



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

Papers downloaded from AgEcon Search may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

AGRICULTURAL RESTRUCTURING

IN

SOUTHERN AFRICA

**Papers presented at an
International Symposium
held at Swakopmund, Namibia**

24-27 July, 1990

Edited by

**Csaba Csáki
Theodor Dams
Diethelm Metzger
Johan van Zyl**

**International Association of Agricultural Economists
in association with
Association of Agricultural Economists in Namibia
(AGRECONA)**

First published in 1992 by the Association of Agricultural Economists of Namibia
P.O. Box 21554, Windhoek, Namibia.

© International Association of Agricultural Economists.

This book is copyright. Apart from any fair dealing for the purposes of private study, research, criticism or review, as permitted under the Copyright Act, no part may be reproduced by any process without written permission. Enquiries should be made to the publisher.

Printed in Namibia by Windhoek Printers & Publishers (Pty) Ltd,
P.O. Box 1707, Windhoek, Namibia.

Distributed by the Association of Agricultural Economists of Namibia,
P.O. Box 21554, Windhoek, Namibia.

ISBN 99916/30/10/4

NATIONALISATION¹ OF SOUTH AFRICAN AGRICULTURAL LAND - PROSPECTS AND DIFFICULTIES

T Fényes

INTRODUCTION

The World Bank (1974), in a sector policy paper, has identified six main agricultural tenurial systems:

- the Asian feudal system (estates worked by small sharecroppers);
- the Latin American feudal system (large estates run by the owners or their managers who employ hired labour, sometimes sharecrop farmers);
- the traditional African tribal system (the land belongs to the community, which allocates it among the various families);
- the system of individually run farms in market economies which is based on individual ownership;
- the socialist system, in which the land belongs to the state and is allocated in accordance with the goals set out in the plan; and
- the ranch and plantation system (managers and salaried staff).

In South Africa we have almost all of these tenurial systems with individual ownership dominating in the commercial sector² and traditional African tribal system and state-corporate farming dominating in homeland agriculture³.

In this paper the structural imbalances existing in our agricultural sector are discussed together with some agricultural policy approaches for solving structural problems. A framework for the analysis of man's use of land is presented, while an attempt is made to find a way to equitable growth through examples of affirmative action programmes. Strategies for growth with equity are discussed and criteria to be followed when planning a land reform or nationalisation programme are mentioned. In conclusion the paper gives some strategy choices.

¹ For the purpose of this paper nationalisation is the acquisition of land with adequate compensation. In marxist literature the term "socialization" is used for land expropriation without compensation.

² In 1981 the relative contribution of various forms of ownership in the commercial sector was as follows: individuals - 67,6%; partnerships - 9,3%; public companies - 1,9%; private companies - 20,1%; co-operatives - 0,35%; municipalities - 0,2%; government - 0,4%; other - 0,3%.

³ Within the homelands there are at least four recognised legal forms of land tenure, viz., freehold, quitrent, communal/customary and "trust tenure". For a discussion of these tenurial forms see for example Davis & Corder, 1990.

STRUCTURAL IMBALANCES IN SOUTH AFRICAN AGRICULTURE

Structural imbalances in an economy can be defined as a non-Pareto allocation of resources (McCarthy, 1988). With regard to agriculture, such imbalances may involve the less-than-optimal resource allocation between agriculture and the rest of the economy, and among subsectors of the agricultural economy, with resultant symptoms of inefficiency and inequality.

It is recognized that a major source of injustice in the South African economy is the inequitable distribution of land, inputs and product markets. In the past (and still today in traditional systems) farming and agriculture were regarded as synonymous. In a modern agricultural sector, however, farming (agricultural production) is only one of a series of functional components. The other components determining the success of the agricultural sector are:

- commercial activities supporting agriculture e.g. the manufacture and distribution of agricultural requirements, marketing and processing services, credit and financing services. The farmer himself has to pay for these, whether they are supplied by private or public organizations;
- non-commercial activities supporting agriculture, e.g. agricultural research, information services, education and training. Farmers usually pay indirectly (income tax) for these services;
- the agri-milieu, which is a combination of all the influences affecting agricultural activities in general. Some of these are of an economic nature, namely:
 - the level of development of the inland industrial sector and the related demand for farm produce;
 - the level of non-agricultural employment opportunities;
 - price and tax policy;
 - foreign trade opportunities;
 - inland distribution of income;
 - physical infrastructure, and
 - the population growth rate.

Another very important section of the agri-milieu consists of and is influenced by political factors such as:

- land tenure policy;
- general development policy;
- agricultural development policy, and
- the extent to which farmers take part in political processes.

Other aspects of the agri-milieu are of a cultural nature, for example:

- traditions and values of the people;
- community structure, and
- standard of general education and training.

This is a complex environment and the situation in South Africa is further complicated by the extremely dualistic nature of the agricultural production environment (Fényes et al., 1988a). The role and contribution of the agricultural sector are essentially derived from income and employment effects throughout the economy. In this respect it is important to realise that these linkages and multipliers give the agricultural sector a far wider impact on the economy than through direct effects alone, e.g. the contribution of the agricultural sector to the GDP is at present 5,3% with 13,6% economically active people

directly employed in agriculture. The total impact of the agricultural sector on the economy is, however, measured as 12,8% of GDP and 24,4% of all employed (Van Zyl and Van Rooyen, 1990). The surplus-producing commercially oriented and capital-intensive white farming sector exists alongside small-scale, subsistence-oriented black farming in the homelands. The performance levels, cost structures and levels of activity of these "two agricultures" differ considerably. For example, white commercial farming produced an output of R1 298 per man (R119/ha cultivated) in comparison with R65 per man (R34/ha cultivated) for black smallholder agriculture. Although each sector "employs" roughly the same number of people, the area cultivated by the commercial sector covers about six times the land under developing farming (Cobbett, 1987) and the output per commercial worker is more than twenty times the output of a smallholder. In spite of substantial increases in production levels, mainly through project investment in developing agriculture, indications are still that the production gap between smallholder and commercial agriculture has been widening consistently while at the same time the black population has increased at a rate of 3,1% per annum. Consequently black rural areas have become increasingly dependent on food imports from the commercial sector. An assessment of the prevailing situation in South Africa's "two agricultures" highlights the different milieus in which each operates. The commercial farming sector generally operates under farm business principles, encouraging commercial production, while comprehensively supported by specialized private sector service institutions and organisations such as the Land and Agricultural Bank of SA, the Agricultural Marketing Board, the cooperative movement, research institutions and a strong political lobby in "organised agriculture".

Government support through subsidies, tax concessions and protection of this sector is also of long standing, although indications are that some of these measures are on the way out (Van Rooyen, 1989; Fényes et al., 1988b; Lamont, 1990).

Agriculture, and especially smallholder farming in developing areas, operates largely outside this comprehensive institutional support structure, with restricted access to support services and opportunities for African farmers to compete in agricultural markets. Access is further limited by legal restrictions along racial lines to entry into the wider South African land market, which does not exist in traditional agriculture (Fényes et al., 1986).

On average, the financial position of commercial farmers would appear to be satisfactory. Averages, however, disguise the skewness of the distribution of income and welfare in this sector. Fényes et al. (1988a) show that:

- 70 percent (41 362) of the estimated 59 008 commercial farmers in 1985 contributed only 25 percent of the gross farm income with a mean gross farm income of R58 000 per farm unit;
- 50 percent (29 544) contributed only 10 percent, with a mean contribution of R32 700 per farm unit, and
- 30 percent (17 700) of the farmers contributed only 3,5 percent of total gross farm income, an average contribution of less than R20 000 per farmer.

