



Theme: Rural Economy and Land Reform

Action Dialogue on Rethinking Agriculture in South Africa: Constraints and Opportunities (October 2016)

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1. **What were the major issues addressed at the workshop in relation to structural poverty and persistent, deep inequalities in the agricultural sector?**

The purpose of this workshop was to rethink the potential role of agriculture in helping resolve the larger crisis facing South Africa, which involves persistently high and increasing rates of unemployment, rising inequality, a stagnant economy, and a state that is not only dysfunctional in many respects but has been captured by a narrow alliance of sections of capital and political elites. Despite its relatively small contribution to gross domestic product (around 2%), agriculture is labour intensive and a significant source of employment (5%). Can these contributions be increased?

2. **What are the main reasons for the persistence of the deep inequalities and poverty in the agricultural sector?**

Large-scale commercial farming is shedding jobs, while concentration of land ownership is occurring in response both to the dismantling of apartheid subsidies and regulated markets, and to global competition. Around 50% of commercial farmers now own over 90% of the land and only 5% of farmers generate 52% of total gross farm income. Processes of integration in value chains are creating opportunities for new forms of financialisation, with private equity funds, government pension funds and a range of

About this brief

This brief was commissioned by the Mandela Initiative to help inform a synthesis report on its work since the 2012 national conference, *Strategies to Overcome Poverty and Inequality*, organised by the University of Cape Town. The MI provides a multi-sectoral platform to investigate and develop strategies to overcome poverty and reduce inequality in South Africa. While the Nelson Mandela Foundation is a key partner, the Initiative has relied on collaborations between academics and researchers, government, business leaders, civil society, the church and unions.

The synthesis report serves as a framework for reporting on the work of the MI at a national gathering on 12 – 14 February 2018 at the University of Cape Town. The MI *Think Tank* has identified the objectives for the gathering as:

- to anchor the contributions of the MI within an analysis of the current South African political and economic context;
- to share the recommendations emanating from the MI-related work streams at a policy/strategic level to advance the goal of eliminating poverty and reducing inequality;
- to critically engage with the potential impact of the recommendations on eliminating structural poverty and inequality; and
- to discuss ways of promoting popular conversations and debate about what needs to be done to eliminate poverty and reduce inequality, beyond the MI.

The synthesis report aims to assist participants to prepare for the national gathering. The report drew on findings from the sectoral research projects of Think Tank members; the MI's *Action Dialogues*; a report on an MI *Community of Practice workshop* with research chairs from different universities to identify cross-cutting themes emerging from the MI's *research programme*; and the work programmes of others who have expressed an interest in contributing to the goals of the MI.

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individual investors all promoting models designed to extract value for shareholders. An evolving global agricultural structure shapes the structure and dynamics of SA agriculture, e.g. consolidation of input suppliers, resulting in the top four global firms controlling 97% of the market for poultry genetics and the top three companies controlling 53% of the seed market, which put farmers in South Africa at their mercy.

Black smallholders are also experiencing rapid processes of change. De-agrarianisation combined with shifts in gendered patterns of livestock ownership results in heterogeneity and complexity. The diversity of rural livelihoods, with multi-directional patterns of rural-urban migration, suggests that farming as a primary activity is likely to be an option only for a few; for many, however, it will remain an important component of a diverse portfolio of strategies.

A set of largely unexamined conceptions, assumptions and paradigms in relation to agriculture appear to inform current policy frameworks. Farming is often assumed to be a full-time occupation, with notions of 'economic viability' drawn from farming systems and levels of income that predominate in the large-scale commercial farming sector. Formal markets are assumed to be more important than informal markets. Farmers are classified as either 'subsistence' or 'commercial'. Considerations of multiple livelihoods and the multi-functionality of agriculture are absent. The poor are often marginalised in interventions aimed at expanding major economic drivers, such as large-scale commercial farming and agro-industry. Volatile but rising prices of staple food prices, which make up a large proportion of the costs of the poor, have been only partially successful in keeping down the costs of labour power, making it doubtful that cheap food supports accumulation in the broader economy.

3. What do you recommend should be done at a macro policy/strategic level to deal with the major issues you have identified?

Supporting labour-intensive agricultural subsectors is key for job creation. These include small-scale irrigation, horticulture, and opportunities in forestry and fisheries. Job-opportunities also exist in identified small-scale livestock production, particularly goats and sheep and live chickens for informal markets.

The design of support programmes for smallholder farmers must be based on an understanding of the underlying dynamics of differentiation. Such interventions would distinguish between the needs and requirements of various types of smallholder farmers, as well as between 'loose' and 'tight' value chains and markets, and support both producers and market intermediaries. Specific support should be provided to subsistence-oriented smallholders on welfarist grounds.

However, even with support, these processes are not linear and policy should be sensitive to reversals as well as re-entry into agriculture. Policy tends to focus exclusively on formal markets and large commercial farming models, neglecting informal markets, loose value chains and small producers. Interventions should be based on a good understanding of the structure and dynamics within these spheres. Attention is needed on the non-farm rural economy in order to generate inclusive growth. This includes incentives to develop local markets and suppliers.

Limited and carefully targeted support for strategic partnerships and joint ventures between large-scale commercial farmers, commodity organisations and land reform beneficiaries can generate

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substantial benefits for all parties. However, a broad-based agrarian transformation strategy cannot be driven solely by such partnerships, which are likely to be few in number.

Policies must attempt to address the high levels of concentration in the agricultural sector – in relation to the ‘upstream’ components of value chains (inputs such as fertilisers and seeds), in production, and ‘downstream’ components (such as agro-processing and retail). Concentration is the outcome of different processes, including increased levels of re-investment by successful accumulators, who thus expand the scale and scope of their operations, and of rent-seeking behaviour by large concerns that exert market power. Hidden bias towards large-scale operations in policy environments is another factor that needs to be examined. Past policies of liberalisation and deregulation may have led to increasing levels of ‘private regulation’ that favour larger-scale interests, such as more onerous standards for fresh foods. Rigorous financial regulation is required in a context of increasingly complex and opaque investments in order to ensure benefits flow to the intended beneficiaries of state policies.

The importance of food prices in determining the cost of wages opens space for targeted food policies. These should include investigation into white maize price ceilings, supported by interventions aimed at increasing protein access through production support to small-scale (live) poultry farming and goat and cattle farming based on extensive rangeland systems. Given the poverty of data on agriculture, government should adopt new approaches to census and survey data, collecting comprehensive national data on key current attributes and representative data on structural information.

4. What do you think the potential impact of the recommendations will be on eliminating structural poverty and reducing inequality?

Despite its declining contributions to the national economy, the strong emphasis on agriculture in current policy frameworks such as the National Development Plan is appropriate. It does have real potential to reduce both rural poverty and wider inequalities, albeit in relation to a minority of rural households. Redistributive rural land reform needs to lend support to black smallholder farmers by providing them with access to an expanded land base. However, many rural dwellers will have to look to the urban economy for employment opportunities that can increase their incomes and quality of life. Resolving the wider unemployment issue is key to efforts to address the crisis in South Africa.

For more information on the Mandela Initiative:

