

## A fresh start for rural development and agrarian reform?

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### Abstract

*The new cabinet ushered in after the 2009 national elections features new and renamed ministries. Those expected to take the lead in a new initiative to resuscitate the rural economy are the Ministry of Rural Development and Land Reform and the Ministry of Agriculture, Forestry and Fisheries. While the newfound priority placed on rural development is welcome, its separation from the dynamic sub-sectors in the rural economy is not.*

*This brief shows how existing policies are bifurcated between BEE models for the better off and welfare for the poor. There is now a danger that the two ministries will replicate the dualism of the so-called 'first' and 'second' economies – an approach that deepens exclusion from and legitimises exploitation in the economic core, and prevents the creation of a 'missing middle' of successful small producers. What is needed instead is rural development that restructures the commercial sectors of agriculture, forestry and fisheries, and the exploitative class relations (with workers and small producers) on which they are based, and which breaks down the concentration of capital and market power in few hands. Only then can redistributing land, forests and fishing quotas create new pathways for 'the rural poor' to participate, and produce, in these sectors in ways that create livelihoods and jobs, and set South Africa on a different and more appropriate growth path.*

### 1. Introduction

When President Jacob Zuma announced his new cabinet on 10 May 2009, he ushered in a new era for the state's apparatus charged with responding to rural poverty: political and bureaucratic responsibilities for land reform, fisheries, forestry and agricultural development have been reshuffled, and are now clustered into an array of new and renamed ministries and departments.

Zuma presented this reshuffling as a sign that his administration will embark on a re-energised initiative for rural development, in line with the ANC's manifesto for the 2009 national elections which featured 'rural development, food security and land reform' as one of its top five priorities.

This signals a new commitment from a party that has historically relied on an urban support base of the working class and unemployed and has de-emphasised, if not quite ignored, the spatial legacy of apartheid and the concentration of poverty in the rural areas.

### 2. Mix-and-match ministries

For the future of the rural areas, the most significant changes in the new cabinet are the separation of land and agriculture, and the introduction of rural development as a ministerial mandate.

Responsibilities for land reform and for agriculture have always been held by separate departments. But



for the past 13 years these have been joined in one ministry – of Agriculture and Land Affairs – headed by Derek Hanekom from 1996 to 1999, by Thoko Didiza from 1999 to 2006, and by Lulu Xingwana from 2006 until the 2009 national elections.

Now, the new-look cabinet places these responsibilities in separate ministries: a *Ministry of Rural Development and Land Reform* (MRDLR) on the one hand, and a *Ministry of Agriculture, Forestry and Fisheries* (MAFF) on the other. Both are to be headed by former MECs for Agriculture: Gugile Nkwinti from the Eastern Cape, and the Northern Cape's Tina Joemat-Pettersson, respectively.

But key decisions about government's plans for the rural areas are likely to be taken elsewhere. At the heart of the new administration's thinking on the future of the economy is a heavyweight triumvirate made up of the National Treasury headed by Pravin Gordhan, a Ministry of Economic Development under former unionist Ebrahim Patel, and a National Planning Commission in the Presidency led by Trevor Manuel. It is widely expected that they will tussle not only over state purse strings, but also the central questions of *where* in the economy to invest, whether the rural areas can become a source of jobs and growth, and therefore whether or not to retain existing approaches to industrial policy and spatial development.

A number of other changes to the ministries will affect the rural areas. Water Affairs and Forestry becomes Water and Environment. Environmental Affairs and Tourism becomes simply Tourism. Provincial and Local Government becomes Cooperative Governance and Traditional Affairs. And a new Ministry for Women, Youth, Children

and People with Disability – what one might term 'the ministry for nearly everyone' – has been established to deal with these groups who predominate among the poor in both urban and rural areas. How all of these institutions and mandates can be harnessed to respond to rural poverty, unemployment and underdevelopment remains very unclear – but it is likely that the Ministry for Rural Development and Land Reform will need to take the lead in providing some overarching coherence.

Are all of these new institutional arrangements an apt response to the seemingly intractable problems of rural underdevelopment and economic exclusion?

### 3. Separating Land Reform from Agriculture

Separating responsibility for agriculture and land reform into separate ministries is a surprising move, apparently at odds with the ANC's manifesto promise to 'ensure a much stronger link between land and agrarian reform programmes' (ANC, 2009:9).

There is disagreement on whether it is a good thing or not.

The separation of the two has been welcomed by some in the agricultural establishment who, pointing to dips in output on redistributed farms, see land reform as a threat to commercial farming, which they wish to see insulated from the reform process. In this view, there are two types of agriculture – commercial and subsistence – and the agriculture department should be freed up to focus on commercial farming, rather than the new and poorer farmers on

redistributed land and in the former Bantustans, whose type and scale of farming, and therefore whose needs, might differ substantially. In this view, the main virtue of this new cabinet arrangement is that it ensures that land reform happens at the margins of mainstream commercial agriculture.