On the upper end it was found in 1983 that:

- 0,9 percent of the farmers contributed 15,9 percent of the total gross farm income;
- 5,8 percent of the farmers contributed 38 percent, and
- 27,5 percent of the farmers were responsible for 73,8 percent of gross farm income.

It was further also found that the same skew distribution applies to assets and total farm debt.

The tendency towards the growing concentration of wealth in the hands of a smaller number of farmers and a relatively skewed distribution of income is typical not only of this sector, but is also evident in the subsistence sector (Van Zyl & Coetze, 1990). To correct these structural imbalances and to achieve efficiency and equity, resources in the agricultural economy should be allocated to their most productive uses and be in the hands of the most productive users.

The structural imbalances in South African agriculture are manifested in symptoms of inefficiency and inequality. This in turn reflects the cause of these symptoms, namely inequitable access to resources, inputs and product markets. A primary cause of inequitable access is the existing distribution of rights to land in accordance with the Black Land Act (Act No. 27 of 1913) and the Development Trust and Land Act (Act No. 18 of 1936). The most immediate effect of this legislation is unequal access to land. This influences the production of farmers of different race groups and in different sectors of agriculture. As a result, land is not allocated to its best uses and users. The repeal of current legislation and some form of affirmative action is thus necessary to maintain production levels and at the same time achieve a better distribution of opportunity.

Within this scenario the basic agricultural policy of the government will determine the tools of affirmative action which can be applied. The objectives of agricultural policy will depend on one of the following five approaches to problem-solving in agriculture:

- The free market in agricultural production. In the free market approach the forces of demand and supply determine prices as well as allocate and ration available supplies. This approach normally places a high value on the role of profits, private enterprise, initiative, and hard work; little confidence is placed in the ability of government to solve or even ameliorate problems.
- The production stimulator. The production stimulator believes the major agricultural problem is to feed adequately the ever-expanding population. Government's role in this context is to provide the basis for increased production through substantially expanded agricultural research and education, production incentives, etc.
- The agricultural fundamentalists. The basic tenets of this approach are:
 - agriculture is the basic occupation of humankind;
 - rural life is morally superior to urban life;
 - a nation of small independent farmers is the proper basis for a democratic society;
 - farming is not only a business but a way of life;
 - the land should be owned by the person who tills it;
 - anyone who wants to farm should be able to do so.The basic policy prescription of the fundamentalists is the government's establishment of price floors for agricultural commodities at parity levels.
- The stabilizer. The stabilization approach holds that the major problem in agriculture is instability. Instability undermines the family farm structure, results in errors in production and marketing decisions, and fosters inflation. Government policy, to the stabilizer, should ensure that farm prices move over a relatively narrow range and that supplies are always available.
- The planner. The planner believes that the market-place alone cannot be relied on to influence food consumption and production decisions. The market is too unstable and its participants are too slow to adjust. The result is chronic problems ranging from consumers not eating a nutritious diet to producers not producing the right quantities.

Policy prescriptions include government identification of the nutritional needs of consumers, educational and income supplement programmes to influence what was consumed, and production incentives consistent with consumer needs.

All these approaches to problem-solving are interrelated and must always be kept in mind, especially when drastic changes in the agrarian structure, namely the creation of a multi-racial agricultural sector, is envisaged.

A scientific assessment of proposed land policies and practices is necessary regardless of the political philosophy of the government, as reflected by these approaches. According to Southall (1990), although the approach to agrarian issues by political movements such as Inkatha, Azapo and the ANC can be variously described as conservative socialist or state interventionist, there is virtually nothing in their ideas to suggest they have as yet paid any systematic attention to how their social and economic policies would be related to a transformation of rural political structures.

FRAMEWORK OF ANALYSIS

Man's use of land (and real estate) resources takes place within a threefold framework. This framework involves the impact that physical and biological factors, economic considerations and institutional arrangements has on private and public decisions relative to land use. Together, these three sets of factors set the limits as to what individuals, groups and governments can accomplish with any given level of technology in the development, utilisation, and conservation of land resources.

