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### **An Overview of Agricultural Sector and Land Reform in South Africa**

#### **1. Introduction**

South Africa has undergone drastic social and economic changes following the abolition of apartheid, and introduction of reforms aimed at creating a more open and market-oriented economy. The main driving force for changes in the Government policy was a need to bring the previously excluded black economy into the mainstream economy. Under this context, South Africa experienced changes in the agricultural sector and the related land sector.

This brief provides an overview of the developments in the agricultural sector and land reform in South Africa, looking particularly at the agricultural production, agriculture and land reform policy, as well as involvement of civil society in policy making in these two sectors.

#### **2. Agricultural Sector**

South Africa has a dual agricultural sector, comprising a well-developed commercial sector and predominantly subsistence-oriented sector in the rural areas. This has been the result of racial segregation laws that placed 88% of the agricultural land in the hands of white farmers while the remaining 12% of agricultural land supported 72% of the black rural population in the overcrowded former homelands. In addition, white commercial farming was protected from foreign competition and was supported by the apartheid Government. Legislation was passed, which rendered assistance to the commercial farming sector, particularly in marketing. In the 1950s, the Agricultural Credit Board (ACB) was established to give loans to farmers who were no longer found creditworthy by commercial institutions. Infrastructure was built and assistance was provided through the Land Bank for the acquisition of land for farming by whites.<sup>1</sup>

With the abolition of apartheid in 1994, South Africa began the process of redressing past injustices through land reform and a broad-based programme of economic empowerment of the black population in the agricultural sector. New programmes were introduced in 2005 to support the development of

<sup>1</sup> Dawood, S. 2004. Background Paper: an overview of land and agricultural reform in South Africa. Parliament of RSA: Research Unit, 1 October.

market-oriented family farms emerging from land reform process, mainly through investment grants and provision of micro credit and retail financial services in rural areas.<sup>2</sup>

Agriculture contributes less than 4% to the GDP but accounts for 10% of total reported employment.<sup>3</sup> Taking into consideration the backward and forward linkages to the economy, the agro-industrial sector is estimated to comprise 15% of GDP.

## **2.1 Production**

South Africa has a broad and well-developed agricultural sector and is a net food exporter in most years. About one third of total production is exported. However, agricultural production has suffered from cyclical droughts due to shortage of rainfall. Agriculture is well diversified with field crops, livestock and horticulture as main sectors.

### **2.1.1 Crops**

South Africa is self-sufficient in primary products with the exception of wheat, oil-seeds, rice, tea and coffee. Cereals and grains are the most important crops, occupying highest percentage of hectareage under cultivation in South Africa.

The largest area of farmland is planted with maize, followed by wheat and, to an extent, sugar cane and sunflowers. Maize is the largest locally produced field crop and average production per year is approximately 9 million tons (mt). Local consumption is about 7,4 mt.<sup>4</sup>

South Africa is the world's 11<sup>th</sup>-largest producer of sunflower seed and the world's 12<sup>th</sup> –biggest sugar-cane producer. Sugar cane amounts to approximately 2,5 mt per season. About 50% of this is marketed in Southern Africa. The remainder is exported outside the continent.

Fruits, including grapes for wine, earn up to 40% of agricultural export earnings in some years. Fresh fruit finds a market in Europe because it matures during the northern hemisphere's winter. Deciduous fruit export earnings account for 15% of the country's total earnings from agricultural exports.

South Africa is ranked as the 8<sup>th</sup> –largest wine producer in the world, with the harvest of 7,5 hectolitres of which 65 % is used in wine making. About 53 000 people owe their livelihoods to wine production.<sup>5</sup>

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<sup>2</sup> OECD Policy Brief. 2006

<sup>3</sup> OECD Policy Brief. 2006. Agricultural Policy Reform in South Africa. April.

