

# RESEARCH Report 40

Status report on land  
and agricultural policy  
in South Africa, 2010

*Stephen Greenberg*



**PLAAS**

Institute for Poverty, Land and Agrarian Studies



School of Government, UWC



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Published by the Institute for Poverty, Land and Agrarian Studies, School of Government,  
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Institute for Poverty, Land and Agrarian Studies research report no. 40

ISBN: 978-1-86808-703-7

March 2010

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Copy editor: Laurie Rose-Innes

Cover photograph: PLAAS

Layout: Designs4development, [info@d4d.co.za](mailto:info@d4d.co.za)

Typeset in Frutiger

Printing: RNK Graphics

Thanks to the Norwegian Centre for Human Rights at the University of Oslo, and the source of the funds, the Norwegian government, through the Norway-South Africa Programme.

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# Acronyms and abbreviations

ABC	Agribusiness Chamber
ACB	Agricultural Credit Board
AET	agricultural education and training
AgriSETA	Agricultural Sector Education and Training Authority
ANC	African National Congress
AoA	Agreement on Agriculture (World Trade Organisation)
ARC	Agricultural Research Council
BATAT	Broadening Access to Agriculture Thrust
BEE	black economic enterprise/empowerment
CASP	Comprehensive Agricultural Support Programme
CDW	community development worker
CEO	Chief Executive Officer
CMA	Catchment Management Agency
COSATU	Congress of South African Trade Unions
CPA	communal property association
CRDP	Comprehensive Rural Development Programme
CRLR	Commission on Restitution of Land Rights
CSIR	Council for Scientific and Industrial Research
CSO	civil society organisation
DAFF	Department of Agriculture, Forestry and Fisheries (formerly National Department of Agriculture)
DLA	(former) Department of Land Affairs
DNA	deoxyribonucleic acid
DPLG	(former) Department of Provincial and Local Government
DRDLR	Department of Rural Development and Land Reform (formerly Department of Land Affairs)
DTI	Department of Trade and Industry
DWEA	Department of Water and Environmental Affairs
EIA	Environmental Impact Assessment
ESTA	Extension of Security of Tenure Act
EU	European Union
FAWU	Food and Agricultural Workers Union
GM	genetically modified
HDIs	historically disadvantaged individuals
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
LARP	Land and Agrarian Reform Programme
LPM	Landless People's Movement
LRAD	Land Redistribution for Agricultural Development
M&E	monitoring and evaluation
MAC	Ministerial Advisory Council (Agriculture)
Mafisa	Micro Agricultural Financial Institutions of South Africa
MTSF	Medium-Term Strategic Framework
NAFU	National African Farmers' Union
NAMC	National Agricultural Marketing Council
NARS	National Agricultural Research System
NDR	National Democratic Revolution
NGO	non-governmental organisation
NSDP	National Spatial Development Perspective
OECD	Organisation for Economic Co-operation and Development
PLAS	Proactive Land Acquisition Strategy

PLRO	Provincial Land Reform Office
R&D	research and development
SAAPA	South African Agricultural Processors Association
SACP	South African Communist Party
SETA	Sector Education and Training Authority
US	United States of America
WARD	Women for Agricultural and Rural Development
WTO	World Trade Organisation
WUA	water-user association
YARD	Youth for Agricultural and Rural Development



# Executive summary

Agriculture plays numerous roles in society. The most obvious is to produce food (and, to a lesser extent, fibre). While agriculture is the mainstay of the rural economy, it also shapes social relations and landscapes. In some countries, this is taken as an unmitigated positive. However, in South Africa, agriculture is built on the back of dispossession of the African population and their social, economic and political marginalisation. It is built on extractive methods that deplete the soil, the water and the natural vegetation. Agricultural policy in post-apartheid South Africa must grasp these contradictions, simultaneously strengthening the positive features of agriculture and abolishing those that rely on the immiseration of human beings and the destruction of the environment.

Agriculture was not high on the list of priorities for the post-apartheid government. It was one of the sectors that experienced deep cuts in the budget following the demise of apartheid. Only from around 2003 did the budget start climbing again, but the 2011 budget estimates are still below those of the 1980s in real terms. Provincial budgets are stagnating.

## Land reform, agricultural support and rural development

Land reform was given greater political priority than agriculture, but this was more symbolic than real. Two major challenges face the land reform programme at present. The first is to speed up the transfer of land. The second is to support productive use of transferred land. The programme has fallen far short of its delivery targets. The reasons for the slow pace of land reform are contentious. Some argue that land prices are inflated and the market-based policy requires the government to pay these prices. Others point to bureaucracy and institutional incapacity in the government. There is a case to be made for both points of view.

Taking inflation, rising land prices and the need to build internal capacity in the government into account, it is certain that insufficient resources are being directed towards the land reform programme for the target of transferring 30% of white-owned agricultural land to black farmers

by 2014 to be met. Consequently, achievement of the target has been deferred until 2025, in which case greater costs will be incurred. While scrapping the 'willing buyer, willing seller' policy might reduce prices somewhat, there will be a secular upward trend in land prices. On the other hand, the Department of Rural Development and Land Reform (DRDLR) is not spending what it has for land purchase, and the Treasury has directed unused money away from the land reform programme towards the new rural development functions of the department. Overall, the programme is hampered by very weak delivery systems and institutions, inadequate budgets, top-down implementation (with expectations of a passive citizenry) and extremely poor provision of agricultural support.

While production support has shifted notably from white to black and, to some extent, from large-scale to smaller-scale agriculture, the level of support was negligible until 2003, which saw the launch of the Comprehensive Agricultural Support Programme (CASP). Farmer support constitutes the biggest sub-programme at provincial level in all provinces except for Gauteng and the North West. CASP is designed to assist black farmers to participate in a market dominated by established white producers and agribusinesses, but not to alter the logic of the market or production system, based as they are on the private appropriation of surpluses. Although most provincial farmer support programmes have expanded in real terms since 2007, implementation is patchy, with lack of capacity at provincial level blamed for an inability to use available resources. Lack of capacity is just another way of saying that there are insufficient people possessing the skills appropriate to requirements. Despite rhetoric about indigenous knowledge and food security, the government has not attempted to build an alternative seed production capability. Concentrated private power in the seed and agrochemicals supply sectors is not challenged by government policy. There has been no attempt by the government to intervene in the structures of these sub-sectors, despite sharp price rises for agrochemicals and increasingly concentrated ownership of commercial seed production and distribution.

The National Water Act forms the basis for current water policy with regard to agriculture. In essence, the Act separated ownership of land from ownership of water (riparian rights) and vested the latter in the state. This was a radical shift, but was accompanied by agreement that previous patterns of use could remain, within a system of registration of these uses. There is recognition at the highest levels that the link between land reform, agricultural support and water resource provision is weak. There are two approaches to dealing with this: investing in irrigation, both for commercial and for resource-poor farmers, and linking water provision to the land transfer process. A significant emphasis of irrigation planning is on rehabilitating or constructing large-scale schemes. There is also some activity around the revitalisation of small-scale irrigation schemes, mainly in the former homeland areas. There are some small-scale efforts to deal with the effects of climate change, including water harvesting and adapting types of production to more drought-tolerant crops. These efforts, however, do not match the scale of the challenge facing agricultural producers, especially those in drier areas with limited resources of their own.

Until recently, plans and activities to support the productive use of land once it has been transferred were fragmented between land reform and agriculture. The government's two main programmes are the Land Redistribution for Agricultural Development (LRAD) programme in land reform, and CASP in agricultural support. These have operated as separate programmes for most of their existence. In 2008, the Land and Agrarian Reform Programme (LARP) was established between the national departments of agriculture and land affairs and the provincial departments of agriculture, essentially to integrate LRAD and CASP. Implementation has been slow and there is little evidence of any significant change in practice to date.

The Comprehensive Rural Development Programme (CRDP) is the latest manifestation of government attempts to integrate agricultural support, land reform and broader rural development without actually putting more money into rural areas. Early indications are that the programme is likely to run into difficulties. It relies on the already weak institutions of the former Department of Land Affairs (now renamed, with a bigger mandate but without a substantially

bigger budget). The approach to planning and implementation is rushed, signifying a continuation of the 'immediate delivery at all costs' mentality so prevalent in government, which leads to poor quality and lack of sustainability. In addition, people remain bystanders in their own development, except for the select few who will be chosen to sit on advisory groups with poorly defined purposes. Policy-making structures remain dominated by agribusiness, which is able to wield a strong influence on the direction of government support to both land reform and agriculture.

## **Farm workers and dwellers**

In the agricultural restructuring that continued through the political transition in South Africa, the paternalist power structure on farms was partially replaced by a regulatory regime that established a formal labour relations framework, which sought to modernise labour relations on commercial farms. The new regulatory regime facilitated processes involving large-scale job losses, evictions and the rise of casualisation and labour broking, as farms reoriented to global competition. The extension of labour and tenure security legislation to farm workers has not encouraged the 'internalisation' of the costs of labour in farm enterprises, and these continue to be borne by workers and their families in the form of low wages and tenure and job insecurity.

## **Finance, research and development, training and extension**

Deregulation has established the basic expectation that farmers – regardless of what resources they have, or their size – should be able to raise both capital and production loans at market-related interest rates, and be able to pay them back. The restructuring of the Land Bank resulted in commercial banks becoming the primary lenders to commercial agriculture. There are two fundamental challenges with this in South Africa at present: lack of access to credit for resource-poor farmers; and inability to pay back loans. The government has tried to improve access to credit by retaining or creating new government institutions to provide credit, and by encouraging the private sector to extend loans to resource-poor or black farmers. The failure of the Land Bank has resulted in first the Treasury and then

the DRDLR taking over its loan book. In recent times, there have been suggestions that the government must intervene more proactively in the provision of credit to farmers. Overall government financial support for emerging farmers has been very poor. The Mafisa programme was launched in 2006 to provide micro and retail agricultural financial services, and to facilitate access to public-sector programmes. The government's response to the inability of farmers to repay loans correctly emphasises the need for proper support and mentorship to enable farmers to become financially self-sufficient. A model is being proposed whereby government-owned farms are leased to new entrants for a time to identify who will ultimately receive farms. The theory is that the government will provide adequate production support during this time. So far, the model is at the planning and conceptualisation stage.

South Africa's National Agricultural Research System (NARS) is based on parastatals and science councils, higher education and development institutions, and the private sector. The main flaws in the NARS are weak co-ordination and linkages, and limited resources and capacity, a familiar refrain in the agricultural sector. The government's strategic plan for 2009–2014 indicates that dedicated resources will be put aside to recapitalise agricultural training colleges. Low student numbers at agricultural colleges have meant a shift from the training of extension officers to the training of farmers directly. The Agricultural Sector Education and Training Authority (AgriSETA) was established to provide work-based, functional training in agriculture. The AgriSETA is flooded with requests for training assistance, not only from farm workers but also from land reform beneficiaries who have nowhere else to turn. In 2006/07, the SETA received 16 245 applications for learnerships, of which just 400 were approved, and 59 000 applications for skills programmes, of which just 475 were approved.

South Africa's public extension service has been in gradual decline over the past 15 to 20 years, as the resources of the Department of Agriculture, Forestry and Fisheries (DAFF) have shrunk and extension services for commercial farmers have been privatised. In 2008, there were 2 152 agricultural extension officers in South Africa. Almost 60% of these were in the Eastern Cape and Limpopo. Staff numbers dropped fairly rapidly between 2006 and 2009, and then rose

slightly with the expectation that they would remain static in the medium term (until 2012). The ratio of extension officers to farmers is 1:878, which is comparable with other countries with similar agricultural issues, such as India, Zambia and Zimbabwe. DAFF's Extension Recovery Plan has the aim of reviving public extension services by increasing numbers and reskilling, although this is not planned for or budgeted in all provincial departments. A key issue is what value is attached to providing appropriate extension services to resource-poor farmers. Consideration of the potential role of community-based extension workers as auxiliaries located in the communities can be considered as a cost-effective way of producing an accountable service.

## Value-adding and markets

Liberalisation and deregulation removed the state from direct interventions in almost all downstream activities in South Africa. Concentration in food manufacturing, storage and retailing has grown significantly under the deregulated environment. For smallholders, phasing out controls and closing marketing boards led to a shortage of essential services formerly provided by the boards and co-operatives. The ANC's 2007 Polokwane conference resolutions recognise that concentration and vertical integration in the value chain limit the space for smallholders to participate in the market. The ANC proposes 'to integrate smallholders into formal value chains and link them with markets'. Co-operatives are identified as a key organisational form to realise this. However, the resolutions are neutral about the extent to which the co-ops might be oriented to transforming the inherited market economy, as opposed to merely enabling access to it. That means looking for opportunities for decommodification and building alternative channels for distribution that can be part of constructing a 'solidarity economy'.

There is some state sponsorship of large-scale processing, where this is seen as potentially strategic, but limited support exists for small-scale, localised storage and processing facilities. A possible long-term development is the increasing regionalisation of the agricultural value chain, with other central and southern African countries producing agricultural commodities, and South Africa – with its stronger manufacturing base – increasingly processing these commodities for the region.

Trade policy has shifted fundamentally since the days of apartheid. The post-apartheid model is of a small, open economy that trades as freely as possible with the rest of the world. South Africa reduced tariffs far quicker than was required by World Trade Organisation (WTO) obligations, showing the government's favour of open markets for most commodities and products. Export producers have benefited from trade policy, with agricultural exports growing 350% between 1995 and 2007. Nevertheless, there has been a simultaneous growth in the cost of imports, as the rand has devalued over the years. These include an increase in the cost of covering shortfalls in basic food items, such as wheat and red meat, which are valued in dollar terms, and rising input costs for commodities such as machinery and plant and seed patents. South African food imports have risen substantially since trade liberalisation. A generalised policy of import parity pricing has meant that global commodity prices dictate what local producers receive for their produce, regardless of the actual cost of production. The global economic crisis and responses from governments around the world suggest that some tariff flexibility is appropriate. The Deputy Minister of Trade and Industry recently suggested the possibility of raising tariffs to protect the economy during the crisis.

## **Multifunctionality: food security, productivism and ecological modernisation**

A major purpose of agriculture is to produce food. South Africa has shifted from a policy of food self-sufficiency to a policy of trade in food based on comparative advantage. In South Africa, food insecurity is mainly a problem of distribution and access. The government has tried to respond to this by emphasising social protection in the form of social grants and (on a far smaller scale) food parcels. These are important interventions, although they do leave the existing social and economic system of producing food intact.

A transformative agenda might focus more on food sovereignty, which places greater emphasis on how and by whom food is produced in the first place. Amartya Sen argues that in times of sharp price rises or fluctuations (as at present), the ability to produce food can be more important than having money to buy food. Government programmes supporting the production

of food gardens are expanding, although these tend to be welfarist in orientation and are disconnected from broader processes of transferring land and identifying and building a new layer of producers to generate food surpluses.

The key elements of the concept of food sovereignty are: the priority of local agricultural production to feed people locally; the right of countries to protect themselves from the dumping of underpriced agricultural produce; the need for agricultural prices to be directly linked to production costs; and the mainstreaming of agro-ecological production that recognises food production, sustainable livelihoods, living landscapes and environmental integrity as integral to rural sustainability. This connects closely with a radical conception of the multifunctionality of agriculture, which understands agriculture to have many beneficial purposes, of which food production is but one.

The multifunctionality of agriculture is a highly contested concept and is not accepted by all parties. The dominant way of thinking about agriculture in South Africa, and globally, is on the basis of productivism, which privileges the commodity-producing aspects of agriculture, and seeks to target policy at increasing productivity. Some parties aim to increase productivity at all costs, downplaying the negative social and ecological externalities generated by agriculture and, at best, seeking to offset them. Others aim to develop 'modernised' systems that can internalise these costs, while retaining the core commodity-producing character of agriculture. Other approaches concentrate more on the role of the state in supporting agricultural productivity. Whether social democratic or neo-liberal, all of these approaches have in common an essentially productivist vision. Radical multifunctionality and food sovereignty attempt to break this down, and to replace it with a more needs-based and solidaristic approach to food production and distribution.

The discourse of sustainable resource use is captured in a similar frame. There is a degree of consensus that sustainability can be taken to refer not only to economic sustainability, but to social and ecological sustainability too. However, in dominant conceptions, economic sustainability is wedded to the production of profit. Conservation and ecological sustainability have become part of the mainstream discourse in recognition that ultimately ecological damage will have

negative economic effects at a large enough scale for governments and corporations to take notice (i.e. it can potentially hurt their own interests). This leads to an 'ecological modernisation' approach that seeks to retrofit capitalism with ecological safeguards without fundamentally changing the logic of a system that is based on private appropriation of surpluses generated through the exploitation of human labour and natural resources. Sustainability in South Africa is geared towards a corporatist model, in terms of which the state and business interests align their long-term strategies. Non-profit, practical interventions to secure natural resources, such as preventative measures during planning and the LandCare programme, are very minor.

## Reflections on the developmental state, black economic empowerment and agriculture

One of the major contemporary debates in South Africa is to what extent the state should be directly involved in economic activity. Currently, the debate is viewed mainly through the prism of the 'developmental state'. There is certainly no agreement on what this means: it has been used both to justify crony capitalism and to represent the type of state that can prepare the ground for socialism. There are two key views at the core of the developmental state: a) the market does not work well in promoting industrialisation, especially in a global economy where some states already have mature industrial sectors – therefore, it is appropriate for the state to intervene to distort market incentives to selectively build up industries that can become competitive; and b) the state needs to have the autonomy to implement the 'right' policies in the face of both vested interests and 'populist' pressure from the general population.

Reaction to the highly interventionist apartheid state, both from white monopoly capital and the excluded black majority (albeit for different reasons), provided the seeds for a counter-hegemonic thrust, under the leadership of a nascent black middle class, that forged important fractions of these forces into a post-apartheid historic bloc. After the fall of apartheid, the new hegemonic group recognised the importance of an interventionist state based on racial inclusivity. There was a simultaneous recognition that the state was the only real tool they had to drive their

own accumulation interests. Lack of specificity in defining the developmental state created room for a section of the ANC leadership to assert that building a black economic elite was a step on the road to social and economic improvement for all. This political trajectory inflected discourse and practice on the developmental role of the state. Development was taken to mean building a black capitalist class that could deepen capitalist relations and forces of production.

In agriculture, this manifested in the production of the AgriBEE Charter and in the use of parastatals as tools for accumulation and building up the class base of the hegemonic group. The Charter is undoubtedly situated within a capitalist framework that seeks to change ownership along the value chain (which is important), but does not challenge the structure of the private accumulation purpose of that chain. Agricultural corporations and agencies were restructured or recreated to operate more as commercially oriented financing and business-support institutions than as agencies to channel public resources into implementing government plans for the benefit of many. They have accommodated to the market and have proven to be institutional bases for the building of a narrow capitalist clique that does not generate its wealth through its own productive activity.

## Conclusion: pursuing a smallholder strategy

There are an estimated 240 000 black farmers with a commercial focus, and between 2 million and 4 million farmers who produce food mainly to meet their own household consumption needs. These groups form the natural base for a smallholder strategy. During the transition to democracy, there was some policy debate on the relative merits and demerits of pursuing a smallholder strategy. There was general agreement amongst insiders that it was necessary to continue with the policy reforms started under apartheid to wean commercial agriculture off state support, and for markets to drive the sector in future. The architects of the policy succeeded in convincing the political leadership that the restructuring of commercial agriculture would be able to accommodate black farmers using the market as a key mechanism for the provision of services and infrastructure. However, because of lack of resources and will, the smallholder component of the resulting strategy was not implemented in any meaningful way.

Rhetorically, a renewed emphasis has been placed on a smallholder strategy following the ANC's National Conference in Polokwane in 2007. However, there is insufficient financial support to the agricultural sector as a whole, which means that agricultural plans cannot be carried out. The response of the national government, at a time of economic contraction, has been to reallocate resources from agriculture to other priority areas of the economy. Whether this is the correct decision or not, it indicates that, despite the rhetoric of rural development that accompanied the Zuma administration's rise to power, when it comes to the crunch, agriculture and rural development are not really seen as potential drivers of the economy. We remain in the broad mindset that agriculture is a declining sector compared to the whole economy, and that the future is urban. If additional resources are to come into the sector, it is imperative that emphasis is placed on building the capacity of provincial departments to deliver, with more skilled, and decentralised, staff being the primary concern.

Shifting from a racially exclusive agricultural system to a more racially inclusive one will take time. Patience is required. If we look at the history of the establishment of white commercial agriculture in South Africa, the pace was extremely slow, and significant, ongoing state support was essential. South Africa is now in the

initial stages of building a black farming class, and many lessons can be drawn from the way the state supported farmers in the past. However, the intention should be to go a step further than merely reproducing the commercial agricultural model on a wider basis. The challenge is to think about which of the state-sponsored institutions and interventions of the past can contribute to building a more equitable agricultural model in the present, which does not rely (as historical models did) on dispossession, super-exploitation of the workforce, and ecological damage.