Briefly stated, the physical and biological framework is concerned with the natural environment in which man finds himself, and with the nature and characteristics of the various resources with which he must work. The physical and biological factors involved centre on the need for maintaining sound ecological relationships over time.

To be successful, resource-use policies must be physically and biologically sound both in the short and the long run. Tempting as the prospect of short-run benefits from some types of resource exploitation may appear, society must oppose those actions that destroy fragile and non-replaceable resources or seriously disrupt normal ecological processes (see for example Cowling, 1990).

The economic framework is concerned with the operation of the price system as it affects each individual in his attempt to make profitable use of his land-resource base.

The institutional framework is concerned with the role man's cultural environment and forces of social and collective action play in influencing his behaviour as an individual and as a member of his family, his various groups, and his community. To be workable, land-use programmes and policies must pass the test of institutional acceptability.

The various elements of this threefold framework within which land policies and practices could be evaluated are given below.

Physical and biological practicability

- Suitable physical resources - geology, soils, water, air, climate.
- Appropriate plant, animal and other biological resources.
- People and human communities.
- Operations that accord with sound ecological principles.

Economic feasibility

- Productive input-output relationships.
- Effective marketing and transportation arrangements.
- Acceptable distribution of income and benefits.
- Budgetary implications.

Institutional acceptability

Policies and programs must be:

- legal - comply with constitutions, laws, ordinances and public regulations;
- politically acceptable, not in conflict with cultural and social mores or widely-held attitudes to beliefs;
- administratively workable.

A SEARCH FOR EQUITABLE GROWTH

Equity versus growth

A major theme in the discussion of the ethical aspects of economic systems is the conflict between equality or 'justice' in the distribution of income, and the stimulation of economic growth. Two basic points should be made in this regard. **First**, there is no economic reason why growth should produce more equality of wealth and income distribution. **Second**, egalitarian measures may well produce an equality of misery.

To be consistent with the principles of individual freedom and personal responsibility as well as efficient economic organization (which includes both a bureaucratic centralized economic system and a competitive enterprise system) policy should concentrate on providing equality of *opportunity* rather than equality of measured *ex post* results.

In this regard access to opportunity via resources implies more than the usually measured assets such as land and capital. It also includes the provision of goods by means of public capital in which citizens have property rights by virtue of common citizenship or residence. Both the provision of consumption goods by public production (e.g. extension, research, drought relief) and the provision of such goods by public capital investments (physical and institutional infrastructure) should be counted as an asset in an individual's net worth. Equitable access to resources should include access to these public goods. In this sense it is important to focus on the distributional impact of policy strategies and instruments rather than on the growth effects of exogenously imposed redistribution.

The agricultural environment

A number of examples of affirmative action for the South African situation include:

- Equitable access to commercial, agri-support activities, i.e. those services for which the farmer pays directly. Examples include full membership of cooperatives; access to the controlled marketing system and specialized financing and credit institutions such as the Land Bank and the Agricultural Credit Board; equal treatment with regard to subsidies, drought relief schemes, etc.
- Equitable access to non-commercial agri-support activities, i.e. those services for which farmers do not pay directly. These include access to research, extension, training, information and advisory services.
- An agri-milieu, consisting of political, social and economic institutions, which does not

discriminate between participants. This is discussed in more detail below.

The external environment

In the South African context it would seem that the problems posed by the external environment are the most intractable as they imply the total integration of all aspects of the agri-milieu in order to ensure equitable access.

The present agricultural structure is supported by laws and institutions geared to serve relatively large-scale capital-intensive farming operations. It would be unrealistic to assume that new entrants to this farming system can be incorporated on an equal footing without excessive support measures. This argument is valid for all new entrants, without reference to race. The present financial situation and evidence regarding the depopulation of the platteland prove that access is possible only by patrimony, matrimony or parsimony. Even these avenues are to a large degree closed to prospective black entrants.

