

# Land reform - what can the private sector contribute?

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# The current moment is one of uncertainty

- ANC and parliamentary resolutions > Constitutional Review Committee
- President Ramaphosa's caveats
- Emerging views:
  - Land reform has largely failed
  - New energy and commitment required
  - Strong political leadership/will is necessary
- DANGERS *AND* OPPORTUNITIES

# Land reform policies from 1994

- Land *restitution*: restoration of land, or compensation, for lands lost through racially discriminatory laws after 1913
- Land *tenure reform*: (a) tenure security for labour tenants & farm workers; (b) strengthen rights in former reserves ('communal areas')
- Land *redistribution*: to create equitable access to land and natural resources
- Sec 25 of constitution protects property rights but also allows expropriation in the public interest (including land reform) not merely for public purposes
- Compensation must be 'just and equitable'

# Land reform policies from 2009

**From 2009 land reform policy lacked a clear vision and direction**

**Not a transparent policy process, very little public participation**

**An 11 page 'Green Paper' without much substance**

**A slew of often contradictory and inconsistent policy papers and draft Bills that prescribe different rights for different people**

**Some new laws probably unconstitutional**

- LEGISLATION
  - Restitution of Land Rights Amendment Act
  - Property Valuation Act
  - Spatial Planning and Land Use Management Act
- Extension of Security of Tenure Amendment Bill
- CPA Amendment Bill
- Communal Land Tenure Bill
- Regulation of Agricultural Landholding Bill
- POLICIES
  - State Land Lease and Disposal
  - Recapitalisation and Development Programme
  - Strengthening the Relative Rights of People Working the Land ('50/50')
  - Rural Development
  - AgriParks

# Progress and impacts: slow and ineffective

- *Restitution*: 79,696 claims by 1998 (88% urban); 74,417 claims settled by 2007, 1.2 million beneficiaries, mostly urban claims/cash compensation; >20 000 claims yet to be settled or finalised; 134 years to complete
- *Redistribution*: 1994 target = 30% of white-owned agricultural land (25 million ha) within 5 years > extended to 20 years; by 2018: 9 million ha transferred through all forms of land reform, or 10%; beneficiaries now lessees of state for a min of 50 years
- *Tenure reform*: legal and illegal evictions of farm workers/dwellers have continued; in communal areas, powers of chiefs strengthened at expense of democratization > corrupt deal with mining companies
- *Impact on production and local economies*: limited improvements in livelihoods of beneficiaries, few increases in employment or productivity

# Disconnect between land and agricultural policies

- Land reform premised on state intervention; agricultural policies premised on state withdrawal
- Subdivision Act repealed in 1998, but not signed into law & little subdivision of farms for land reform purposes has taken place
- Provincial departments of agriculture initially hostile to land reform, and post-settlement support continues to be ineffective
- Agriculture continues to be seen through lens of large scale commercial model of 'viability', even when smallholders are said to be targeted
- Inadequate post-settlement support: credit, training, extension advice, transport and ploughing services, vet services, access to input and produce markets

# Private sector support

- Some private sector companies (e.g. sugar and forestry) & individual commercial farmers provide support to smallholders, including to land reform beneficiaries
- But in only limited numbers (Okunlola et al 2016)
- Few examples of successful contract farming (e.g. declines in small-scale sugar producers) & many negative experiences (e.g. irrigation schemes in Limpopo)
- A few small farmers supply supermarkets with fresh produce, mostly not under contract
- ‘In the absence of a wider set of procurement regulations and incentives, the practices and requirements of dominant market actors tend to exclude small-scale farmers’

# Why disappointing impacts?

## (1) Inappropriate planning models

- Problematic assumptions underlie design of land reform programmes, and inform planning paradigms (e.g. 'viability')
- Targeting not sufficiently disaggregated > 'one size fits all' plans and programmes
- Elite capture of land reform: *amakhosi*; business owners; agribusiness and consultants
- Key realities ignored by land reform planning:
  - few full-time farmers > 'multiple livelihoods'
  - significant population of market-oriented smallholders
  - large informal livestock economy in communal areas



