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John Kane-Berman

**Editor-in-Chief**  
Frans Cronje

**Editor**  
Anthea Jeffery

**Head of Research**  
Roshuma Phungo

**Head of Information**  
Tamara Dimant

**Consultant**  
John Kane-Berman

**Typesetter**  
Claudia Folgore-McLellan

**Contact details**

*Telephone: (011) 482-7221*

*e-mail: [info@irr.org.za](mailto:info@irr.org.za)*

*website: [www.sairr.org.za](http://www.sairr.org.za)*

## From land to farming: bringing land reform down to earth

**Despite failures they admit, both the government and the African National Congress (ANC) seem bent on pushing ahead with “land reform”. Even though somewhat modified, policy remains rooted in determination to reverse the ownership patterns arising from the Land Acts as well as to implement the Freedom Charter and promote the National Democratic Revolution. This not only risks more failure, but might worsen poverty and unemployment — while undermining food production and other agricultural output. Fundamental changes to land policy are therefore required. These include secure title, embracing the private sector as allies, and building on some of the success stories among small farmers. In essence, policy should focus not on land but on farming. Instead of redistributing more land, land currently underutilised should be brought into full production. Instead of seeking to create many more small farmers, those already in existence should be helped to succeed. This necessitates not only a shift in focus from land reform to farming, but a recognition that individual entrepreneurship is the key to success. It further necessitates acknowledging the enormous challenges facing farming in South Africa, and that agriculture is not the answer to poverty and unemployment the government seems to think it is.**

### Introduction

**T**wo days spent in October last year at the annual conference of the African Farmers’ Association of South Africa (Afasa) outside Pretoria were fascinating. Ministers and officials declared themselves ready to drive radical land reform, but the black farmers said the focus should be on production and infrastructure. Ministers hailed new markets in the Middle East and Peru and elsewhere, but the farmers were more interested in getting roads fixed so

that they could get their produce to the local market. Ministers said farmers should become part owners of tractor and fertiliser companies, but the farmers were more interested in getting access to electricity. Ministers said they were going to build agricultural/industrial hubs called “agri-parks” in all 44 district municipalities, but the farmers said these would be white elephants if the government didn’t focus on production and that it would probably build abattoirs where people had no cattle.

## **African farmers want to know why the government is not supporting those who have bought farms out of their own pockets and proved they can farm.**

Speakers from the floor at the conference, in which about 1 000 small farmers participated, complained that despite “enormous” investment by the South African government and international development agencies, there had been “no real breakthrough” in helping African farmers to move from subsistence to commercial. They also wanted to know why the government was not supporting farmers who had bought farms out of their own pockets and proved they could farm. Said a man who’d bought himself a 32-hectare pig farm near Magaliesberg: “there are many black people in the farming sector with experience, but ministers have never planted.” This may not be entirely true, but it reflected a widespread view at the conference that the government and its advisers were out of touch with the needs of small black farmers.

The conference debated government proposals to put a ceiling on the size of white farms. No conclusion was reached, partly because the farmers at the conference feared ceilings might inhibit their own growth. As for proposals that farm workers be given 50% of farms “to strengthen the relative rights of people working the land”, the black farmers said this would be unfair as farming was a business. Aggrey Mahanjana, secretary general of Afasa and also group managing director of the National Emergent Red Meat Producers’ Organisation (Nerpo), said on an earlier occasion that workers on farm land were not necessarily farmers and that the 50% proposal was an “infringement of an individual’s property rights”. Afasa said the 50% policy would not be viable on farms with turnovers below R50 million, as these were largely family farms which it wouldn’t be viable to split or farm in partnerships.

Although ministers and members of the African National Congress (ANC), most recently President Jacob Zuma himself, say that land has been “stolen” from blacks, this type of thinking was absent from the conference. It was clear that there was a gulf between the priorities of the ministers who addressed the conference and those of the small farmers themselves. They were entrepreneurs more interested in infrastructure backlogs and other practicalities than in the Freedom Charter of which the visiting bigwigs spoke. Farmers say that “passion” about farming is an essential requirement for success, and many of the organisations supporting small farmers likewise emphasise that they look for “passion” before they will advance loans or other support. But among ministers and officials the ruling passion is for something quite different — redistribution.

**There is a gulf between the priorities of cabinet ministers and those of small black farmers, whose focus is on practicalities.**

Before examining land reform policy and suggesting alternatives to it, this paper will look at the small farmer sector, the problems it faces, the environment in which it operates, and what’s gone wrong with land reform. But first some statistics.

## **Most commercial farms are small and have annual turnover below R1m, so their net income is lower than that of the average civil servant.**

### **Statistics on farmers**

Agriculture accounts for 2.4% of gross domestic product (GDP) and 4.4% of total employment. According to the Development Bank of Southern Africa, in 2009 the country had fewer than 40 000 commercial farmers, of whom fewer than 2 500 produced more than half of gross farm income. More recently the government has said South Africa has only 35 000 commercial

farmers. Most commercial farms are small and belong to white families. Most of them have an annual turnover of less than R1 million, which means, according to the Eastern Cape division of Agri SA, that their net income is lower than that of the average civil servant.

Some of the commercial farmers are black, among them 323 large growers of sugar cane, but the actual number of black commercial farmers is not known. Agri SA, South Africa's largest agricultural association, says 700 of its black members are commercial farmers. Afasa says a third of its 10 000 members, spread across livestock, field crops, and horticulture, are "farming for the market," but that only 2% of them are doing so successfully. Mr Mahanjana admits that this is a very small proportion. However, he points out, most white farmers are running hand-to-mouth operations.

Commercial farmers are essentially those who run farms as businesses seeking profits through agricultural markets. Subsistence farmers are mainly those growing crops or running livestock to feed themselves and their families rather than generating products for the market. The farmers in between defy easy definition. They are sometimes defined by income, sometimes by the amount of land to which they have access, and sometimes by quantities of output or livestock. The term "smallholder" or "small-scale" includes subsistence farmers, most of whom are to be found on communal land in the former "homelands". However, the former "homelands" also include both established and "emerging" or "developing" commercial farmers, some on communally-owned and some on private land. In 2009 the development bank counted 35 000 emerging commercial farmers in communal areas. Such farmers seem to prefer the term "developing" to "emerging", however.

Although widely used, the term "smallholder" is not really helpful because it may or may not include subsistence farmers. "Emerging" suggests moving from subsistence to commercial, but the move may be in the opposite direction thanks to drought and/or other factors. The numbers below are therefore all subject to these qualifications.

The National Development Plan (NDP) adopted in 2012 identified 440 000 households known to have enough land to "farm at some scale". The Institute for Poverty, Land, and Agrarian Studies at the University of the Western Cape said some 200 000 smallholders were regularly producing a surplus for sale and were ready to expand. Agri SA said in 2010 that there were 120 000 "emerging" farmers in South Africa, possibly basing this figure on one provided by Statistics South Africa. The Standard Bank said there were 50 000 "developing" farmers.