There are, however, two important issues in this regard. **First**, not all farmers in the capitalist sector are served to the same degree by this support system. Three exceptions occur, namely market gardeners surrounding the metropolitan areas, part-time farmers and the "failures" of the support system. These groups are not excluded from the support system in a formal or legal sense. Access to these functional areas is however relatively easier than to more settled farming areas.

The usual pattern of land size distribution in a capitalist agriculture is for larger, extensive farming operations to be located on the periphery with small farms (market gardening) surrounding the core urban areas. South African agriculture is an exception to the extent that a large proportion of small farmers are located in the outer periphery. There is a great disparity in the provision of support services between the two small farm sectors. Given the relative ease of entry to the market gardening sector, initially via leasing and labour-intensive technology, integration of black farmers in this sector can be expected at an early stage. The same basic arguments apply in the case of the part-time farming sector.

The third area of relatively easy access seems to be the depopulated farming areas of the Transvaal and the Free State, mainly in border regions. Another opportunity lies in the present financial difficulties being experienced by the capitalist farming sector which points to an increasing number of insolvencies. Given a willingness to pursue more equitable land distribution policies, this in turn creates new opportunities to effect the redistribution of land which will reduce the anticipated future claims for radical land reform or nationalisation.

The terms of access to all the abovementioned areas cannot, however, be left to the market. The constraints posed by the present agri-milieu especially should receive systematic attention. To open access to agricultural support institutions as a policy measure on its own will not necessarily allow equitable access and improved welfare positions. In this regard certain affirmative measures can be taken. These should be instituted over the short and medium term with the purpose of facilitating the removal of initial barriers and include:

- Incentives and active support for farmer settlement programmes on unused and

- underutilised land⁴.
- Special credit arrangements.
- Subsidisation of basic infrastructure, including irrigation development, roads, training programmes, etc.
- Specific operational, training and extension programmes.

These affirmative action measures should adhere as closely as possible to private sector principles. In this regard farmers should still be able to make their own decisions and to carry risk. This is important to ensure the establishment of a viable agricultural sector.

A basic requirement of any agricultural policy is to maintain sound ecological relationships over time. To be successful, land use policies must be physically and biologically viable. Tempting as the prospect of short-term benefits from some types of land resource exploitation may appear, society must oppose those actions that can destroy fragile and non-replaceable resources of seriously disrupt normal ecological processes.

In this regard the concept of settling black farmers on marginal and submarginal abandoned or underutilised land in view of assumedly lower acceptable income targets must be seriously questioned. Land use should under all circumstances be directed according to comparative advantage and sound ecological principles. Land subdivision based on capital-intensive farming principles is not necessarily optimal in this regard.

The legal environment

For the successful implementation of the abovementioned affirmative action the laws which structure the legal environment of farming in South Africa will have to be changed.

Besides the most obvious Acts, such as the Black Land Act of 1913, the Development Trust and Land Act of 1936, the Separate Amenities Act and the Group Areas Act, a number of other laws will have to be investigated. These include those legal provisions geared to support capitalist agriculture that will not necessarily be suitable for the envisaged new dispensation. They include *inter alia*:

- The Cooperative Societies Act of 1939
- The Land and Agricultural Bank of South Africa Act of 1944
- Agricultural Research Account Act of 1964
- Agricultural Credit Act of 1966
- Marketing Act of 1968
- Soil Conservation Act of 1969
- Common Pasture Management Act of 1977
- Designated Areas Development Act of 1979
- Conservation of Agricultural Resources Act of 1983
- Proclamations and Government Notices promulgated in term of these Acts
- Various Provincial Ordinances.

