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## EQUITY, EFFICIENCY AND SUSTAINABILITY

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### Abstract

Rural land is one of the key areas of creating a just society. It is also very complicated, with seriously conflicting interests at play. A land reform programme is one way of attempting to increase justice on the land. It requires a comprehensive approach and the application of skills and resources in a positive way to succeed. People will not wait for land reform. If there is no legitimate mechanism for addressing grievances, they will take matters into their own hands. Land invasions and occupations will become the order of the day, a situation that is bound to lead to conflict. It is a situation all right minded people would want to defuse, but can only be done if a legitimate land reform programme is put in place as an outcome of the negotiation process.

### 1. Introduction

This conference has the theme "Normalising Agriculture". Along with the topic in this session, it raises a set of questions about definition. Just what is normal agriculture? More important, who defines it? What do we mean by equity? What is efficient? To what does sustainability refer?

I shall attempt some definitions of my own. Agriculture is only one component of land use, albeit an important one, and "normalising" agriculture means integrating the productive functions of land with welfare and security of tenure considerations. This means, changing access to land while retaining or improving productivity. Equity has to do with creating a just dispensation around land, balancing competing and sometimes conflicting claims to land. Efficiency refers to effective allocation and distribution of resources and skills, including land, labour, inputs and managerial skills. Sustainability refers to a society's ability to achieve equity and efficiency on an ongoing basis.

Today, most people would have to agree that SA agriculture is abnormal, iniquitous, inefficient and unsustainable. The criteria for assessing this would be the racial distribution of land ownership, the levels of poverty and hardship in the countryside, farmer debt and rates of soil erosion.

Of course, if one disaggregates the overall picture, agriculture as presently organised is not without merits. But I wish to concentrate on the changes that are necessary to make agriculture more normal. I shall reflect some of the ideas which have come out of the ANC Land Commission. And I shall not deal with labour issues, as those are the subject of another paper at this conference.

### 2. Transforming institutions

South Africa has a substantial agricultural infrastructure: all of it either channelled to support commercial white farmers, or an inferior system divided into 10 homelands, "coloured" or Indian affairs. White farmers have access to facilities from secondary education to sophisticated research. Democratising this system, giving access to a far larger number of people can produce invaluable long-term returns. The whole question of upgrading farm schooling needs to be addressed. Educationists have noted that there is a bigger gap between farm school education for Africans and township schooling, than between township schooling and white schools. But of more interest is making more efficient use of the many excellent agricultural high schools which now are underutilised. Similarly, agricultural colleges need to open to all. It is not simply a matter of opening doors. A significant reorientation needs to take place. Training the sons and daughters of peasant farmers is bound to be a bit different from training the sons of commercial farmers. The schools and colleges need to share the objective of "normalising" agriculture and ask how they can contribute through skills development to a redistribution of production.

Research and development needs to be oriented towards this sector of new entrants into agriculture - let's call it agriculture's development sector. The high-tech research which is so strongly emphasised now should be questioned. Can researchers and institutions address the real needs of communal farmers, subsistence growers, small scale commercial growers, and the commercial farms?

The integration of all agricultural services into one department has already been proposed by the government. In theory, it should allow for better allocation of resources, provided the will exists to serve all agriculture effectively. But it will require very significant reorientation and retraining. There are strong vested interests in the bureaucracy which have to be confronted. If the institutions meet the real needs of land-users, the transformation will be much easier to accomplish. The role of the Land Bank and Agricultural Credit Boards, if they have a developmental role, could lead the way by providing credit on a non-racial basis targeted at new entrants into agriculture. In its wake, this could draw support from the service sector.

At present, there is a fairly strict division between "white agriculture" and "black". The rural development bill presently before parliament implies that this division will remain: that the present Department of Development Aid and the State Trust Corporation will, in a different guise, remain responsible for rural development, including agriculture. Agriculture cannot be normalised if this happens: the Department of Agriculture must itself be involved in development, and in integrating present commercial and development agriculture. Another division which has been suggested is between state and commercial services: that the state should concentrate on serving development agriculture and commercial services, on commercial agriculture. I believe a more integrative approach is essential - that commercial services and state services need to cooperate if development agriculture is to be changed. There is a critical role for NGO's which have the flexibility to provide the integrative mechanism.

This implies that transformation of institutions cannot be limited to the state. Co-ops, private research, growers' organisations, farmers' associations, agricultural unions - all need to be involved in a process of normalisation. While nobody would claim that this is easy, it is essential and holds great promise. The sugar development could serve as an example of an integrative approach, involving organisations from different sectors.