**Some commercial farmers are black, but the actual number of black commercial farmers is not known.**

A confidential Agricultural Policy Action Plan (APAP) approved by the Cabinet in March 2015 gave the number of smallholder households in 2012 as 164 000, three quarters of them in former homelands. (This would leave 41 000 in the former "white" areas, some of whom

might be successful land reform beneficiaries, some of whom might have purchased land on the market since the repeal of the Land Acts in 1991, and some of whom might have escaped forced removal from the “white” areas by the previous government.)

## **Land reform has not yet translated into a sufficient number of sustainable new black farmers.**

Some of the biggest numbers of developing farmers are in timber and sugar. Last year there were about 24 000 small timber growers and a similar number of small cane growers, most of them on communal land and most of them supplying larger companies. But their numbers have been shrinking,

and may now shrink faster given the severity of the present drought, said by the Agricultural Business Chamber (Agbiz) to be the worst since reliable records began to be kept in 1904.

Other sectors have much smaller numbers of developing farmers: 100 in mohair, 200 in deciduous fruit, 50 in potatoes, and 60 producing wine grapes, for example. In macadamia nuts, the South African Macadamia Growers’ Association includes among its 518 members 78 smallholder black farmers, most of them on communal land in the former Venda homeland in the north east of the country. In the same area there are 54 black avocado growers. Of the 1 500 members of the Wildlife Ranching Association, the national association of game breeders, 15 are black.

Grain SA, which runs a farmer development programme for maize, wheat, and other grain farmers, gives an idea of the relative sizes of various types of farmer in that sector: its members include 3 500 white commercial farmers, 123 “new era” black commercial farmers harvesting more than 250 tonnes a year, 1 133 smallholder farmers with more than 10 hectares at their disposal producing fewer than 250 tonnes, and 6 002 subsistence farmers with fewer than 10 hectares who produce only for household use. The black farmers are on communal land, redistributed land, their own private land, and leased land. The 123 “new era” farmers have their own tractors, but they hire combines with drivers to do their harvesting.

The developing farmers in timber and sugar predate 1994. The APAP report indeed said that “land reform has created few smallholder opportunities to date”. A paper on “rural transformation” published by the Presidency as part of a Twenty-year Review of the period 1994 to 2014 reached much the same conclusion. It remarked more than once that “land reform has not yet translated into the establishment of a sufficient number of sustainable new black farmers”. Mr Zuma said that around 11 000 new smallholders had been established since 2009, but that only 5 381 were still involved in agriculture and only 3 910 were linked to markets.

## **The number of commercial farmers is steadily shrinking, while small commercial farmers are rapidly disappearing.**

Targets for new smallholders are nevertheless ambitious. Following adoption in 2009 of a policy aimed at promoting the smallholder sector, Mr Zuma spoke of subsistence farmers ready to embark on commercial production and 230 000 commercial farmers, mostly in former homelands, ready to expand beyond the homelands. The Agricultural Policy Action Plan spoke of increasing the number of smallholder households from 164 000 in 2012 to 400 500 by 2019 — that is, by 236 500. The New Growth Path published by the minister of economic development in 2011 envisaged 300 000 more households in “smallholder schemes” by 2020.

These ambitious targets do not seem to take account of the fact that the number of commercial farmers is on a long-term shrinking trend, while small commercial farmers are disappearing “at an

alarming rate”, to quote the APAP document. The number of dairy producers, for example, has decreased from 3 899 in 2007 to 1 834 in 2015 as struggling small farmers are taken over by larger producers who survive thanks to economies of scale. The wine industry has been losing a hundred farmers a year, partly because farmers diversify into citrus and other fruit that offers higher returns.

## **Estimates of the numbers of households involved in subsistence production vary between 1.3m and 2.8m.**

Given these factors, the development bank’s more modest target of 35 000 “emerging” farmers in communal areas seems more realistic. Comprehensive financial and technical support for them, the bank suggests, could help them expand their farming operations into commercial areas close by. However, unless these farmers are able to become landowners with secure title, their prospects for expansion seem extremely limited. And even if they have secure title, they face daunting prospects because the finance they are able to secure against such title is often not sufficient for all the working capital they require to get going. “High input costs”, says Afasa, “choke start-up enterprises such that many fail to thrive beyond the inception phase.”

Estimates of the numbers of households involved in subsistence production vary between 1.3 million and 2.8 million. As we shall see below, their contribution to agricultural output is minimal.

### **Statistics on land ownership and race**

Providing a racial breakdown of South Africa’s rural landowners is almost impossible. In the first place the state owns some 22% of the land in the country, including land in the former homelands, most of which is occupied by black subsistence farmers who have no title and seem unlikely to get it any time soon. This leaves around 78% of land in private hands, but the race of these private owners is not known.

Although land transferred by the state from white to black by restitution and redistribution is well below the target of 30%, that figure might already have been exceeded if private transactions are included. However, it is not known how much land blacks have acquired on the market, because this is not reflected in the statistics. The minister of rural development and land reform, Gugile Nkwinti, himself said in 2014, “I myself bought land, but this is not reflected when we measure black ownership”. This is presumably true of other blacks in politics, the public sector, and business who have bought farms. A study in KwaZulu-Natal found that 49% of that province’s agricultural land (including state land) was in black hands, 16% in white hands, and 36% in the hands of people whose racial identity was not known. The government is conducting an audit to determine land ownership by race.

The land redistribution process does not necessarily result in increases in individual black land ownership, because large proportions of the land acquired are taken into state ownership. Land is thus redistributed not from white farmers to black farmers but from white farmers to the state. Moreover the control of land by traditional leaders is to be strengthened, so that title to communal land is not available for transfer to individual black farmers. The ANC does not wish to antagonise traditional leaders, but it has also said that it does not want “BEE types” to buy up communal land. Ironically, this echoes provisions in the Land Acts which prevented whites from buying up land in the former homelands: without this prohibition, blacks might in fact have owned even less land than the 13.7% often referred to as their share in terms of the Land Acts.

## **Redistributed land goes not from white farmers to black farmers but rather from white farmers to the state.**

According to Mr Nkwinti, 92% of land restitution beneficiaries opted for financial compensation instead of land. "We thought everybody, when they got the chance to get land, would jump at it." But they had become urbanised and "deculturised" in terms of tilling and preferred to earn wages. South Africa no longer had a peasantry.

## **Gwede Mantashe says most land claim beneficiaries prefer to sell their farms, while their children are not interested in farming.**

The secretary general of the ANC, Gwede Mantashe, said most land claim beneficiaries preferred to sell their farms. Nor were their children interested in farming or studying agriculture. Rural development had not attracted black entrepreneurs. Statistics South Africa found in 2014 that agriculture accounted for only 0.7% of businesses in the informal sector, against 54.4% in trade. If activities reflect choice, then agriculture is the least attractive option.