⁴ In this respect, Tessa Marcus (ANC) says that "it is highly contentious to suggest that ... land is abandoned or unused because whites have ceased to live on or work it ... this land is often quite heavily populated and worked by black people ... and even if this land is underutilized, what purpose would it serve to extend African access only to land with the lowest yield" (Marcus, 1989).

It must be emphasised that, even if some of these legal provisions are non-racial, they need to be investigated and possibly amended with the view to facilitating the envisaged new structure. This new structure may also include different land tenure systems, small-scale labour-intensive production units and features such as the breeding of indigenous stock, intercropping practices, etc.

Another aspect which should be addressed is the nature of the existing land tenure system in the homelands. If the Land Act as well as the relevant sections of the Black Administration Act of 1927 are scrapped the legal basis of this tenure system will fall away. Two issues are important in this regard. **First**, the security value of land as a subsistence retreat could lead to pressure for the maintenance of tribal tenure. **Second**, the present homelands occupy a relatively large proportion of arable land in South Africa. This land is at present not utilised to its full potential for a number of reasons. This could in turn lead to pressure to change the current system. These conflicting forces need to be taken into account in deciding the matter.

Many features that effect distributional patterns are, however, omitted from conventional planning models, such as the following:

- the dualistic nature of the agricultural sector;
- concentration in ownership of capital which is generally more extreme than the concentration of incomes, and
- differential access of socio-economic groups to employment opportunities and therefore to wage incomes generated in the capitalist sector. These differences may reflect geographical and social barriers to mobility in educational and skill characteristics.

It must be noted that the implementation of the redistributive policies is made more difficult as a result of these patterns even in the absence of legislative barriers. There is, however, considerable potential for creating equity through a policy of investment transfers. Such a strategy, although operating at the margin, can achieve substantial improvements in patterns of asset concentration over time. As income in the poorer groups is constrained by lack of access to physical and human capital as well as infrastructure, the reallocation of public resources can provide a powerful mechanism for overcoming these constraints.

STRATEGIES FOR GROWTH WITH EQUITY

An important conclusion which can be drawn from the above is that an increase in participation is by no means an automatic consequence of economic progress. Mechanisms must be developed that enable these new entrants an equitable share in the new dispensation. These mechanisms must be fair enough to be generally acceptable.

The reason why the agri-milieu is important is that the redistribution of assets, if accomplished, is not a sufficient condition for equitable growth. Factors such as poor economic management or excessively slow growth rates in the post-redistribution period can cause a drastic fall in the value of the redistributed assets. Examples include abortive land reforms and enterprise nationalisation such as the collectivisation of agriculture in Mozambique and the nationalisation of the cocoa industry in Ghana. In the South African situation, given the willingness to exploit available opportunities for the incorporation of black farmers into the new agricultural economy, historical evidence from elsewhere points to two possible extreme strategies:

- Grow now, redistribute and educate later.
- Redistribute and educate now, grow later.

It can be argued that South African agriculture has followed the first strategy. Given the current reform initiatives, the second alternative seems more appropriate. We argue, however, that the restructuring of the agricultural economy need not be at the expense of current growth. The realities of the South African situation are such that new entrants can be incorporated in such a manner that facilitates the restructuring of agriculture without sacrificing growth.

In the South African context the envisaged changes may sound drastic. However, in 1926 Lord Keynes identified the political problem of mankind as based on a combination of three things: economic efficiency, social justice and individual liberty. Any dispassionate view of South Africa must lead to the conclusion that this problem has yet to be solved.