### 3. Developing a new sense of the rural economy

Simply put, the idea of transforming agriculture in isolation is not feasible. Agriculture is only one component of a rural economy, and it is this rural economy which needs to be reconceptualised. Perhaps the key concept is that it needs to be people centred - with people to be treated as an asset, not a liability. This economy needs to be integrated and be very conscious of the environment, in other words, in harmony with natural potential. As the rural areas are generally at the

periphery of the SA economy, it is important to add value to their products, and to recirculate income. Investment in potential, rather than subsidy should be the basis of development.

#### 4. Redefining agricultural objectives

The present objective of the agricultural industry is to meet the food and fibre requirements of the nation. Perhaps redefining objectives could be a first step to transforming agriculture. A primary objective could be to enable people living in rural areas to meet their basic needs - shelter, food, water, education, health-care, and so have a decent standard of living.

A further objective could be to create balance between urban and rural areas, so that people would have a real choice about whether to live in town or countryside. The objective of the sector to produce the food and fibre needs of the country would remain.

Within this framework, objectives of ensuring that institutions are deracialised and affirmative in their behaviour are essential. If all institutions - educational and commercial - were to define affirmative actions, it would have greater input than a special programme. But institutions have to make commitments to affirmative action, and these have to have legal backing. Special attention needs to be paid to the position of women who are seriously disadvantaged legally and economically in rural areas.

#### 5. Developing a mixed economy

The basis of any agricultural economy is its tenure system. Much of the present debate from "free enterprise" proponents emphasises promoting freehold ownership. In reality, we have a very mixed tenure system - freehold, commercial, tenancy, rental exist side by side. What people really want is security of tenure. Trying to wipe out the interests embodied in communal tenure or tenancy in favour of freehold is likely to impact negatively on the poor in our society. An approach which strengthens rights of tenants and gives more flexibility in communal areas might provide more security in the long term.

In any vibrant economy, exchange of land must be possible, so that productive land does not remain in unproductive hands. This is as true in communal systems as in freehold.

A mixed economy also implies different forms of enterprise. The present stress on full-time, individual or company farms does not meet the needs of all rural producers. The role of part-time farmers and of different forms of collective enterprises also need to be supported, for example worker and other co-operative ventures. An enterprise system needs to be evaluated in terms of its potential to be efficient, sustainable - in harmony with nature - and competitive.

The mixed economy also needs to recognise the importance of market mechanisms. The present structure of agriculture is distorted by subsidies which try to ignore the market. Some economists place great reliance on the state to control the market, with less than satisfactory results. Development agriculture has to recognise the market as it exists and is modified over time - and set its objectives in terms of those markets. Governments should not try to subsidise the unviable. Start-up finance may be provided on favourable terms, and the economic framework should be long-term, not short-term, but state intervention in the name of economic development should not take the form of unconscious welfare programmes.

At the same time, markets respond to influences not only of supply and demand, but also of regulation and subsidy or incentive. In past experience, these frequently penalise the poor and aid the rich. Our economy needs to consciously act in favour of the poor, for example by ensuring that prices to small farmers do not carry large administration overheads, or that regulations which supposedly promote health are not in fact a barrier to small-scale production. In the dairy industry this ap-

pears to be the case. A minimum requirement should be that both unit input prices, whether of electricity or fertiliser, unit producer prices, of wool, maize, etc. should be equal for small and large producers with an industry as a whole bearing administrative overheads or infrastructure costs. Regulations in the market place, whether single channel prices or health regulations, should be carefully evaluated in terms of impact among the poor, or on new entrants to agriculture. Banking practices - savings or loan facilities - should apply the same criteria of giving the same facility to small or large investors or borrowers. The whole approach to collateral also needs to be examined, and creative alternatives to title deeds found. Experience in Asia and elsewhere demonstrates that the poor and the small-scale producer are very effective borrowers, repaying their loans even without collateral. If the market system is to make a contribution to development, this is a key area needing attention. Alternative banking systems will no doubt develop, but this does not excuse state, co-op and commercial banks from their role in restructuring agriculture.

#### 6. Land reform and redistribution

Market mechanisms are one way in which land transfers may take place. The government claims that its repeal of the Land Acts and Group Areas Act constitutes land reform, and that all South Africans now have equal access to agricultural land - that the proverbial playing field is level. The ANC land commission has rejected this. While welcoming the repeal of the Land Act, it has noted that access to land is still restricted by historic dispossession and poverty caused by that dispossession.