Had restitution beneficiaries opted for land instead of money, black ownership of agricultural land would be higher. The Land Bank says many people want to farm passionately, but that most of these are 40-45 years old and upwards. Young blacks are not interested because they've seen their parents fail. Jerry Madiba, chief executive officer of the Agricultural Sector Education and Training Authority (AgriSeta), confirms that "young people do not find agricultural careers attractive".

The drought will no doubt have decimated the numbers of successful farmers of all races, while discouraging many others from even contemplating trying to make a living out of agriculture. People retrenched elsewhere have been among those taking up farming but the drought will be a major disincentive.

There are large tracts of high-quality land in the former homelands that are not being farmed. Many farms that have already been transferred from white to black are lying fallow. Some have even been abandoned. Yet the government seems determined to transfer even more land, inter alia by reopening the land claims process until 2019 and actively encouraging the lodging of additional land claims. Estimates of the cost of meeting these additional claims range between R129 and R179 billion, which is unaffordable. According to President Jacob Zuma, 120 000 new claims have been lodged. This exceeds the 77 610 lodged before the earlier cut off date of 1998 that have already been settled, with possibly as many as 8 000 still outstanding. The amount set aside in the 2016/2017 budget for land claims for the next three years is R10 billion.

There is a view among some in the agricultural sector that the reopening of land claims is designed to tie them up indefinitely in red tape and legal action as claims and counterclaims are investigated and contested. This, it is argued, will bring the whole process to a halt. However, a new expropriation bill currently proceeding through Parliament will entitle the state to take "custodianship" of this land without paying compensation. This means that, under the guise of agrarian reform, land could be nationalised rather than transferred from white farmers to black ones. Black farmers would then become tenants of the state and so dependent for their livelihood on the goodwill of the ruling party.

## **Many farms transferred under the land reform process are lying fallow. Some have even been abandoned.**

Mr Nkwinti has already said that land transferred will be subject to leasehold to stop any sales to whites after transfer. Whether for this or other reasons, leasehold has been the only form of title available to new black farmers for several years now. Grain SA says it has "thousands" of

## **Some black farmers leasing land from the government hesitate to make improvements as they fear the land will be taken from them.**

black farmers producing commercial yields, but that they cannot get access to finance because they do not have title deeds. The dreams of new entrants, the organisation said, had been left in shambles because they could not gain access to finance. Some black farmers leasing land from the government are hesitant about making improvements as they worry that the land will be taken away from them and given to people with political connections.

According to Nerpo, only about 5% of smallholder farmers own their farms. The rest, it says, produced under “precarious land-tenure arrangements” either on land leased from the state (15%) or on communal land (80%). The government, however, seems unwilling to change this.

### **The economic context**

In addition to all the normal risks in starting and running a business, farmers are confronted with the weather as well as disease among both crops and livestock. They face price fluctuations probably more volatile than those confronting producers of minerals. Veld fires, soil erosion, weeds, pests, stock theft, other types of crime, and predators are further hazards.

Farmers are also heavily dependent on rural infrastructure, including roads, railways, dams, and storage facilities, maintenance and/or provision of which has lagged requirements. Backlogs in communal areas are even greater. Among many problems in these areas is the absence of fences, with the result that livestock can decimate crops.

Land reform in South Africa was launched at the same time as the agricultural sector was liberalised and deregulated, one result being that guaranteed markets ceased to exist, as did price support. Whereas the US, the European Union, and other rich countries such as Japan give major support to their farmers via price support, subsidies, tariff protection, and other mechanisms, South Africa generally does not, so that our farmers compete on a global playing field tilted against them. The current drought is likely to lead to bankruptcies and further consolidation of smaller farms into bigger ones.

Access to land is only one of the essentials for farming: others include working capital, knowhow, machinery, labour, fuel, electricity, seed, chemicals, feed for livestock, security, and water. The weakening rand will push up the price of fertiliser and chemicals, since most of these are imported. High and rising electricity prices represent additional challenges, as do water shortages and minimum wage decrees, among them the 52% increase in minimum wages imposed by the minister of labour at the beginning of 2013. The cost of production as a proportion of annual turnover in agriculture has risen from 43% in 1994 to 57% in 2013, making economies of scale essential.

Some two thirds of agricultural land is suitable only for stock farming, and only about 13% is suitable for intensive crop production. Access to markets is no less important than access to land. Maize can be sold to local co-operatives, but fresh produce markets are declining. According to Pick n Pay, a major retailer, the government has not invested sufficiently in a market system, so big retailers buy directly from farmers, which squeezes out the smaller ones who supply markets. The movement of large retail supermarket chains into rural towns has hurt small-scale farmers by depriving them of local markets.

## **Access to land is only one of the essentials for farming.**

All of this means that the challenges facing farmers, even established farmers, are getting tougher. For developing and other small farmers they are exceedingly tough — and may indeed deter many people from becoming farmers in the first place. Politicians focused on land redistribution and/or creating thousands of new small farmers showed little awareness of what they were letting other people in for. Where a farm once supported a single family, it was suddenly expected to support dozens of families, not all of them committed to farming. Collective ownership often meant conflict, and the absence of anyone able to make decisions. A once productive asset has thus in many cases become a poverty trap. The new owners of the farm have become dependent on external sources of income, such as social grants or wages and salaries earned elsewhere.

## **The challenges facing farmers are getting tougher, but the government shows little awareness of this.**

### **The social context**

The Department of Rural Development and Land Reform believes that South Africa's cities are suffering from "the increasing strain of over-urbanisation". Hence the adoption in 2009 of a

comprehensive rural development strategy to develop the rural areas as alternatives to the urban centres. However, according to the twenty-year post-apartheid review published by the Presidency, rural poverty is deepening and people are moving to large informal settlements in town. Rural areas are being drained of economically active groups. "For many South Africans, moving is increasingly becoming a key component of their strategies for getting ahead in life. Migrants tend to be younger, better educated, and more likely to be female." Towns in former homelands are showing economic vitality arising from jobs in the civil service and the informal sector, including tourism and mining. Social grants are stimulating small-scale entrepreneurial activity and the provision of services. Plenty of houses are being built by private owners.

Social grants are the most important source of income for people living on communal land, where smallholder production has declined, partly because of declining agricultural support (or extension) services. Grants contribute half of small household income, sales of farm products less than 4%, and wages, salaries, and remittances the rest. Farming is undertaken when other sources of income fall away. An official of the National Emergent Red Meat Producers' Association (Nerpo) said social grants were destroying rural communities and undermining the ability of poor people to support themselves with subsistence agriculture, a point echoed by an official of the Azanian People's Organisation (Azapo).