A strategy that seeks to insert smallholders into the large-scale, industrial, export-oriented model can only succeed in broadening and diversifying the producer base slightly. The large-scale model also brings with it the deepening problems of concentration in the value chain, which, in turn, entrench the production model. The ANC in government has identified the major contours of the challenge, but its responses tend towards seeking to deracialise that model while keeping its core intact. An alternative has to confront the existing economic power of commercial agriculture and agro-industry with the aim of transforming it in the interests of the poor. Deracialisation is necessary, but is not sufficient to realise this. The logic of a smallholder strategy must be followed beyond the farm gate, to the institutions that support agriculture and the value chains that feed off it.

# I Introduction

Agriculture plays numerous roles in society. The most obvious is to produce food (and, to a lesser extent, fibre). While agriculture is the mainstay of the rural economy, it also shapes social relations and landscapes. In some countries, this is taken as an unmitigated positive. However, in South Africa, agriculture is built on the back of dispossession of the African population, and their social, economic and political marginalisation. It is built on extractive methods that deplete the soil, the water and the natural vegetation. Agricultural policy in post-apartheid South Africa must grasp these contradictions, simultaneously strengthening the positive features of agriculture while abolishing those that rely on the immiseration of human beings and the destruction of the environment for its survival.

Recent political developments have opened the space to reconsider approaches to land and agriculture in South Africa. As a result of compromises made in political negotiations, land reform and agriculture have followed a path that generally has suited large-scale commercial agriculture and agribusiness, with a few necessary compromises along the way (e.g. having any land reform programme at all). The process has been controlled tightly from the top, and markets in both land and agriculture have reigned supreme. These are not really under threat in the current conjuncture, although there is a willingness to question how well the present arrangement is working in meeting national goals, which arguably have more to do with economic and social stability than with redistribution and transformation.

Systematic support for smallholder agriculture has resurfaced on the agenda after being discussed and essentially shelved in the early-to-mid-1990s. This opens the space for contestation. The dominant model of smallholder agriculture concentrates on efficiency of production and integration into national and global circuits of capital, but the debate allows for alternative visions of smallholder agriculture to emerge. These are oriented towards the grassroots, rather than towards concentrated economic and political power. They identify the potential for smallholder agriculture to transform the structure of landownership and production in South Africa, while simultaneously securing food production and bringing access to food and economic activity closer to direct, grassroots control.

The structural factors underpinning the current global economic crisis will not go away when the short-term 'green shoots of recovery' finally arrive. These factors include: deepening immiseration of the world's poor; skyrocketing food and resource prices caused by market manipulation and growing resource scarcity; ecological damage that threatens the existence of the human species; and a crisis of political representation, where private economic agents dominate over the public interest. Regardless of the short-term fortunes of the global economy, these factors are set to deepen the increasingly apparent contradictions in the global economic and political system. An approach to smallholder agriculture that can be sustained beyond crises will need to respond to these structural factors in its design and implementation.<sup>1</sup>

## Box: What is smallholder agriculture?

The terms of the South African debate on smallholder agriculture are not always clear. Often, smallholder agriculture is used interchangeably with subsistence agriculture and, therefore, is associated with plots of 1 hectare or less. There was some discussion on smallholders with larger pieces of land in areas with high agricultural potential, especially fruit, sugar and, to a lesser extent, cotton, mainly in contract farming schemes. The ANC produced an agricultural policy document in 1994 that emphasised smallholder agriculture, but contained very little reflection on where it would emerge from or how it would be built. Supporters of a smallholder strategy, which included the World Bank (1993), did not necessarily agree on what it might look like either. The idea of small farmers who are intensely competitive, export-oriented and driven by profit maximisation is far from the idea of small farmers who practice ecological and low-external-input agriculture, who produce primarily for local use and who operate largely outside the market. While there are certain similarities between the positions, there are also fundamental differences, which relate, in turn, to the debates about multifunctionality and food sovereignty.

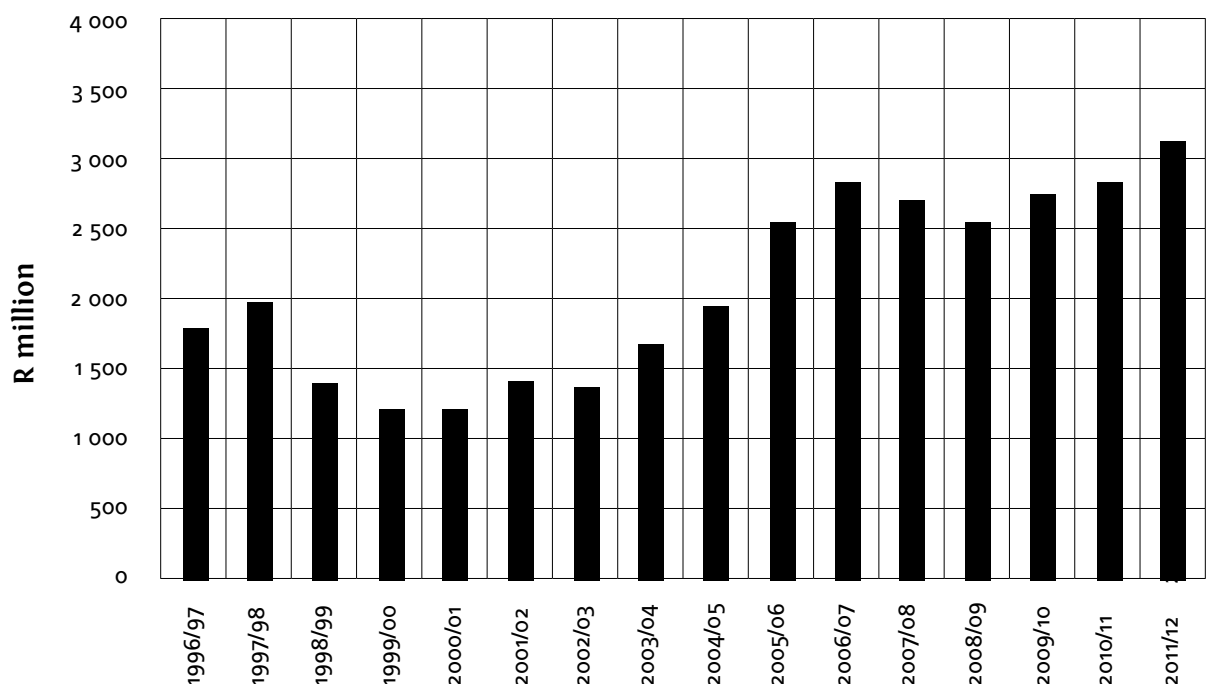
<sup>1</sup> Thanks to Michael Aliber, Ben Cousins, Karin Kleinbooi and Ruth Hall – all from PLAAS – for sharing information and insights.

## 2 Trends in budgets and expenditure

When all is said and done, the ultimate measure of political priority is where the government channels public resources. From this point of view, agriculture is not a high priority in South Africa. Although the budget has started to rise in recent years, this follows an extreme drop in the 1990s, and, in real terms, the budget remains lower than it was in the late 1980s, towards the end of apartheid. Figure 1 shows the tail end of this process. At the same time, the current department has to take into consideration a far greater number of farmers than did the racially exclusive apartheid government. Consequently, there is less money to do more work. Not only is agriculture receiving less money than it did in the past, but its share as a percentage of the overall national budget has declined and vacil-

lates between approximately 0.33% and 0.50% of the national budget. Provincial budgets must be added to this. In 2009/10, the cumulative total of provincial budgets for agriculture (including conservation and environment in four provinces – KwaZulu-Natal, Mpumalanga, North West and Gauteng) came to R7.55 billion. If we combine this with the national department's budget, it comes to a total of R10.35 billion, or just 1.6% of the national budget. Figure 2 shows a gradual increase in provincial agricultural budgets in real terms since 2004/05, but reaching a plateau in 2008/09. The plateau occurred at the same time as an apparent policy shift towards rural development, and begs the question of how the additional work will be resourced.

**Figure 1: National agricultural budgets, 1996–2011 (adjusted for inflation, 2009 rands)**



Source: National Treasury (various years) *National budget: Estimates of national expenditure*

Note: \*2010/11 and 2011/12 are based on the assumption of 7% CPI growth per annum

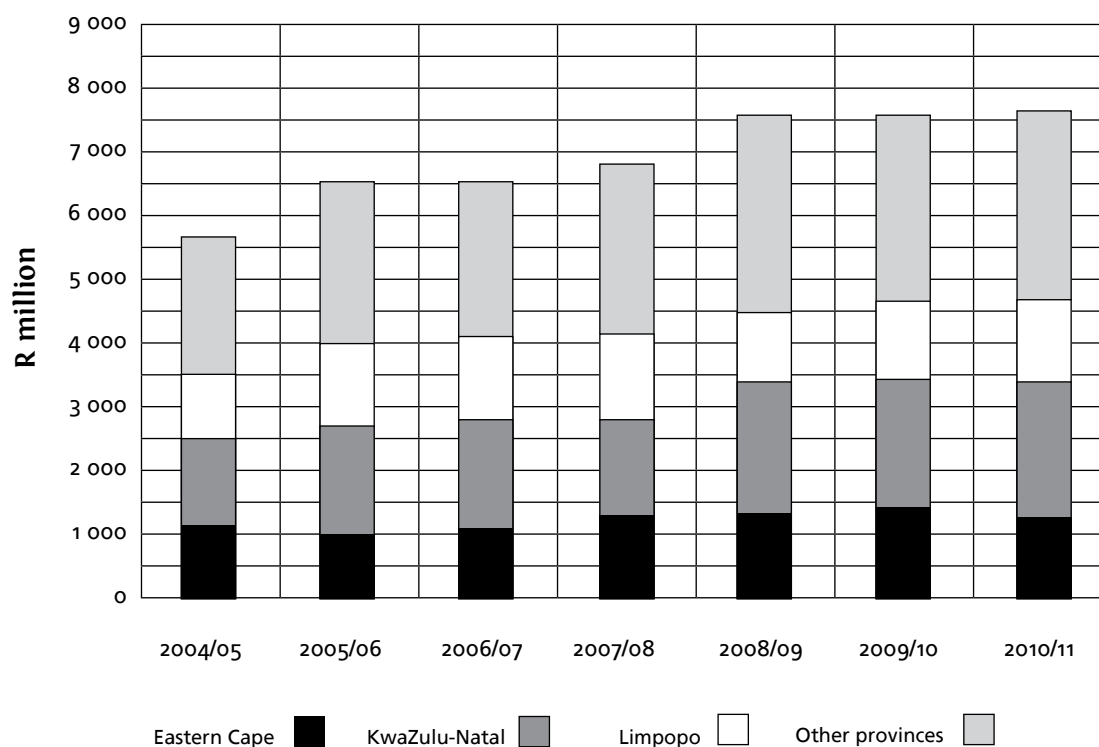


In the lean period of the 1990s, the state retained only those functions that individual producers were unable or unwilling to exercise on their own, and which lie at the margins of production but are indispensable for the continued existence of the sector (Aglietta 1986) – statistics, some research and development (R&D), trade negotiations and regulatory oversight (e.g. in food safety). This remains the case in current official policy and practice. The selling off of state assets and the transfer of functions to the private sector accompanied the period of departmental budgets with negative growth. The result was concentration of private ownership, the corporatisation of lucrative sectors and nodes in the value chain, and the ‘modernisation’ of labour relations on core farms (i.e. the removal of

people surplus to the requirements of capitalist production). This meant that three potential bases for a smallholder strategy (subsistence producers on small plots, ‘master farmers’ and land reform beneficiaries as new farmers) could not be supported during that time. By the time the agricultural budget started rising, new entrants were struggling on their own to survive in a rapidly liberalising market in the face of well-entrenched competition both in South Africa and globally.

This lack of public resources for agriculture, and the rise of concentrated agribusiness, forms the backdrop of the description and analysis that follows of how the government is approaching agriculture.

**Figure 2: Provincial budgets for agriculture, 2004–2010 (adjusted for inflation, 2009 rands)**



Source: National Treasury (various years) *Provincial budget: Budget statements*

Note: \*2010/11 is based on an estimated inflation rate of 7%

# 3 Land reform, agricultural production support and rural development

## Land reform

Two major challenges face the land reform programme at present. The first is to speed up the transfer of land. The second is to support productive use of transferred land. To date, the land reform programme has failed to meet its delivery targets by a wide margin. The target year by which 30% of agricultural land was to have been transferred to black farmers was changed from 1999 to 2014 when it became obvious that the original timetable was unachievable. By the end of September 2009, just 5.67 million hectares (6.9% of agricultural land) had been transferred, ostensibly to 1.78 million beneficiaries (see Table 1). More than a quarter of this land (26%) is in the generally arid Northern Cape. Many of the beneficiaries, especially of the restitution programme, have been unable to settle on the land or to use it productively, either in terms of agreements they were compelled to sign with strategic partners or because of lack of infrastructure, input or technical support. The reasons for the slow pace of land reform are contentious. According to the Department of Rural Development and Land Reform (DRDLR)<sup>2</sup> as well as land activists, the main issue is the inflated cost

of land, which the government is forced to accept because of the 'willing buyer, willing seller' policy. However, although landowners do have some power to determine the price, they are not able to make up any price they wish, since they are also checked by forces of demand and supply that are out of their individual control. Government policy on land was also a freely chosen option (albeit hedged with constraints) and not something the state was 'forced' into undertaking. According to landowners and commercial farmer unions, the main problem is bureaucracy and institutional incapacity. It appears that a case can be made for both points of view.

Average prices of farm land (adjusted for inflation) did not grow significantly until 2001, after which they increased rapidly alongside increases in the broader property market (see Figure 3). In 2008, they took a sharp dip and this is likely to have continued into 2009. Under the 'willing buyer, willing seller' model, prices may be inflated artificially where the seller does not really want to sell. At current market prices, the medium-term budget has only enough money to buy approximately 3.2 million hectares by the end of 2011. This means that an additional 17

<sup>2</sup> Formerly the Department of Land Affairs. For the sake of consistency, the new name will be used throughout this publication.

**Table 1: Land transferred and beneficiaries, 1994–2009**

Province	Redistribution & tenure			Restitution			Total	
	Number	Hectares	Beneficiaries	Claims	Hectares	Beneficiaries	Hectares	Beneficiaries
EC	675	353 357	25 633	16 201	94 834	215 201	448 191	240 834
FS	799	350 291	7721	2 662	47 615	40 893	397 906	48 614
GP	286	34 513	7 328	13 159	9 476	70 179	43 989	77 507
KZN	690	547 414	67 761	14 752	642 447	433 168	1 189 861	500 929
LP	291	91 235	7 403	3 382	513 024	220 227	604 259	227 630
MP	444	322 839	13 950	2 694	399 876	225 877	722 715	239 827
NC	271	952 744	2 773	3 682	539 620	100 554	1 492 364	103 327
NW	300	268 566	40 539	3 709	373 642	172 963	642 208	213 502
WC	223	122 304	12 750	15 546	3 769	118 165	126 073	130 915
<b>Total</b>	<b>3 979</b>	<b>3 043 264</b>	<b>185 858</b>	<b>75 787</b>	<b>2 624 303</b>	<b>1 597 227</b>	<b>5 667 567</b>	<b>1 783 085</b>

Source: DRDLR, M&E Unit (courtesy Karin Kleinbooi at PLAAS)

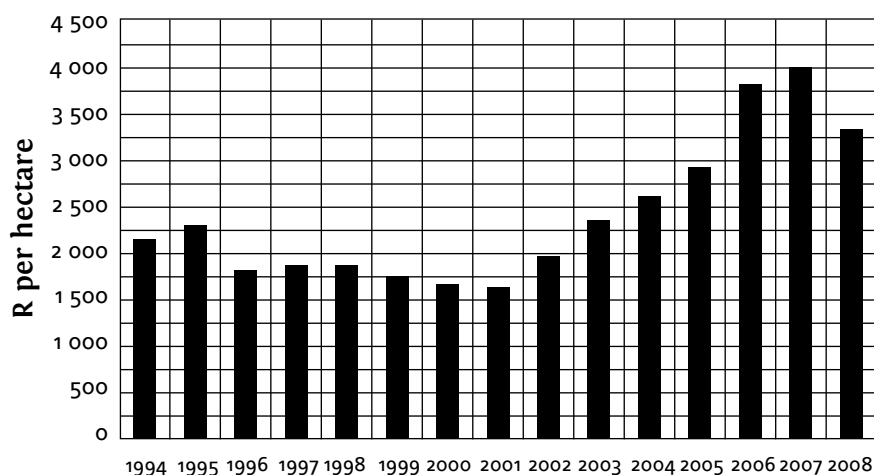
million hectares would be required to meet the 30% target by 2014. Given that less than a third of this has been transferred since 1994, it is not going to happen (Aliber & Kleinbooi 2009). An estimated R74 billion more would be required to realise the 30% target. The Land and Agrarian Reform Programme (LARP) document recommended that the 30% land transfer target be shifted once again to 2025, but then funding requirements would also increase (NDA 2008a). At the end of 2009, it was announced publicly that the target would indeed be shifted back to 2025 (Ensor 2009). As Aliber and Kleinbooi (2009) point out, the issue is not so much about trying to reach an arbitrary target, especially given the problems already experienced with ‘chasing hectares’, as it is about highlighting the wide gap between plans and the resources available to realise them.

Be that as it may, the DRDLR is not spending what it has available for land purchase. Although the land reform budget has increased rapidly in real terms (adjusting for inflation) since 2001 (see Figure 4), the increase is not so great after land price rises are taken into account (Aliber & Kleinbooi 2009). Even so, in the first six months of the 2009/10 financial year, the DRDLR was able to spend only 31% of its land reform budget. This resulted in the Treasury redirecting a portion of the DRDLR’s budget towards funding the new rural development function and as a top-up for the restitution programme, which had already spent 81% of its appropriation in the first six months (National Treasury 2009a). For redistribution, this suggests lack of capacity rather than

lack of resources. A closer look reveals that the share of the budget dedicated to operational expenses (including salaries for people to carry the work out) has declined consistently for both the restitution and redistribution programmes since the late 1990s. This trend was reversed only last year, and for restitution the outcome was simply because of a precipitous decline in the capital budget (used for purchasing land) (Aliber & Kleinbooi 2009). That available resources for land purchase are not being used suggests a deeper problem that should be resolved before more money is demanded.

The government has adopted a Proactive Land Acquisition Strategy (PLAS), through which it buys up farm land that is available on the market for later redistribution. Under PLAS, the state buys land directly from the owner, rather than providing grants to applicants to buy the land. This allows the DRDLR to sidestep the problem of particular landowners inflating the price of their land because they know that the government requires it for land reform. The purchased land is then leased to black farmers who have the option of buying it after three years. One weakness in practice has been the lack of timeous support to farmers leasing the land, which prevents them from engaging productively (Hofstatter 2009a). Land acquisition is also driven by the land available for sale, rather than the specific needs of those who will use it. Leasing the land for a time might exclude the poor who do not have cash to pay the rental, and the government is required to administer the leased land (Lahiff 2008). It is clear that the DRDLR does not have the capacity

**Figure 3: Average farm land prices, 1994–2008 (adjusted for inflation, 2008 rands)**



Source: Courtesy Michael Aliber at PLAAS

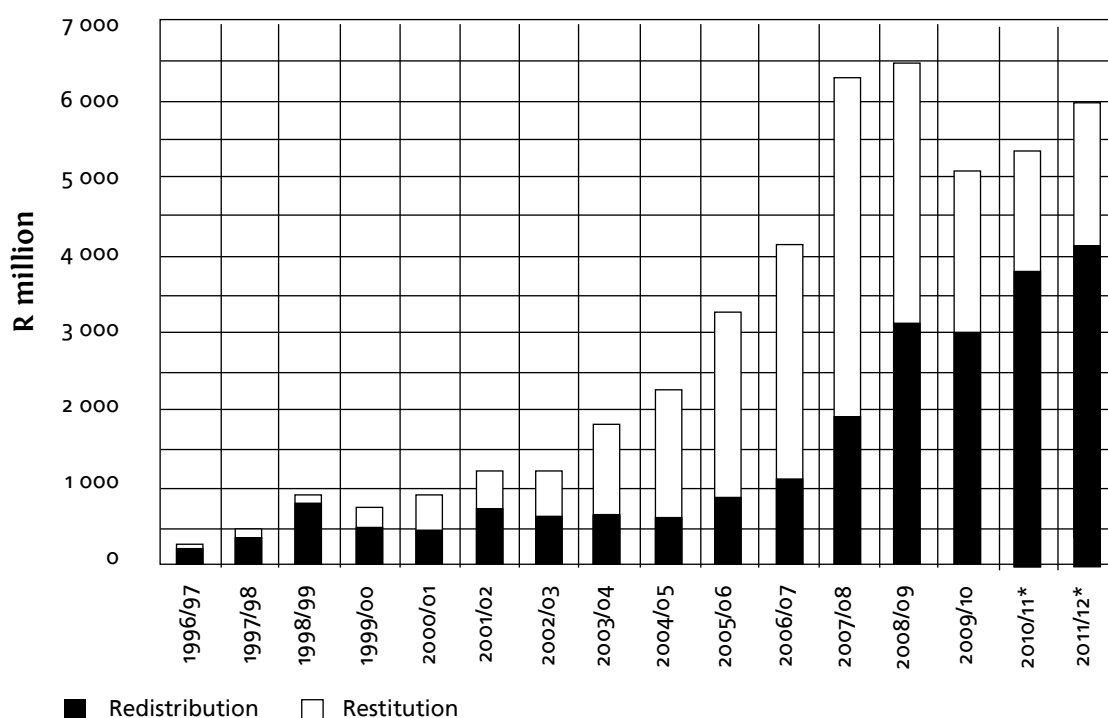
on the ground to identify appropriate land to be acquired, to engage with people in identifying land needs and to inform the choice of land, or the ability to go about doing this in a systematic way. Here the obstacles of bureaucracy present themselves. Attempts have been made to decentralise decision-making to the provincial and local levels, for example through the Provincial Land Reform Offices (PLROs). There is also a strategy to establish and participate in provincial Land Reform Forums and district Land Reform Committees. Area-based planning is a relatively new initiative, which attempts to include land reform in Integrated Development Plans (IDPs) at municipal level. The idea makes sense, but resources and orientation at municipal level are generally not present to make it happen in practice.

