Agricultural policy and the right to food in South Africa

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PLAAS
Farming in SA

• Historical trajectory: from 21% of GDP in 1911 to 4.4% in 1999
• But remains important for employment (10%), exports (6%), value of backward and forward linkages? (20-30%?)
• 1994: legacy of racially unequal, ‘dualistic agrarian structure
  – small number of large-scale commercial farmers (almost all white) = 60 000, on 86% of agric land
  – large number of small-scale, ‘subsistence’ (2 million) or ‘semi-commercial’ smallholders (200 000), on 14% of agric land, mostly in former bantustans
Large scale commercial farming: from subsidy to deregulation

• 1930s – 1980s: massive state support to white LSCF sector via controlled input and output prices, single channel marketing boards, subsidised credit, drought relief etc > guaranteed incomes

• 1980s: high cost to state no longer affordable > liberalisation and deregulation

• 1990s: deregulation of public controls; increase in private regulation (eg privatised co-ops)

• Post-apartheid land policies premised on state action; agricultural policies premised on roll back of the state
Changes in LSCF sector: shares of total value

<table>
<thead>
<tr>
<th></th>
<th>Field crops</th>
<th>Animal production</th>
<th>Horticulture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995/96</td>
<td>48%</td>
<td>36%</td>
<td>16%</td>
</tr>
<tr>
<td>2000/01</td>
<td>32%</td>
<td>42%</td>
<td>26%</td>
</tr>
</tbody>
</table>

- Shifts out of subsidized field crops (e.g. maize)
- Shifts into high value fruit, vegetables and flowers
- Shifts into intensive, penned livestock (esp poultry)
Concentration in large-scale farming

- Increasing concentration as ‘inefficient’ LSCF leave agriculture: 60 000 (1990) > 35 000 (2012)
- ‘Neo-classical neo-populist’ economists predicted that market-friendly reforms would open space for efficient smallholders benefitting from the Inverse Relationship between farm size and productivity (of land and capital) – it didn’t happen
- Top 25% of farms produce 75% of produce. Implications?
  (a) intense competitive pressures
  (b) low opportunity costs of redistributing 75% of land
  (c) land reform’s threat to food security is exaggerated
Concentration in agro-produce value chains

- Fertilizers production dominated by 4 corporations: Sasol Nitro, Yara and Omnia & Foskor
- 4 maize millers controlled 73% of the milling market in 2004
- Food processing: 10% of firms controlled 85% of production in 2005
- Retail: Big 4 controlled 66% of sales in 2006
Inputs

Farm production

Wholesale markets

Retail markets

Consumption

Fresh produce, dairies, grain futures

Agricultural trade: Exports and imports

Processing & packaging

Processing & packaging

Primary: Grain storage
Milling
Canning
Juicing
Ginning
Pasteurising/UHT
Slaughter

Secondary: Baking
Processed foods
Juices
Cheese & yoghurt
Textiles
Leather goods

Hawker's markets

Corner cafes
Specialty stores
Supermarkets

Concentration in the value chain

Seeds
Fertilizers
Pesticides
Herbicides
Medicines
Feed
Fuel
Machinery
Equipment
Buildings
Fencing
Finance — land, capital goods, production inputs
Insurance

Property rights
Soil
Vegetation
Water
Dryland crops
Irrigated crops

Range livestock
Penned livestock

Labour — own
Labour — hired (permanent, seasonal, contracted)

Housing
Services

Primary:

Secondary:
Profile of ‘small-scale land users’

Trends in black household involvement in agriculture, by ‘main reason’ according to the Labour Force Survey

## SA households with access to land
### (General Household Survey 2006)

<table>
<thead>
<tr>
<th>Size Range</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 0.5 ha</td>
<td>831 871</td>
<td>64.5</td>
</tr>
<tr>
<td>0.5 – 1.0 ha</td>
<td>235 454</td>
<td>18.3</td>
</tr>
<tr>
<td>1 – 5 ha</td>
<td>138 196</td>
<td>10.7</td>
</tr>
<tr>
<td>5 – 10 ha</td>
<td>38 146</td>
<td>3.0</td>
</tr>
<tr>
<td>10 – 20 ha</td>
<td>11 940</td>
<td>0.9</td>
</tr>
<tr>
<td>20+ ha</td>
<td>34 546</td>
<td>2.7</td>
</tr>
<tr>
<td>Unknown</td>
<td>17 556</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 307 710</td>
<td>100</td>
</tr>
</tbody>
</table>
## Income sources, households with land