Studies in Limpopo and the Eastern Cape show that many people with access to land for farming are not doing anything useful with their land. According to APAP, the former homelands contain "hundreds of thousands of hectares of underutilised land (if not more)" that can be put back into production. Sam Motsuenyane, a leading businessman and farmer, said in 2011 that large tracts of land owned by the government were lying fallow and underutilised.

Participants in the Afasa conference said that many farms issued to blacks were lying fallow. According to the Transvaal Agricultural Union many "land claim" farms have been rented out by the government to commercial farmers to keep them in production. Other commercial farmers report that they have rented farms from land reform beneficiaries, who have then declined the offer of training and mentorship, content simply to receive a regular payment for rent. According to one major agricultural organisation, "plenty" of land transferred to blacks has been leased to white farmers.

## **Smallholder production has declined among people living on communal land.**



This all prompts questions. If people who already have access to land are not using it for farming purposes, why should future beneficiaries of land transfers be any different? Why are additional land transfers necessary if land already available for farming is not being used for that purpose? And if it is not being used, why not? What can be done to bring it back into production?

## **Why are additional land transfers necessary if land already available for farming is not being used for that purpose?**

### **The political context**

The political context is of course racially discriminatory land laws. The Land Acts of 1913 and 1936 prohibited Africans from buying land outside the area set aside as their putative “homelands”, which comprised only 13.7% of the land surface of the country. At the same time non-Africans were prevented from buying land in the homelands. Although this provision stopped more dispossession than

had already taken place before 1913, the acts were seen as rooted in the colonial system, in which apartheid itself is said to be rooted. The homelands were seen as reservoirs for the supply of labour to the mines and other industries in the supposedly “white” area. Black poverty today is widely seen as a direct consequence of land dispossession, with the result that reversing dispossession is seen as the antidote to poverty. Land reform policy cannot be understood unless it is seen in this context.

Another important part of the context is the previous government’s forced removal programme. Under this, at least two million Africans were uprooted from the “white” area and deposited in concentrated settlement camps in one or other of the homelands, often with little means of livelihood. This policy of what today would be called “ethnic cleansing” was a key component of apartheid ideology, and it was imposed on voteless people without regard to costs, consequences, property rights, or fair legal procedures. It often targeted peasant communities whose land was taken away from them, even if compensation was sometimes paid. Many families were moved more than once. Where once they had houses, they were provided with tents. Sometimes they were forced to sell their livestock. Destruction of livelihoods meant rises in deficiency diseases and infant mortality.

Forced removals also took place under the Group Areas Act of 1950. This applied mainly in urban areas, and its major targets were the coloured and Indian minorities, among them traders who were forced to vacate premises in “white” areas. At least 126 000 families were forced to relocate by the Group Areas Act.

Land restitution — provided for in the Restitution of Land Rights Act of 1994 — is aimed at restoring land to, or compensating, people who were dispossessed of their land through discriminatory laws since 1913. By contrast, land redistribution is a wider process aimed at transferring land from white to black irrespective of whether the particular land in question was forcibly removed from black possession.

**Black poverty is seen as a direct consequence of land dispossession, so reversing dispossession is seen as the key antidote to poverty.**

### **Failure**

Mr Nkwinti said in 2009 that the government had spent more than R6 billion buying land for emerging farmers, but that more than half had failed. In 2012 he said that in most

cases of transfer a farm which started off as a going concern collapsed. About a third of the farms transferred have been classified as “distressed” and targeted for “recapitalisation and development” with the assistance of mentors and strategic partners drawn from among farmers, co-operatives, and organisations representing producers of the various agricultural commodities.

## **The ANC has embarked on a major piece of racial and social engineering with little technical knowhow or managerial capacity.**

minister’s key performance indicator was how much land was taken away from commercial farmers without thinking of its likely impact on food production. “I think we made a mistake in 1994,” he said, but we were “too angry about the bantustan system, without thinking strategically.”

Mr Mboweni’s admission is no more than the truth. But the ANC and the government also ignored the likely impact on would-be beneficiaries of just dumping them on farms without adequate support. According to the development bank, this country spends three times as much on agricultural extension services as a proportion of agricultural GDP as the global average (2.7% versus 0.9%). But farmers often know more than the extension officers, who in any event, according to APAP, visit only 13% or 14% of small farmers. These and numerous other failures have been widely documented in various official reports.

In a nutshell, the ANC embarked on a major piece of racial and social engineering with little technical knowhow or managerial capacity to follow through, let alone deal with the consequences. Whereas white governments nurtured white farmers, South Africa’s first black government neglected black ones. Land reform has been massively mismanaged, with tragic consequences for some of its supposed beneficiaries.

This failure applied not only to farmers settled on redistributed land, but also to communal farmers and other small black farmers who might have been helped to expand and purchase additional land. The paper published by the development bank in 2009 said that large numbers of commercial farmers in communal areas had proved themselves able to produce surpluses under the most difficult circumstances. They needed various types of support to enable them to expand. The bank could not understand why this had not been provided.

### **Success and support**

On the assumption that real success refers to farming itself rather than to land transfers, there have of course been successes. Some have nothing to do with land reform or the government but are simply manifestations of successful entrepreneurship on the part of black farmers. There were, after all, successful black entrepreneurs in the apartheid era in both agriculture and other sectors, and the same is true now. It was obvious that the participants in the African farmers’ conference saw themselves as entrepreneurs.

**Black farming successes often have nothing to do with land reform or the government but rather reflect successful entrepreneurship.**

## **Lots of individual white farmers are assisting their black counterparts without government help and outside formal structures.**

There have also been successful initiatives between white and black farmers. Some of the biggest of these date back three or four decades. Small cane growers were contracted long before 1994 to supply sugar mills. Shortage of fibre caused the timber industry to start contracting black growers in communal areas to supply logs to the sawmills from the early 1980s. Some of these arrangements in both timber and sugar can no doubt be repackaged as land reform or black economic empowerment (BEE), but they predate these policies. In both timber and sugar, large companies have divested themselves of some of their land and sold it to black farmers, with whom they have remained involved instead of simply walking away. Almost a fifth of land under commercial cane cultivation in South Africa is owned and farmed by black farmers.

The forestry industry points out that its programme to outsource growing to small farmers was implemented with neither financial nor technical support from the government. All of this has come from the timber companies themselves. There are various formulae according to which the small growers — many of whom are women — supply timber. Some small growers have consolidated themselves into much bigger ones. And according to Mike Peter, executive director of Forestry SA — which has its own grower development programme — there is still plenty of land available in former homeland areas for timber growing.