<sup>4</sup> [http://www.southafrica.co.za/agriculture\\_29.html](http://www.southafrica.co.za/agriculture_29.html)

<sup>5</sup> [http://www.southafrica.co.za/agriculture\\_29.html](http://www.southafrica.co.za/agriculture_29.html)

### **2.1.2 Livestock**

Livestock farming has been the backbone of South African agriculture since the earliest times. Livestock is farmed in most parts of South Africa. The latest estimates for cattle and sheep are 13,5 million and 28,8 million respectively.<sup>6</sup> The livestock sector produces an estimated 900, 000 tons of red meat each year. Poultry meat production is estimated at 980 000 tons.

Wool is an important agricultural export. South Africa became the world's fourth-largest exporter of wool by the late 1940s, and is consistently among the world's top ten wool producers, with an output of about 100 000 tons in most years.<sup>7</sup>

The dairy industry is an important employer with 3400 milk producers employing about 60 000 farm workers and indirectly providing jobs to about 40 000 people.<sup>8</sup>

### **2.2 Policy Reforms**

In recent years, South African agriculture has undergone drastic changes. Several processes have reversed the impact of discriminatory legislation, while other initiatives have deregulated and liberalised the sector.

The main policy shifts include:

- Liberalising agricultural trade and deregulating the marketing of agricultural products.
- Implementing land reform policies and programmes.
- Abolishing certain tax concessions and reducing direct subsidisation.
- Improving support to small and emerging farmers
- Introducing a minimum wage for farm workers.

#### **2.2.1 Deregulation of Agriculture<sup>9</sup>**

At the end of the 1980s and early 1990s, there was evidence that the continuation of highly interventionist policies were not economically sustainable, due to their distorting effects. In addition to economic factors, globalisation and domestic social reforms contributed towards a relaxation of stringent interventionist measures. Market reforms implemented in 1996 (Marketing of Agricultural Products Act, 47 of 1996) liberalised prices and trade in large parts of the agro-food sector, including foreign trade (one notable exception is the sugar industry).

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<sup>6</sup> [http://www.southafrica.co.za/agriculture\\_29.html](http://www.southafrica.co.za/agriculture_29.html)

<sup>7</sup> <http://countrystudies.us/south-africa/67.htm>

<sup>8</sup> [http://www.southafrica.co.za/agriculture\\_29.html](http://www.southafrica.co.za/agriculture_29.html)

<sup>9</sup> Most of the information below is sourced from Pepeteka, T. 2006

The Marketing of Agricultural Products Act of 1996 dramatically changed agricultural marketing in the country by closing agricultural marketing boards, phasing out certain import and export controls, and introducing import tariffs to protect South African farming from unfair competition. Phasing out of controls and closing marketing boards led to a short-term shortage of essential services formerly provided by the boards and cooperatives, such as storage, grading, deliveries, value adding, information dissemination and research. As a result, specialised marketing support institutions, such as the South African Futures Exchange (Safex), the Agricultural Futures Market at the Johannesburg Stocks Exchange (JSE) and the National Marketing Council (NAMC) were established to provide much-needed price risk management mechanisms.<sup>10</sup>

The main development in trade policies was the replacement of direct controls over imports by tariffs, which were set below the bound rates, and elimination of state controls over exports. South Africa has also established a number of preferential trade arrangements with countries inside and outside the Southern African Development Community (SADC) region. These reforms resulted in the lowering of the average level of tariffs and simplification of the tariff structure while maintaining a tariff escalation profile. The new trade arrangements improved access to foreign markets for farmers but also exposed them more to external competition.

Currently, the South African economy is increasingly oriented towards world markets both in terms of exports and imports. According to the Organisation for Economic Co-operation and Development (OECD) 2005 report, the share of exports of goods and services in total Gross Domestic Product (GDP) increased from 22% in 1994 to 34% in 2002, while that of imports increased from 20% to 31%.

### **2.2.3 Financial Support**

The Government has taken a number of measures to create a system of financial services that provides much broader access for all. The Land Bank and the Agricultural Credit Board (ACB) were established to serve commercials while parastatals were established in the former homelands to serve small-scale farmers. As has been mentioned the ACB has ceased its operation. After 1994, the Land Bank's mandate was broadened to accommodate small-scale farmers and close the gap created by the collapse of most parastatals.