Popular participation in these initiatives is almost non-existent, except where individual structures are handpicked for inclusion by government officials. There is no sense of popular mobilisation or mass involvement of the grassroots in the land reform programme. The only role for the mass of the population identified in policy or strategy with regard to land reform is as passive (potential) beneficiaries of state grants. What character

does this give the programme? Technocratic and statist, where the state tries to do everything itself, yet cannot, and where the collective forces that do mobilise for land are ignored or actively suppressed. The party-state keeps control over the process entirely out of the hands of the population. This is closely connected to issues of control over the rural population and order, which, in turn, is linked to the dominant class forces directing the programme. Agribusiness and white commercial farmers have no interest in a mass-based mobilisation of the rural poor for thoroughgoing land reform in South Africa, whatever form that might take. Land reform is far more politicised than agricultural production and, therefore, tighter state control over its unfolding is imposed.

The DRDLR has attempted to respond to these obstacles to more rapid delivery of land. Since the Land Summit in 2005, there has been talk of changing the 'willing seller, willing buyer' model so that the government has more power over setting the price for which land is bought and sold. However, the Expropriation Bill, based on constitutional provisions that allow the state to expropriate land in the public interest, while still

**Figure 4: Land reform budgets 1996–2011 (adjusted for inflation, 2009 rands)**



Source: National Treasury (various years) *National budget: Estimates of expenditure – Land*

Note: \*2010/11 and 2011/12 based on an estimated inflation rate of 7%

paying reasonable compensation to the expropriated, was shelved in 2008. The main concern from landowners was that it gave the executive too much authority to determine how owners would be compensated, rather than leaving this to the courts. Farmer unions were concerned that this could erode property rights (Hofstatter 2009a). From a different perspective, as long as the land reform programme is based on the purchase of land on a market-related basis (which even the expropriations would be), it is not going to make a significant difference to the price of land or to the possibility of transferring land to the African majority. Buying into the 30% redistribution target (whether within 5 years or 30 years) goes only part of the way to resolving the fundamental injustice of forcible dispossession of land. In the process, it becomes a block to thinking about the bigger picture, engendering amnesia about the scale of dispossession in South Africa. The land reform programme at present is nowhere near addressing the reality that landholding in South Africa is amongst the most inequitably distributed in the world. Until landholding is more evenly distributed between black and white in proportion to their numbers in the population at large, this fundamental injustice will remain alive. That means a target of closer to 90% of land should be redistributed to Africans. Within the current programme and approach, this will never happen, and brings us into very difficult territory.

By all rights, around 90% of all land should be taken back without compensation and transferred to the black population and to Africans in particular. This raises questions about how to compensate white farmers for the investments they have made in the land (acknowledging that much of the actual work of converting those investments into added value was carried out by super-exploited black farm workers). An associated issue is how, during the transition to more equitable landownership, to retain the agricultural skills and knowledge that white farmers currently hold. Then there is the issue of how to ensure that national food production is not destroyed in the process of changing ownership and production systems. These are very big and difficult questions not yet on the national agenda but which, as in Zimbabwe, may become more pertinent as time passes with little significant change in landownership or the structure of production.

## Agricultural production support

The second fundamental challenge facing the DRDLR is ensuring support for productive activity on the land once it is transferred. Immediately, we can feel the narrowness of the approaches, linked as they are to a very controlled, top-down programme, with exceedingly modest goals in the broader scheme of things. Agricultural support has shifted from support to large-scale (white) commercial farmers to black emerging farmers, with the aim of assisting the latter to become commercial farmers in their own right. Yet, as highlighted above, the budget was decimated in the period of restructuring, essentially destroying much of the physical and social infrastructure that might have been built on to support emerging farmers. During this time, policy was slow to generate any meaningful impact. The government's first flagship black farmer support programme, the Broadening Access to Agriculture Thrust (BATAT), established a number of work areas in finance, technology and marketing, but generally this was not carried through into practical applications. The logic of BATAT was that farming had to be 'market-related production, therefore subsistence farming, with family income generated by non-farm activities, cannot be considered viable farming' (Van Empel 1997: 2). While this was not against small-scale farming as such, it did shift support onto a commercial track, thus relegating non-market production to the background. Until 2003, the National Department of Agriculture, now the Department of Agriculture, Forestry and Fisheries (DAFF)<sup>3</sup> provided limited support to new farmers for agricultural production. The dismantling of agricultural development corporations and the decline of the extension service meant that while farmers received support in accessing land, they were then left more or less on their own. Production inputs were left to the 'free market', with some basic state regulation on standards.

The Comprehensive Agricultural Support Programme (CASP) is at the core of state support to farmers. It was established in 2003, following the Strauss Commission's recommendations that the state provide a 'sunrise' package of support to newly settled farmers. CASP identified six areas of intervention and four categories of beneficiary. The six intervention areas were: on-farm and off-farm infrastructure; advisory and regulatory services; capacity building; informa-

<sup>3</sup> Henceforth, the new name will be used throughout for the sake of consistency, except in the case of documents in which the earlier name is used.

tion and training; market development; and financial services. The Micro Agricultural Financial Institutions of South Africa (Mafisa) programme is the product of the sixth intervention. CASP's target groups were: the hungry and vulnerable; household food security and subsistence; farm- and business -level activity; and the agricultural macro-system, linked to the consumer environment (NDA 2005a).

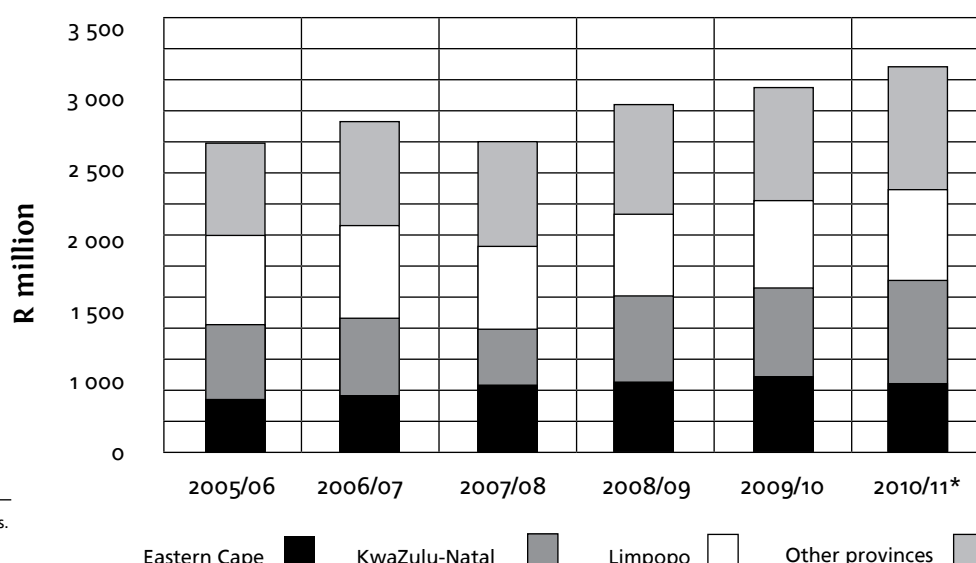
CASP is funded through a conditional grant from DAFF to provincial departments. Conditional grants ring-fence funds so that they cannot be allocated to other activities. CASP constitutes a significant portion of the agricultural support services in DAFF. In 2009/10, R817 million was made available to all provincial departments for CASP, Land Care, Illima/Letsema and veld fire prevention combined (National Treasury 2009b). This translates into an average per province of less than R100 million per year for small farmer support, which is unevenly divided, with the more 'rural' provinces of the Eastern Cape, KwaZulu-Natal and Limpopo receiving larger shares. The amount allocated is expected to increase to over R1.4 billion by 2011/12, but that is still an average of just R155 million per province, which includes capital expenses. Allocations to CASP are expected to rise by an average of 22% per year over the medium term.

CASP provided support to more than 300 000 beneficiaries in more than 4 200 projects between 2004/05 and 2008/09 (NDA 2009a). How-

ever, the number of people expected to benefit from the programme declined from 89 000 in 2005/06 (a target that was not realised) to a planned 32 000 in 2011/12 (National Treasury 2009b). While 35 000 people were expected to benefit from the programme in 2009/10, after 6 months a mere 533 people had received support via CASP (National Treasury 2009c). The reason given is that provinces do not have the capacity to deliver. CASP is certain to be one of the main sources of finance for the realisation of the Comprehensive Rural Development Programme (CRDP). The 'agrarian transformation' component of the programme relates directly to production support for smallholder farmers. Nevertheless, despite the future growth in resources for agricultural support, resources for small-scale farmer support remain limited.

Provincial farmer support programmes have expanded significantly, and in 2009 constituted the biggest sub-programme in all provinces except Gauteng and the North West. Between 2005 and 2011, (medium-term estimate) average expenditure on farmer support across the nine provinces vacillated between 37% and 41% of the total budget for agriculture.<sup>4</sup> There is a significant upward trend in the share of the budget dedicated to farmer support in Mpumalanga, the Free State, Northern Cape and Western Cape, and a slight upward trend in KwaZulu-Natal and Gauteng. The share of the budget in the Eastern Cape and Limpopo is fairly steady, though

**Figure 5: Provincial farmer support programme budgets, 2005–2010 (adjusted for inflation, 2009 rands)**



<sup>4</sup>Provincial agriculture budgets. For the North West, Gauteng and KwaZulu-Natal, the total budget includes conservation and environment.

Source: National Treasury (various years) *Provincial budget: Budget statements*

Note: \*2010/11 is based on an estimated inflation rate of 7%

it should be noted that farmer support already constituted a large share of the budget in these two provinces in 2005. The North West is the only province with a sharp decline in the share of the budget going to farmer support. This should be understood in the light of internal problems in that department in recent years.

Despite rhetoric about indigenous knowledge and food security, the government has not attempted to build alternative seed production capability. At present, just three community seed production schemes, in Limpopo and Mpumalanga, are being piloted with state funding. Although the government does subsidise seed and chemicals through provincial agricultural support programmes, often in partnership with the private sector, the seed and agrochemical sectors (with the exception of fertiliser, which has significant parastatal input) have always been private-sector driven and, apart from basic regulation, the post-apartheid government has not intervened in these sectors. This has resulted in growing concentration in these sectors as larger, more successful firms have bought out smaller ones or merged into bigger corporations, especially over the past 15 to 20 years. Between them, the top ten seed companies have rights over almost two-thirds of registered seed varieties in South Africa. At the top of the list is Pannar, a South African company that incorporates Pannar Seeds and Starke Ayres. Four of the biggest seed companies in the world are also dominant in the South African seed sector: Monsanto, Syngenta, DuPont/Pioneer Hi-Bred and Sakata (ACB 2009). While both genetically modified (GM) seed and hybrid seed are commercially dominant in some sectors (maize, sunflower and grain sorghum), open-pollinated varieties have remained remarkably resilient in most crops produced in South Africa. This suggests the possibility of building alternative seed sources that are not dependent on the technological processes that have been captured by profit-driven corporations.

The agrochemicals industry is also highly concentrated, with a heavy presence of multinationals. In the 1990s, the fertiliser sector was rationalised following deregulation and liberalisation. Local production capacity was closed down and South Africa became a net importer of fertiliser for the first time around 2000. The sector is dominated by three corporations: Sasol Nitro, Yara<sup>5</sup> and Omnia, with Foskor a significant input provider. An estimated 70% of agrochemicals (both fertilisers and pesticides) used in South Africa are

imported. Eight of the ten largest pesticide multinationals in the world operate in the South African market, with the local market dominated by Bayer, Dow, Makhteshim-Agan and Syngenta, in particular (ACB 2009). Fertiliser prices rose by over 200% between the end of 2006 and the end of 2008, when prices exceeded R6 000/ton (FSSA 2009). Although prices dropped rapidly after that, along with the decline in commodity prices that was part of the global economic collapse, it signifies the volatility of agrochemical prices and the dependency of South Africa on world markets.

Concentration of production has allowed large companies to make windfall profits in times of crisis, while poorer farmers cannot afford to purchase necessary inputs. What determines the price of inputs? Since agrochemicals are essentially oil-based, the price of oil is one of the key factors. The exchange rate is another, since most agrochemicals are imported. There are several questions that policy-makers have not got to yet. If South African agriculture is to continue to rely on oil-based fertilisers and agrochemicals, what opportunities exist for manufacturing these locally? Beyond that, what changes in production methods are possible in the near, medium and long term to shift agriculture onto a path that is not so reliant on these chemicals? As soon as the global economy starts growing again, oil prices are going to start rising rapidly. Thus, the global economy is caught in a vice between recession and unsustainably high input costs. This is the basis for a rethink of the global capitalist model, even if it is still within the framework of ecological modernisation. We cannot continue to rely on non-renewable energy sources, and that includes inputs into agriculture. So the quicker we can start working out ways to shift, the better. There has been very little consideration of this in the approach to agriculture taken in South Africa to date. A critical component of input supply must be the provision of alternative methods of production that rely less on oil-based physical inputs.

## Water, seed and agrochemicals

The National Water Act 36 of 1988 forms the basis for current water policy with regard to agriculture. In essence, the Act separates ownership of land from ownership of water (riparian rights) and vests the latter in the state. This is a radical shift, but is accompanied by the agree-

<sup>5</sup> A Norwegian multinational, formerly known as Norsk Hydro, which purchased Kynoch, a South African company.

ment that previous patterns of use could remain, within a system of registration of these uses. Agricultural producers must register as water users and request access to water. This arrangement has permitted the state to set aside water for basic needs and ecological purposes. The long-term goal is for these allocation functions to be devolved to Catchment Management Agencies (CMAs), which theoretically consist of all stakeholders in a catchment area, but which in reality are dominated by those with resources and capacity to develop, articulate and lobby for their own policy positions. In 2006, a Water Allocation Reform policy was drawn up that aimed to overcome the ongoing race and gender imbalances in access to water resources. The policy links water allocation to the establishment and support of broad-based black economic enterprise (BEE). After water has been allocated for basic livelihoods needs, those enterprises that meet BEE criteria will be prioritised for water allocation (DWAF 2006). Nevertheless, the strategy does state that existing lawful uses should not be 'arbitrarily curtailed'.

There is recognition at the highest levels that the link between land reform, agricultural support and water resource provision is weak. There are two approaches to dealing with this: investing in irrigation both for commercial and for resource-poor farmers, and linking water provision to the land transfer process. In 1996, just 3.7% of 46 486 hectares of irrigated land in South Africa were used for food plot and small-scale farming. The former homelands had a potential area of 200 000 hectares that could be used for irrigation (Jacobs, Aliber, Hart & O'Donovan 2009, citing Water Research Commission report). DAFF set a target of 100 000 hectares of irrigated land to be established or rehabilitated by 2011 (NDA 2008b). To date, a literature review and guidelines have been approved (DAFF 2009a). A policy from 2004 proposes a once-off grant on the capital cost for the construction and/or upgrading of irrigation schemes to resource-poor farmers who are members of water-user associations (WUAs) or other approved legal entities. A further grant is proposed for operation and maintenance costs, and water resource management and depreciation charges are to be phased out over six years. Other proposed grants are included to cover the acquisition of water entitlements, socio-economic viability studies, training for management committees of WUAs, and rainwater tanks for family food production and other productive

uses (DWAF 2004). Irrigation boards are being transformed into WUAs, although this is a slow process. Of the 279 irrigation boards, 68 were transformed into 38 WUAs by 2009. A further 23 WUAs have been established, focusing mainly on resource-poor farmers (DWEA 2009).

The Presidency's Medium-Term Strategic Framework (2009–2014) identifies the construction of irrigation infrastructure as a strategic priority. Significant emphasis is placed on rehabilitating or constructing large-scale schemes such as the Mokolo River Augmentation Project, the Vaalharts/Taung and Makhathini irrigation schemes. Major rehabilitation projects will be undertaken in these initiatives to upgrade infrastructure, with R650 million being dedicated to this activity up to 2011/12 (DWEA 2009). There is also some activity around the revitalisation of small-scale irrigation schemes, mainly in the former homeland areas. Land revitalised under the programme is expected to rise from 29 000 hectares in 2008/09 to 36 000 hectares in 2011/12 (National Treasury 2009b). In most provinces, CASP (see below) provides additional resources for irrigation development.

While irrigation is necessary to increase productivity on the land, in a context of water scarcity and climate change one has to ask whether irrigation is the best way forward. Irrigation uses at least 60% of all water in South Africa (Van der Merwe 2008). About 60% of irrigation water applied globally does not reach the targeted crops. Alternative methods of irrigation, such as drip or micro-irrigation, can increase efficiency. While the initial cost is more expensive, water wastage is reduced to 5–10% (Miller & Spoolman 2008). A countrywide increase in irrigation efficiency of just 10% can save a third of the capacity of the Vaal Dam every year (Van der Merwe 2008). While there are some small-scale efforts to deal with adaptation to climate change, including water harvesting, and altering production towards more drought-tolerant crops, these efforts do not match the scale of the challenge facing agricultural producers, especially those in drier areas with limited resources of their own.

The second approach is to integrate water allocation with land reform. Both the National Planning Commission and the CRDP emphasise the productive use of water and the alignment of water resource allocation with land reform. To date, integration has occurred only in irrigation schemes where land has been transferred. The



Department of Water and Environmental Affairs (DWEA) is prioritising land reform projects in Limpopo and the Eastern Cape in 2009/10, KwaZulu-Natal and the Northern Cape the following year, the North West and Free State in 2011/12, and the Western Cape, Mpumalanga and Gauteng in 2012/13. The plan is to increase the allocation of water licenses to 40% of historically disadvantaged individuals (HDIs) by 2014 (DWEA 2009). Ensuring that water is available to land reform farms is essential and must be built into the planning stages at the outset. Many land reform farms have failed precisely because water has not been available for production.

## Integrating land reform and agricultural support

The government's two main programmes are the Land Redistribution for Agricultural Development (LRAD) programme in land reform, and CASP in agricultural support. These have operated as separate programmes for most of their existence. The implementation of CASP was not synchronised with LRAD or with provincial farmer support programmes (e.g. the Massive Food Production Programme in the Eastern Cape, Sibuyela Emasimini in Mpumalanga and Siyavuna in KwaZulu-Natal) and, in reality, focused only on the provision of on- and off-farm infrastructure, and, therefore, was not comprehensive. Separate reviews of LRAD and CASP called for a further de-emphasis on collective farming, decentralisation of services to districts and municipalities, embedding land reform in IDPs, a single grant and approval process for land redistribution and agricultural support, and increasing participation by beneficiaries (NDA 2008a). This resulted in the development in 2008 of LARP, which sought to integrate CASP with the land reform programme. CASP guidelines require that 70% of funds go to land reform; but there are no guidelines, in LARP or anywhere else, about how these funds are to be allocated further.