More recent initiatives to assist small farmers have been taken by individual farmers, commodity organisations, agricultural co-operatives and training associations, non-profit organisations, and large companies. Mr Mahanjana says lots of individual white farmers are assisting their black counterparts outside formal structures. South African Breweries is helping 102 barley farmers, John Deere is training farmers to prepare land, Potatoes South Africa is assisting 14 small potato growers, a number which it hopes to push up to 50. The South African Pork Producers' Organisation (Sappo) has 20 small farmers on a mentorship program, and Tiger Brands buys 30% of its tomatoes for tomato sauce from emerging farmers in Limpopo province. Partnerships are also to be found among woolgrowers, in the citrus industry, in retail, and no doubt elsewhere. Some are the result of pressure from the government: Massmart, for example, aims to attract 1 500 small farmers to its supply chain in the next few years following conditions laid down by the Competition Commission for its takeover by Walmart.

Grain SA's development programme aims at empowering farmers to continue profitably, to bring unproductive land into full production, and to enable all grain farmers to speak with one voice across racial lines. It runs study groups for small farmers, and distributes information to them via a monthly newsletter published in

seven languages. It also runs training courses on subjects ranging from basic engine repair to business ethics to health and safety to farming for profit. Courses include introductions to dry bean, soya, sunflower, groundnut, barley, wheat, and maize production. The organisation, which employs 13 trainers on contract and 24 full-time extension officers, further encourages established farmers to act as mentors to developing farmers to help them use their land productively. Some of these are older farmers with time on their hands because their sons have taken over their operations. But, says Jane McPherson of Grain SA, "This is a calling.

**Grain SA runs study groups and training courses, and distributes information via a monthly newsletter published in seven languages.**

Their hearts must be in it." The Department of Rural Development and Land Reform finances payments to the mentors of R10 000 a month.

## **The IDC says most of the success stories are driven not by the government but by private sector initiatives.**

Once the smallholder grain farmers are producing more than 250 tonnes a year, they are handed over to commercial farmers in the area to give them a network of support and "fast track their integration into the commercial sector". But progress has been slower than anticipated, partly because many farmers do not meet the security requirements of the Land Bank and other lending institutions, nor do they qualify for multi-peril insurance. Among other major problems is that mechanisation is often not available, and, where contractors are used, only they make money.

According to the Industrial Development Corporation (IDC), most of the success stories are driven not by government but by private sector initiatives. Agri SA says that the most successful land reform projects are those where beneficiaries enlisted the help of commercial farmers. This makes sense. There is a great deal more knowledge of farming in the private sector than there is in the government. Gwede Mantashe said that black emerging farmers lacked skills because dispossession was also a process of deskilling. Established farmers must therefore take emerging farmers under their wing. As already illustrated, many have in fact done so.

Some of the success stories were undermined by the government, however. Starting in 1996, a number of farmworker equity schemes were set up, especially in food exporting in the Western Cape, where black farmers used land grants to buy shares in operating businesses. The government imposed a moratorium on these in 2009 — "killed them just as they were starting to work", according to one of the banks — but later said this would be lifted.

TechnoServe, an international non-profit organisation, has rescued 300 failed restitution beneficiaries, and now works with 3 585 black farmers across five provinces, all of whom have been carefully vetted so that the organisation can satisfy itself that they have both the potential and the ambition to grow beyond subsistence. "Start with capacity," says Technoserve, "not ownership". Some of its clients own land, some lease it, and some have "permission to occupy" from traditional leaders. TechnoServe negotiates "off-take" agreements with buyers of farm produce, and then helps the farmers obtain production finance from a development institution against a cession of their harvest as the main security. It also helps to prepare loan applications to commercial banks, which are risk averse and require five years of production history and five years of financial statements as well as established links to markets before they will make any loans. The organisation employs 45 of its own extension officers to assist its farmers, and relies on corporate, charitable trust, and donor foundation support.

The Land Bank has some 300 emerging market farmers on its books whom it plans to help graduate to commercial status. They fall in between subsistence farmers and commercial farmers. The bank requires its clients to have access to land and water, a satisfactory credit record, and end-to-end support from intermediaries such as agricultural cooperatives or organisations such as TechnoServe. Support services include assistance with drafting business plans; transfer of technical, managerial, and financial skills; helping with access to markets; and advising on how to build an

**TechnoServe, an international non-profit, works with some 3 500 black farmers it sees as having the potential and ambition to grow beyond subsistence.**

asset base. The bank provides only production and medium-term loans, security coming from loose assets or off-take agreements with suppliers who pay the bank back directly on delivery of the crop. Intermediary organisations play a key role obtaining market access for small farmers.

Most of the bank's clients are on communal land or land leased from the government. They are expected to commercialise within five to eight years so that they can obtain finance on their own under normal lending criteria. They must, says the bank, be true entrepreneurs bent on profit and they must also be passionate about farming.

### **The Land Bank provides loans and other help for some 300 farmers.**

The Banking Association of South Africa and the Agricultural Business Chamber last year put forward a joint proposal to address the notion that commercial farmers should put aside 50% of their farms for the benefit of persons who worked there for 10 years or more. The association and the chamber further sought to address the proposal in the National Development Plan (NDP) adopted by the government in 2012 that 20% of commercial farm land should be transferred to the state at 50% of market value. The joint proposal is that the black participants will buy the land at market prices using government funds, with the commercial banks financing viable land reform projects according to their own lending criteria.

Other incentives for the private sector include BEE points obtainable by procuring from small farmers. A Standard Bank speaker at the Afasa conference emphasised this. He told them all to Google Tiger Brands on their smart phones to find out what its profit was and then ensure that 2% of that came their way. "Let the corporates pay for production experts to help you. If your tractor breaks down Tiger must pay out of the 2% for a mechanic to fix it." This bizarre proposal provoked a round of applause from the farmers, who until then seemed ignorant of BEE and were primarily concerned with getting a fair deal from the government. A proposal that no company that was not BEE compliant should be supported by African farmers elicited no interest.

Tiger for its part told the conference that it had 50 factories in South Africa and would like to replace its imports with local products from farmers both big and small. But there were four requirements: quality, delivery on time, decent return to shareholders, and competitive pricing.

Mr Mahanjana says that if he were minister he would put in place well-structured support mechanisms for existing emerging farmers selected according to a rigorous process to transform them into commercial farmers running profitable enterprises. Support would include grant funding for infrastructure such as irrigation and fencing, 50% grant funding for mechanisation, and a long-term low-interest facility for operational costs. But the focus would be on existing farmers, not new entrants. He urges the development of "a model for funding farmers and other agri-entrepreneurs with a clear growth path from grant funding to commercial loans" and independence of government support. On the other hand, support for subsistence farmers — such as free seed, fertiliser, herbicides, insecticides, vaccinations, and dipping — would be seen as a form of food security from which the government did not expect economic returns.