The ANC has called for a programme of land reform in which the state intervenes on behalf of the dispossessed to restore land to communities forcibly dispossessed of their land under apartheid laws, and to obtain land to meet the land hunger and needs of a place to live of impoverished rural South Africa.

Underlying this difference over land settlement is an ideological battle over the concept of land. On the one hand, land for agriculture is a commodity, albeit a special commodity, and therefore it should be owned and traded. On the other hand, land is a basis of life and people have a right to land whose ownership rests with the society at large. On the government side, agricultural land should only be used for agricultural purposes, so settlement should be restricted to those engaged in full-time agriculture. For dispossessed communities, land is a place for living and people have a right to live on the land.

Fortunately, the government has now recognised the need to negotiate with communities who were forcibly removed from their land, and it has agreed to establish an advisory committee on the allocation of government land. But the terms on which it is negotiating cast doubt over the sincerity of the process. A community which occupied land earlier this year wants 500 families to return to that land. The government says the agricultural capacity of the land is 60 families - 20 farmers and 40 workers.

The government should urgently rethink its position regarding dispossessed communities. The issue is one of great political sensitivity which will determine how more generalised land claims are made. The ANC Land Commission among others has called for land to be restored to dispossessed communities as a matter of urgency, in particular where that land is still in government hands. Where it is not, the government should negotiate with communities about restoration. It has also called on government to refrain from selling off state land.

The next level of land reform is the call for a land claims court to examine and settle competing claims to land. Some work on such a court is already being done by legal teams. People calling for such a mechanism see it as having a limited role and relating to recent (post 1948) forced removals or evictions from land. It is understood that clear criteria and an ordering of those criteria, must be established if such a mechanism is not to create more problems than it solves. Its disadvantages include

the fact that it is bound to be cumbersome and subject to appeal; that experience in Latin America suggests that it may favour the rich, able to hire smart lawyers, and not the dispossessed as intended; and that in theory at least, all of South Africa's land is claimable by someone and our entire land system could be brought before the courts. Indeed, to solve some of these issues, a limited time frame of 10 years has been suggested by some.

The third level of land reform is to find a mechanism for transferring land to the poor and dispossessed. In recent months, relief organisations like Operation Hunger have called on the government to obtain land and allocate subsistence plots to poverty stricken families in rural areas and in squatter camps.

The ANC Land Commission has called for such a land reform process to be "demand-led", in other words to be based upon organised groups in rural or urban areas making demands for land in specific areas. Reform should be integrated into existing land use patterns, not confined to "special development areas" as advocated by the Urban Foundation, nor to Trust Land as implied by the Rural Development Bill.

Land reform takes place in the context of an existing system. It needs to recognise the importance of the role of productive farmers, and the role farmers could play in supporting land reform. Land reform also recognises the need for appropriate compensation for people giving up land.

Any resettlement programme - and land reform will involve resettlement - requires very substantial support if it is to be successful. The support has to be directed towards making the settlement productive. It requires close co-operation between settlers, government, NGOs and commercial services. Commercial farmers, with their experience and knowledge can play a key role in helping to mobilise and manage the needed resources, provided of course they are active supporters and not out to subvert a land reform.

Land reform should also aim to maintain production as far as possible. We have in South Africa a sad history of land being taken by the state for reallocation and productive value being lost in the process. Progressive intentions will not alone avert repeating this experience. Bureaucracy needs to be minimised and land allocation planned ahead of land being taken. There are also positive lessons to be learned from resettlement here and elsewhere in southern Africa, and this needs to be done in a systematic way.

Any land reform must give the newcomers to agriculture security of tenure. The negative experience of creating state tenants on short-term leases in Zimbabwe should be noted. The whole concept of "full-time" farmers also needs to be questioned. No-one doubts the need for land to be used effectively, and to be farmed according to sound land-use principles. But the reality for many farmers is that their best security lies in a diversified family economy.

Having a job in town can also provide the cash for investment in agriculture. Farming may also be combined with other rural non-farm employment or enterprise. On a different level, the contribution of part-time farmers to commercial agriculture has been studiously ignored by successive departments of Agriculture. DBSA researchers have pointed out the "inside out" spatial arrangements of South African farms. Our small farms are on the periphery rather than near town. Perhaps a land reform could concentrate on setting this spatial arrangement right by creating a small farm sector around towns and cities. This would require a re-examination of the sub-division of Agricultural Land Act, among others.