In 2008, LARP was established between DAFF and DRDLR and the provincial departments of agriculture, essentially to integrate LRAD and CASP. Its short-term objectives were: the distribution of 5 million hectares of land to 10 000 beneficiaries; increasing the number of new agriculture entrepreneurs by 10–15%, providing universal support; increasing agricultural production by 10–15% through the Illima/Letsema cam-

paign; and increasing market access by 10–15% (NDA 2008a). The programme identifies contract farming for high value and feedstock products, such as bio-fuels, wine, essential oils, hemp, medicines, leather, juices, canning and dairy, as a key intervention (NDA 2008a). A major problem with contract farming arrangements is that they merely insert smallholder farmers as junior players in the existing agricultural structure. Contract farmers may find themselves squeezed into a relationship of debt and dependency, carrying the full risks of production and faced with the increasing power of agribusiness, resulting in lower prices for their produce. Contract farming is also often accompanied by decreased food production and an increase in food insecurity as a result of concentration on contract crops (Kirsten & Sartorius 2002). The targets set by LARP were two-year targets (to be achieved by March 2010), although the programme is intended to continue for at least five years. LARP's focus on the provision of larger landholdings has raised concerns about its effects on equity, with larger-scale farmers likely to receive the bulk of resources for land reform (Lahiff 2008).

Despite falling under the same ministry until 2009, there has always been a disconnection between the transfer of land and meaningful agricultural support for those to whom the land has been transferred. This has entailed either the collapse of existing commercial farms that were transferred, or the failure of newly established farms. By 2009, the government had acquired a total of 2 864 farms for black farmers, at a cost of R6.25 billion. About 44% of these were transferred through the LRAD programme, started in 2001, which emphasised individual ownership. By 2009, 29% of LRAD projects had failed outright, and a further 22% were in decline, due mainly to lack of 'post-settlement' support (Sapa 2009). Part of the problem here is that land reform is a national competency, while agriculture is a concurrent national and provincial competency. The two departments have never really gelled, with the Department of Agriculture not considering land reform beneficiaries as one of its key constituencies until recently. This is probably the product of the conceptualisation of land reform as a poverty-alleviation or welfarist strategy in the first five years of the programme. The first land reform programme (based on the Settlement and Land Acquisition Grant) and the restitution programme both transferred land to large groups of people. The dominant mindset

in DAFF, however, was oriented towards individual commercial producers; consequently, group beneficiaries were de-prioritised. With the adoption of LRAD, the link between agriculture and redistribution (if not restitution) became more explicit and has strengthened since then. The introduction of the notion of agrarian reform has enabled the government to combine land redistribution and agricultural support, even if the conceptualisation of agrarian reform might be a bit shallow. Diversifying the base of production – through de-racialisation and increasing the variety of production unit size – is a very important component of agrarian reform, and will have economic and structural impacts. This can occur despite the existing framework of exploitative social and environmental practices.

The decision to disconnect land reform from agriculture at an institutional level into separate ministries is surprising and counter-intuitive. This is especially the case as the CRDP relies heavily on DAFF, both for technical support and for the provision of resources to realise the programme. It is interesting to note that sections of commercial agriculture (including the Transvaal Agricultural Union) had lobbied for the separation of agricultural from land reform to shield commercial agriculture from the instability caused by the land reform programme. The disconnection between the two threatens to reinforce the dualism of DAFF supporting commercial agriculture with DRDLR performing a welfarist function for the rural poor. At the same time, the CRDP brings agriculture forcefully into the picture, and its success will require a large proportion of DAFF's budget (especially Farmer Support and CASP) to be directed towards it. So, although there is an institutional separation, responsibility for smallholder support remains in both ministries. At the moment, it looks as though DRDLR will be responsible for facilitating co-ordination and planning, while DAFF will be responsible for implementation. This is a fairly uncomfortable arrangement, which is likely to be inefficient.

Restitution beneficiaries are still not considered primary targets for DAFF. The Commission on Restitution of Land Rights (CRLR) has been unable to articulate the link clearly, and there is little certainty on who provides what kind of post-settlement support. The post-settlement support units in the CRLR should not consider agricultural production as their primary concern, partly because they do not have the technical skills for this and partly because it is the mandate of a

different department. Instead, post-settlement support from the CRLR should focus on assisting to build the communal property associations (CPAs), facilitating conflict resolution, transferring organisational skills, and so on. DAFF should then work with the CPAs to develop agricultural plans. This does not happen in any systematic way at present.

## Rural development and its relationship with land reform and agriculture

South African macro-policy emerges from a strategic perspective that emphasises urban job creation as the key development task facing the state. The National Spatial Development Perspective (NSDP) (The Presidency 2006) is the most explicit articulation of this vision, which fits precisely into the World Bank's current theoretical framework (World Bank 2009). It is hard to tell what the future of this perspective is. The new administration is emphasising rural development, which runs counter to the earlier strategic vision that limited rural development to commercial agriculture plus basic welfare for those unable to obtain work in the urban areas. The new National Planning Commission's Medium-Term Strategic Framework (MTSF), which applies to the government as a whole, states that the NSDP will be reviewed and, where appropriate, adjusted, but does not go any further (NPC 2009).

Rural development was one of the five key priorities identified by the tripartite alliance at the ANC's watershed Polokwane conference in 2007. According to Blade Nzimande, General Secretary of the South African Communist Party (SACP), rural development was identified at the conference not just as a sector in need of more 'delivery', but as a priority area requiring radical, systemic transformation and as a catalyst for wider societal transformation (Nzimande 2009). The SACP launched its Red October Campaign on Land and Agrarian Reform in 2004, and realised some of its goals with regard to seizing the initiative from what it referred to as the 'extreme left' (Nzimande 2004), as well as contributing to realising a shift in the government's approach to rural development and agrarian reform. Five years on, however, the strategies that were proposed during the campaign, of mass-based people's land committees, land forums that include women, the landless and farm workers, and a 'use it or lose it' clause applying to white com-

mercial farmers rather than land reform beneficiaries (SACP 2005), all remain a pipedream. While the SACP has made impressive gains in getting its position on land and agrarian reform accepted in the alliance and the state, it has fared less well with its plans to mobilise the rural population. This and the decline of the Landless People's Movement (LPM) since 2004 are a further indication of the difficulties in building and sustaining rural organisation and mobilisation. The recent turn towards rural development should be understood, then, in the context of open class contestation within the state, a left driven by the industrial working class, and weak rural mobilisation. There are opportunities for gains by the rural poor, while recognising that as long as the rural poor and marginalised remain disorganised and unable to drive change in the rural areas through their own activity, it is unlikely that grand plans will be realised.

The latest manifestation of rural development is the CRDP under DRDLR. Rural development has never had its own ministerial portfolio, although it did have unsuccessful institutional homes, first in the Presidency and then in the Department of Provincial and Local Government (DPLG). Its elevation to a ministry could signify an advance in that respect. However, the very decision to conceptualise the task as 'rural development' places it in an 'incredibly powerful semantic constellation' of development based on defining a pre-established path of growth that robs people of their agency (Esteva 1992: 8). Immediate concerns have been raised about giving the old Department of Land Affairs (DLA), which patently failed to carry out its mandate of delivering land reform, additional tasks. It might have been better to give the new department the mandate of building capacity to implement land reform, and of ensuring a strong link between this and agriculture. Instead, not only are agriculture and land reform now institutionally split from one another, but the weak DLA is being given the enormous and complex task (with few extra resources or staff) of co-ordinating rural development across three spheres of government, as well as delivering on land reform (Pienaar 2009).

The CRDP is conceptualised on the basis of three integrated pillars: rural development (defined as infrastructure), agrarian transformation (essentially defined as production support) and land reform. A primary focus is on using natural resources as the basis for economic development, and on people taking control over their

own destiny (MRDLR 2009). Suffice it to say that, for now, the CRDP strongly emphasises the idea of integrating land reform and agricultural support. The CRDP is being piloted at seven sites (of which three are currently under way), using the 'War on Poverty' methodology, which theoretically is about high-level co-ordination of activity by different departments based on household profiling and community planning. In reality, it looks more like a desperate flurry to achieve something in the very short term without preparing the ground adequately. The 'War on Poverty' campaign was an initiative of the Presidency in the lead-up to the 2009 national elections to make it appear that the government was on the ground and acting. The CRDP pilots in Giyani (Limpopo), Riemvasmaak (Northern Cape) and Qwa-Qwa (Free State) appear to be equally rushed, hitting the ground very shortly after the new ministry was announced and in the absence of any developed policy that presents a strategic orientation.

In the CRDP, five categories of farmer are identified as targets for land reform:

- 'landless households' seeking small pieces of land for subsistence production;
- 'commercial-ready subsistence producers' wanting to expand and farm part-time;
- 'expanding commercial smallholders' already producing commercially but wanting to expand;
- 'well-established black commercial farmers' already producing and having the potential to become large-scale farmers; and
- 'financially capable aspirant black commercial farmers', namely business people wanting to diversify into agriculture. (MRDLR 2009:18)

For the first time, the actual base of beneficiaries is clearly identified. It is also useful that DRDLR is moving beyond a one-size-fits-all approach to land reform and agricultural support. However, it is not clear where the majority of the existing beneficiaries of the land redistribution and restitution programmes fit in. They are people with secure access to land, but with limited resources of their own, and often without deep agricultural skills. What approach could be developed that might allow them to try their hand at agriculture and see whether that could take off? However, even before that question is asked, is it a priority

for the government to support the mending of existing dysfunctional projects (RDSCW 2009)? An immediate target of the rural development programme was to provide 50–100 km of live-stock fencing per province within the first 100 days of the programme's launch (MRDLR 2009).

Who or what are the 'motive forces' in the new Rural Development Programme? In the immediate term, the DRDLR, DAFF, the Presidency and the Development Bank of South Africa are tasked with overseeing the initial projects (DRDLR 2009). In version 1 of the CRDP released on 22 July 2009, the task of the DRDLR is as 'an initiator, facilitator, co-ordinator and catalyst' of rural development interventions (DRDLR 2009: 12). A detailed proposal to establish a Rural Development Agency is to be developed by May 2012. The agency would take over co-ordination, planning, resource mobilisation, monitoring and evaluation (M&E) and facilitation (MRDLR 2009:32). However, an agency should not be seen as a panacea for lack of capacity in the DRDLR, because 'if the principal is weak, the agent will be weak' (Pienaar 2009: 3).

The critical role of local government in co-ordinating and facilitating activities at local level is entrenched as part of the discourse of the state. However, it is coming under question from both outside the state, as citizens lose faith in the state's ability to deliver on its promises (see Powell 2009), and from inside the party-state (see Carrim 2009). A restructuring of local government will be driven by the broader perspective of what development is and how it is anticipated that it will unfold. In this context, it appears that the DRDLR is moving to occupy the jurisdiction of local government, by playing an interventionist and co-ordinating role in development at the local level (Pienaar 2009). This relates directly to the increasingly articulated suggestion that there should be more active intervention by national and provincial government in municipalities unable to function on their own (Carrim 2009).

The CRDP makes reference to a 'partnership with all sectors of society' as well as to general participation by civil society. The framework document improves on the earlier concept note by recognising the role of civil society organisations (CSOs), especially in terms of social and technical facilitation. Critical stakeholders are overwhelmingly government departments and the municipalities, with 'community organisations and

leadership' also recognised as significant stakeholders (MRDLR 2009: 23). It is envisaged that a council of stakeholders, consisting of the government and CSOs, will oversee processes and assist with planning and needs identification. Nevertheless, the government will play the dominant role in driving the programme, with provincial-level technical committees, consisting of sector departments, implementing the activities. Below these, co-operatives/enterprise groups consisting of 20 households will be formed to link the citizenry to the process.

There is a relatively low level of rural civil society organisation in South Africa driven by a political consciousness based on justice, active organisation and resistance to imposed power. CSOs with land and agriculture amongst their priorities are overwhelmingly products either of the activities of donor-funded non-governmental organisations (NGOs) or the government itself. The party-state has identified co-operatives as a form of organisation that should be encouraged. Co-operative development is being driven by the Department of Trade and Industry (DTI). While the policy seeks to encourage those with the values of self-reliance and self-help to form co-operatives, this is within a framework explicitly geared towards entrepreneurship, economic growth and competitiveness (DTI 2004).

Given civil society's weakness in organising itself independently of the state, DAFF has taken on the job of assisting farmers to organise themselves into co-operatives and commodity groups. In 2008/09, it established 324 co-operatives and 208 self-help groups countrywide (NDA 2009a). This suggests that DAFF recognises the importance of having an organised constituency to engage with. But what is the character of these formations? One can understand why a well-meaning government official would be committed to setting up representative structures of farmers and the rural poor that can be engaged with and supported to grow over time. One step back, this is justified by the dominant ideological approach, which instrumentalises the role of grassroots struggle and organisation as fulfilling a 'strategic goal' defined not by the grassroots themselves, but by political vanguards, and which credits the state as the prime agent of transformation (Shivji, in Mngxitama 2005). However, there are several critical questions. What capacity is being developed to enable these formations to set their own agendas? What happens if state resources dry up or are diverted to

other activities? Do these organisations have the potential to challenge government programmes and agendas, or does the way they are inserted into the government 'delivery machine' structurally preclude this? To what extent can they be considered to be independent CSOs? These questions, in turn, raise further issues about what role the state can conceivably play in at least facilitating space for the rise of independent grassroots organisations. What alternative ways of building independent organisation are being attempted in society at present?

There are only a few NGOs and agricultural trade unions countrywide that work consistently with the rural poor on land and agricultural issues. The weakness of rural organisation has its roots, in part, in the political orientation of the NGOs, historically caught in a tension between liberal welfarism and a statism that credits the state as the primary agent of transformation (Mngxitama 2005). Some independent mobilising efforts have been carried out, mainly behind the cover of NGO-type formations that have a radical orientation but which have adjusted their tactics to suit the strength of the grassroots. There is also an idea of building up the practical basis for change on the ground, including building alliances with other grassroots movements. Whatever the situation, it is highly unlikely that radical transformation will come about if civil society is dependent on the state for its organisational maintenance. As Mngxitama argues, the reliance on NGOs to organise the rural areas is 'an indictment not so much for the liberals, but of the liberation movement's failure as a whole' (Mngxitama 2005: 49).

Although there is hardly a word about agribusiness or commercial farmers in the CRDP (apart from some general references to mentoring), the Zuma administration has inherited some fairly well-established structures of agricultural policy-making, which are built in principle on commercial agriculture. In 2001, Thabo Mbeki established the Presidential Working Group on Agriculture, which meets intermittently with the president to discuss matters relating to the development of the agricultural sector. This initially included AgriSA, the National African Farmers' Union (NAFU)

and the Agribusiness Chamber (ABC). One of its first tasks was to develop the Strategic Plan for Agriculture, which was taken to the Cabinet for approval in 2001 (NDA 2001). A review of the plan was concluded in 2008 through the CEO Forum, a structure allied with the Working Group (see below). Amongst other things, the working group developed a shared vision for labour relations and for land reform.

In 2008, a Ministerial Advisory Council (MAC) was formed that included TAU SA, AgriSA, NAFU, the ACB and the South African Agricultural Processors Association (SAAPA). It was later extended to include civil society (even if it still 'keeps it in the family'), in the form of the Food and Agricultural Workers Union (FAWU), Women for Agricultural and Rural Development (WARD) and Youth for Agricultural and Rural Development (YARD), the latter two being state-sponsored interest groups (MAC 2009). However, the commercial farmer unions and agribusiness organisations are considered to be the 'principals' and meet both prior to MAC meetings to set the agenda and afterwards to assess the meeting and prepare an action plan. So, in essence, non-business CSOs are invited to only part of the meeting. NAFU, the black farmers' parallel structure to AgriSA, is being nurtured by the state to play a role similar to that of AgriSA. It receives annual financial support from DAFF, and its place is reserved in high-level policy-making structures. A CEO Forum, consisting of heads of agribusinesses and the Director-General in DAFF, with the CEO Forum Steering Committee as its operational arm, meets on a more regular basis to strategise on key issues in the agricultural sector (MAC 2009). This is a concrete manifestation of the corporatist state, in which business and government jointly strategise. It is apparent from this inherited model that participation of the grassroots comes only after the fundamental frameworks for agricultural and land reform have already been designed in the interests of agribusiness and commercial agriculture. This is not to say that the latter will not accede to demands for land reform or state support to black farmers, but the process is controlled to ensure that the primary yardstick of 'globally competitive and profitable agriculture' is not tampered with.

# 4 Farm workers and farm dwellers

In the agricultural restructuring that continued throughout the political transition in South Africa, the paternalist power structure on farms was replaced partially by a regulatory regime that established a formal labour relations framework, which sought to modernise labour relations on commercial farms. However, it was not adequately enforced and did not make it much easier for farm workers to organise. As the structure of agriculture was destabilised by market forces becoming more dominant, so destabilisation was transferred to the workforce. The result was large-scale job losses, casualisation of the workforce and a reduction in the contribution farm employment made to livelihoods for many workers. From a peak of over 1.6 million workers (permanent and temporary) in 1971, the number of workers had declined to 628 000 by 2005 (NDA 2009). The 2007 Agricultural Survey shows there were 432 000 full-time workers and 365 000 seasonal workers in that year (Stats SA 2009). The decline did not slow down with the completion of the restructuring programme. In part, this was because of a shift in marginal areas from field crops to livestock, which uses less labour. Even where labour-intensive horticultural production expanded to take advantage of new export opportunities, the trend was towards consolidating a smaller core of permanent workers and increasing the number of casual workers. More generally, what this shows is that neo-liberalisation is not an event that has a clearly defined end, but is an ongoing process of restructuring that has heightened instability and insecurity both for workers and for capitalists (although not with equal consequences).

Market forces combined with legislation governing agricultural labour to modernise the sector. In the mid-1990s, core labour legislation was extended to farm workers through the Labour Relations Act 66 of 1995 and the Basic Conditions of Employment Act 75 of 1997. This was a step forward, but the state's limited monitoring and enforcement of the Acts has meant that it has been mainly reactive in dealing with transgressions. This requires someone to report the case to government officials. The Department of Labour has battled to retain inspectors, and only

half of the 1 600 posts (for all economic sectors) were filled in 2007 (Bailey 2007). In agriculture alone, which is a minor sector in many respects, there are more than 45 000 workplaces (excluding the hundreds of thousands of producers who use casual and family labour, which is entirely unregulated). In essence, this means that working conditions are regulated not by law but by the interests of the landowner.

A minimum wage regime for farm workers was implemented in 2003, with the combined effects of raising average wages significantly in some areas (although still well below the national average in all sectors) and feeding into the structural pressures to reduce the number of farm workers. The minimum wage currently stands at R1 232 per month for permanent workers, but lack of monitoring capacity also bedevils enforcement. The consequence is a long-term decline in payment in kind and its ostensible monetisation, and very limited (if any) improvement in wages. National statistics on farm wages are very weak. They are gathered too seldom, they do not disaggregate enough, and they rely on voluntary returns for their information. The latest Agricultural Census (Stats SA 2009) shows that full-time workers earned an average wage of R1 384.83 per month in 2007. This was down from R1 500.32 in 2005 (Stats SA 2006). The figures include managers and other white-collar workers; thus, full-time blue-collar workers earn less than the average, and often amounts not very different from the wages of casual and seasonal workers. Casual and seasonal workers earned an average of R328.15 per month from farm work in 2007, compared with R354.56 per month in 2005. The issue is not so much about the decline between the years (since this might be due to short-term variables) as it is about the still extremely low wages farm workers received at a time when the agricultural sector was making huge profits. It is clear that commercial farmers have been able to ensure that wages remain depressed even in times of economic growth.

The minimum wages were coupled with the Extension of Security of Tenure Act 62 of 1997 (ESTA) and the Land Reform (Labour Tenants) Act 3 of 1996, which ostensibly aimed to protect

farm dwellers' tenure security rights, but in reality have permitted farmers to continue with farm worker evictions and retrenchments for operational reasons, as part of the broader structural changes brought about by the deregulated and liberalised environment. Between 1994 and 2004, 2.35 million people were displaced from farms in South Africa, of which close to a million were evicted. Only 1% of those evictions involved a legal process (Wegerif, Russell & Grundling 2005). The laws themselves have been rolled back in recent years: ESTA officer posts in provincial and district land reform offices have been disestablished, leaving no dedicated staff function on tenure; tenure does not have its own dedicated budget line; the legal right ESTA establishes for funds to be made available for the purchase of land by farm dwellers is reduced to a right to access the land redistribution grant (Shirinda & Hall 2008). It is possible that the evictions component of ESTA will be transferred to a revised version of the Prevention of Illegal Evictions and Unlawful Occupation of Land Act 19 of 1998. The key challenge will be how to extend and realise the material benefits suggested in ESTA in relation to tenure security for farm dwellers.

An important trend that started before the introduction of the labour laws, and which also became an unintended consequence of ESTA and minimum-wage legislation, was the gradual movement of farm labour off the farms and into rural and sometimes urban informal settlements. Seasonal workers used to live on the farms while they worked, but increasingly they are transported daily onto farms and then taken back to where they live at the end of the day. Even permanent workers are not immune to this trend, with an increasing proportion of permanent workers living off farms and commuting to work every day. This was part of the process of modernisation of labour relations. As work opportunities fragmented and work became more precarious across all sectors of the economy, the identity of being a farm worker also fragmented. Farm work became one of a range of livelihoods strategies that rural or marginalised urban citizens adopted to make ends meet. Workers were forced to diversify their own livelihood activities, and this fitted neatly into the modernisation paradigm that sought to make the agricultural labour market more flexible.