On the other hand, the new cabinet has drawn a more critical response from rural people's organisations and lobby groups. Their main objection is that the core problem facing land reform has not only been its slow pace – just five per cent of commercial farmland has been redistributed in the past 15 years – but the extremely poor level of support for new, small and cash-strapped farmers who have been settled on this land. Agriculture, they insist, should be integrated with land reform and should be at the heart of rural development. Separating agriculture from both rural development and land reform, then, is to move in the wrong direction.

Yet if one considers the track record of the past decade or so, responsibilities for agriculture and land reform have **never** been effectively integrated, despite being in the same ministry since 1996. None of the three ministers of Agriculture and Land Affairs were able to solve this problem while they were responsible for both departments. And land reform has been crippled as a result.

The blame for the dismal track record of production on redistributed farms must fall largely on the national and provincial departments of agriculture, which have simply failed to come to the party. Despite the introduction of some agricultural support and funds for land reform beneficiaries in recent years, the agriculture departments have remained biased in favour of commercial farming and unsupportive

of smallholder farming and the production systems of the poor. Less than 1 in 20 land reform beneficiaries have benefited at all from either Comprehensive Agricultural Support Programme (CASP) grants or Micro Agricultural Finance Institutions of South Africa (MAFISA) loans. And land alone does not produce livelihoods or development.

The notion of a need for 'integration' of land reform with agriculture, though, fails to capture the scale of the challenge. It elides the fundamentally political tension between promoting business-as-usual growth in the productive sectors of the economy (agriculture, forestry, fisheries) and restructuring them through a thoroughgoing redistribution of assets and wealth.

#### 4. Dualism and the 'missing middle'

Land and agriculture have been caught up in the contradictions of government programmes that address the problem of 'dualism' by dealing with each of the so-called 'two economies' separately. They have fallen victim to this way of thinking, and have perpetuated it.

As a result, state policy has become bifurcated in recent years. On the one hand, transformation of commercial agriculture is now largely pursued through joint ventures, strategic partnerships and black economic empowerment (BEE) deals that deracialise ownership but leave patterns of production and employment – and ultimately the impact on the economy – largely unchanged. This has been most evident where land claims on high-value farmland have been settled, increasingly with the proviso that the claimants neither live on nor farm their land, but enter into

partnerships (often with the previous owners) through long-term leases or joint ventures to ensure continuity of production. But this also involves continuity in other areas: while having a stake in commercial farms, claimants remain in overcrowded conditions in communal areas, reliant on uncertain future dividend payments, and usually no new jobs are created.

At the other end of the spectrum, the demand for land and farming opportunities by the poor, compounded by the sharp increase in food prices over the past 18 months, has spawned initiatives to support food production by the poor, often in the form of 'starter packs' of seed and implements. This response, driven by provincial departments of agriculture, can be characterised as food security through self-provisioning on a micro scale – an approach reiterated in the ANC's manifesto in which it commits to expand food production among the poor, including community schemes to produce food 'in schools, health facilities, churches and urban and traditional authority areas' (ANC, 2009:11).

Addressing direct consumption needs is an important and overdue response to poverty and hunger but, while it is likely to have popular appeal, it is ultimately limited. First, without redistributing land and water for agriculture, 'own production' by the poor via starter packs, particularly in urban areas, is unlikely to be at the scale required to be a workable solution to food insecurity. Second, the poor are to produce – but at the margins rather than in the commercial farming heartland. In no way will this change who profits from producing and selling food, or pose a challenge to the large players who dominate the market: the big farmers, the

agribusinesses and supermarkets, as well as the oligopolistic agro-food processors and manufacturers that have been able to fix prices and raise food costs.

It is, of course, important both to deal with the worst excesses of rural hunger and to deracialise commercial farming (and farmers). But so far, redistributive measures seem peripheral to the overriding trends towards capital-intensive farming, job shedding, and consolidation of both land and agricultural capital in fewer hands – trends that are antithetical to rural development. And neither approach tackles the really contentious work of restructuring the 'core economy' in recognition that its dynamics *generate* poverty and exclusion.

Between these poles of food security gardens and big commercial farms is a **missing middle**: the untapped potential for smallholder farmers who want to produce for their *own* consumption and for a market. Existing approaches have failed to create opportunities for such people. And the most likely candidates – the approximately 4 million 'semi-subsistence' and 200 000 small- and medium-scale producers – are in the communal areas of the former Bantustans, which have attracted the least agricultural (and infrastructural) support and investment. A serious approach to food security would enable them to produce and market on non-exploitative terms, to bypass (or transform) the mass retail markets in which just four large supermarkets dominate, and to benefit from rising food prices.

