, are not always properly geared to providing credit to emerging and part-time farmers. The requirement here will again be for innovative strategies of affirmative action which account for such factors as rural savings mobilisation, the transaction costs inherent in rural financial markets, methods of credit extension, group credit schemes, and interest rate policy.

Extension, research and training

South Africa has much to learn in terms of technology development for new farming systems in order to make affirmative action programmes relevant. The experience with technology development and transfer for smallholder farmers in Zimbabwe could provide a fruitful sphere of lessons.

A further example of affirmative action in this sphere refers to the training of black farm managers. A substantial proportion of farms in the commercial farming areas are not permanently occupied, and are often under the effective control of black farm managers. Such a programme could also include the extension of share ownership schemes to farm workers by farmers who are looking for alternative ways of accommodating farm labour in the entrepreneurial development process. The accommodation of interested returning refugees and jobless people interested in farming through training and settlement programmes will provide productive socio-economic upliftment actions.

Macro-economic and agricultural policy

New farm policy design should be particularly sensitive to the impact of macro-economic and agricultural policy changes on the wellbeing of smallholders. For example, the fixing of producer prices to reflect higher real levels may benefit some farmers. The majority of agricultural producers, however, are not producing sufficient food to feed themselves. Increased producer prices, if reflected in increased consumer food prices, will therefore be to the detriment of a large number of rural communities and smallholders.

Agricultural land tax

Although the revenue potential of a tax on agricultural land in South Africa is relatively low, it has some possibilities in providing an income source to local government and contributing towards changing land use patterns. However, an important point is that it will have to be used as part of a comprehensive policy package. Several questions need to be addressed before a land tax can be created: the nature and form of local government authority that will be created in rural areas; rates of taxation; and tax relief, if any. All of

these will impact on the effects of a land tax on land use.

Marketing policy

Control of marketing boards is firmly vested in the hands of white commercial farmers. The representation of a wider range of interest groups will therefore form an important component of an affirmative action strategy, as will representation as full members of agricultural co-operatives. Adjusting agricultural marketing policy to encourage an acceleration of the current trend of declining real land prices should continue.

The single channel, fixed price marketing schemes operated by the Maize and Wheat boards, for example, caused land prices to be 41 and 43 per cent higher in the commercial summer and winter rainfall cropping areas respectively. A movement towards a freer market for agricultural products will thus decrease land prices substantially, which will lead to land prices being more compatible with production potential. This will increase access to land considerably.

An affirmative action programme should also endeavour to ensure that all restrictions to markets through the use of quotas or permit systems are removed. The challenge facing policy-makers will be to devise a comprehensive Rural and Agricultural Development Policy involving programmes of action which will complement and supplement one another, but at the same time providing equitable access, without unduly distorting or compromising production efficiency.

The starting point for such a strategy will be a proper recognition of the role of the public sector in agricultural development. The state should, in general terms, confine its activities to setting the direction of policy, creating the regulatory framework within which the sector should operate and financing the provision of mass/bulk infrastructure and certain elements within research and extension. [Van Rooyen and Van Zyl 1990]

Where the private sector is not willing or able to provide such support services as funding, on-farm extension, research, marketing services and input supplies, a case can be made for their provision by public sector corporate institutions such as the Land Bank and regional development corporations. These institutions should, however, focus on the needs of emerging farmers as their principal target group. However, farming should be left to farmers.

In answering the questions of where, when, how and under which conditions affirmative action and land reform programmes are expected to have the biggest impact, some realities need to be accounted for.

The first is the skewed distribution of land ownership, unproductive farming practices, and the unsustainable agricultural situation.

Secondly, the reality is that land reform is viewed as one of the [if not the] major determinants of political change in South Africa. This perspective implies that it would be naive to expect that the sector can be restructured without specific account of the need to redress past injustices, or of the need to maintain and strengthen the production of agriculture.

Thirdly, it will be necessary to introduce into land law specific legal recognition of the principle of equity, particularly to ensure fairness in the interpretation and resolution of disputes over land rights. The common law as it stands does not offer effective protection of tenants in disputes with landowners, [Budlender 1990]

In the fourth place, all parties in the debate attach a value to land which is far in excess of its value in production. The debate is an emotional one, and will remain so.

In the fifth place, past discrimination has not been to the detriment only of blacks. Although black farmers have been relatively more disadvantaged than other farmers, there has also been discrimination against small farmers, women farmers, tenant farmers, and part-time farmers in general.

In the sixth place, experience with state-controlled [non-market] land transfers in South Africa, principally the Trust Land Transfer programme, shows this to be a costly and unproductive mechanism. The land market, supplemented by economic affirmative action programmes, will have to be a major instrument for structural reform in a strategy for providing fair access to land.

Given these realities, and that the market mechanism should be a primary instrument for facilitating land reform, three additional aspects are important in the structuring of land reform in South Africa.

Land reform through farmer settlement.