The shift to off-farm labour occurred in parallel with the rise of labour brokers in supplying workers to agriculture (Kritzinger, Barrientos &

Rossouw 2004). Banning labour brokers is currently being proposed by the Congress of South African Trade Unions (COSATU) as a response to the rise of unregulated conditions for workers. However, it does not appear that the social force exists, either in the state or in civil society, to ensure that the conditions and payment of workers who are provided through labour brokers, presumably in terms of temporary contracts with the main employer, are improved in a sustained way. The unions (or any other organisations, for that matter) do not have enough strength to enforce labour legislation that gives them the right to organise workers anywhere in the economy. This is what allows labour brokers to create no-go areas for the unions. The problem is less one of labour broking as a form of providing employment, than of the weakness of workers to organise themselves to defend their interests. No amount of banning or laws will change this. It is a fundamental problem of organisation. This general weakness of grassroots organisation is recognised by the party-state in the Polokwane resolution on rural development, land reform and agrarian change: 'critically, weak organisation of farm-workers deprives them of a voice and of the ability to take advantage of the rights provided under the Constitution and labour laws' (ANC 2007).

Women farm dwellers have borne the brunt of the restructuring process (for a recent example, see Horne 2009). This is particularly as a result of the loss of full-time employment, and the shift into insecure seasonal work. Other burdens have been placed more firmly on the shoulders of women farm dwellers. Mainly women pension earners have had to shoulder the responsibility of sponsoring unemployed households. The lack of money to pay for electricity and water services has meant that women on farms have had to spend more time gathering wood to make fires and collecting water. Historically, women have performed these tasks. Therefore, the burden of the greater poverty and lower service levels falls disproportionately on the women. These observations are old and well known, but the situation has not changed in the past 15 years.

Recent statements of intent in the CRDP and in resolutions of the alliance partners have placed emphasis on the unionisation of farm workers and improved provision of services, including housing, water and electricity, by the state on privately owned land. These are very important interventions, if they are to happen. They have

the potential to create an organisational and material base for an alternative conception of agricultural production to emerge from inside the commercial farming areas, even if we currently are a long way from that. It would help if FAWU, in particular, were to orient itself towards closing the gap between itself and other farm worker unions with capacity to mobilise their members, as well as NGOs and other CSOs working with farm workers, so that a broader front could be established. While the CRDP promises access to legal representation for farm workers facing eviction, it limits this to 'illegal evictions' (MRDLR 2009), which backtracks from heeding the call raised by CSOs for a moratorium on all evictions. This is plainly inadequate, as farm dwellers need legal representation in cases of legalised evictions. A more proactive stance is required from the state to deal with illegal evictions when these are reported to it.

Given the above, it can hardly be said that the extension of labour and tenure security legislation to farm workers has started the process of 'internalising' the costs of labour. The low levels stipulated in the minimum wages and the acceptance of evictions for economic reasons place the load of super-exploitation and the externalisation of labour costs on farm workers themselves, their communities and the state (which 'tops up' the deficit with welfarist provisions of various types). COSATU's demand for 'decent work' resonates here. At the same time, we must acknowledge that agriculture as we know it today cannot survive without the super-exploitation of workers. Therefore, again, the immediate challenge is to begin, both practically and intellectually, to identify alternative paths along which agriculture can be restructured to internalise the ecological and social costs generated by the system, so that some do not continue to gain at the expense of others.



# 5 Finance, R&D, training and extension

## Financing agriculture

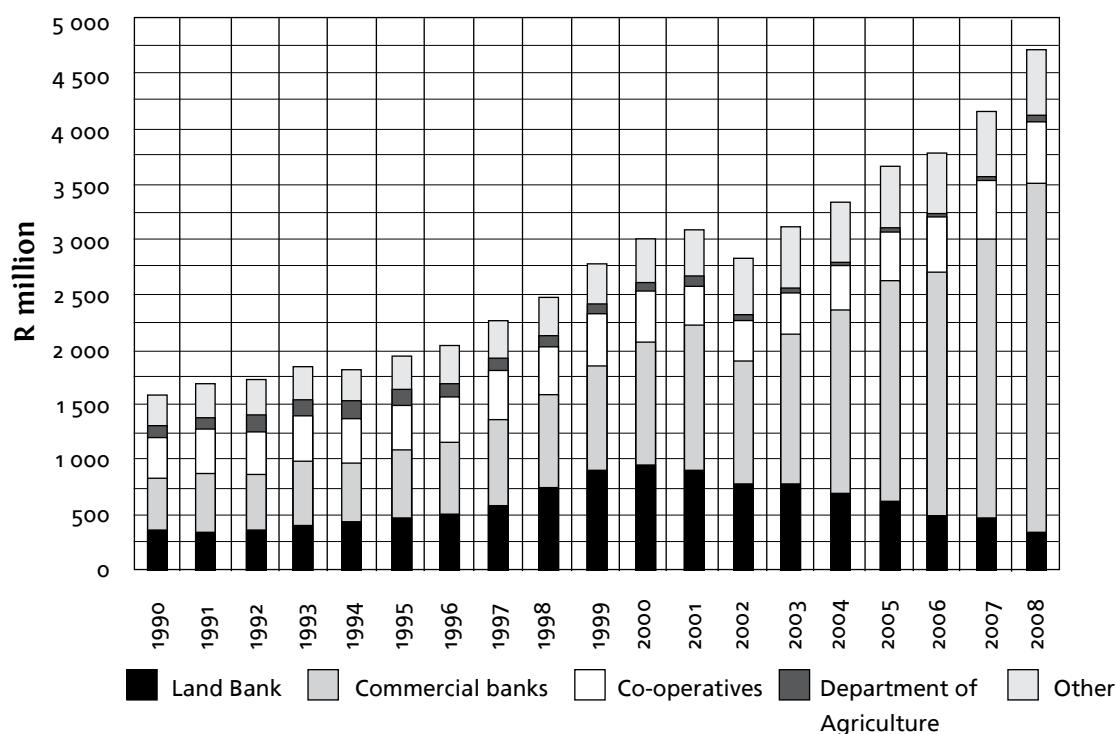
Under apartheid, access to credit was mediated through parastatal structures that enabled farmers to borrow money from the government at interest rates that were lower than market rates. This primarily involved the Land Bank, the Agricultural Credit Board (ACB) and the co-operatives. The latter held members' crops in lien to cover the costs of input loans provided to them earlier in the season. This system functioned because the co-operatives had a near monopoly over storage and handling of most crops. Internal inefficiencies eventually made the scheme too expensive for the government and encouraged farmers to take on debt even when they should not have done so. For good or bad, it kept many farmers on the land who otherwise would have gone bankrupt.

Deregulation has established the basic expectation that farmers, regardless of what resources they have or the size of their farms, should be able to raise both capital and production loans

at market-related interest rates, and be able to pay them back. Deregulation began in the mid-1980s, although it was only around 2000 that the commercial banks really started outstripping the Land Bank in loans to farmers. Figure 6 shows the rapid expansion of debts owed to commercial banks and the decline in debts owed to the Land Bank. By 2008, indebtedness to the Land Bank was just 11% of indebtedness to commercial banks, compared with 93% just a decade earlier. There are two fundamental challenges with this in South Africa at present: access to credit for resource-poor farmers; and ability to repay loans.

The government has tried to improve access to credit by retaining or creating new institutions to provide credit, and by encouraging the private sector to extend loans to resource-poor or black farmers. The Land Bank was supposed to have played an important role in providing finance, but not on the same basis as in the past. The Land and Agricultural

Figure 6: Farming debt by lending entity, 1990–2008



Source: NDA (2009b)

Development Bank Act 15 of 2002 changed the status and role of the bank, and since it subsequently had to raise its own funds on the money market, it could no longer subsidise interest rates. The bank has been poorly managed for some time. In 2005, three top officials, including CEO Alan Mukoki, were suspended partly because of an R800 million loan made to Pamodzi Investment Holdings (with ANC heavyweights Kgalema Motlanthe and Manne Dipico as shareholders) to purchase 49% of Foodcorp. The loan was a non-agricultural investment, which is not in conformity with the bank's mandate. It also amounted to 33% of the institution's total R2.4 billion capital base at the time (*Business Day* 02.04.07). Jurisdiction over the Land Bank was transferred from DAFF to the Ministry of Finance in July 2008. However, new allegations of corruption, including R560 million spent on golf estates and residential property developments for connected individuals, and a R140 million expenditure on IT upgrading contrary to expert advice, suggest that, as ANC MP Salam Abram said, 'The Land Bank is seen as a place where one can get in and start looting...Here are millions being looted' (*Somali Press* 12.07.09). Contrary to the Act and the bank's 'self-financing' status, the bank remains afloat only because of large central government grants, including a recent R4.5 billion bailout. While this led to the bank's fortunes improving, it did not have the same effect on farmers, many of whom were forced to cough up on loans they were battling to pay off (*Africa Files* 2009). The DRDLR will take over mortgage and production loans under distress, renegotiate and restructure the loans and lease the farms back to the affected farmers for a period. If the farmers fail even after receiving appropriate support, the farms will be given to other farmers. The strategy will be widened to include all farms that receive Land Bank loans. In recent times, there have been suggestions that the government must rethink the Land Bank model so that it becomes the 'real developmental bank it was always meant to be'. There have also been some suggestions that the ACB should be revived to support the ailing farming sector (DAFF 2009a). The few statements explaining what a 'developmental bank' would do differently emphasise going beyond financial activities into the realm of strategic advice and policy support (DAFF 2009b).

Overall, government support to emerging farmers for finance has been very poor. The Mafisa programme was launched in 2006/07 to provide micro and retail agricultural financial services, and to facilitate access to public sector programmes. The programme ran into problems early on. The number of people benefiting from loans from Mafisa dwindled to only 150 in 2008/09 but was expected to take off again and reach 15 000 in 2011/12 (National Treasury 2009b). Halfway through the 2009/10 year, the programme had provided loans to only 5.7% of the planned 7 000 loan recipients, although it was suggested that farmers generally apply for loans later in the year and that the target would be reached (National Treasury 2009c). However, DAFF had also targeted 7 000 farmers to receive financial support in 2008/09, but only 49 farmers actually received assistance (NDA 2009a). Land Bank CE Phakamani Hadebe indicated corruption in the distribution of loans through Mafisa, with collusion in Limpopo between Land Bank officials and farmers. The latter got workers to unwittingly sign documents saying that they owned farms, then Land Bank officials disbursed loans to the farmers (*Somali Press* 2009). In partnership with Khula Enterprise Finance, the Khula-Mafisa Fund was established in 2008. The fund provided loans to a maximum of R300 000, with one-third covered by the fund and the remainder covered by other financial institutions (which were guaranteed by the fund).

The aim of the fund is to accredit 12 financial institutions to participate in the programme by 2009/10. However, funding for the programme is set to be discontinued at the end of this financial year. Mafisa intermediaries include the National Emergent Red Meat Producers' Organisation, MGK Operating Company, Kaap Agri, Gauteng Enterprise Propeller, Eastern Cape Rural Finance Corporation (Uvimba Finance) and Peulwana Financial Services. Applications and accreditations were underway at the end of 2008/09 for the Mpumalanga Agricultural Development Corporation, Hlanganani Farming Finance, Ithala and South African Sugar Association. Uvimba Finance received R65 million from the National Department of Agriculture in 2008/09. The provincial department decided to reduce payments to Uvimba, since it was found that the funds sat in Uvimba's account gathering interest but were reflected as expenditure on the department's books. The resources were transferred to the procurement of goods and services in the pro-

vincial department instead (National Treasury 2009d).

The government's response to the inability of farmers to repay loans correctly emphasises proper support and mentorship to enable farmers to become financially self-sufficient. As we have seen, a model is being proposed whereby government-owned farms are leased to new entrants for a time to identify who will ultimately receive farms. The theory is that the government will provide adequate production support during this time.

## R&D, training and extension

South Africa's National Agricultural Research System (NARS) is based on parastatals and science councils, higher education and development institutions and the private sector. The most significant institution funded by DAFF is the Agricultural Research Council (ARC), which received R515 million from DAFF in 2009. Government funding of the ARC has risen quite substantially in real terms (after taking inflation into account), increasing almost threefold between 2002/03 and 2009/10 (ARC 2009). The National Students' Financial Aid Scheme receives just R5 million a year. The Universities of Stellenbosch, Fort Hare and Free State received grants for agricultural programmes in 2008/09. There are 11 agricultural colleges, six universities of technology and nine universities that offer nationally accredited agricultural education and training (AET) programmes. Secondary AET is offered by 1 500 schools. Other organisations offer training that is not accredited (NDA 2005b). Agriculture has been withdrawn as a subject at primary school level, and high schools are poorly equipped in trained teachers and equipment. Low student numbers at agricultural colleges have meant a shift from the training of extension officers to the training of farmers directly.

The government's strategic plan for 2009–2014 indicates that dedicated resources will be put aside to recapitalise agricultural training colleges. This is to be funded through conditional grants from DAFF, with R50 million budgeted for 2011/12. All farmers and households that receive agricultural support from the state will also be given at least one opportunity to receive training or mentoring by 2014 (NPC 2009). Under the Sector Services programme, DAFF provided training, research and extension support to 4 658 black entrepreneurs in 2008/09 (NDA

2009a). The Agricultural Sector Education and Training Authority (AgriSETA) was established to provide work-based functional training in agriculture. SETAs in all sectors are funded through a skills levy on all employers. However, smaller firms are exempted and in the agricultural sector this translates into 90% of all employers (AgriSETA 2007). The AgriSETA is flooded with requests for training assistance, not only from farm workers but also from land reform beneficiaries who have nowhere else to turn. In 2006/07, the SETA received 16 245 applications for learnerships, of which just 400 were approved, and 59 000 applications for skills programmes, of which just 475 were approved (AgriSETA 2007). The SETA system is currently under review and is expected to change in the near future.

The 2007 agricultural research and development strategy identifies a long list of weaknesses in the NARS as it exists, focusing on poor co-ordination and linkages, and limited resources and capacity (NDA 2005b). The interface between researchers and farmers is tenuous and needs to be strengthened. This relates to the role of extension officers and how they potentially form a link between the research environment and producers. Research into agriculture should also become more interdisciplinary (Ainslie & Hassan 2007). At present, there is no national agricultural research agenda to speak of. While the ARC receives some resources from the state, there is a heavy reliance on generating income from consultancies, which means that the agenda is both fragmented and set by those who can pay for it. Around 38% of ARC's budget comes from external sources, and it is expected to remain that way at least in the medium term (ARC 2009).

At the level of primary research, biotechnology has been identified as a key growth area for the economy. The industry remains small in South Africa, valued at just R1 billion in 2007. Human health is by far the largest sector, followed by industrial applications and only then by plant biotechnology (Pouris 2003). Private sector investment in biotechnology remains low in South Africa, contributing around 10% of R&D expenditure in biotechnology in 2001. Consequently, it has been left to the public sector to drive the development of biotechnology. Public-private-academic partnerships are central to the vision. The strategic focus is to stimulate the development and application of third-generation (recombinant DNA) technologies.<sup>6</sup> This relates closely

6 Biotechnology has developed through three major phases. The first generation largely involves the use of selected biological organisms to produce food and drink (such as cheese, beer and yeast). The main cluster of techniques in this generation is fermentation, plant and animal breeding and the clonal propagation of plants. The second generation entails the use of pure cell or tissue culture to yield new products. This generation is associated with the production of metabolites such as antibiotics, enzymes and vitamins. The third generation, modern biotechnology, is associated with recombinant deoxyribonucleic acid (DNA) technology. It involves the 'application of *in vitro* nucleic acid techniques, including recombinant DNA and direct injection of nucleic acid into cells or organelles'. In agriculture the application of recombinant DNA technology has focused on the genetic improvement of crops (DACST 2001: 1).

to the adoption of GM seed, which, although it is presented as having great benefits for small-holder farmers, is used overwhelmingly by large-scale commercial farmers in South Africa and globally. All GM technologies used commercially in South African agriculture are imported, and the government has identified this as a point for R&D. To this end, the ARC, the Council for Scientific and Industrial Research (CSIR) and various universities are involved in primary research to develop homegrown genetic modifications.

The extension service is the interface between agricultural research and farmers. South Africa's public extension service has been in gradual decline over the past 15 to 20 years, as DAFF's resources have shrunk and extension for commercial farmers has been privatised. The privatisation process was stimulated by new thinking in extension, which proposed that extension workers should be responsive to their constituencies. Under apartheid, but also under similar extension services around the world, extension was seen as a transfer of knowledge from experts to farmers in a one-way process. Extension targeted crops instead of people. A shift from these concepts is sound in principle. However, under a neo-liberal framework of thinking, the extension service was quickly converted into a monetised relationship, which entails the person receiving payment being accountable to the person making payment, but which fails to respond to those who need the services and cannot pay. What is the value attached to providing appropriate extension services to resource-poor farmers? This question gets to the heart of the debate about who should be the 'target' of limited state support. The public extension service probably cannot meet the specialised needs of large-scale commercial farmers, and these farmers are in a position to pay for their technical support needs. It, therefore, makes sense that extension to these farmers should be privatised. This then allows the public service to focus its attention on resource-poor farmers, which is what has happened in South Africa. Nevertheless, the public extension service was severely run down over the past 15 years as agricultural budgets were tightened. The extension officers that have remained are poorly trained, and the type of service provided is still the top-down, one-way provision of often inappropriate information.

In 2008, there were 2 152 agricultural extension officers in South Africa, almost 60% of whom were in the former homelands areas of the East-

ern Cape and Limpopo (Mankazana 2008). Comparative statistics on the number of extension officers in each province are not publicly available.<sup>7</sup> Nevertheless, a definite trend is apparent, with staff numbers dropping fairly rapidly between 2006 and 2009, and then rising slightly, with the expectation that they will remain static in the medium term (until 2012). In the Eastern Cape, for example, the plan is to increase the number of farmers reached by extension services sevenfold in 2009/10, from 8 000 in the previous year to more than 62 000 (National Treasury 2009d), but the Farmer Support and Development Programme of the provincial department is not planning to increase its staff numbers (National Treasury 2009d). This does not sit well with DAFF's Extension Recovery Plan, which is being funded through CASP and has the stated aim of reviving public extension services. The plan involves adding an additional 1 000 extension officers over the Medium-term Expenditure Framework to 2011, retraining and reorienting 2 000 existing extension workers, and providing them with the necessary infrastructure, including information and communication technology. A total of R100 million was granted to provinces by DAFF in 2008/09 for the Extension Recovery Plan, with 61% of this going to the Eastern Cape, KwaZulu-Natal, Limpopo and North West (Mankazana 2008). Of this, less than half was spent by November 2008 (two-thirds of the way through the financial year).

The ratio of extension officers to farmers is 1:878, which is comparable with other countries with similar agricultural issues, such as India, Zambia and Zimbabwe (NDA 2005b). DAFF feels that the size of the workforce is less of an issue than the education and training of extension staff (NDA 2005b). However, we should try to envisage a single extension officer, sitting in a poorly equipped office (often without a computer or even electricity), with a limited budget to travel out to farms, having to respond to the support requirements of an average of 21 commercial farmers and 857 small-scale/subsistence farmers. How often are these farmers actually going to get the support they need? Are extension officers going to be able to provide appropriate support, given that they must support large-scale commercial farmers, commercial smallholders and subsistence farmers? To a large extent, extension services are the eyes and ears of DAFF on the ground. Extension workers should be able to identify producers with potential who

<sup>7</sup> Provinces have structured agriculture differently according to their own circumstances. Some provinces, like Gauteng and KwaZulu-Natal, have incorporated agriculture with conservation and the environment. Reporting on staff numbers is per programme, and for these provinces, agriculture is a programme. Others, such as Mpumalanga's Department of Agriculture and Land Administration, do not even break down staffing numbers into different programmes. For yet other provinces, such as the Free State and Limpopo, agriculture is a department on its own, so staffing numbers are broken down further into Farmer Support Services, which incorporates extension services, but figures are not broken down further than the programme level, so it is not possible to determine how many staff members are extension workers.

require support in accessing more land and a different level of support. Extension officers should be able to meet regularly with farmers to build meaningful relationships. Skills need to be broad enough to encompass technical support, organisational development, conflict resolution, financial planning, community-based planning and general development planning. One pillar of the recovery plan is the retraining and reorientation of extension personnel, including the provision of bursaries to upgrade skills, enrolling personnel in 'competence-based skills programmes', and designing and facilitating the implementation of compulsory education and training programmes for extension advisors, subject specialists and managers (Mankazana 2008). The content of this is not yet clear. Although a total of 1 721 staff members were identified for skills upgrading, just 123 enrolled in 2008/09 (Mankazana 2008).