This bifurcation emerges from assumptions in conceptions of 'development' that underpin many past government policies, and a bias

which equates commercialisation (and industrialised production at scale) with development – *even when this aggravates patterns of economic exclusion*. The dualistic thinking that results is evident also in other sectors of the economy on which rural people depend. Look at fisheries, forestry and water, for instance.

In **fisheries**, the allocation of quotas has favoured larger companies. Transformation policies have focused on increasing BEE shareholding within these, which has been done with some success, as well as allocations of smaller quotas to black entrepreneurs who, because these were insufficient, tended to sell these ‘paper quotas’ on to the larger companies. Litigation in 2007 against unfair quotas successfully prompted a new focus on small-scale or ‘artisanal’ fishers in poor coastal communities, whose allocations have since been increased. Yet both the quota system and the inability to secure larger fishing vessels and equipment due to financial constraints, and also to some extent business skills, prevent these small fishers from expanding their scale of extraction, and limit them to fishing at a lower level and delivering what they catch to the established companies for processing. So while reallocation of quotas has made some contribution to alleviating poverty, it has only aimed to enable the most marginal to subsist and, as in agriculture, the real money is made in downstream activities like processing and marketing, where ownership remains highly concentrated. The structure of the sector is intact: the (deracialising) top-end of fishing companies and processors still dominate the market and, as long as fishing communities are prevented from scaling up to become independent operators with

the ability to process and sell their own harvests, are unaffected by the provision of rights to the poor.

In the **forestry** sector, the centrepiece of transformation has been the creation of a BEE sector charter, still in the early stages of implementation, which aims to force the small handful of dominant market players to bring black partners on board. So far this has brought little benefit either to workers or people living on or near private and state forests. ‘Empowerment’ in the sector has mostly taken the form either of narrow BEE shareholding or externalising risk through converting employment on timber estates into (often insecure) contracting arrangements. The unbundling of state forests has promoted the growth of large companies with BEE shareholding, while provisions to transfer smaller state plantations in communal areas to rural communities to be cultivated as ‘woodlots’ are yet to be implemented. The one area where production by the poor is on the rise is through outgrower schemes where they produce for and sell to the large companies like Sappi and Mondi.

With regards to **water**, reforms to separate the ownership of land from the ownership of water rights is yet to be fully thought through or implemented, and so large farmers and agro-industries (as well as mines) continue to dominate the use of scarce water resources in rural areas. Once trading in water rights gets underway, as provided for in the Water Act, it is expected that commercial interests – both agricultural and mining – will buy up these rights from poor communities. Meanwhile, important initiatives to rehabilitate irrigation in the former Bantustans – such as the Revitalisation of Smallholder Irrigation Schemes (RESIS) in Limpopo – have

focused on ‘commercialisation’, often as part of ambitious (and risky) joint ventures for the production of cash crops like cotton and tobacco which have tended to land marginal farmers in stifling debt. Small to medium producers aiming to produce at a level beyond household subsistence have been stymied by a ceiling on allocations for subsistence (so-called ‘Schedule One’) water use.

Put simply, many of these policies have aimed to deracialise the ‘first economy’ without transforming it, and so entrench the class relations that produce exploitation and marginality – which gets called the ‘second economy’. Little attention has been given to dismantling the divides between the two and so those eking out survival on the margins are prevented from filling the ‘missing middle’. The stark contrast between wealth and poverty that former president Thabo Mbeki once described as two economies has in many respects been made even starker by the very policies his government pursued. Will Zuma’s government continue on this path?

Back to his new cabinet, then: the imminent danger is that MAFF will focus on these productive sectors with a view to stimulating ‘business-as-usual’ growth, both to respond to local demand and to develop export markets, while MRDLR is saddled with addressing rural poverty, without reshaping these key sectors in which the poor participate, often in marginal ways – in other words, that the two ministries replicate the dualism of the so-called ‘first’ and ‘second’ economies. MAFF will deal with ‘wealth’ and ‘growth’ for commercial farming, forestry and fisheries while MRDLR will deal with the former Bantustans. This division of labour must be avoided.



## 5. Rethinking rural development

What is needed now is fresh thinking about the future of rural South Africa and a vision which confronts the still-stark divides *within* the commercial farming heartland of former 'white RSA', as well as between it and the 'Bantustans' – and aims to transform *both* of them. The core challenge is to enable large numbers of the rural poor to participate in economic activities – to produce, process and market – on beneficial terms in order to enable employment (including self-employment) for the rural poor, not only welfare. This would reduce rural poverty and create new livelihoods and jobs, but also set South Africa on a different and more appropriate growth path.