<table>
<thead>
<tr>
<th>Source</th>
<th>Households</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries or wages</td>
<td>292,229</td>
<td>22.9</td>
</tr>
<tr>
<td>Remittances</td>
<td>237,189</td>
<td>18.6</td>
</tr>
<tr>
<td>Pensions and grants</td>
<td>642,520</td>
<td>50.4</td>
</tr>
<tr>
<td>Sales of farm products</td>
<td>47,787</td>
<td>3.7</td>
</tr>
<tr>
<td>Other non-farm income</td>
<td>39,680</td>
<td>3.1</td>
</tr>
<tr>
<td>No income</td>
<td>12,188</td>
<td>1.0</td>
</tr>
<tr>
<td>Unspecified</td>
<td>3,781</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>1,275,374</td>
<td>100</td>
</tr>
</tbody>
</table>
Agrarian structure: dualism and the ‘missing middle’

- **Small-scale commercial farming (200,000?)**
  - Small farms
  - Some marketed output

- **Large scale commercial farming**
  - Small numbers
  - Large farms
  - 95% marketed output

- **Very small scale subsistence farming**
  - Large numbers
  - Small plots
  - Little marketed output
Growing the ‘missing middle’: emerging farmers or smallholders?
Accumulation pathways

‘Accumulation from above’

Emerging commercial farmers

Large scale commercial farming

‘Accumulation from below’

Smallholder farmers

Very small scale subsistence farming
Land reform: lessons from ‘failure’

• Land alone is not enough: farmers need access to finance, extension, vet services, markets, water
• Water and land reform disconnected; not sufficient attention to irrigation potential of redistributed land
• Business plans unrealistic and not based on real desires and capabilities of beneficiaries
• LARGE SCALE COMMERCIAL FARM MODEL DOMINATES THINKING AROUND ‘VIABILITY’
• This model influences policy in communal areas as well (e.g. Massive Food Production Programme in E Cape)
Successful smallholders? Tugela Ferry Irrigation Scheme, Msinga, KZN
Tomato farmer on her cell-phone to a trader
Positive gross margins
(106 crop record sheets)

<table>
<thead>
<tr>
<th>Crop</th>
<th>Number of growers (n)</th>
<th>Profit makers as % of all growers (%)</th>
<th>Positive gross margin (mean)</th>
<th>Positive gross margin (median)</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>30</td>
<td>91%</td>
<td>R1439</td>
<td>R1344</td>
<td>R208 – R2916</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>12</td>
<td>46%</td>
<td>R3166</td>
<td>R3545</td>
<td>R17 – R7163</td>
</tr>
<tr>
<td>Sweet potatoes</td>
<td>16</td>
<td>73%</td>
<td>R1172</td>
<td>R1243</td>
<td>R240 – R2785</td>
</tr>
<tr>
<td>Cabbages</td>
<td>5</td>
<td>56%</td>
<td>R3840</td>
<td>R4450</td>
<td>R1394 – R5146</td>
</tr>
<tr>
<td>All four crops</td>
<td>64</td>
<td>71%</td>
<td>R1868</td>
<td>R1367</td>
<td>R17 – R7163</td>
</tr>
</tbody>
</table>
Conclusions

• Smallholders can be highly productive
• ‘Accumulation from below’ is constrained by poor access to high potential land and to markets
• Land redistribution is necessary (but not sufficient); state interventions in agricultural markets also required
• Food security for around 2 million households could be enhanced by more effective programmes aimed at ‘gardens’ around homesteads
• Land reform and agricultural policy need to be re-connected > ‘agrarian reform’?