The CRDP proposes using community development workers (CDWs) to carry out rural development plans generally, primarily as an interface between the government and the public, but these are usually people with limited experience of organisational dynamics, little knowledge of technical agricultural issues and weak conflict resolution skills. Without a doubt, opportuni-

ties should be given to youth to enter into these kinds of roles and to learn from experience, but dropping them in the deep end without ongoing mentoring and support from more experienced practitioners, and without some programme of formal training over time, is to do both them and farmers an injustice. While non-specialist CDWs may be an answer in some circumstances, a cadre of specialised development workers is needed to provide support to farmers and their local organisations. The concept of community-based extension workers and community-based animal health workers has been piloted in recent years in South Africa and elsewhere in Africa (see Khanya-aicdd 2007). It is similar to home-based care workers who function to vastly extend the reach of health care services, but who are linked into the formal delivery system. The approach draws on members of the public, with appropriate training, remuneration and technical back-up, to act as auxiliaries to the formal system. Existing extension officers are then retooled to play a greater co-ordination and technical support role without having to go to every single farm themselves. The model conserves resources, engages communities in their own development, transfers skills, and has a far higher likelihood of success than trying to do everything with the existing extension service.

# 6 Value adding and markets

Liberalisation and deregulation removed the state from direct intervention in almost all downstream activities in South Africa. Market forces increasingly determined the development of the value-adding sections of the agricultural economy. This ceding of the development path to the private sector has resulted in concentration all along the chain, as well as inefficiencies in resource use, most notably in transportation of agricultural produce. Seventy per cent of grain is now transported by road instead of rail, despite the latter being ecologically sounder and probably cheaper. In 1995, 'white' co-operatives had an asset value of R15.2 billion, with the top eight accounting for 45% of this total (CPTT 1997). By the mid-1990s, the co-operatives were handling the vast majority of many of the most important crops and supplying or financing major levels of input to farmers (Bayley 2000). Many of them were converted into private companies following amendments to the Co-operatives Act in 1993. For example, wheat producers and millers, co-operatively organised into Sasko and Bokomo, merged under the umbrella of Pioneer Foods, and held one-third of the wheat flour market in the late 1990s. Although small millers have increased in number, the four biggest millers accounted for 87% of the market between them in 2004 (FPMC 2004). By 2002, three silo owners owned 70.3% of all storage facilities (FPMC 2004). Afgri, which emerged from the privatised Oos-Transvaal Ko-op, claimed a 30% market share of handling and storage capacity in South Africa in 2009 (Afgri 2009). The privatisation of the large co-operatives, encouraged by the policy changes, led to increasing concentration of marketing power in the likes of Afgri, Distel, Capespan (a privatised merger of the former citrus and deciduous fruit co-operatives) and others. Between them, Senwes, Afgri and Noordwes (privatised former co-operative agribusinesses) owned more than 70% of domestic grain storage facilities, and the top four maize millers controlled 73% of the milling market in 2004 (FPMC 2004:148-49). The dairy sector has witnessed a decline in the number of primary producers and producer-distributors and an increase in the average size of dairy farms, processors and retailers since deregulation (FPMC 2004). The top ten food-manufacturing companies accounted for 70% of the sector's turnover in the mid-2000s (Madima 2006).

Domestic marketing, pricing and distribution are all under the sway of 'free' markets, with limited government intervention except to stop abuse of dominant market positions, which, as recent Competition Commission and National Agricultural Marketing Council (NAMC) investigations have shown, are becoming increasingly common as concentration in the value chain intensifies. In recent times, collusion or unfair dominance have been found in the input (fertiliser), storage, manufacturing and retail nodes of the chain (see Competition Commission 2009a on fertiliser collusion; Competition Commission 2009b on bread price fixing; Competition Commission and Senwes 2009 on storage; NAMC 2009a on the retail sector exerting dominance). The NAMC (2009b) found that the sharp rise in bread prices in 2008 was 'subject to economic fundamentals governing international markets'. While we might be relieved that it was not the result of collusion or monopoly pricing in South Africa, we are faced with the far bigger problem of the price rise being a structural feature of contemporary capitalism. The Commission plays an important defensive role in challenging market dominance, but collusion and market dominance have to be very blatant before the Commission can take action.

For smallholders, phasing out controls and closing marketing boards led to a shortage of essential services formerly provided by the boards and co-operatives, such as storage, grading, deliveries, value adding, information dissemination and research. Small-scale African commercial farmers reported a range of problems with marketing, including lack of transport or the expense of hired transport; lack of assemblage and storage facilities in rural areas; poor road infrastructure; and lack of market information (NAMC 1998). Most of these services were privatised and have fallen under the control of the larger commercial interests. Smallholders lack bargaining power and their produce is often discriminated against, regardless of quality (Jacobs 2008). The NAMC and DAFF provide some broad market information, but the specialist intelligence gathering is left to the private sector, which requires direct payment for detailed market information.

Greater risk in commercial farming as a whole has meant fewer opportunities for new farm-

ers to enter the sector, as many existing farmers have shifted into other branches of production and more viable production strategies, thus 'crowding out' new entrants (Schirmer 2000). The market is saturated and even the established commercial farming sector is experiencing a shake-out of less productive farmers and an intensification of competition. Even where opportunities open up as a result of expanding export markets, access to these opportunities is only the first step in a process of 'levelling the playing fields'. Individual farmers often may be unable to realise the necessary economies of scale that are a prerequisite for exports. Successful exporting also requires co-ordination, which, in turn, depends on information and effective participation in networks that are partly social in character. Information required in a deregulated environment becomes highly critical for success, but it is also far more difficult to obtain than under a regulated system (Bayley 2000). This includes the accurate and rapid transmission of consumer demand to primary producers, without which it is difficult to compete effectively. An understanding of the functioning of international markets, and knowing where to intervene require marketing skills that few 'emerging' farmers possess, often placing them at the mercy of marketing agents.

The ANC's Polokwane resolutions recognise that concentration and vertical integration in the value chain limit the space for smallholders to participate in the market. The ANC (2007) proposes 'to integrate smallholders into formal value chains and link them with markets'. Co-operatives are identified as a key organisational form to realise this. The AgriBEE framework does extend to beneficiation, storage, distribution and trading of agricultural commodities (NDA 2006a). This is important as far as it goes. However, the resolutions are neutral about the extent to which the co-operatives might be oriented towards transforming the inherited market economy, as opposed to merely enabling access to it. That means looking for opportunities for decommodification and building alternative channels for distribution that build up an economy based on solidarity and the meeting of essential needs. This is certain to emerge as a point of contestation over time as co-operatives are absorbed into the formal economy without having any real impact on its structure. It is part of a project of building up black-owned capital, but theoretically in the hands of ordinary citi-

zens rather than elites. At the same time, it will facilitate the rise of elites (or engender differentiation amongst members, and potentially between members and non-organised parts of society). This is not to say it is an incorrect strategy, but we need to see what the long-term trajectory is and what implications this has for future organising by the rural poor. Can the rural poor use a co-operative strategy in a capitalist market context to strengthen their own resource base and organisation?

COSATU (2009: 27) calls for 'agrarian and land reform on an anti-capitalist basis', which 'requires a comprehensive industrial strategy that will promote agro-processing and democratic forms of production organisation'. Presumably, COSATU is referring to co-operative forms of production in agro-processing. As a first step towards this, deconcentration of agro-processing, and shifting the location of processing activities into rural areas, has the potential to transform these areas into vibrant economies with social stability. However, this requires an encroachment on the terrain of concentrated agribusiness. The NAMC (2009b: 52) recommends that 'more efforts should go towards removing barriers to entry and participation of smaller industry players in the food value chain so as to enhance competition', including construction of small wheat mills around areas of production to constitute agro-industrial zones. This is one of the few explicit calls for the decentralisation of agro-processing into the rural areas, which is the way to go. In the same way as the discussion about the scale of agricultural production has developed, this suggests that smaller, decentralised scales of agro-processing have transformative potential.

There is state sponsorship of large-scale processing, where this is seen as potentially strategic at a macro level. Examples include the DTI's Fruit Canning Initiative and the Rooibos Processing Plant in the Western Cape, and the Makhathini Sugar Processing Facility Project in KwaZulu-Natal (DTI 2007a). The DTI has a number of other grants to support infrastructure development, to grow skills and even to assist foreign investors in bringing machinery and equipment to South Africa (Madima 2006). The Transformation and Entrepreneurial Scheme of the Industrial Development Corporation (IDC) also supports some agro-processing, as do several provincial development corporations. Other examples are the integration of smallholders into the production

of biofuels, and large investments in commercial processing facilities. The IDC and Central Energy Fund, both South African parastatals, are core investors (ACB 2008). While these initiatives are aimed at increasing black ownership in downstream activities in the agricultural chain, the focus is on large-scale, commercial enterprises. There is limited support for small-scale, localised storage and processing facilities. DTI Minister Rob Davies (2009) has indicated that DAFF and the DTI are working on a comprehensive strategy for agro-industries. Agriculture and agro-processing are recognised as amongst the most labour-intensive industries, and an infrastructure programme will be developed that includes agro-processing. Apart from these comments, however, the National Industrial Policy Framework has little to say about agro-processing or other downstream activities in the agricultural chain (DTI 2007b). Given that the DTI considers that 'value adding and agro-processing will drive the sector' by 2020 (Mankazana 2008: 6), current state plans for intervention are weak and incoherent.

It is worth considering that a possible long-term development is the increasing regionalisation of the agricultural value chain, with other central and southern African countries producing agricultural commodities, and South Africa, with its stronger manufacturing base, increasingly processing these commodities. Recent agreements between the South African government, commercial farmers unions, agribusiness and governments in the region to settle commercial farmers in other countries reinforce this impression (see, for example, Hofstatter 2009b). According to DAFF, 'a typical South African farmer will be diversified with interest beyond the borders of South Africa' (Mankazana 2008: 6). This may be exporting a certain type of expertise and investment, but what anti-social practices are being exported along with those skills? What long-term benefits are there to those countries as they try to build up their own capacity to produce food for themselves and decrease reliance on imports? How does it advance a smallholder strategy regionally?

Trade policy has shifted fundamentally since the days of apartheid. The post-apartheid model is of a small, open economy that trades as freely as possible with the rest of the world. An important role of agriculture in this model is to export into niche markets and produce foreign exchange, with food security based on imports and domes-

tic production, whichever is cheaper. The government's basic approach to trade is a multilateral rules-based trade regime where all parties are treated equally. For this reason, the government is prepared to participate in and abide by multilateral agreements, even where these are sometimes patently unfair, as was the case with the Agreement on Agriculture (AoA) in the Uruguay Round that established the World Trade Organisation (WTO). Much ink has been spilt on the way the United States (US) and European Union (EU), in particular, structured those rules in their favour, and subsequently transgressed them, knowing that the power imbalances were so large that none of the smaller countries could mount a significant challenge. When challenges were launched and even won, as in the case of Brazil taking the US to the dispute resolution mechanism in the WTO (see WTO 2004), the judgements were simply ignored.

During that time, the South African government vigorously pursued its obligations in terms of the AoA. Under the WTO agreements, South Africa simplified its tariff system and reduced the number of tariff levels to six. By 1998, 87.2% of tariff lines in agriculture were bound (WTO 1998), and the system of duty-free quotas had been implemented. Agricultural tariffs generally fell between zero and 35% (with an average tariff of 5.6% in 1997). Citrus and deciduous fruit import tariffs stand at around 5%, with duties on wine imports rising to 25%. Preferential agreements reduce some of these tariffs for partners; thus, citrus and deciduous fruit from the EU has a tariff rate of 3.7% in accordance with the SA-EU free-trade agreement. South Africa also has regional and bilateral free-trade agreements with its neighbours that establish common external tariffs and duty-free access inside the trade blocs. Between 2000 and 2003, South Africa had an average producer subsidy equivalent<sup>8</sup> of 5% (focused on sugarcane, followed by the sheep, milk and maize sectors), compared to 31% for Organisation for Economic Co-operation and Development (OECD) countries.<sup>9</sup> Sugarcane is protected by high import barriers and a pricing system that subsidises exports through boosting domestic prices (OECD 2006).

South Africa's reduction of tariffs occurred far quicker than required by WTO obligations, showing the government's favour of open markets for most commodities and products. Applied tariffs are well below bound rates (i.e. tariff ceilings in accordance with the WTO), and this leaves a lot

<sup>8</sup> The annual monetary transfer to agricultural producers from domestic consumers and taxpayers resulting from agricultural policy, based on a complicated formula that takes into account level of production, domestic producer price, world reference price, direct payments to producers, producer levies and other budget payments to producers.

<sup>9</sup> The OECD is an international organisation of 30 of the wealthiest countries.



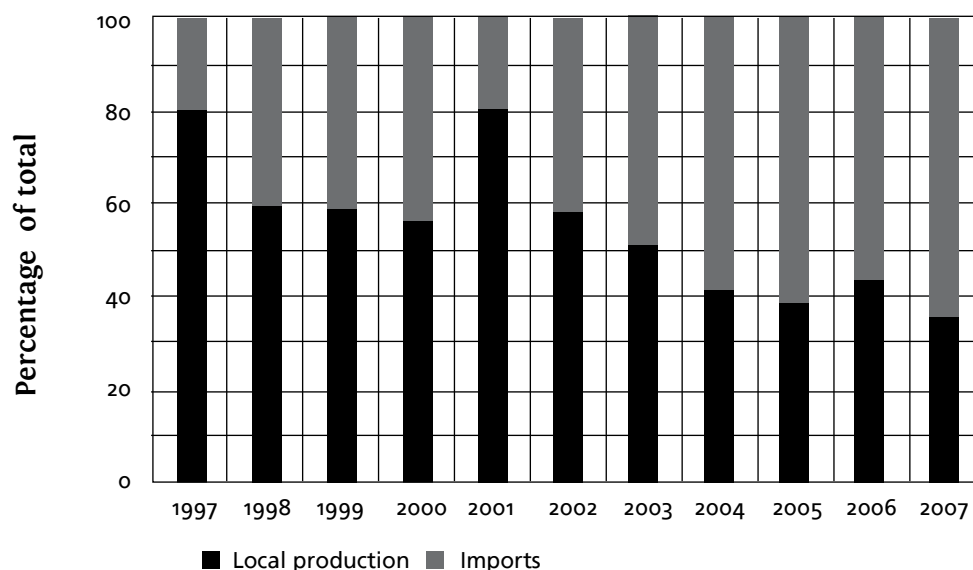
of room for discretionary increases. Sugar, maize and wheat have variable duties that are triggered by changes in world prices. Occasionally, the government has increased tariffs to protect local producers, some examples being tariff increases on certain poultry products and on sugar (see *Business Day* 2002, 2004), but these increases have remained within the broad framework of 'free trade' in agricultural products.

Devaluation of the rand is the outcome of a combination of financial market liberalisation and a deliberate macroeconomic strategy to boost export earnings. Between mid-1994 and mid-2005, the rand lost 45% of its value to the US dollar (with sharp fluctuations in between).<sup>10</sup> This has had contradictory effects. Export producers have benefited from sales in dollars and other strong currencies. Between 1985 and 1995, agricultural exports doubled in rand value, but between 1995 and 2007 they grew by 3.5 times (NDA 2009b). Processed exports have risen faster than unprocessed exports, but there has been a simultaneous increase in the cost of imports as the rand has devalued over the years. These include an increase in the cost of covering shortfalls in basic food items, such as wheat and red meat for South Africa, which are valued in dollar terms. It also includes rising input costs for commodities such as machinery and plant and seed patents, also measured in dollar values. South Africa has

retained a positive trade balance for unprocessed goods, rising above R5 billion in 2007 and 2008. Processed imports, however, have overtaken processed exports and the balance of trade for processed goods is negative and declining (Sherry 2009). For small-scale farmers who are still trying to get into the export market and are not yet earning dollars for their produce, the imported component of input costs has escalated dramatically without a simultaneous rise in returns.

South African food imports rose substantially after trade liberalisation, with import penetration growing from 4.5% to 10.2% between 1993 and 1996 (Holden 2001). Processors and retailers are both responsible for importing agricultural and food products. A generalised policy of import parity pricing has meant global commodity prices dictate what local producers receive for their produce, regardless of the actual cost of production. This has turned most farmers into price takers. The wheat sector is very instructive of the problems caused by open markets without regard for the protection of local producers. Wheat tariffs currently stand at 0% although the bound rates are 72%. Imported wheat, as a proportion of total volume consumed in South Africa, has risen steadily since deregulation, from 20% in 1997 to over 60% in 2007 (see Figure 7). Local production declined by 54% over the same period, from 1.38

**Figure 7: Domestic production versus imports of wheat by volume, 1997–2007**



Source: NDA (2009b): <http://faostat.fao.org>

<sup>10</sup> ZAR3,654 to the US\$ on 30 June 1994 to ZAR6,668 to the US\$ on 30 June 2005. The rand dropped to a historic low of ZAR13 to the US\$ on 20 December 2001.

billion tons to 683 million tons, clearly indicating that imported wheat has displaced local production. Essentially, the imports are of lower-quality, cheaper wheat mainly from Argentina. Part of the problem is that Monsanto, a seed multinational, purchased South Africa's wheat seed companies at the turn of the decade and then decided it was not profitable enough to invest in improving the varieties, complaining that farmers were saving seed (Blom 2007). This is a very old practice, with 62% of all wheat planted in South Africa derived from farm-saved seed (Den Hartigh 2007). The NAMC recommends a reduction in the dependence on imported wheat and a move to self-sufficiency, linked to the adoption of varieties with higher yields and improved quality, as well as a comprehensive support and incentive package (NAMC 2009b). How is this to come about if tariffs are not used to protect local producers from cheap, poor-quality imports, and if wheat seed is the private property of a multinational that is not interested in improving varieties without making a profit for itself? The ARC could be tasked with working on appropriate wheat varieties, keeping the germplasm in the public domain.

As for tariffs, the economic crisis and responses from governments around the world suggest that some flexibility is appropriate. Discussions are under way in South Africa. The Deputy Minister of Trade and Industry recently suggested

the possibility of raising tariffs to protect the economy during the global crisis. The Agriculture CEO Forum is currently working with the DTI to review the Marketing of Agricultural Products Act 47 of 1996 and to develop tariff policy in South Africa (MAC 2009). On tariffs, a legal instrument is being developed that will provide for DAFF making recommendations on agricultural trade policy before approval and implementation by the International Trade and Administration Commission (ITAC). Since ITAC's agricultural commissioner position is vacant, an official from DAFF will fill in (MAC 2009).

It is important to consider the long-term means by which marketing and trading can be transformed to meet the needs of smallholder producers and consumers, but we should keep in mind that the current focus remains more basic than that. In a 1997 survey of food producers in communal areas, water, finance, more land and training were the top four requests for assistance; for the poorest households, land and water topped the list (Stats SA 1997). This is not to say we should just forget about marketing and trade (in the way that we all forgot about agricultural support in the early days of land reform, when transfer of land was the only important issue on the agenda), but the first practical step is ensuring that people have the resources to be able to produce.

# Agricultural multifunctionality

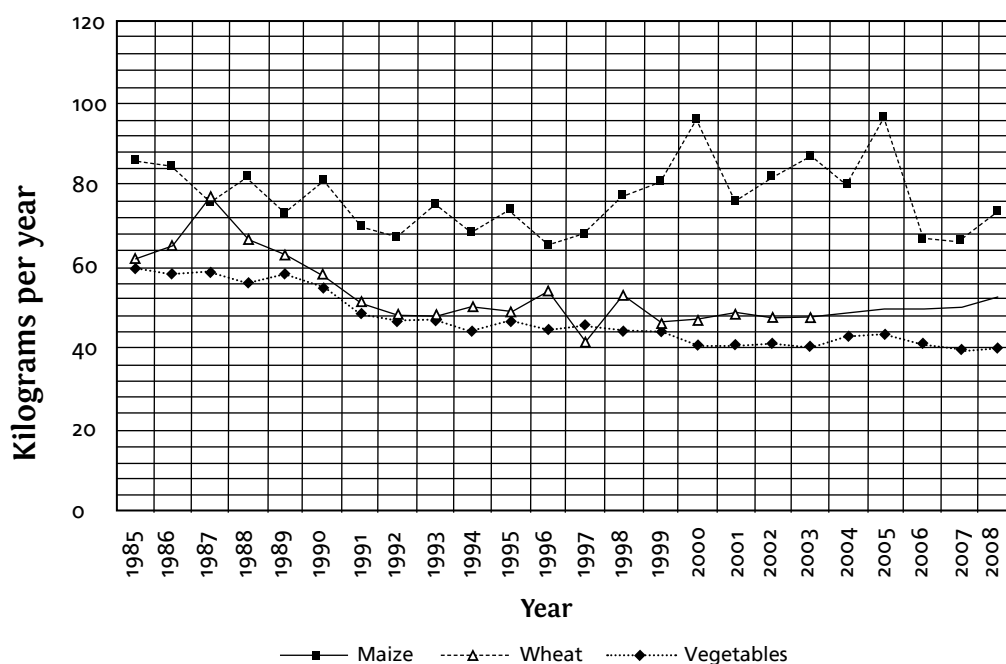
## Food security

A major purpose of agriculture is to produce food. South Africa has shifted from a policy of food self-sufficiency to a policy of trade in food based on comparative advantage. In South Africa, the production system can deliver enough food to meet the needs of everyone living in the country for the time being. Nevertheless, many people are still unable to access food, and agricultural reforms have not led to a significant improvement in food security. A 2004 study estimated that 1.5 million children in South Africa were malnourished, 14 million people (35% of the population) were vulnerable to food insecurity, and 43% of South African households suffered from food poverty (HSRC 2004). Figure 8 shows the per capita consumption of maize, wheat and vegetables (excluding potatoes) between 1985 and 2008.<sup>11</sup> To date, there has been a decline in the average consumption of these three staple parts of the diet. Per capita consumption of wheat has started increasing very slowly (although with stability) since 1999, but is

still below pre-1990s levels. Maize, meanwhile, shows greater volatility, especially since 1996. It is true that the downward trend in per capita consumption was broken, but current levels remain below pre-1990 levels. Per capita vegetable consumption has shown a constant downward trend since 1985. South Africans are consuming 17% less wheat and 32% less vegetables than they were two decades ago on a per capita basis. The numbers also hide local and household inequalities, with wealthier households likely to be the main beneficiaries of any rise in consumption.