Farmer settlement strategies imply at least a degree of transfer to farmers of rights to assets and decision-making. Prospective farmers can settle by buying or leasing land and other farm resources, or having resources transferred to them through other means. The 'project approach' is often followed to structure the process of settlement according to a programme. Farmer settlement through projects can be approached within two basic models:

The first, Settlement Projects (SPs), have as their ultimate objective the establishment of productive commercial farmers through a system of co-ordinated support services. The income-earning potential of farming should be sufficient to compensate for commercial risk and entrepreneurial effort. In some situations, farmers can be established as independent entrepreneurs right from the start of a project.

Alternatively, farmers gradually become more independent in terms of a predetermined programme emphasising counselling, training, and learning-by-doing approaches. On these types of projects, farmers are often supported by a cooperative type of service unit responsible for the management and delivery of support services such as input supply, credit and marketing. Training, extension, counselling and regulatory and administrative arrangements are also centrally co-ordinated.

The second is central [or core] unit /farmer settlement projects {CUFs}. On these projects, estate farming (farming on a large scale through a process of centralised project management) constitutes the central production activity. Farmer settlement, however, still occurs. Two systems of farming therefore operate within the same project. Support

services are provided to farmers on the project. These services are linked to the central estate farm.

Varieties of this model are possible, including a central farm utilising agro-industrial services which are also available to project farmers and outgrowers (processing, packing, marketing, mechanisation etc) and a central unit attending to farming while also performing government functions such as extension and training in addition to agro-industrial services and other commercially orientated support services (input supply, mechanisation, financial and management services, marketing etc) for the benefit of project farmers and out-growers. Examples of CUFs can be found in the sugar industry, or where agricultural products such as apples and tomatoes can be processed on the project into high value commodities.

Farmer Support Programmes (FSPs)

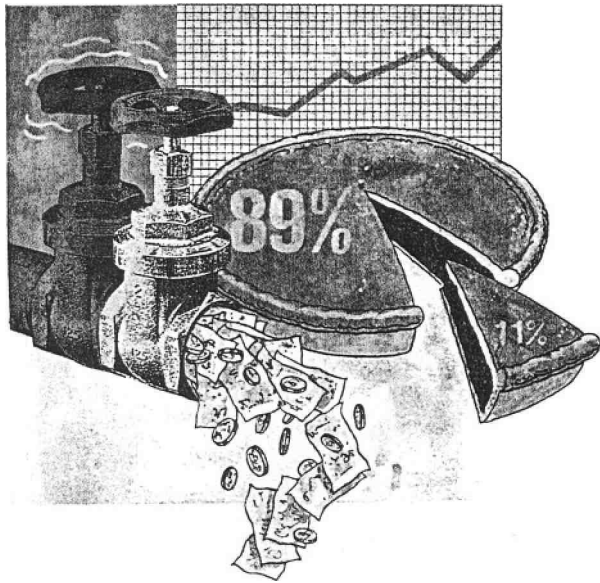
A FSP is essentially different from a settlement programme as it is directed at those already farming. The programme is therefore a supply strategy attempting to alleviate constraints under which farmers are operating. In developing areas and especially on lands under commercial tenure arrangements, farmers operate under severe constraints, ranging from a lack of appropriate infrastructure and support services to security of production rights.

In South Africa, the dualistic agricultural structure furthermore created a multiple set of constraints, inhibiting black (small) farmers to participate in the agricultural economy. An FSP approach to land reform should thus be viewed as a comprehensive package of institutional arrangements. The elements required for a FSP correspond to those for a SP. The basic difference is that these services are directed at those who are already involved in farming. The realities of farming, especially in communal areas, furthermore requires that the level and nature of FSP elements be adopted to the needs, problems and available resources of these farmers.

Land reform through Private Land Acquisition (P¹LA) The direct transfer of land (and other assets) through the market is one of the most cost-effective processes of transfer. On the other hand, land purchased by the state for land reform purposes has proved to be highly ineffective and inefficient. The Land Consolidation Programme provides many case studies substantiating this view.

It will thus be strongly recommended that opportunities be created for the settlement of farmers through a system which will promote and facilitate normal land transfers through the market. South African Land Bank-type funding arrangements need to be considered in addition to Farmer Support Services. Even where the state is in possession of land, transfer to individuals to farm from the outset must be viewed as a potentially very successful strategy.

The economic benefit of land reform through farmer settlement and support programmes should exceed the economic cost. This also implies that the design of the programme and the targeting and implementation should be of such a nature that all multiplier effects of investment be



maximised. This in turn implies that where investment should be prioritised between settlements, those investments with the highest net economic impact should have the highest priority.

Financial support by the public sector to new farmers to enable them to participate on a profitable basis can thus only be justified by net economic benefits accruing to the local, regional and national economy. In this regard, it is important to refer to the cost-effectiveness of FSPs in comparison to SPs.