In order to improve access to credit for small-scale farmers, the Government introduced the Agricultural Credit Scheme. The Scheme addresses the credit needs of small-scale farmers while leaving the Land Bank to service commercial farmers. In 2005, government launched Micro Agricultural Finance Schemes of South Africa (Mafisa) to provide financial support to small-scale and emerging farmers.

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<sup>10</sup> The information is sourced from Nkuna, J. 2006.

### **2.2.4 Comprehensive Agriculture Support Programme (CASP)**

In the 1990s, the Department of Agriculture initiated Broadening Access to Agriculture Trust (BATAT) to provide support to small-scale farmers, but it did not get further than the planning stage. The Comprehensive Agriculture Support Programme (CASP) was launched in 2004. The CASP provides a wide range of support services to small-scale farmers, particularly beneficiaries of land reform. It consists of 6 pillars of assistance to farmers which range from information and knowledge management; technical advice and capacity building; marketing and business development as well as on and off-farm infrastructure. The expected impact of this intervention is to reduce poverty, improve farming efficiency, and thus improve food security.

### **2.2.5 Broad-based Economic Empowerment Framework for Agriculture (AgriBEE framework)**

The AgriBEE framework, launched on the 26 July 2004, is one of the crucial components of the broader empowerment process of the Government toward economic growth to address the inequalities and structural constraints confronted by the majority of people in South Africa. The framework establishes guiding principles and targets for broad-based black economic empowerment in agriculture.

The scope of the framework covers the entire value chain in agricultural and related industries from farm to consumer plate. This includes all economic activities relating to the provision of agricultural inputs, farming processing, distribution, logistics and related activities that add value to farm products.

## **3. Land Reform**

Access to land for production purposes is an essential requirement for the poor to enjoy the benefits of agricultural growth. However, land ownership in South Africa is highly skewed due to discriminatory past policies. Since 1994, the new democratic government aimed at correcting this imbalance through launching land reforms. The Land Reform programmes comprised tenure reform, restitution and redistribution programmes. The land reform function under the principle of 'willing buyer, willing seller', where the Department of Land Affairs (DLA) acquires land at market related prices from farmers who are looking to sell their land. The country's constitution makes provision for the expropriation of land but has not been used effectively by DLA to improve the slow pace of land delivery to previously disadvantaged South Africans.

### **3.1 Restitution**

The restitution programme seeks to return land or compensate people who have been dispossessed of their land through discriminatory laws since 1913, and is informed by the Restitution of Land Rights Act, 1994. The Act makes provision for the establishment of a Commission for the Restitution of Land Rights (CRLR) and Land Claims Court to facilitate for restitution of land.

The Restitution programme started at a slow pace with only 41 claims settled between 1995 and March 1999. Although very few claims were settled these were consistent with the challenges of the new democratic government. To deal with some of the problems or challenges the Restitution Land Rights Act of 1994 was amended in 1999 and in 2003 to fast track the process.

By December 2005, 68 719 (86.2%) of the total 79 696 claims lodged were settled.<sup>11</sup> Land restitution is well advanced in relation to the other two programmes, with 900 000 hectares of agricultural land restored to their former owners. However, a significant number of beneficiaries opted for compensation in cash, which some used to invest in home improvements, education and other livelihood projects.<sup>12</sup>

### **3.2 Redistribution**

The purpose of land redistribution is to address the legacy of racial inequality in accessing land and creating opportunities for development. It is to provide blacks with access to land for residential and productive use to improve their livelihoods.

The land redistribution programme started out with the main instrument being the provision of R15 000 and later R16 000 grants, through the Settlement and Land Acquisition Grant (better known as SLAG), to poor families as the main strategy to enable people to buy land. This proved to be ineffective and after an extensive review of the SLAG, a new programme for redistribution, the Land Redistribution for Agricultural Development Policy (LRAD) was unveiled in 2001. LRAD has a grant system, which allows beneficiaries to access funds ranging from R20 000 to R100 000. For any funds applied for, applicants are required to contribute depending on their ability. The contribution may be in cash or in the form of labour or other resources

Government's vision is to redistribute 30% of land available for agriculture among previously disadvantaged persons by 2015. This translates to about 25 million hectares. The total size of land redistributed to blacks from 1994 to 31 January 2005 is approximately 3.5 million hectares. So far less than 5% of the agricultural land has been transferred to previously disadvantaged people. This implies that the process of land delivery to blacks needs to be fasttracked in order to be able to reach the target of 30%.