Land reform cannot ignore the realities of today's agricultural economy. As far as possible, land reform should be developmental, meaning developing new productive capacity, rather than redistributive, meaning reallocating existing productive capacity. There is considerable evidence that the crisis in

agriculture as reflected especially by farm debt, is a crisis of inappropriate land use and poor management. Too much land in the dry western half of the country is ploughed, and too little on the wetter, eastern parts. Given the amount of infrastructure developed in the west, such a restructuring cannot take place overnight. But it does strengthen the argument that redistribution of land should focus on high potential areas, rather than more arid areas. There is evidence of widespread underutilisation of land throughout the country. One-third of farms in Natal are underutilised according to an NAU representative. Indebted and underutilised farms are logical targets for land reforms. They are cheaper to obtain and can be brought into the market through land taxes or other fiscal or legislative mechanisms. But settlement must encourage appropriate land use. There is little point in bringing new farmers onto the land only for them to face the same economic and ecological crisis.

In general, it would be preferable to transfer production on land without people having to move. This has two implications: the one is that land reform programmes should concentrate on areas where there is dense settlement on the land, for example in areas of labour tenancy like the south eastern Transvaal, or where labour intensive agriculture is still in place.

In all cases, land reform has to be organised. It has to begin with careful examination of, and response to the needs of people on the land or people to be resettled. This key aspect of land reform often receives the least effective attention. Agricultural services, like credit extension and marketing need to be delivered in a way which is meaningful to people involved in land reform, if they are to benefit from it. This will require considerable changes among agriculturalists if a people-centred approach is to be followed.

Resettlement can be developmental up to a point - settlement onto underutilised, or unoccupied land, targeting badly managed or indebted land can help to boost overall production. This can be emphasized if agricultural restructuring is taken into account. But even then, land reform is likely to bump against a ceiling at some point. Land reform programmes then need to address questions of targeting land for redistribution. Should company-owned land be targeted, or should it be foreign-owned land? Should ownership of more than one farm be restricted? These issues need to be raised and discussed in the context of creating regulated land markets, and introducing progressive land taxes as mechanisms for bringing land into the market.

## 7. Development in areas of heavy settlement

Under one agricultural department, areas of heavy settlement, principally the present bantustans, would require special attention. Agriculture in many of these areas is both below its potential and forms a small part of total household incomes.

Agricultural development cannot be separated from integrated rural development. It must be part of an economic upliftment programme focussing on basic needs, infrastructure development and improving production. One development strategy which is being proposed is the idea of finding economic niches and to hold and circulate income in these areas.

It involves using development capital to maximise job creation and infrastructure development. The gap between farm prices and shop prices indicates that there are opportunities for successful production in agriculture. Improving agricultural production through farm support programmes, especially ones which emphasise livestock production, will be good for rural economies.

Attempts to increase household food security should also be part of a development strategy. Given the high levels of poverty, and the high population density in many areas this could boost production very significantly and the production would be well distributed. A new technological package would

seem to be essential to such a strategy. Based on a low input system, carefully selecting appropriate land for arable agriculture, and integrating dryland agriculture, vegetable production, small stock and tree crops. It is a challenge facing a restructured Department of Agriculture, to apply its resources to meeting this challenge.

Improving household food production also depends on proper support systems. The best way of providing these is bound to be by integrating existing services - state, co-op and private farmers - into local economies. In both Zimbabwe and Zambia there are reports of positive experiences in areas where this happens.

While encouraging production in bantustans is important, the potential of these areas is limited, and cannot be exceeded if environmental degradation is to be halted. There is already a lot of abandoned land in these areas, and a land reform programme should encourage easier transfer of land to those who want to farm, without undermining the welfare role which this land currently has. Converting all land to freehold does not appear an adequate solution to this problem. But finding mechanisms for easy transferability of agricultural land should be investigated, provided it does not affect peoples' residential rights. With common grazing areas, new ways of regulating grazing rights are also needed. There are encouraging examples of communal schemes which does recognise the need for matching land use capacities to land use.

## 7. Conclusion

Rural land is one of the key areas of creating a just society. It is also very complicated, with seriously conflicting interests at play. A land reform programme is one way of attempting to increase justice on the land. It requires a comprehensive approach and the application of skills and resources in a positive way to succeed.

People will not wait for land reform. If there is no legitimate mechanism for addressing grievances, they will take matters into their own hands. Land invasions and occupations will become the order of the day, a situation that is bound to lead to conflict. It is a situation all right minded people would want to defuse, but can only be done if a legitimate land reform programme is put in place as an outcome of the negotiation process.