LAND REFORM OR NATIONALISATION

If and when the government decides that the opening up of opportunities and affirmative action should rest on some form of land reform or nationalisation of land, the following criteria should be observed:

- Land records. The land to be affected by nationalisation must be clearly identifiable. Records of size of ownership units in various regions as well as clear demarcations of public lands are useful.
- Criteria for acquiring land. Clear and simple criteria are needed to determine exactly what land is subject to acquisition. It is often presumed that size of ownership units is a clear and objective criterion; this usually is not correct for at least two reasons. First, mere farm size is not the only pertinent factor. Farm size *per se* has little meaning, but acquires significance when viewed within the context of the community, the productivity of land, infrastructure, services available, intensity of land use, population pressure, tenure system, and the social and economic value attached to land ownership. Second, there are farm sizes on which a family cannot support itself from the output of the land alone⁵.
- Compensation. Ideally, owners of large tracts of land should be encouraged to sell parcels to would-be owner-operators. If land is expropriated, a compensation scheme must be established. This may involve a partial cash payment, with the bulk of the compensation in government bonds to be redeemed in future years. Various combinations of bonds and cash (and bonds adjusted for inflation and varying maturities) provide flexibility and can be used to counter some of the opposition to reform.
- Distribution to new owners. When large farms are divided into small family farms, resident labourers are usually given first claim. Previous wage workers who receive small private plots often lack managerial skills and may create production problems for which there are no easy answers. The previous owner or good extension officers can be helpful, but rapid expansion or high-quality extension service in a reform situation is usually difficult. Hence, in these situations especially, some cooperative arrangement

⁵ The target income of the land settlement programme in Zimbabwe is a net farm income of Zim \$2 000,00 per annum per farming family - clearly below the expectations of our prospective farmers.

among farmers (whether group farming or some less collective format) should be considered in order to disseminate new skills, ideas, and techniques.

- Payment by new owners. Payment by new owners should be spread out, and sufficient safeguards against crop failure enacted so that the land payments plus taxes and other charges do not exceed the previous levels of rent, and so that the payment schedule can easily be met at existing production levels.
- Services. Land redistribution may disrupt the system which provides credit, fertiliser, technical information and marketing. Therefore, both to avoid disruption of services and to ensure that the benefits of reform remain equitably distributed, a new system must be planned as part of the entire reform programme.

STRATEGY CHOICES

No magic formula for implementing land redistribution exists. Production losses occur primarily because of disruption, lack of services, or uncertainty about how the reform will influence future standards of living. A path must be found between the danger of immobility and the danger of social conflict.

The sequence in implementing land redistribution is one strategic decision. The options usually are:

- largest, foreign or absentee owners first;
- regions of most severe inequality first;
- regions of most likely success first;
- regions where major crops are least productive⁶.

The advantage of the "big holding first" strategy is its political impact and its immediate disarming of the most powerful opponents of land reform. The disadvantages include incentives for the large farmers to divide their properties, the complications of politics, and the administrative clumsiness or returning repeatedly to the same region for successive levels of reform.

The advantages of giving initial attention to areas of the most severe inequality include neutralising potential dissidents and emphasising the value of social equity. The principal disadvantage is that the areas of great inequality are frequently regions where success is most difficult to achieve. The strategy of pursuing the easiest successes and build administrative knowledge and experience could demonstrate what might be done, and thus stimulate peasant enthusiasm. The principal disadvantage is that some of the most visible

⁶ Another option discussed by Marcus (1990) is the wholesale nationalisation of land. She states that the land may be nationalised, while the ownership of commercial farms remains in the hands of private individuals or companies. The state as landholder, transforms all landed relations into tenancy relations. It is thereby able, at one and the same time, to gain revenue from rent which can be rechannelled into the social wage for the benefit of all. According to her, even for capitalist producers in agriculture it may well be in their interest at a certain juncture not to own the land, as land ownership unnecessarily ties up capital which could be more profitably and effectively employed elsewhere.

In similar vein, De Klerk (1990) discusses nationalisation by means of a land tax. Depending on the rate of taxation this method may result in socialization because by taxing away the entire income from a productive resource by taxation implies expropriation without compensation, even though ownership resides with the individual.

excesses will be saved for last, and opposition can build up in those areas that come last.