**Afasa says the government should focus on well-structured support mechanisms for existing farmers, to transform them into commercial farmers.**

## **The biggest failure so far is the government's own failure to transfer communal black land to private ownership.**

### **Summary of the story so far**

The biggest failure so far is the government's own failure to transfer communal black land to private ownership. This applies to vast tracts of land, including some of the most fertile in the country, where, on the government's own admission, agricultural output could be much higher. Collective ownership has also contributed to failure, as have corruption, incompetence, and skill shortages in the various government agencies dealing with land reform.

Another major reason for failure is the transfer of land without adequate financial and technical support, the latter in the form of advisory or "extension" services. This is now almost universally admitted. In the words of Mr Mantashe, "You can give land to as many farmers as you want but if you don't have support programmes [they] will fail". Salam Abram, an ANC MP who is himself a farmer and who served on the parliamentary committee for agriculture for twelve years, said land reform had been a "dismal failure" because no proper "after-settlement" support had been provided to beneficiaries. "The best mentors in South Africa are commercial farmers, and their support, which they had freely offered, was never really accepted by government" — despite the "tremendous goodwill" they had shown.

Where land reform has been successful, private sector involvement has been critical. Some of this has been driven by ordinary commercial factors, such as the timber industry's need to obtain access to communal land. In other cases government requirements have led to transfers of land, but again the continued involvement of the private sector has been vital. Government requirements have no doubt also contributed to the involvement of various agricultural associations in providing assistance to emerging farmers. The non-profit sector is playing a role, as are development institutions such as the Land Bank. Where development agencies can assist with finance, the commercial banks are also playing a role. But all of this is on a much smaller scale than can create or assist the tens — or even hundreds — of thousands more small farmers the government has in mind. And the scale on which the financial sector can assist is severely limited by failure to transfer ownership to land reform beneficiaries.

Another problem arises from the National Credit Act of 2014, designed as it is to prohibit what has been described as "reckless lending". Whereas organisations such as Grain SA can assist small farmers by taking their business plans to banks, it is extremely difficult for them to get finance even if they have title to the land. The costs of machinery, labour, diesel, seed, and other requisites are simply too high, and the risks higher than the banks are willing to run.

Previously, according to Ernst Janovsky of Absa, funding for small farmers came out of corporate social investment. Now it is regarded as part of black economic empowerment. But there must be guaranteed funding from third parties, as the banks are not in the "venture capital business".

But we must not forget the successes of black farmers who have made it by taking advantage of the repeal of the Land Acts in 1991 to expand or start farming enterprises where they could

**Many black farmers have used the repeal of the Land Acts in 1991 to buy land and start their own successful farming enterprises.**

not do so before. Land reform for them has not meant government support, but the opening up of opportunities arising from the repeal of apartheid legislation. The Eastern Cape division of Agri SA has indeed suggested that the government “carefully study the unheralded success stories of land reform, where black farmers have purchased ground without government assistance and are farming it successfully without fanfare”. Unfortunately, the numbers of such success stories are unknown. But as one of them said, “It is time to start looking at farms like any other business. We must abandon the emotional attachment to land ownership. This is not about restitution. It’s about running a profitable business.”

**“It is time to start looking at farms like any other business. We must abandon the emotional attachment to land ownership.”**

#### **The government’s agenda**

Government policy has sometimes stressed redistribution, while at other times the stress has been on creating (or re-creating) a new class of black peasant farmers. It now seems committed to doing both. In a speech at the beginning of the year, President Jacob Zuma said that “the challenges of poverty, inequality, and unemployment have their roots in the vast tracts of land that were stolen from the indigenous

people of South Africa. The speed of land reform and levels of support for emerging farmers must be radically accelerated. The ANC will continue to work with all sectors to find lasting and meaningful ways of effecting redress for the centuries-long injustice of land dispossession.”

One journalist reported that this was the first time Mr Zuma had used the term “stolen”, which has until now been associated more with the Economic Freedom Fighters. Mr Zuma was of course speaking at a gathering of his party on its 104th anniversary, 8th January 2016. Some may be tempted to downplay his remarks as designed for the occasion rather than as serious policy pronouncements. Widespread acknowledgement by the ANC of land reform failures might be expected to lead to fundamental changes in policy. However, after a meeting of its national executive committee on 27th January, the ANC said that “land reform (redistribution, restitution, development, and tenure) and agrarian reform [must be located] at the centre of our efforts to turn around the economy”.

The view that land ownership is the key to the reduction of poverty and unemployment is passionately held in government and the ANC. The Department of Agriculture, Forestry, and Fisheries (DAFF), says agricultural land ownership is the entry point to wealth creation. It believes that families can use their land to raise funds to start a business. They can grow their own food instead of depending on handouts. If people don’t have access to land, they can’t produce. This argument does not explain why many people in former homelands who do have access to land do not produce.

**The view that land ownership is the key to reducing poverty and unemployment is passionately held in government.**

At the Afasa conference at the end of October, Mdu Shabane, director-general at the Department of Rural Development and Land Reform said the government was never as ready as it was now to drive a radical reform agenda and rekindle black farmers. He described how they might graduate from subsistence to semi-commercial needing state assistance, to smallholders becoming commercial, to full-scale commercial farmers. However, he said, all the land had to be re-divided to banish famine and land hunger. Moreover, “the litmus test of all policies is whether or not they are redistributive in character”.

## **But most of those who have lodged land claims under the re-opened land claims process have opted for financial compensation.**

settlement of people on arable land simply for the sake of transformation would be “wasting a precious resource “. Yet the government is promising to speed up land reform without the money or the technical services that it knows are required.

Ministers and officials seem to have difficulty accepting that most land restitution beneficiaries want money rather than land. Lechesa Tsenoli, a one-time deputy minister of rural development and land reform, said that people should go for land, not financial compensation. This point was echoed by the chief land claims commissioner, Nomfundo Gobodo, who said that since the reopening of the land claims process in 2014 for another five years, most of those lodging claims had opted for financial compensation. However, she said, they should rather choose land as this would help to address land ownership patterns and also bring about redress for victims of forced removals.

Sometimes ministers contradict themselves and one another. Mr Nkwinti said he wanted strategic partners rather than many more land claims and that “this obsession with a 30% redistribution target does not speak to food security at all” and was indeed a waste of money. But he also said he would pursue redistribution for ever if need be. Although he is himself the sponsor of the proposal that farmers should give half their farms to their employees, Mr Nkwinti said “there’s a big difference between being a labourer and being a manager of a farm”. Mr Mantashe says it will be counter-productive if South Africa embarks on reckless land reform, but that restitution is inevitable and whites should stop defending the status quo. Some officials want white farmers to pack up and leave, others want them to stay on the land and help land reform beneficiaries.