Taking charge of such an ambitious and all-encompassing plan for the rural areas must be a new 'Rural Cluster' that includes the two ministries but also the economic powerhouse of government: Treasury, Economic Development, and the National Planning Commission. Unless this happens, MRDLR will be relegated to junior status within the cabinet and within government's agenda; it will be expected to achieve the impossible and will be little more than a latter day Department of Native Affairs, brought back from the apartheid past.

The central position that rural development now occupies in the thinking of government draws attention to the multidimensional nature of rural people's livelihoods – a recognition that land reform cannot be entirely about agriculture, that people want and need land for a variety of purposes, and that rural people participate in a variety of economic activities for their survival. But the new ministry charged

with rural development (as well as land reform) will have to deal with logistical and institutional problems in defining its remit – and it will have to confront the potential for duplication with the tasks of other line ministries as it focuses on rural (and agricultural) land reform, rural job creation, rural infrastructure, rural housing, rural transport, rural education, rural health, and so on. There is no coherent policy to frame rural development, and there will inevitably be confusion as this new ministry attempts to delimit a coherent boundary to its work and establish sensible and cooperative relations with other line departments.

Top priority therefore is for a collaborative initiative to develop overarching rural development policy, which was lacking under the previous administration, and to place the dynamic sub-sectors of real wealth in the rural economy at its centre.

## 6. What are the policy alternatives?

Core to rural development will be the redistribution of both land and water for agriculture, to make possible the expansion of incomes from employment and self-employment, in particular, and promoting low-input, small-scale primary production of food for consumption and sale. The greatest potential for small farmers of fresh produce is in the high-potential regions of KwaZulu-Natal, Limpopo, Mpumalanga and the Western Cape, in particular.

Practical interventions are needed to support smaller farmers as well as the emergence of a 'missing middle' of producers able to market their surplus in local – or even national – markets.

The 'Rural Cluster' must promote and invest in:

- Redistribution of land and water rights in areas of high demand and regions close to urban markets;
- Irrigation for small-scale horticulture, including through the creation of infrastructure for rainwater harvesting;
- Agricultural cooperatives for input supply, processing and marketing;
- Fencing for smallholder farmers in communal areas, as well as in transport and sorting, packing and storage infrastructure;
- Fresh produce markets in towns and villages as outlets for producers of small surpluses of fruit and vegetables;
- Affordable, subsidised interest rates for credit from, and competent management in, the Land Bank.

These will require support for subdivision of larger properties to make possible smallholder units, revamping of agricultural extension services, the resuscitation of targeted subsidies for inputs and implements, public support for smallholders to extend into value-adding, particularly in sectors that provide highly seasonal patterns of income and labour demand, and perhaps most importantly, a combination of regulation and incentives to counter the monopolistic character of food processing and marketing.

Interventions such as these have the potential to support food production by the poor (facilitating household food security) and at the same time promote rural entrepreneurs who can engage in 'accumulation from below'. Poverty reduction and kick-starting a new rural growth path must be compatible, not 'either-or' options.

## 7. Conclusion

The dynamics (and class relations) that produce wealth for some produce poverty and exclusion for others. But this does not mean that we should have policies for the rich and policies for the poor, ministries for the rich and ministries for the poor. High-level coordination will be needed to ensure that the new ministries build an equitable regime of people's rights to natural resources, which is a precondition for emergence and survival (let alone success) of small- and medium-scale farmers who can and want to produce for themselves and for a market.

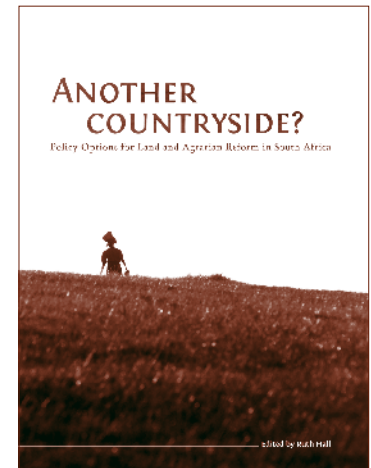
South Africa has been described as having 'two economies', but it is more accurate to characterise it as having one integrated economy that is unequal, fragmented and segmented. The implications are now starting to be seriously explored. Breaking this cycle of economic exclusion is the focus of the Presidency's Second

Economy Strategy produced in early 2009, which emphasises the need for employment creation 'from below' in the rural areas, including through micro-enterprise and self-employment in smallholder agriculture and cooperatives.

The new political priority placed on rural development is a great opportunity and new approaches are urgently needed. Rural development must not be limited to ad hoc and localised 'projects'. A new policy framework must set out an ambitious agenda for structural change in the key rural economic sectors. It must change the ways in which the poor participate in, own, control, use, and produce in the rural economy, and find new pathways of production and accumulation.

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