Farmer settlement and support programmes will compete with other investment opportunities, such as broad-based farmer support programmes, industrial development and urban programmes, for scarce capital and human resources and support capacities. The extent of investments should be related to the economic base of the area. Existing infrastructure should be optimally utilised, with cognisance of services and institutions both within the locality and in the region as a whole,

A first obvious area in which the state could support land reform would be by changing the rules of the game of the Trust Land Consolidation programme. Recently a considerable proportion of trust land was transferred and allocated to farmers on a far less rigid basis than had previously been the case. Lessons learned in this process could be applied to land not yet transferred. Between one and two million hectares of land have been bought by the trust, but not yet effectively transferred to a homeland.

The financing of such purchases by the state has already taken place. What could now be contemplated is to sell this land outright to new farmers under a PLA programme, or to settle farmers on appropriately designed SPs. A prerequisite for both models would be to ensure that the selling prices represent the true production value of the land. Any difference between such a price and the price paid by the state will have to be absorbed by the state.

An even more important element will be for the state to ensure that the necessary support services are in place, and access to such services are on a non-discriminatory basis. The registration of land use security (ownership rights, fair leaseholds and so on) to these farmers need not be a lengthy and costly process, and can be started within the short term.

Any discussion of land reform has to include the homelands. Any unbiased analysis of this issue leads to the conclusion that the immediate opening up of tribally occupied land to purchase will keep even a well-functioning legal system busy for a considerable period. This land is by definition subject to multiple claims to rights on the same piece of land.

Experience with the farmer support programmes shows in any case that as farmers start to commercialise their production processes, a land market (with a wide variety of purchase, rental and pledge contractual forms) starts to develop on a 'willing partner' basis. Research also shows that the creation of rental markets will not achieve efficiency objectives unless it is supported by efficient legal mechanisms. [Nieuwoudt and Lyne 1991]

It is clear that a longer-term view needs to be taken of this issue, and that a bundle of rights to land security and exchange should be promoted. Variations within the FSP approach seem to be the most appropriate model for reform on these lands.

The removal of racial barriers to land ownership means that blacks can purchase farms as participants in the existing land markets. Some will be able to arrange finance for themselves through normal commercial channels, while others will qualify under existing funding programmes of the Land Bank and the Agricultural Credit Board.

There are no racial barriers to access to these financing institutions other than the Land Acts themselves. There are those who believe that this is the only 'land reform' required in South Africa. With respect to financing, this will include looking at the collateral requirements of such institutions, such as land ownership, and also at their risk exposure in cases where they lend to emerging farmers.

A further reality in respect of the more market-related state policy is that a larger percentage of land will become available on the land market. The state could, with innovative mechanisms, for example, release the debt constraint on land, thereby allowing a more flexible land market to operate.

Such mechanisms could include a programme of writing off that portion of the debt in excess of the production value of the land. This proposes a far less costly alternative to a programme in which the state will buy up land for land reform purposes. This increased supply will enable new entrants to farming to purchase land. This implies that with appropriate support programmes for small and part-time farmers, they too will be able to exercise an effective demand for land. Land reform programmes on this type of farm land allows for a PLA approach. Various SPs can however be considered by individuals who acquired farm land.

Empowering black farmers

An obvious area for providing access to land is to be found in urban agriculture, or smallholdings. Some 850 000 hectares of land around towns and cities in South Africa are zoned as agricultural smallholdings (up to 1991 reserved for whites). Some 50 per cent of these are used mainly for farming purposes.

This type of farming has two major attractions, namely the proximity of markets for the purchase of inputs and other farming support services, and for the sale of such high value produce as flowers, vegetables and dairy products. This type of farming is usually capital- and management-intensive, but the farming operation need not be on a large scale.



Urban agriculture is therefore one of the major avenues through which relatively large numbers of farmers could gain access to land and farming opportunities in a relatively short period. What is being proposed is not restricted to current smallholdings, and changes in their land use and ownership, but rather to additional potentially arable land surrounding existing extended metropolitan areas. The status of the land and the nature of farming will dictate the choice of farming model.

An important area of action refers to the history of forced removals in South Africa, which is inextricably linked with the way in which the agricultural sector has developed. Some 1,3 million people were dispossessed of their rights to land in the white farming areas up to 1982. [Marcus 1989] The acknowledgement, at least in principle, of a need to address such claims is of vital importance in lending credibility to any land reform programme.

The process of restoring rights could be concentrated by setting certain criteria, such as focusing on land in respect of which the previous occupants or owners or their direct descendants (first generation] can still readily be identified

and where they have not yet been compensated adequately; and where land in question is in fact owned by the state.

Various proposals directed to the setting up of competent legal procedures to adjudicate conflicting claims to land rights in those cases where current ownership vests in parties other than the state must be noted. The high demands in terms of administrative costs, and the negative experience with such processes in other countries, for example in Kenya, should serve as a warning in designing such programmes.

These experiences indicate that it would not be feasible to use this as a primary mechanism for land reform. Possible new inequities could also emerge in attempts to restore such rights. Alternative measures to be considered are the creation of access to alternative land, and just compensation to affected groups and individuals. Possible new inequities could also emerge in such attempts.

Alternative measures to be considered are creating access to land, and fair compensation to affected groups and individuals.