# Why disappointing impacts?

## (2) Weak institutions and poor leadership

- Lack of capacity in government departments
- Top-down rather than participatory approaches to local-level planning
- Land reform has lacked an effective monitoring and evaluation (M&E) system > few reliable data to guide policy
- Inappropriate political leadership, focused on placating powerful political constituencies (e.g. black middle class and traditional leaders)
- Poor co-ordination or alignment of land reform with agricultural and water reform policies

# Why disappointing impacts?

## (3) No coherent vision of transformation

- For rural land reform to succeed in improving income and livelihoods, resources other than land alone are needed
- Inputs (seed, fertilizer, chemicals), water for irrigation, farm tools and machinery, farm infrastructure (buildings, roads, fencing), transport, access to markets, finances.... + skills and technical knowledge
- Redistributive land reform has the potential to alter agrarian structure – class relations, and patterns of ownership and production for different value chains
- ‘Agrarian reform’ involves a deliberate intervention aimed at transforming agrarian structure and the rural economy more broadly
- This implies a vision of a feasible alternative structure, to feed society and earn foreign exchange, but in ways that are just and equitable
- It must have a clear class agenda (as well as addressing inequalities of race and gender)

# Competing visions of land reform

1. Only the large-scale, high tech, capital-intensive is 'viable', but LSCF sector must be de-racialised (AgriSA, AgBiz Chamber)
  2. Joint ventures and 'strategic partnerships' between beneficiaries and private sector partners allow 'win-win solutions' on transferred community-owned land (Treasury, Vumelana)
  3. Land reform to support the rural poor in general, who are efficient and labour-intensive producers (NGOs, Michael Lipton)
- But, I am sceptical of all of these .... and propose instead:
  - Careful targeting of both the farms to be acquired, and the beneficiaries to benefit
  - In decentralised, area-based, participatory planning processes
  - Based on sound understandings of strengths and weaknesses of different farming systems, at a range of scales of production
  - Aimed at promoting 'accumulation from below'- therefore, target market-oriented smallholder for redistribution of productive land and water

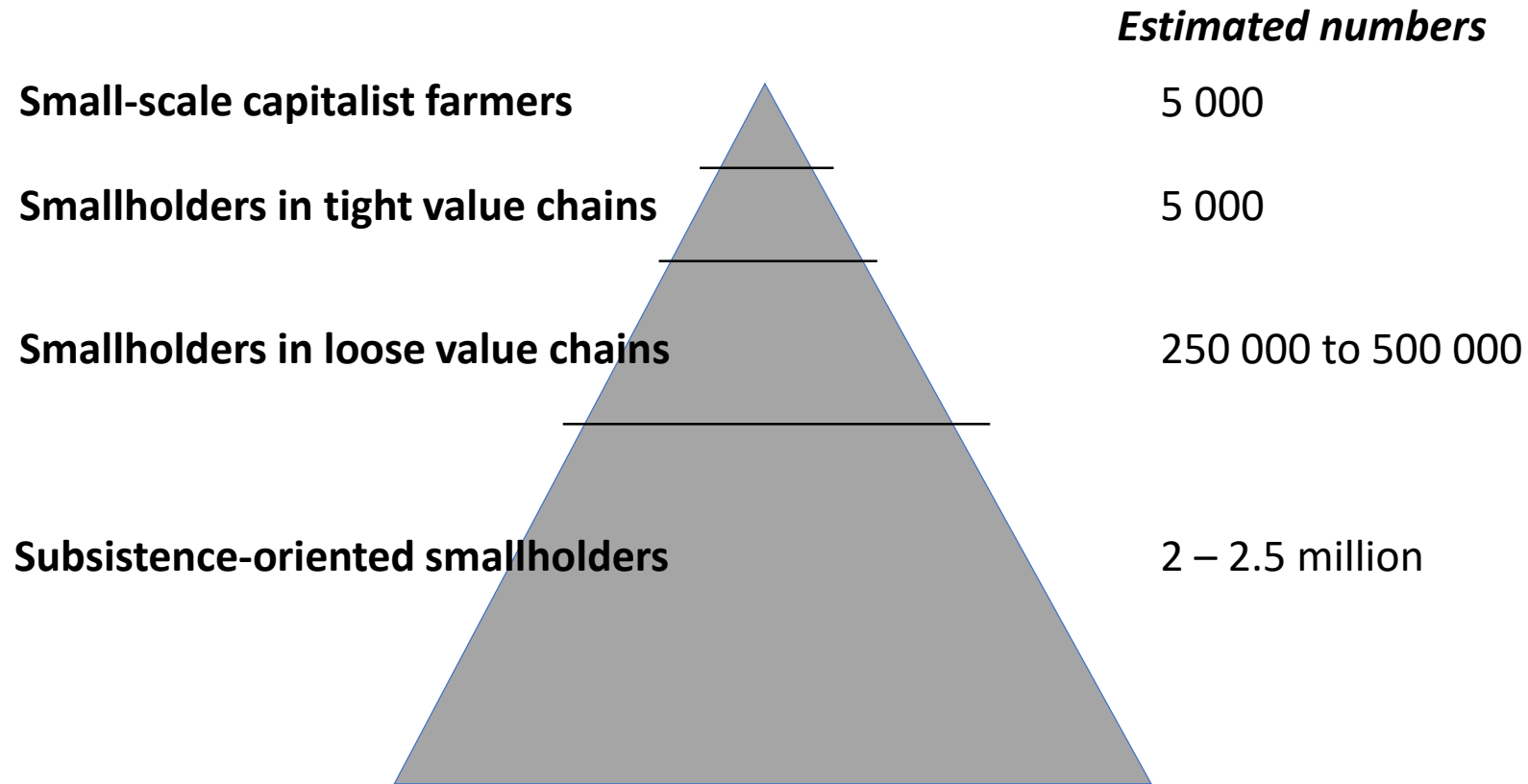
# ‘Accumulation from below’ vision requires a definition of smallholder farmers