Proceeding through reform according to crop and degree of modernization allows productivity considerations to be balanced against equity: modernized sectors can be protected, and political opposition can be minimized. The disadvantages include the incentive to change crops, a series of administrative ambiguities whenever multiple cropping occurs and the prospect of lack of government concern for equity.

According to Wortman & Cummings (1978), the final and most amorphous of the strategic political questions concerns the moral and cultural aspects of enthusiasm for land reform and resistance to it: whether it is possible without radical changes of philosophical perspective, and whether the detailed administrative calculations are relevant when the basic psychology of the country is that of dominator and dominated. But away from moral issues, the cost of nationalisation of agricultural land - the easiest part of the business - certainly will be huge. Yet, as The Economist (1990) reports, the ANC is led from cities, and Marxism's emphasis on the proletariat has reinforced its urban bias. It will be hard to escape from this. If the new president has to face disorder among his own people, he will find, like his white predecessors, that it comes from the people in the urban slums. So he will be tempted to try and please articulate town-dwellers first and let the investment needed to make a success of rural reform take second place. The dilemma again is that if one neglects the country people, they will flock in desperation to the towns and thereby worsen the situation.

REFERENCES

Cobbett, M.J. 1987. The land question in Southern Africa: A preliminary assessment. *SAJE*. 55(1): 63-77.

Cowling, M.R. 1990. *Options for rural land use in Southern Africa: an ecological perspective*. Paper read at the IDASA Rural Land Workshop, 9-11 May. Houwhoek Inn, CP.

Davis, Dennis and Hugh Corder. 1990. *Restructuring the rural economy: legal issues*. Working paper for Rural Land Workshop. IDASA, March 1990, Houwhoek Inn, CP.

De Klerk, Mike. 1990. *Restructuring the rural economy: agricultural economic aspects*. Paper read at the IDASA Rural Land Workshop. March 1990, Houwhoek Inn, CP.

Fényes, T.I., C.J. van Rooyen and N. Vink. 1986. *Reassessment of the Land Acts of 1913 and 1936*. Unpublished report to the Urban Foundation.

Fényes, T.I., J. van Zyl and N. Vink. 1988a. Structural imbalances in South African Agriculture. *SAJE*. 56(2-3): 181-194.

Fényes, T.I., C.J. van Rooyen and N. Vink. 1988b. *Budgetary implications of affirmative action in South African Agriculture*. Unpublished report to the Urban Foundation.

Lamont, M.P. 1990. *International tax reform: Implications for concessionary tax provisions in agriculture with special reference to South Africa*. Unpublished Ph.D. (Economics) thesis, University of Stellenbosch.

Marcus, Tessa. 1990. *Property relations and the land question*. Paper read at the IDASA Rural Land Workshop. March 1990. Houwhoek Inn, CP.

McCarthy, C.L. 1988. Structural development of South African manufacturing industry. *South African Journal of Economics*. 56(1): 1-23.

Southall, Roger. 1990. *Towards the restructuring of Government and Administration in South Africa's Rural areas*. Paper read at the IDASA Rural Land Workshop, 9-11 May 1990, Houwhoek Inn, CP.

The Economist. May 1990.

Van Rooyen, C.J. 1989. *Presidential address*. 25th Conference of the Agricultural Economics

Association of Southern Africa, UOFS, Bloemfontein.

Van Zyl, J. and J. van Rooyen. 1990. *Agricultural production in South Africa: An overview*. Paper read at the Rural Land Workshop of IDASA. 9-11 March 1990. Houwhoek Inn, Grabouw.

Van Zyl, J. and G.K. Coetzee. 1990. Food security and structural adjustment: Empirical evidence on the food price dilemma in Southern Africa. *Development Southern Africa*. 7(1).

World Bank. 1975. *Sector Policy Paper*. Land Reform. Washington, DC.

Wortman, S. and R.W. Cummings (jr). 1978. *To feed this world*. Baltimore: The Johns Hopkins University Press.