In South Africa, food insecurity is a problem mainly of distribution and access. The government has tried to respond to this by emphasising social protection in the form of social grants and (on a far smaller scale) by providing food aid in the form of food parcels and school feeding schemes. Most of these interventions are carried out by departments other than agriculture, notably the Department of Social Development and the Department of Health. These are impor-

**Figure 8: Per capita consumption of maize, wheat and vegetables, 1985–2008**



Source: NDA (2009b: 107)

<sup>11</sup> This section is drawn from Greenberg (2009).

tant interventions, and the grant system, in particular, has had a noticeable impact on lowering poverty levels (see Everatt et al. 2008). However, the interventions are welfarist in orientation and leave the existing social and economic system of producing food intact.

Amartya Sen (1981) argues that in times of sharp price rises or fluctuations (as at present), the ability to produce food can be more important than having money to buy food. This requires broadening the base of food producers who can sell into the local market and use food for their own consumption. Government programmes supporting the production of food gardens are expanding. In 2008/09, 80 000 starter packs were distributed through the national Household Food Production Programme, which provides basic production inputs, including seedlings, seed, fertiliser and pesticides. The Ilima/Letsema campaign was launched in 2008 in eight provinces to support the productive use of land wherever people have access to it, including the so-called 'dead' land in the communal areas. Part of the campaign is to distribute agricultural starter packs to poor households. Funds from the national programme are transferred to the provinces as conditional grants for specific production projects. Provincial programmes include Siyazondla and the Massive Food Production Programme in the Eastern Cape, Letsema/Kgora in the North West, and Xoshindlala in KwaZulu-Natal. The budget for the Ilima/Letsema campaign is expected to rise fourfold in the medium term, to R400 million in 2011/12 (National Treasury 2009b). There is a planned increase in the provision of agricultural starter packs to 140 000 households per year, with the (very optimistic) goal of rural households meeting 60% of their food needs through own production by 2014 (NPC 2009).

The provision of agricultural starter packs to households is an important initiative, although there are a few current weaknesses. Training is mostly once-off, and follow-up support is extremely limited. The campaign is also not systematically linked to identifying successful homestead producers who might benefit themselves and the country more broadly by being given the resources and opportunity to produce on a larger scale. Like the grants and food aid interventions, this gives the programme a flavour of welfarism/poverty alleviation rather than of a strategically considered intervention that can lead to broader structural changes over

time. Yet it does have the potential. This is an agenda that can be shared by the government and civil society, but it needs resources, and only small amounts are forthcoming. The current approach is to focus on what the government can do, without considering how to build links more broadly to encourage self-sufficiency. The extant model is that initiatives from the ground must be channelled into government programmes or the state will not provide resources.

Sen's argument that self-production may be critical for food security for the poor in times of heightened food price volatility brings the structure of production into the picture, something that is untouched in the traditional definition of food security, which focuses entirely on consumption. While the concept of 'food security' does have as one key element the availability of food, it is silent on how this availability comes about: it could be self-production as much as food aid. The concept of 'food sovereignty' suggests that the ability of a nation, or group of people, to feed themselves is an issue of fundamental security. Relying on unpredictable imports that are available only because of an unsustainable reliance on an oil-based and labour-exploiting economic system is an essential threat to that security (Rosset 2006). Food sovereignty is rooted in a rights-based approach to food and agriculture with the following key elements: the priority of local agricultural production to feed people locally; the right of countries to protect themselves from dumping of under-priced agricultural produce; the need for agricultural prices to be directly linked to production costs; and the mainstreaming of agro-ecological production that recognises food production, sustainable livelihoods, living landscapes and environmental integrity as integral to rural sustainability (Windfuhr & Jonsen 2005). This connects closely with a radical conception of the multifunctionality of agriculture, which understands agriculture to have many beneficial purposes, of which food production is but one. 'Radical multifunctionality' confronts the global regulation of agricultural commodities in all circumstances, and links agricultural production directly to sustainable environmental governance. In order to realise this vision, proponents of food sovereignty make a connection between issues around agricultural production and trade, and broader issues of land and agrarian transformation, especially in 'developing' countries. Transformation of power relations, access to

land, seed and water, and freedom to make production decisions are all necessary elements of the realisation of a democratic, localised food system. The concept of food sovereignty brings to the fore issues of who produces, how and for whom. This gains even greater weight since it is accompanied by the mobilisation of peasant movements across the globe, driven through La Via Campesina. Elements of an alternative to the industrial capitalist agricultural path are scattered all over the landscape, here in South Africa as much as elsewhere, in agro-ecological practices underpinned by solidarity.

## Productivist pathways in agriculture

As food sovereignty foregrounds, agriculture must be understood as an integrated economic, social, ecological and productive system. The notion of the multifunctionality of agriculture has been highlighted in WTO negotiations in recent years. Tilzey (2006) identifies five broad positions on multifunctionality. He establishes this categorisation specifically in relation to trade negotiations, but the categories generally hold for a broader conceptual discussion on approaches to agriculture. The 'transnational or radical neo-liberal agenda' (the first category) sees environmental and social welfare issues as having nothing to do with agriculture, and wants them separated into the realm of 'non-trade concerns'. The understanding of agriculture in this case is limited to the productive aspect alone, and the aim is to increase productivity at all costs, with the only issue for debate being how to deal with the 'negative externalities'<sup>12</sup> caused by this productivist model. But this approach is also stunning for its assertion that trade on a global scale has no fundamental impact on social and ecological systems.

Tilzey's second category, 'embedded neoliberalism', recognises that agriculture can generate 'positive externalities' (i.e. it can have positive effects beyond just producing food). Examples of positive externalities can include maintaining the countryside, rural traditions and communities, environmental protection and the fostering of biodiversity. The emphasis on positive externalities presumes that the production system in place at the moment necessarily engenders an overall positive configuration of social and environmental conditions. But what is the character of the countryside that is reproduced by the current agricultural practices? Agriculture in South

Africa is based on the dispossession and super-exploitation of the black population, which has created a much-damaged countryside. If the system remains rooted in this base, the apartheid countryside will be reproduced. This seems more like a negative externality embedded in the agricultural system than a positive one. Rural traditions and communities are shaped by oppression and dispossession as well as by resistance and agency, which requires an understanding of the dynamics, contradictions and cohesions of those traditions and communities, and blending them into an understanding of the world. A just response to past injustice requires the transformation of the cultural institutions of apartheid by undermining the legacy of oppression and dispossession, and simultaneously strengthening the legacy of resistance and agency. Despite recognising positive externalities, the 'embedded neo-liberals' argue that agriculture is only contingently, rather than necessarily, required to generate these beneficial outcomes. This is nonsensical, because agriculture is embedded in the rural and it is impossible to alter the rural while leaving agriculture untouched and vice-versa. Even in Europe, Australia and the US, where this argument is dominant, significant questions are posed about whether the current rural structure is really the best possible one. Some of these questions, and responses to them, are generated by active global peasant and small farmer movements.

The third group, 'social democrats' in Tilzey's categorisation, calls for income support and remuneration for positive externalities, which are recognised as intrinsic to agriculture. It is not clear if anything is said about paying for negative externalities, and both lead down the path of quantifying externalities in monetary equivalents.<sup>13</sup> This is a power-laden and impossible task, since some effects cannot be reduced to money. The global drive to commodify natural resources (of which the monetisation of environmental externalities is one component) is part of the mainstream response to climate change and other ecological crises (oil, water, land, forests). In this, South African national law and policy reflects global discourse.

Tilzey proceeds to identify 'neo-mercantilists' as a fourth category. They call for the continuation of 'political productivism' (i.e. state intervention to underwrite productive capacity, the domestic market and export potential). Little is said about use of the surplus generated from productive

<sup>12</sup> Externalities are costs or benefits for people who have not been involved in the decision leading to the benefit or cost.

<sup>13</sup> There is an interesting equivalence between the monetisation of externalities and the attempt in the land restitution programme to quantify the loss of the dispossessed. From a material point of view, monetisation is possible. What, however, of social structures, kinships, loss of place? How does society compensate, and which sections of society?

capacity or how domestic and export markets are structured. The idea, therefore, is entirely compatible with a system that exploits natural resources and people for the chief benefit of a few. This is the one of Tilzey's categories that is most bound up with the trade debate and multifunctionality. The other categories refer to multifunctionality as an understanding of the role of agriculture, whereas 'neo-mercantilism' refers to a state response to agriculture, whatever its role. However, it emphasises the food and fibre (and fuel) producing aspect of agriculture as well as markets (i.e. the economic, productivist aspect).

Tilzey's final category is the 'strong multifunctionality' group, which rejects the incorporation of agriculture into trade negotiations outright, asserting that agriculture cannot be reduced to the imperatives of trade. This approach is closely connected with the concept of 'food sovereignty' discussed above, and attempts to deepen understanding of the inextricable link between social, economic and ecological systems that require radical transformation. Of all the categories, it is the only one not based on a productivist model of agriculture (i.e. the primary purpose of agriculture being to produce commodities at an ever-greater scale).

Different constituencies inside a country have differing approaches to these questions. All of the categories identified by Tilzey are present in South Africa. Neoliberal models of one type or another are favoured by agribusiness. While there is recognition of ecological dimensions, the response is largely *laissez-faire* within a broad framework constructed by the state. Agribusiness is left to monitor itself, and sustainability reporting remains a voluntary activity (Timm 2009). There is very little proactive enforcement by the state, which means that if companies and landowners do not do anything to attract attention to themselves (even if there is environmental damage), they can continue as they wish. Calls for 'political productivism' amongst sections of both black and white farmers are gaining traction as the notion of an interventionist state gathers credence. The call for tariffs on categories of agricultural imports is an example of this,<sup>14</sup> and sets fractions of land-based capital against fractions of industrial agribusiness and retailers in the dominant downstream parts of the chain. The state's response to the imperative of building a black farming class is coloured by political productivism.

<sup>14</sup> There has been a history of this, especially amongst white farmers who were being undercut by cheap imports of wheat, dairy and poultry, amongst others.

<sup>15</sup> In terms of Sections 21, 22 and 26 and associated regulations of the Environment Conservation Act 73 of 1989, supported by Sections 2(4)(i) and 24(7) of the National Environmental Management Act No. 107 of 1998.

## Sustainable resource use and ecological modernisation

There is general agreement, including in South African policy, that sustainable use of natural resources is needed to realise food security for all. However, there is little agreement on what sustainable use is or how it is to be carried out. There is some consensus that sustainability can be taken to refer not only to financial sustainability, but to social and ecological sustainability too (very closely related to the multifunctionality argument). But again, there is little agreement on the content of those terms. The popular slogan being advanced from the United Nations is 'Profit, People, Planet' as three components that are used as stand-ins for economic, social, ecological. But note how the economic is reduced to profit. That is, the private appropriation of surplus wealth and along with it the decision-making power of what to do with that surplus. Yes, the economic needs to be integrated into any response. But, noting the systemic damage generated by extraction of a surplus by a small elite over a long period of time, it is necessary to consider what other possible ways there are to build an economy that is not reliant on this private surplus appropriation for its development. On the political left, there are some seeds of agreement regarding the importance of building the material and institutional platforms for an alternative in the present, of which the political terrain - and the state in particular - is one.

In policy, the South African government is a signatory to numerous environmental treaties that boil down to 'Profit, People, Planet' and retain that contradiction at their heart: contradiction because private appropriation of surplus and ecological and social sustainability are incompatible in the long term. The mainstream framework translates into the notion of sustainable development and, theoretically, sustainable agriculture too. Hence, a major objective of DAFF is sustainable resource use. Again, this is theory (or policy), since little in practice is being done to shift South African agriculture onto a sustainable path. The Environmental Impact Assessment (EIA) process<sup>15</sup> is part of the incorporation of ecology into development, where an assessment of the impact on the environmental, social and economic situations must be undertaken by those who want to implement large-scale development plans. Yet the approach is often one of formality, partly because of lack of regulatory

capacity and partly because other priorities seem more urgent, in particular employment creation in a context of private surplus appropriation. Consultants hired to undertake EIAs, although chosen by the developer, must sign a Declaration of Interest that they do not stand to gain materially from the success of the development. Nevertheless, this means that the developer can choose a consultant known to be in favour of big developments, which would skew the report in the developer's favour. This can even happen purely through the methodology adopted, which determines who is asked what and how. It is unfeasible, given existing funding constraints, for DWEA to monitor and respond to these activities adequately. As will be seen below in the case of water, existing practices are granted unchallenged recognition. The EIA applies only to new developments, not to existing ones (i.e. the entire economy and its structure). It is not a tool that can challenge past industrial practices.

The LandCare programme focuses on the conservation of natural resources through capacity building for sustainable utilisation of these resources. In South Africa, the programme has a job-creation objective as well (NDA 1999). In the context of the massive restructuring of the rural economy over the past 20 years, the programme is a drop in the ocean. DAFF sets itself a target of just 3 700 hectares per year over the medium term (the next 3 years) for land under sustainable land management. Through the LandCare programme in 2007/08, 4 664 beneficiaries received support to protect 2 428 hectares of land and to improve the soil management systems implemented on 5 047 hectares of range land (National Treasury 2009b). In the provinces, R165 million was spent on 178 LandCare projects.<sup>16</sup> Compare this with the 82 million hectares of farmland and 17 million hectares of potentially arable land (NDA 2009b),<sup>17</sup> and it is clear that the programme is not a serious component of DAFF's work. Given the small size of the programme, it must be concluded that it serves more as a poverty-alleviation exercise than as a real attempt to alter land management systems and methods in an ecologically sustainable way.

Conservation and ecological sustainability have become part of the mainstream discourse in recognition that ultimately ecological damage will have negative economic effects at a large enough scale for governments and corporations to take notice (i.e. it can potentially hurt their own in-

terests). The resulting 'ecological modernisation' seeks to 'retrofit' capitalism with environmental safeguards. However, seen through profit lenses, it places emphasis on efficiency, competitiveness, marketability (with regard to tourism and the 'rural landscape'), flexibility and (capitalist) development ahead of maintaining and improving environmental integrity and coherence (Keil & Desfor 2003). Sustainability in South Africa is geared towards a corporatist model, in terms of which the state and business interests align their long-term strategies (see Timm 2009). This corporatist model has been developed in South Africa under the guise of the 'developmental state'. Relationships between natural resources and society are defined primarily from the point of view of the survival of an economy in which private surplus appropriation is the norm. This approach is likely to be unsuccessful, not only because it is embedded in unsustainable modes of social regulation, but also because capitalism as a system generates environmental crises at its core.

The National Environmental Management Act 107 of 1998 penalises anyone who damages the environment in the course of productive activities, but the penalisation is monetised, which tends towards the 'embedded neoliberal' and 'social democratic' approaches, both of which seek to place a monetary value on externalities of agriculture. This commodification of rural life would be more advanced if DWEA actually were able to implement the Act to the letter. At the same time, if handled correctly, it could see a surge of money into rural areas, depending on who would receive payment when environmental damage is incurred. The Act limits the responsibility of the person who has damaged the environment to the present and future, but not the past. According to Section 28(1) of the Act, 'Every person who causes, has caused or may cause significant pollution or degradation of the environment must take *reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring*, or, in so far as such harm to the environment is authorised by law or cannot reasonably be avoided or stopped, to minimise and rectify such pollution or degradation of the environment' (italics added). Thus, one may damage the environment, but if one is caught one must stop. One will have to pay the costs of reorganising activities so that they do not cause further damage; for the damage already done, there is no penalty.

<sup>16</sup> Provincial agriculture budgets, 2009/10. Not all the information about the size of each project is immediately available. It would be necessary to go to nine provincial departments to find that. It is reminiscent of the apartheid fragmentation of the public service into 10 bantustans and a 'core' territory.

<sup>17</sup> As identified in 1991, when a proper survey was last done.

One possible reason why the law stops here is because industrial growth in South Africa is built on the externalisation of costs onto the environment, and the vision for its continued growth does not diverge from this path in its fundamentals. It is questionable whether the industrial sector (including industrial agriculture) can repair the damage it has already caused to the environment and still survive as a profitable economic system. These negative externalities need to be balanced against other more positive aspects of the development of commercial agriculture. In particular, food security for all appears to be a physical possibility. It must be kept in mind that the definition of food security, and the recommended daily nutrient intake to live an accept-

able life, are related to a particular standard of living, which, in turn, is related to urbanisation and an industrial economy. So the possibility that industrialising agriculture presents is located in a context of rapidly expanding populations, heavy corporate influence in food production, and declining natural resources globally. The challenge is to consider what alternative forms of production can be envisaged that do not rely on this externalisation of social and environmental costs in the first place; to think about practical steps that can be taken in the present, either to begin shifting us onto such an alternative path, or to create the preconditions for an alternative to be formed; and to identify what social forces are required or exist to realise this in practice.



# 8 Reflections on the developmental state, BEE and agriculture

## The developmental state

One of the major contemporary debates in South Africa is to what extent the state should be directly involved in economic activity. The debate is emphatically not about whether the state should withdraw from the economy or not: in every country in the world, the state plays a critical role in regulating the economy and the entire 'social structure of accumulation' in a given period and a given place. The social structure of accumulation refers to the relation between the economy and the political and social practices that accompany it and permit it to exist. There is no 'necessary' configuration of economy-politics-society: any given configuration is historically contingent and the product of ongoing contestation, compromise and the exertion of power not only by state actors but across society. So debating the removal of the state from the economy is irrelevant: this is widely recognised in the present global economic crisis, where states across the globe immediately came to the fore to manage the crisis and restructure relationships and regulatory systems. The debate is about where and how the state should intervene, not whether it should.

In South Africa, the debate is currently viewed mainly through the prism of the 'developmental state'. There is certainly no agreement on what this means: it has been used to justify crony capitalism and has been presented as the type of state that can prepare the ground for socialism. The concept of a developmental state emerged in South East Asia in the 1970s, where the state took a leading role in co-ordinating and channelling the individual activities of the private sector towards realising (politically determined) national priorities. There are two key views at the core of the developmental state. Firstly, the market does not work well in promoting industrialisation, especially in a global economy where some states already have mature industrial sectors; therefore, it is appropriate for the state to intervene to distort market incentives to selectively build up industries that can become

competitive. Secondly, the state needs to have the autonomy to implement the 'right' policies in the face of vested interests and of 'populist' pressure from the general population (Fine 2007).<sup>18</sup> In Asia, developmental states tended to be authoritarian, and their very success led to their downfall: on the one hand, the growing power of the conglomerates undermined the continued ability of the state to direct investment and economic activity; on the other hand, a movement for democratisation undermined state autonomy.

The concept of a 'democratic developmental state' was deployed in South Africa from the mid-1990s, especially at local government level, with the idea that municipalities would actively intervene to align the economic activities that were taking place in their areas of jurisdiction with political priorities (as spelled out in integrated development plans). However, this plan faltered as it became apparent that local councils did not have the resources, capacity or power to direct economic activity. Even in Johannesburg, where the metro is far more powerful than its rural counterparts, the municipality has struggled to align economic activity with political priorities. For example, while the municipality favoured investment in the south of the city, most private sector investment was directed to the north of the city centre.