- But smallholders are not a homogeneous group ....
- Objectives
- Proportion of output that is marketed
- Contribution of farming to household income
- Use of family labour or hired labour
- Degree of mechanization
- Capital intensity (not farm size *per se*)
- Access to finances

# Differentiating smallholders: a typology

	<b>CATEGORY 1: Subsistence-oriented smallholders</b>	<b>CATEGORY 2: Market-oriented smallholders in loose value chains</b>	<b>CATEGORY 3: Market-oriented smallholders in tight value chains</b>	<b>CATEGORY 4: Small-scale capitalist farmers</b>
<b>Objective of production</b>	Household consumption	Household consumption + cash income	Cash income + some home consumption	Profit
<b>Proportion of marketed output</b>	None or insignificant	50% or >	75% or >	100%
<b>Contribution to household income</b>	Reduces expenditure on food	Variable – from small to significant	Significant	Very significant
<b>Labour</b>	Family	Family + some hired	Family + significant numbers hired	Hired
<b>Mechanisation</b>	Very low	Low	Medium to high	High
<b>Capital intensity</b>	Very low	Low	Medium to high	High
<b>Access to finance</b>	Absent	Some	Significant	Very significant
<b>Numbers in SA</b>	2 – 2.5 million households	200 – 250 000 households	5 -10 000 farmers	5 – 10 000 farmers