As we have seen, this is what many farmers and other organisations in the private sector are doing. The minister of agriculture, forestry, and fisheries, Senzeni Zokwana, said in March 2015 that “there is no way the government will make laws that aim to drive white farmers off their farms”.

Even before the recent drought took hold, some agricultural organisations were convinced that the government was getting worried about food security and beginning to realise that unproductive land is a liability, especially when jobs are lost. Mr Zokwana has thus said that the “government wants to partner with successful commercial farmers so that they can act as mentors, making sure that farms transferred do not become unproductive”.

Although the Zuma government is widely seen as lacking direction, several additional laws to give effect to land reform have already been enacted or are in the pipeline. One is the expropriation bill referred to above. It will empower the state to expropriate land at a take-it-or-leave-it price, although if the agency expropriates as “custodian” of the land rather than on behalf of a new landowner, no compensation will be payable. Provision is being made for compulsory disclosure of all land holdings.

Mr Shabane said that hindsight had made the government wiser. This is at best only partly true. In November 2007 one of his predecessors, Thozzi Gwanya, said there was little point in speeding up land reform if the country then “ended with assets dying in the hands of the poor”. Mr Shabane himself acknowledged several years ago that indiscriminate

**Gugile Nkwinti has criticised the 30% redistribution target for ‘not speaking to food security’ but also talked of pursuing redistribution ‘for ever’.**



## **The government wants the state to become the custodian of all farm land. The use of water by farmers is already subject to official control.**

Another proposal, already referred to, is the one in the National Development Plan for farmers to hand over 20% of their land to the state at half its market value, in return for which farmers will supposedly be protected against losing their land in future. Also as already noted, the government is planning to limit sizes of farms, any excess to be expropriated, while a valuer general appointed in August 2015 will determine land prices. The plan to compel farmers to hand over up to 50% of their farms to their workers appears to have replaced an earlier plan to encourage farmers to move their workers off their land and into “agri-villages”, where, in addition to commuting to work, they would be able to farm for their own account on leases granted by the state.

Other plans are to strengthen the occupancy rights of workers and families living on farms and give them greater protection against eviction. The government is also planning that the state will become the custodian of all farm land, and that it will then award rights or licences to farm, subject to certain conditions. The use of water by farmers is already subject to official control. There has also been talk of a land tax to discourage large ownership, capital intensity, and underutilisation. Foreigners will be allowed only to lease land, not to own it. Protections against expropriation contained in bilateral treaties with various, mainly European, countries are being replaced by legislation recently signed into law that will lessen such protections in agriculture as well as in other sectors of the economy.

This is a formidable list. As Mr Shabane told the farmers’ conference, “We need policy, legislation to give bite to policy, and the institutions to drive change”. Even though the institutions may often be weak, there is little doubt that the government intends to equip itself with major powers both to regulate the agricultural sector and to remove some of the legal obstacles to faster land reform.

Mr Shabane also said that giving land was not enough, as the government wished to change the ownership structure of agriculture, including tractor and fertiliser companies, abattoirs, and hatcheries. Policy is becoming more and more ambitious. The “agri-parks” to be established in all 44 district municipalities across the country are designed to lay the foundation for rural industrialisation and stimulate rural industrialists. Farmers, both emerging and commercial, will own 70% of them and the government and other interests 30%. According to Mcebisi Skwatsha, deputy minister of rural development and land reform, they will create 300 000 new smallholder farmers and 145 000 new jobs in agro-processing. Some R2 billion was set aside for them in the 2015 financial year, he said. This year the government has also budgeted to spend R4.6 million to acquire 1.1 million hectares of land and “create 1 107 farms”.

## **The government also wants to change the ownership of tractor and fertiliser companies, abattoirs and hatcheries.**

Although the government admits to some of the failures of land reform, and may indeed wish to avoid displacing bigger commercial farmers, policy is driven not by actual demand for land but by four other factors. One is to redistribute and so effect redress for the Land Acts. The second is to bring land ownership into line with the Freedom Charter, which says that “all the land” shall be “re-divided amongst those who work it, to banish famine and land hunger”. The third factor is the belief — repeatedly voiced by people from Jacob Zuma down — that land ownership per se is a source of wealth and the answer to poverty, inequality,

and unemployment. The fourth is ideological hostility to the “willing-buyer-willing-seller” concept, seen as a compromise too far when it was incorporated into the property clause of the Bill of Rights during the negotiations for a new constitution. “Willing buyer willing seller” is incorrectly blamed for the supposedly slow pace of land reform, when in fact large numbers of farms have exchanged hands on the open market.

## **The ideological thrust of policy is out of line with reality. It overlooks the needs of aspirant black farmers and many other factors.**

This ideological thrust is out of line with reality and experience. In particular, it overlooks the fact that many of the supposed beneficiaries of land redistribution have found themselves trapped in poverty. The thrust of policy also fails to take into account the needs of aspirant black farmers, the country’s need to avoid turning itself permanently into a net food importer, the need to restore confidence among local and foreign investors, the need to speed up the rate of economic growth, and the need to reduce unemployment. Putting ceilings on the sizes of farms ignores the economics of agriculture, and also seeks to counteract the long-term trend towards consolidation and economies of scale. Some agricultural organisations suspect that the purpose of the land ceilings and the 50-50 sharing requirements is to induce farmers to offer their land to the state. The agriculture minister has suggested that white farmers could then lease some of their land back.

The determination to pursue land redistribution, whether for its own sake or as the answer to poverty, is also at odds with the wishes of land restitution beneficiaries, most of whom have opted for cash instead of land, even though the relevant ministers were both surprised and annoyed by this. Moreover, as the Presidency has itself reported, rural people are moving to town in large numbers. They obviously disagree with the government’s view that land is the answer to their plight. In the words of Mondli Makhanya, a prominent journalist, despite tireless mobilisation by land activists and non-governmental organisations, the passions of the rural poor are not stirred by land. They continue to head for the cities in search of jobs.

### **An alternative approach**

As we have seen, the private agricultural sector is busy with initiatives to promote land reform in such a way as to avoid damage to agriculture. Black farmers do not seem to share the government’s hostility to their white counterparts. It is clear in fact that black and white farmers have a great many interests in common.

But a fundamental rethink of government policy is also required. This entails learning from previous mistakes, building on success rather than risking further failure, viewing land not as the be-all and end-all but as only one of a number of agricultural inputs, abandoning grandiose plans and overambitious targets in favour of a more pragmatic approach, treating white farmers as partners rather than as thieves, and investing in extension services. It also entails recognising that national “food security” depends on a prosperous capital-intensive agricultural sector based on economies of scale, and not on creating a new class of small farmers. This does not mean that subsistence farming or small commercial farming should not be helped in various ways, only that its contribution to national food production is likely to remain small.