South Africa has a highly statist political culture, where the state is perceived as the deliverer, for good or bad. This comes from a long history of state-driven economic development under the National Party and even before it, as well as within the liberation movement, heavily coloured by Stalinist models of statist economic development. Capital had a very close relationship with the state in the colonial and apartheid eras. It was only in the 1980s that fractions within the private sector began to rail against the state because the regulatory framework was becoming too costly for their profitability. Discursively, arguments against state dominance

<sup>18</sup> Fine juxtaposes these two views, but they can operate together.

also had a resonance with a citizenry that keenly felt the administrative injustice of the state. This provided the seeds for a counter-hegemonic thrust – under the leadership of the nascent black middle class – that forged important fractions of white monopoly capital and organised labour into a post-apartheid historic bloc. This was fraught, but compromises on the structure of the economy and the parameters of state intervention were hammered out in negotiations. For the leadership of the liberation movement (which emerged as a leadership for the entire society in opposition to the apartheid state), an interventionist state was important, but the interventions needed to be switched from a racially exclusive basis to an inclusive basis. There was simultaneous recognition that the state was the only real tool they had to drive their own accumulation interests. These both were compromised by the content of the negotiated settlement.

The ideological pressures on the leadership to step back from retaining an overtly interventionist agenda were significant. The growing consensus amongst global elites was that the state had to withdraw from active intervention in the economy as far as possible, to make space for the expansion and increased profitability of large-scale corporations. That fitted in fairly well with the interests of white monopoly capital in South Africa. In South Africa, the state also faced a fiscal crisis that had to be brought under control. From the 1970s, numerous processes were already under way to restructure the economy on these lines. The process of ‘elite pacting’ encouraged compromises that allowed a transfer of political power in exchange for economic continuity (Wood 2000). In agriculture, this continuity was manifested through ongoing facilitation of the processes of deregulation and liberalisation. Generally, marketisation of sectors previously held by government monopoly gathered apace in, for example, telecommunications and broadcasting, roads, agriculture, (some) water supply, and housing. Private provision of education, health and security captured those who could afford to pay, leaving the state to take responsibility for those who could not afford to pay. These constraints had a material impact on the potential for the liberation movement to use the state to carry forward a radical agenda.

Unlike in South East Asia where the developmental state was very specifically linked to a concrete industrialisation strategy, in South Africa it was

linked closely to the mainstream ideology of ‘development’. The concept is nebulous, much like the ‘war on poverty’, and is taken to mean some kind of social and economic improvement for the majority. The approach banishes people’s agency from politics and turns them into ‘beneficiaries’ of the state (Shivji in Mngxitama 2005: 63). This lack of specificity in defining the developmental state created room for a section of the ANC leadership to assert that building a black economic elite is a step on the road to social and economic improvement for all. This ‘1996 class project’, as it later came to be called, is no more than the logic of the two-stage National Democratic Revolution (NDR): first, build deracialised capitalist forces of production, then carry out a socialist transition. The first stage for the elites, the second stage for the workers. This is in line with the agenda of the new hegemon, the nascent black bourgeoisie, whose fundamental tasks were to secure a place for itself economically while simultaneously balancing the conflicting interests (in particular between white monopoly capital and African workers) within the historic bloc it had formed around its leadership. So far, it has convinced the other major social forces that their interests remain connected to the realisation of its own interests (the definition of hegemony). The left inside the alliance failed to see the limits of a cross-class alliance in which strategies based on independent organisation and representation of the working classes were subordinated to the leadership and strategies of the middle class. The combination of external constraints and internal contestation over class direction resulted in the dominance of a leadership group that sought to use the state to build a social base for itself amongst the middle and capitalist classes.

This political trajectory inflected discourse and practice on the developmental role of the state. Development was understood to be the realisation of the first stage of the NDR (i.e. building a black capitalist class that could deepen capitalist relations and forces of production), which apparently would continue until the capitalist system was exhausted in South Africa. The first version of BEE enabled political elites to transform their political power into economic power. BEE is built precisely around the idea of redistributing wealth at the level of capital between white and black. This has a historical precedent in the way the National Party used the state to enable Afrikaner capital to share the wealth of English

capital, giving it a foot up in building itself independently, while using the state to favour Afrikaner capital (see O'Meara 1996). The gravitational pull of state patronage drew a non-racial elite into the orbit of the ANC, generating and reinforcing exactly the social base sought by the '1996 class project'. This is not unusual. The state has power and resources, and white capital has always oriented itself to the political power of the day. The result was a very particular form of the developmental state, which did not so much align economic activity with political priorities as redistribute public resources to build an economic-political elite.

## Black economic empowerment, parastatals and building a class base

The party-state under the hegemony of the nascent black bourgeoisie is in favour of using the state apparatus to advance its own class interests, and to attempt to align the interests of the dominant social forces in the historic bloc that it leads with these interests. This translates into an argument and a strategy – which is currently hegemonic in South Africa – that deracialising the capitalist economy and securing basic rights within that economy for workers is the most viable path forward at present. Assuming political power and thereby taking over the apparatus of the state, however, confronts both the residual power of the old hegemony (the way the state is structured to serve a particular ideology) as well as the entrenched power of the bureaucracy. The 'sunset clauses' agreed upon during the negotiated settlement gave these conservative forces a further lease on life. While the state is a centre of power and has significant material force, it must be understood as a contradictory and disunited ensemble of overlapping relationships of power. The bureaucracy does not simply transmit the state's power as a frictionless pipe, but modifies and transforms it in the process of materialising the state (Allen 1999). Officials bring their own power into the relationship, translating and manipulating rules and procedures for their own ends (Lipsky 1981). The bureaucracy is a critical actor in the realisation of the idea of the state and in its practices alike.

A BEE framework for agriculture (AgriBEE) was released in 2004, and a Sector Charter was gazetted in 2008, to increase the involvement of black businesses in agriculture throughout

the commodity chain. As with other sectors of the economy, the aim was to encourage greater black ownership and control of existing and new agricultural businesses, and to ensure that black people are involved in executive and senior management positions in agricultural businesses. The Charter identifies seven areas of empowerment: ownership; management control; employment equity; skills development; preferential procurement; enterprise development; and rural development, poverty alleviation and corporate social investment (NDA 2006a). The AgriBEE scorecard establishes a number of specific targets, for example 25% of equity ownership, 40% participation in senior top management, 2% of the leviable amount to be spent on skills development, and 1.5% to be spent on corporate social investment (NDA 2006b). Changes in racial patterns of ownership are important, and the Charter establishes a framework for how this can happen. The primary incentive for private companies abiding by the AgriBEE Charter is preferential procurement, with the state using its power as a purchaser of goods and services to promote BEE. However, since most economic activity happens outside the state, the implementation of BEE remains voluntary to a large extent. If a company does not want to change, it is not forced to. Over time, it will just become a bit more difficult to do business, mainly with the state.

The Charter took some time to set up, and it is too early to see what impact it is having. A survey conducted by the ABC and the IDC showed that amongst responding ABC members, 8% had no BEE strategy in place in 2007, 46% were busy constructing one and 46% were implementing a BEE strategy (IDC 2007).<sup>19</sup> In a survey on the dairy industry in the Western and Eastern Cape, only 6% of firms had a BEE strategy in place in 2008 (*Business Report* 2008). The responding agribusinesses have focused their efforts on the socio-economic and skills development aspects of BEE. Similar results on priority areas were found in the dairy industry survey. According to PricewaterhouseCoopers, which conducted the research, 'generally, there is a reluctance to prioritise ownership, with most participants wanting to avoid ownership changes at this stage'. In the IDC survey, larger companies prioritised ownership, management control and employment equity, while smaller companies prioritised employment equity and socio-economic development. In restructuring ownership, external BEE partners and workers' trusts were the most

<sup>19</sup> Response was voluntary; consequently, the results will be skewed towards those in favour of BEE.

frequently employed options. The bulk of funding for BEE deals came from the company itself, from black partners, or from development finance institutions.

By the time the AgriBEE Charter was set up, the concept of BEE had become 'broad based'. This was a reaction to the narrow BEE that saw huge deals made between political heavyweights and monopoly capital, which benefited a small elite group and advanced the political-corporate pact at the top of the power structure in society (see, for example, Davie 2005). In the most blatant cases, state managers prepared the ground for privatisation and then left the public service to take material advantage of that privatisation. The Charter includes elements of 'economic empowerment' for workers and the rural poor. The Charter is open for this to take the form of skills development and welfarist, corporate-social-investment projects, which are functional to capitalism. At the same time, there is room for management and business elites to acquire ownership and control in businesses, on a business basis. Some of the BEE deals that took place in agriculture were the R323 million transfer of Boschendal wine estate, Phetego Investments' 25.1% acquisition in KVV, the sale of a 15% stake in Distell's South African Distilleries and Wines to a BEE consortium, the R502 million sale of a 26.77% stake in Afgri Operations to the Agri Sizwe Empowerment Trust (which was opposed by FAWU for its unequal distribution of benefits), a contract farming scheme with Rainbow Chickens, Country Foods' sale of 4% of shares to Kagiso Trust for R5.5 million, and the acquisition of a 30% stake in exporter Afrifresh Group by Vuwa Investments (headed by Bulelani Ngcuka). Undoubtedly, the Charter is situated within a capitalist framework that seeks to change ownership along the value chain but does not challenge its structure.

Agricultural parastatals are also wielded in the interests of classes. Many of the homeland agricultural development corporations and other parastatals (e.g. the ACB and the marketing boards) were shut down during the process of liberalisation and deregulation of agriculture. Others were corporatised and formed the model for the growth of a new set of market-friendly development corporations and agencies, in particular at provincial level. These corporations and agencies operated more as commercially oriented financing and business support institutions in the mode of the IDC than as agencies that

channelled public resources into implementing government plans for the benefit of many. As such, they were oriented towards building the capitalist class rather than assisting workers and the poor. By and large, they have accommodated the market and have proven to be institutional bases for the building of a narrow capitalist clique that does not generate its wealth through its own productive activity. The various development corporations that have emerged in the post-apartheid period need to be understood in a contested framework. There are vastly different views on what provincial development corporations might be useful for. They might be seen, and used, as channels for funnelling public resources into private hands (see, for example, Sapa 2008 on the Eastern Cape Development Corporation, Letsoalo & Arenstein 2005 on the Mpumalanga Economic Empowerment Corporation, and Nair 2009 on the AgriBEE Fund), but they also might be seen as necessary vehicles for driving a pro-poor agenda. For example, the left in the alliance aims to 'roll back and disrupt the intersection between the holding of public office and business interests' and to 'expose and defeat the corporatisation of the state and the movement' (Nzimande 2009). Whether this is more than merely rhetoric remains to be seen.

The backlash against 'narrow-based' BEE and the abuse of parastatals for personal (and class) gain was part of a much wider movement in opposition to the trajectory adopted by the ANC under Thabo Mbeki, from outside the alliance as well as inside it. Open contestation rose from the start of the 2000s, and gathered pace after the ANC's watershed 2005 National General Council and then the 2007 Polokwane National Conference, when an alternative agenda for the developmental state was articulated inside the ruling alliance. This agenda places emphasis on interventions by the state that redirect resources to the poor, including rolling back the market and disciplining, regulating and expropriating capital to advance democratic, developmental agendas. State interventions include nationalisation, expropriation of land, and the creation of a comprehensive social wage (COSATU 2009). While the leftist strand is vocal at present, it is by no means certain that it will be able to secure hegemony. The alliance of forces that brought Jacob Zuma to power is highly contradictory. The struggle between the 'Mbeki-ites' and the 'Zuma-ites' is an internal battle between factions of the middle and capitalist classes (mainly black, but increasingly deracialised). In their interven-

tions, COSATU and the SACP have brought elements of a third, working class, option into play, while simultaneously strengthening the hand of the 'Zuma-ite' faction of the middle and capitalist classes. Of necessity, strengthening the working class strand requires a broadening out of its base and a transcendence of the current alliance. A new project will need to take leadership of society from the middle and capitalist classes. In order to do this, such a project needs to incorporate the interests of other social forces into its agenda so as to develop and lead a counter-hegemonic cross-class alliance.

Lest we are tempted to take at face value this struggle between the 'new capitalists' and the 'communists' inside the alliance, we should rec-

ognise that the 'Zuma-ite' and 'worker' factions were allied in their support for Jacob Zuma in the period after 2005. Concerns about the ideological orientation of the left within the alliance have been raised in this regard. In essence, the critique is that a 'neo-Stalinist populist' faction has taken control of the SACP and through the particular association it has forged with elements of the middle and capitalist classes, is likely to support another wave of state-led capitalist modernisation rather than stimulating and providing leadership for the revival of a mass-based project of transformation (Satgar 2009; Jara 2005). The essence of the political trajectory is state-centric and can be driven only by the state, with the citizenry as a junior partner.

# 9 Conclusion: pursuing a smallholder strategy

By the end of apartheid, a nascent differentiation had emerged between a class of black farmers who received some state support through 'master farmer' and bantustan development corporation group schemes, and the majority of producers (chiefly in the former bantustans and on commercial farms) who received almost no support at all. There are an estimated 240 000 black farmers with a commercial focus and between 2 million and 4 million farmers who produce food mainly to meet their own household consumption needs (Jacobs et al. 2008). These groups form the natural base for a smallholder strategy. The vast majority are under-resourced, mainly subsistence producers in the former homelands. More than three-quarters of the farmers in the former homelands are women (Stats SA & NDA 2001). In the late 1990s, just 6% of households in the former homelands with access to farming land actually sold anything they produced (Stats SA 1997).

During the transition to democracy, there was some policy debate on the relative merits and demerits of pursuing a smallholder strategy. The Land and Agricultural Policy Centre (a policy think-tank set up by the ANC to develop ideas about how restructuring of agriculture could benefit the dispossessed majority) and the World Bank were two particularly influential voices at the time. There was general agreement amongst insiders that it was necessary to continue with the policy reforms started under apartheid to wean commercial agriculture off state support, and for markets to drive the sector in future. There was acknowledgement that black farmers would not immediately be functioning on the scale of white farmers; hence, the discussion about how smallholder black farmers could be integrated into a restructuring agricultural system (see, for example, Lipton, De Klerk & Lipton 1996). The possibility of using existing state institutions (even in altered form) to facilitate the expansion and diversification of the producer base into the black population in a meaningful way was rejected (see Bayley 2000). The architects of the policy succeeded in convincing the politicians that the restructuring of commercial agriculture would be able to accommodate black

farmers using the market as a key mechanism for provision of services and infrastructure.

The smallholder component of the resulting strategy was not implemented in any meaningful way. The ANC's initial policy was based on the premise of state support, but this was not forthcoming. Aside from its urban orientation, the government as a whole faced a fiscal crisis inherited from apartheid, and the national agricultural budget dropped both in nominal and in real terms throughout the 1990s. Input support to the three categories of farmers that could form the basis for a smallholder strategy was not prioritised in the government's overall economic policy trajectory.

Rhetorically, a renewed emphasis is being placed on a smallholder strategy. The ANC's National Conference resolutions at Polokwane in 2007 call for 'a modern and competitive smallholder sector'. The resolutions commit the ANC to implementing 'large-scale programmes to establish new smallholders and to improve the productivity of existing small-scale and subsistence farmers'. The ANC also resolved to build public and private institutions that can provide financial support, research and extension, tools and equipment, and which can facilitate market access and co-operation. A note of warning must be sounded against focusing exclusively on smallholders/family farms, which could underplay the possibility of other, collective, forms of tenure for production (Pienaar 2009). This is linked to the notion of private, individual ownership of land that forcefully emerged in policy with LRAD in 2001. Other tenure options need to be kept open so that family farms do not become the next 'one-size-fits-all' (Pienaar 2009).

There is insufficient financial support for the agricultural sector as a whole, which means that agricultural plans cannot be carried out. The government should restrain itself from designing plans that it is unable to implement because of lack of resources. It is better to be honest about what can be achieved than to make grand promises that cannot be met. The response of the national government in a time of economic contraction like the present has been to pull

resources out of agriculture and into other priority areas of the economy. Whether this is the correct decision or not, it indicates that, despite the rhetoric of rural development accompanying the Zuma administration's rise to power, when it comes to the crunch, agriculture and rural development are not really seen as potential drivers of the economy. We remain in the broad mindset that agriculture is a declining sector compared to the whole economy, and that the future is urban. If more resources are to come into the sector, it is imperative that emphasis is placed on building capacity in provincial departments to deliver, with more skilled, and decentralised, staff as the primary concern. Even if this takes a few years to get right, it will lay the platform for far more meaningful delivery in future.

Shifting from a racially exclusive agricultural system to a more racially inclusive one will take time. Patience is required. If we look at the history of the creation of white commercial agriculture in South Africa, the pace was extremely slow, and significant, ongoing state support was essential. After the land was acquired (through dispossession at that time) settlers took years, even decades, merely to settle permanently on the land. They did not know how to farm, and the state sponsored waves of debt forgiveness, capital write-off and infrastructural development to ensure they remained on the land. Gradually, markets began to develop, differentiation occurred between the settlers, and some were able to become profitable (an example of this process in Limpopo can be found in Mulaudzi 2000; see also Beinart, Delius & Trapido 1986). In the meantime, the government had pumped resources into creating co-operative infrastructure, expanding the public infrastructure like railways, roads and dams, employing policy systems that gave farmers a real voice in government, and generally recognising that to build an agricultural sector required government expenditure on which there would be no direct, immediate, monetary returns. South Africa is now in the initial stages of building a black farming class, and many lessons can be drawn from the way the state intervened in the past. However, we want to go a step further than merely reproducing the commercial agricultural model on a wider basis. The challenge is to think about which of the state-sponsored institutions and interventions of the past can contribute to building a more equitable agricultural model in the present, which does not rely (as the earlier

model did) on dispossession, super-exploitation of the workforce, and ecological damage.

What kind of agriculture does current policy encourage? The strategic priorities have been listed as: enhancing equitable access and participation in the agricultural sector; improving global competitiveness and profitability; and ensuring sustainable resource management (NDA 2001). These could be restated as social, economic and environmental sustainability within the context of a capitalist economy. If we take these one by one, several questions arise. Enhancing access and participation is a key goal, but how is this to be achieved? As we see in the policies and practices above, the primary way of realising this is to secure the existing agricultural structure and economy and then to reform it at the edges to create room for others. Social justice, however, requires more thoroughgoing transformation than merely accommodating more people in the existing way of doing things. It is clear that the present agricultural model is unsustainable, socially, ecologically and (increasingly) economically. Access to the agricultural economy has to go hand in hand with transforming that economy to internalise costs currently borne by the workforce and the environment. Since this is unfeasible within the existing logic, the logic must change.

Sustainable resource management is also critical. But how is this anticipated to happen in the context of striving for global competitiveness and profitability? To what extent will this secure the food needs of those living in the territory of the South African government's jurisdiction, and beyond, into the region? A political decision needs to be made. Is it worth spending public resources (without getting a profitable return on investment) on building and sustaining an agricultural sector that can engage a far wider layer of people in diverse scales and models of production, or is it more important to only allow those parts of the agricultural sector that can weather the vagaries and inbuilt inequalities of the global agro-food system to survive, and use public resources to support some other, potentially more profitable arm of economic activity? There is not necessarily a right or a wrong answer here. It involves a weighing up of many factors. So far, the debate has tended to focus almost exclusively on the return on government investment in a narrow sense, rather than looking at the employment and local economic multiplier effects of support to agricultural production, even where

the government does not 'get its money back' in a direct, dividends sense.

We must acknowledge that in the current set-up there is resource scarcity; and, rhetoric aside, it is unlikely that the agricultural budget will rise significantly in real terms. Therefore, we need to think out of the box. A critical weakness in the current policy and approach is the failure to connect with a mobilised mass base to realise land reform and ecologically sustainable agricultural production. Independent CSOs make a mistake if they think that their strength will come from government acceptance alone, just as the government is mistaken to think that it can manufacture a civil society according to its own needs. The strength of CSOs derives from their capacity to mobilise masses of people with a common agenda of change, regardless of the party-state's political orientation towards them. The abiding strength of a government is trust in the integrity of the population and investment in popular energy without trying to control that energy for its own ends.

A smallholder path for agriculture in South Africa is a new path. The foundations are there in the everyday practices of millions of food producers at varying scales, from the occasional

backyard producer to the commercial farmer on 100 hectares, all of whom can be considered smallholders. The country is currently reliant on large-scale commercial agriculture for food security. That, in itself, is a useful base, but needs to be transformed. A strategy that seeks to insert smallholders into the large-scale, industrial, export-oriented model can succeed in broadening and diversifying the producer base only slightly. The large-scale model also brings with it the deepening problems of concentration in the value chain, which, in turn, entrench the production model. The ANC in government has identified the major contours of the challenge, but its responses tend towards seeking to deracialise that model while keeping its core intact. An alternative has to confront the existing economic power of commercial agriculture and agro-industry with the aim of transforming it. Deracialisation is necessary but not sufficient to realise this. The logic of a smallholder strategy must be followed beyond the farm gate, to the institutions that support agriculture, and the value chains that feed off it. Deconcentration, decentralisation of value-adding activities, the stimulation of local markets, and the scaling down of individual interventions and casting the net wider, based on the initiative and activities of the producers themselves, are all part of this.



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