# Small-scale black farming in communal areas and on (some) private land

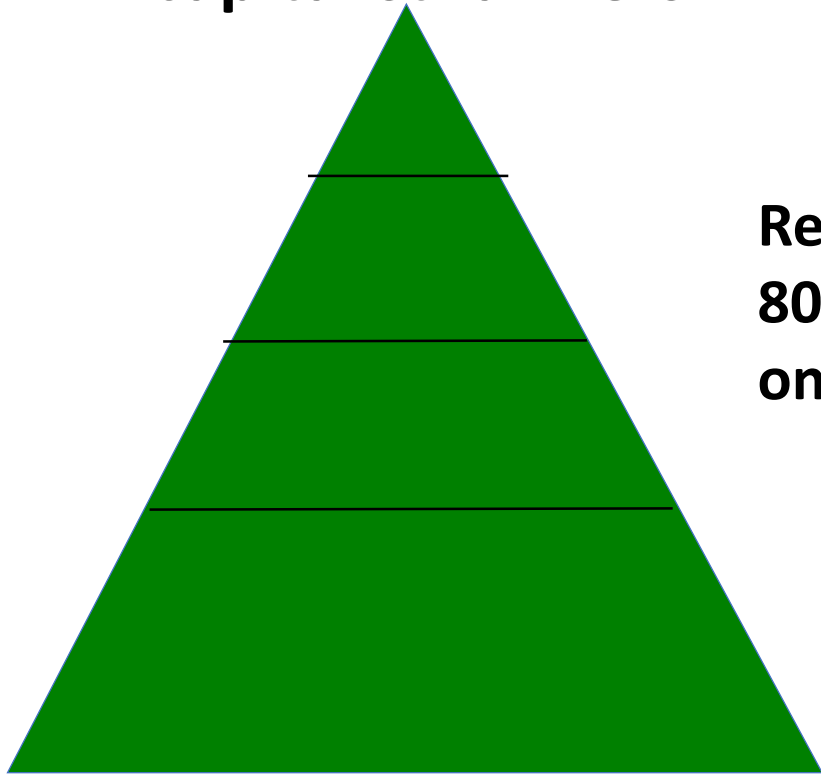


Definition: smallholders = small-scale farmers who:

- use farm produce for *home consumption* to some degree,
- use *family labour* within the farming operation to a significant degree

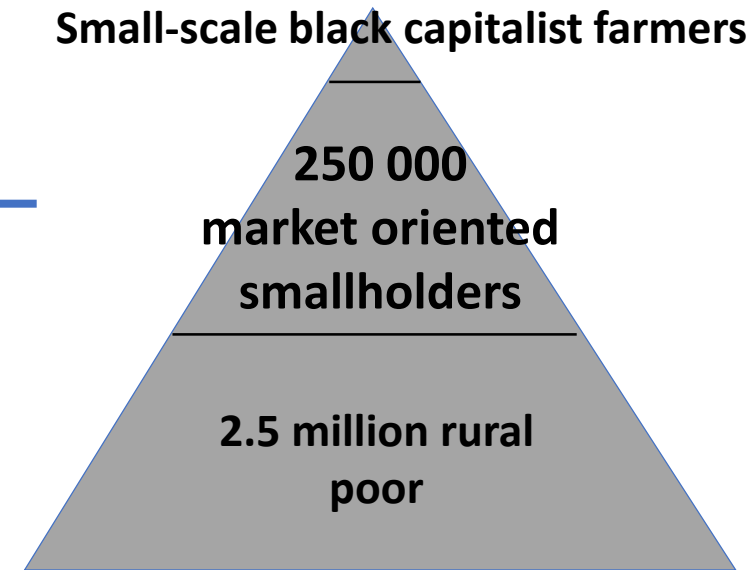
# Agrarian reform for 'accumulation from below'

**Large-scale white  
capitalist farmers**



**Redistribute  
80% farms,  
on 50 mill ha**

**Small-scale black  
capitalist farmers and smallholders**



# Challenges for policy and implementation

- Distinguish between different needs and requirements of various types of smallholder farmers
- Adopt a 'farming systems' approach
- Create flexibility in policies and programmes
- Provide support services to subsistence-oriented smallholders on a large-scale > some will begin to sell on local markets
- Understand loose value chains and markets; provide support to both producers and market intermediaries,
- Tight value chains have stringent requirements for both quantity and quality



# Smallholder farming systems

- Non-farm income sources of income make sense; agriculture alone is often not enough
- Domestic consumption of produce reduces need for cash income for purchase of food & improves health
- Local and informal markets can be supplied at low cost. Bakkie traders willing to purchase at farm gate. Can be combined with supplying formal markets
- Labour-intensive systems create rural employment (but at low wages)
- Risk aversion means unwillingness to enter into high levels of debt
- Bank finance less relevant than savings schemes

# Markets and value chains

- Some black smallholders *do* supply formal markets with high quality produce:
  - (a) National Wool Growers Association = 24 480 farmers
  - (b) Decentralised procurement of fresh produce by supermarkets and independent retailers (eg SPAR and Boxer stores)
- These retailers have less significant volume needs & fewer requirements in relation to quality of produce
- Often prefer to source produce through informal arrangements rather than formal contracts

# Smallholders in formal value chains

(Okunlola et al 2016)

- For large companies and corporates, small-scale farmers contribute little to business operations
- In some cases partnerships motivated mainly by the need to acquire BEE points or to fulfil corporate social responsibility commitments.
- Only a few derive their logic and rationale from the key objective of companies i.e. profitability
- Few actors display desire to fundamentally restructure value chains. The incorporation of small-scale farmers can in many cases be characterised as 'adverse incorporation'
- Small-scale farmers often find it difficult to meet the stringent requirements of formal value chains
- Only a few manage to secure long-term supply contracts with purchasers