**Rural people are moving to town in large numbers. They don’t agree with government that land is the answer to their plight.**

A new policy would focus on farmers rather than land. It would start by recognising the importance of entrepreneurship. Agriculture has many attractions, but it's an exceptionally high-risk sector as most farmers face the challenge of turning an inert and often barren, dry, and rocky asset into a productive farm. A new policy will also recognise that land is only the starting point for agriculture. Without all the other inputs — from finance for seeds and fertiliser and implements, to water rights, to access to markets and knowhow — no farmer will produce anything.

## **A new policy would focus on farmers rather than land. It would also recognise that land is only the starting point for agriculture.**

issue the government should address, with landlessness and land claims only ninth on their list of priorities. This applies irrespective of age or party-political allegiance. An Institute survey conducted in 2015 showed that only 2.2% of South Africans thought "more land reform" was the "best way to improve people's lives", whereas 78.3% cited "more jobs and better education".

Miraculously, perhaps, despite the Land Acts, South Africa is in the fortunate position that demand for farm land can probably be met without the disruptions and cost of radical redistribution, especially as ageing and/or distressed farmers put their farms on to the market.

How then would a new policy accommodate the various types of farmer: developing farmers who are already farming outside communal areas; people wishing to take up farming outside communal areas; established commercial farmers; and farmers in communal areas? Common to all four is the critical need for secure individual title. According to Nerpo, without tenure security "there is little hope of ever developing smallholder farmers to competent commercial farmers".

Where developing farmers outside the communal areas have already established themselves and wish to expand, the question is whether the state should buy additional land for them. If so, will it also finance the expansion of assets of entrepreneurs in other sectors, such as retail or manufacturing? On what basis would it choose to favour some sectors over others? Rather than providing such farmers with additional land via redistribution, the state could sell to them some of the land it already owns, purchase to be financed by the banks against secure title. The role of the state should be confined to investing in better rural infrastructure and better extension services.

**All farmers, from commercial to smallholder and communal, critically need secure individual title.**

Both are critically important. The provision of infrastructure such as roads, railways, dams, and so on is clearly a function of the state. Electricity, abattoirs, produce markets, milling, and storage facilities can be provided either by the state or by the private sector. Deregulation of agriculture has in fact meant that there has been an increase in the number of small abattoirs and of small-scale millers in rural areas.

Extension services need not be provided by the state itself. It has little capacity to do so. But the government itself now recognises that "no restitution or land reform project can go ahead without

## **The state should issue vouchers for emerging farmers to buy extension services from private providers.**

farmers, providers would include specialist firms, both profit and non-profit. But the various commodity organisations in agriculture — from dairy to wool to grain to livestock to citrus — would supply them as well. They already have the expertise, and many are already supplying such services. The government itself is planning to register experienced black farmers to perform the role of mentorship and strategic partnership. Vouchers would enable this type of skills transfer to take place on a much larger scale.

They could be financed in part by the training levies collected by the South African Revenue Service on behalf of AgriSeta. The levies (which are applied in other sectors as well) are collected from 3 500 employers in the agricultural sector with annual payrolls exceeding R500 000.

The second category of farmer to be accommodated would be those who wish to start up farming in the former “white” area. As already noted, their numbers are quite small. Should the state buy land and hand it over to them? If so, would it do the same for people who wish to start enterprises in other sectors? A better option would be for the state to lease to them some of the land it already owns with a firm option to buy as soon as they can afford to put down a deposit. The same could apply to commercial farmers in communal areas who may wish to expand into the commercial area. Purchase would be financed by banks against secure title. Again the state would fulfil its role of investing in rural infrastructure and financing extension services.

Would the state, however, go beyond this by providing guarantees for loans to farmers for working capital once they have title to the land? Unless it does so, the number of “developing” farmers who can grow into commercial farmers is likely to remain extremely limited. Many will fail because they cannot afford to buy such a basic thing as a tractor, let alone all the other essentials to make a success even of small farming. Unless the government makes a political decision to provide, or guarantee, working capital to small farmers, it should abandon its ambitious targets and avoid setting up even more poor people for failure.

Guaranteeing loans for such farmers would be a much better investment than spending R2 billion on grandiose projects such as agri-parks or providing guarantees to keep state-owned enterprises such as South African Airways in operation. In his 2016 budget the finance minister, Pravin Gordhan, announced government guarantees worth R467 billion for state-owned companies. This is equivalent to 11.5% of gross domestic product (GDP). Privatising some of these companies would be a good way to raise the funds to help small farmers to make a go of it.

As far as established commercial farmers big and small are concerned, the state should leave them in peace to feed the nation. It should avoid policies that have the unintended consequence of displacing farmworkers from commercial farms into shack settlements in

a viable business plan, training, mentorship, partnerships, and other forms of support”. Given its own lack of capacity to provide these things, the state could issue vouchers for emerging farmers to buy extension services in the form of technical, financial, and managerial advice from private providers. The market would supply these more quickly — and more cheaply — than the state. In addition to individual

**As for established commercial farmers, big and small, the state should leave them in peace to feed the nation.**

rural towns, as has already happened on a substantial scale. All of the 8 000-plus remaining land claims lodged before the original cut-off date in 1998 should be settled, but the decision to reopen land claims until 2019 should be reversed. There is no reason to believe land transferred in this way will be any better farmed in the future than in the past. The state cannot afford the gargantuan outlays. The alternative of expropriation without compensation will undermine food production and further damage the wider investment climate.

**Land is not the answer to anaemic investment, tepid growth and exploding unemployment. The only solution is to push up the economic growth rate.**

With regard to communal areas, the solutions are obvious. Provision of infrastructure and more extension services are of course essential, along with working capital. We know from the government itself, as well as from various agricultural organisations, that there is plenty of underutilised and very good land available in the former homeland areas, some of it with above-average rainfall. Title should be

transferred at a reasonable price to the present occupants, who are currently tenants of the state as represented by traditional leaders. Those relying on social grants rather than farming could be bought out by people who actually wished to farm. In these areas as well as in the traditional commercial areas, consolidation into larger units is inevitable given the need for economies of scale.

This would mean displacement of people from traditional areas. One of South Africa's major problems is that it is unable to compensate for the loss of jobs in agriculture by employment in other sectors. Part of the process of economic development around the world is that people move off the land and into jobs in commerce and industry in the cities. This is not happening in South Africa on anything approaching the scale required.

So we come back to the wider problem of anaemic investment, tepid growth, and exploding unemployment. The view in the ANC that land is the answer to poverty, inequality, and unemployment has no basis in reality. Ordinary people have long since voted against this idea with their feet by moving to town. Money earmarked for buying farms would be better spent on buying land for housing in the cities and towns. South Africa can only solve its triple challenges of poverty, inequality, and unemployment by taking all the necessary policy decisions to push up the economic growth rate.

- by John Kane-Berman

Kane-Berman is a policy fellow at the IRR.

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