### **3.3 Land Tenure**

Tenure reform is to secure tenure for people living on farms and to improve tenure security for those living in communal areas, largely in the former homelands. The main achievement of the tenure reform programme has been to pass legislation that begin to regulate people's occupation of and eviction from other people's land. The most important pieces of legislation are Extension of Security Tenure Act (Act No.62 of 1997), Labour Tenants Act

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<sup>11</sup> Commission on Restitution of Land Rights, 2006 Strategic Plan.

<sup>12</sup> OECD Policy Brief. 2006

(Act No. 3 of 1996) and the Prevention of Illegal Eviction and Occupation of Land Act (Act No. 19 of 1998).

Despite passing the Acts to prevent eviction of farm workers, they are still evicted and maltreated on farms. There are no recorded and accurate statistics on the number of evictions that take place.

#### **4. Involvement of Civil society**

##### **4.1. Farmers' Associations**

There are two farmers' associations in South Africa, namely the AgriSA mostly representing the white commercial farmers and the National African Farmers' Union (NAFU) representing the black farmers. Both associations have worked together with the Departments of Agriculture and Land Affairs in developing a common long-term vision of united and prosperous agricultural sector.

Agri SA sees itself as mouthpiece of all farmers at national level, with the purpose of ensuring the best possible financial and social position for the farmer within the national economy.<sup>13</sup> It is regularly consulted by Government regarding all matters affecting farmers and the agricultural sector.

NAFU was established in 1991 with the aim of creating a 'platform' for black farmers who had previously been excluded from the mainstream of agriculture. It is therefore, the mouthpiece of predominantly black smallholder farmers in South Africa. The focus of NAFU has been on advocacy and lobbying for access to critical resources such as land, credit, information, extension and other support services for black small-scale farmers. NAFU also played and continues to play a role in building capacity and strength of its membership through training, improving management skills and exposing farming to the latest and most up-to-date production techniques.

Since AgriSA is more resourced compared to NAFU, it tends to have more influence in the agriculture and land reform policy than NAFU.

##### **4.2 Farm Workers' Organisations**

The farm workers are organised into five unions according the major sub-sectors in the industry. These are Food and Allied Workers' Union (FAWU), Federal Council of Retail Allied Workers Union (FEDCRAW), South African Agriculture Plantation and Allied Workers' Union (SAAPAWU), the National Union of Farm Workers (NUF), and South Africa National Farm Workers' Organisation (SANFWO).

Despite the number of farm workers' unions, most farm workers are not organised and as a result, they remain as the most marginalised members of rural communities. In addition, farm workers' unions have not been able to

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<sup>13</sup> <http://www.nda.agric.za/docs/Digest2000/Digest10.htm>

influence the formation of policy in agricultural sector and in land reform. There is no evidence of unions participating in the execution of policies for land reform, in a coherent manner.<sup>14</sup>

## 5. Conclusion

South African Agriculture is increasingly integrated in world markets with about one-third of agricultural production exported. It is among the world's leading exporter of products such as wine, fresh fruit and sugar. However, it still remains largely segregated into well-developed white commercial farming and poorly resourced black small-scale farming. Redressing the past imbalance of ownership of agricultural resources such as land need to be balanced against the need to sustain the predominantly commercial farming sector, so that it still continues to supply food at reasonable prices, and remain internationally competitive.

The need to redress inequitable land allocation, which emerged from apartheid past, is driving the land reform in South Africa. However the Government is still far from meeting its target to redistribute 30% of agricultural land to previously disadvantaged South Africans. To be able to meet this target, the pace of land reform needs to be accelerated, and this will need a huge integrated effort from all Government departments and other stakeholders.

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<sup>14</sup> Atkinson, D. et al . 2004.



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