# Forms of support offered by private sector

- Wide range of forms of support available to small-scale black farmers. *Training* in relevant skills predominates, with over 50% of farmers benefitting
- Another 1/3 of farmers received benefits in form of *mentors*, providing advice and technical support
- Smallholder farmers in tight value chains often benefit from complementary support services within a 'support package'
- Very few support programmes focus on the specific farming and marketing systems of market-oriented smallholders in loose value chains

# Success stories

- Goat Agri-Business Project: *Mdukatshani Rural Development Programme with Heifer Project SA*
- Small-scale farmers producing organic vegetables: *Siyavuna*
- Smallholder fresh produce selling directly to *Spar and Boxer supermarkets*
- Hybrid of commercial and household cattle production systems: *Besters Land Reform Project*
- Smallholder irrigation schemes: *'Mthatheni' (Tugela Ferry Irrigation Scheme) in Msinga*
- Community-based commercial forestry: *Mabandla project in uMzimkhulu*
- Timber, sugar cane and food crops on restitution land : *AmaNgcolosi Community Trust and Ithuba Co in Kranskop*

# Livestock production in Msinga, KZN in 2011

- Msinga = 4<sup>th</sup> poorest municipality in SA
- Population 177 577
- 37 000 households
- 19 900 hh engaged in agriculture



	Cattle	Goats
Current numbers	90,000	290,000
Current mortality	20%	40%
Reduced mortality	10%	20%
Increased numbers	9,000	58,000
Market value per animal	R6 000	R1 500
Current value	R450 mill	R435 mill
Increased value	R54 mill	R87 mill
Total new value	R1.076 billion	

# Commercialising goat production in KZN

- Msinga livestock auctions in 2013/14:  
3 500 goats sold for R5.5 million
- Export opportunities: 1 million live goats to Saudi Arabia; 200 000 to China; Tata India exploring goat skins
- Export potential = R2 billion?

# Tugela Ferry Irrigation Scheme, Msinga



- Area under cultivation = 540 ha
- 800 - 1000 producers, mostly women
- Mean “bed” size = 0.11 ha; mean no. of beds/producer =  $3.37 \div 0.4$  ha
- Flexible, informal land market: 42% of farmers borrow or rent beds
- Early-season green mealies, tomatoes, cabbages, sweet potatoes
- 90% of crops marketed to informal bakkie traders & hawkers, who sell in towns and cities



# Tugela Ferry Irrigation Scheme, Msinga

- More successful growers: annual income of R18 000 (R25 920 per ha)
- Aggregate gross value of production: around R15 million per annum
- Employment: 3.5 people per ha (2 producers, 1 full-time employee equivalent, 0.5 trader equivalent)
- *Policy implication: 200 000 ha additional irrigated land for smallholder farmers >> potential for 700 000 jobs*

# Peri-urban market gardens and livestock farms

- Cities are growing, in part due to rural-urban migration
- Markets for fresh produce are growing
- Informal street meat markets are popular
- Smallholders can produce both veg and livestock for differentiated urban markets
- Green belts have environmental benefits
- A new focus for land reform?

# Recommendation of HLP of Parliament: land reform requires a new legal framework

- **National Land Reform Framework Bill**
- Gives expression to sec 25 (5) of constitution on 'equitable access'
- Coherent cross cutting guiding principles for redistribution, restitution and tenure, and how they relate to one another.
- Defines 'equitable access' to land and provides criteria to measure progress
- Sets out beneficiary selection criteria
- Clear institutional arrangements (particularly at district level)
- Mechanisms for transparency and accountability
- Alternative dispute resolution (e.g. Land Rights Protector)

# Conclusion

- Current programmes of smallholder support from the private sector are built on shaky foundations
- Often based on problematic assumptions and normative ideas informed by the experience of a successful (white) and large-scale commercial large-farm sector in South Africa
- A fundamental re-think is required
- The land reform debate offers opportunities for innovation and testing of new approaches
- Fundamental transformations are required, given very high levels of poverty and inequality