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Rural Poverty and Land Redistribution:

Some Macroeconomic Issues

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RURAL POVERTY 8: LAND

REDISTRIBUTION :

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by John Sender, 13th October 1993)

## I: INTRODUCTION

This paper consists of extracts from a paper prepared for the Macroeconomic Research Group's (MERG) Framework. It focuses on the macroeconomic importance of the agricultural sector and on the central issue of wage employment in rural areas. One conclusion is that, whatever strategy for land redistribution is adopted, the impact on rural women who depend on wage incomes should not be ignored. In addition, some suggestions for policies to improve the status of these women (apart from redistributing the ownership of land) are discussed.

## II. THE ROLE OF RURAL DEVELOPMENT IN AN ECONOMIC PROGRAMME FOR A DEMOCRATIC SOUTH AFRICA

In terms of the conventional, National Income Accounts analysis, the importance of Agriculture, Forestry and Fishing is quite small and has rapidly been diminishing. Having accounted for 21 percent of GDP in 1911, the share of this sector declined to 5.2 percent by 1990 and to 4.7 percent by 1991 (Directorate of Agricultural Information, 1993, p.81). As a result of the, drought in 1992, Agriculture's contribution to GDP (at current prices) was only 3.9 percent; the 24 percent fall in the real value added by Agriculture between 1991 and 1992 is believed to explain a large proportion of the 5 percent decline in GDP which occurred in the fourth quarter of 1992 (SARB, March 1993, p.30). Thus, although agriculture accounts for a rather small percentage of total output, the fact that agricultural output is subject to very large fluctuations means that the performance of this sector has a significant effect on the rate of change of total output. Similarly, the contribution of this sector to the employment of the Economically Active Population, as measured in the standard official statistical publications, fell from about 33 percent in 1951 to less than 14 percent in 1985 and about 10 percent in 1991. It is also argued that agricultural exports contribute a rather small percentage to South Africa's total export earnings, especially if only exports of primary animal and vegetable products are considered (IBRD 1992, p.59). Trends in the share of agricultural exports in total exports are shown in Table 1. All of the indices of agricultural export performance suggest that it is a small contributor to total exports (less than 5 percent) and that its importance has been declining. However, rather different estimates of the importance of agriculture to the South African economy are available, which point to the need to develop a new policy perspective concerning the actual and potential contribution of agricultural production to the growth of output, employment and exports. An examination of the Input-Output Tables for 1988 shows that only 34 percent of Agriculture's output is directly consumed; 66 percent of total Agricultural output takes the form of intermediates, which means

that the downstream or forward linkages from the Agricultural sector are relatively high. (For comparative purposes, note that only 26 percent of Mining's output is of an intermediate nature). The bulk of the intermediate outputs from Agriculture are destined for the Manufacturing sector (84.percent). At the same time, about 58 percent of Agriculture's inputs of goods and services are sourced from South Africa's Manufacturing sector, (principally chemical and fuel based inputs, although Prepared Animal Feeds and Agricultural and Transport Equipment are also important). It is, therefore, reasonable to depart from the standard sectoral classifications and identify a range of linked production activities, which involve not only the direct production of certain 'agricultural' commodities, but also a large number of other production activities, especially a set of manufacturing sub-activities, which are very closely linked to and dependent on agriculture. This manufacturing-agricultural complex, or Agro-Industrial sector plays an extremely important role in the South African economy (Rustomjee, 1993). The sectoral boundaries of the Agro-Industrial sector could be drawn in different ways. Rustomjee (1993) has proposed that the sector could include:

ISIC 3100 (Food Products, Beverages, Liquor and Tobacco)

ISIC 3200 (Textiles, Garments, Leather Products)

ISIC 3300 (Wood, Wood Products, Furniture)

ISIC- 3400 (Pulp, Paper, Printing, Publishing)

ISIC 3512 (Fertilizer and Pesticides)<sup>2</sup>

This aggregated group of economic activities constitutes a very significant proportion of the Manufacturing sector in South Africa. Table 2 shows that the Manufacturing-Agricultural Complex (MAC) accounted for about 402,000 jobs in 1988, or 28 percent of total recorded employment in Manufacturing, 31 percent of Manufacturing's production, 21 percent of its capital stock and for almost a quarter of Manufacturing's contribution to GDP. Moreover, the MAC accounted for 23 percent of Manufacturing exports, while absorbing only 9 percent of Manufacturing's imported inputs<sup>3</sup>.

The contribution Of the Manufacturing-Agricultural Complex to GDP is, obviously, much greater than (more than double) the contribution of Agriculture to GDP. It is important to note that a few of the largest component sub-sectors of the MAC, such as Food, Beverages and Paper and Wood Products were making an increasingly significant contribution to GDP over the same period (see Chart 1).

Some components of Agro-Industry have been playing quite a large and growing role in the economy and have considerable potential to make an even greater contribution to employment, output and exports in the future. One example of this potential is based on the finding that Agro-Industries, as well as the agricultural sub-activities to which they are linked, are far more labour-intensive than the non-agricultural activities in the South African economy. Sugar, tobacco, fibre crops, animal fibres, clothing, oil-seeds, grapes, citrus, fruit, vegetables, forestry, furniture and tea, all have higher than average employmentzoutput

ratios (Van Seventer, #Faux, Van Zyl, 1992, p.16).'

In the context of an urgent need to expand wage employment, these findings have considerable policy significance. They underpin the ANC's declared policy of targeting investment in agro-industry. Furthermore, such a policy is certainly consistent with a macroeconomic strategy which aims at increasing the real income of poor and black people, since black households in general have much higher income elasticities of demand for the commodities supplied by Agro-Industry than other households (BMR, 1990, p.20). Anticipated shifts in the pattern of demand in the second half of the 1990s will, therefore, have a positive impact on the relative position of Agro-Industry in South Africa. (An agro-industrialisation strategy is also likely to be consistent with maintaining a balance between import requirements and available export revenues, partly because such a low percentage of Agro-Industry inputs have to be imported). An increase in rural incomes would not only have a positive impact on agricultural processing industries and employment because of the demand elasticities and employment:output ratios noted above, but could be beneficial for the long-run growth of the Manufacturing sector as a whole. This is clear in the case of those sub-sectors of Manufacturing which are currently very dependent on Agriculture, i.e. Fertilizers and Pesticides, Agricultural Machinery and Prepared Animal Feeds. For the Manufacturing sector as a whole, however, it is striking how small a percentage of its output (less than 3 percent) now finds a market in Agriculture. This tiny contribution to the market for manufactured goods can be considered to be a direct consequence of inadequate rates of growth of investment in Agriculture (see below, page 5), the extremely skewed pattern of income distribution in the economy and the terribly low levels of consumption of the overwhelming majority of the rural population. To the extent that investment, output and employment growth in Manufacturing have been constrained by domestic demand deficiencies in recent years, an increase in demand, accompanied by a shift in the structure of demand for Manufacturing output towards rural mass markets, which is achieved on the basis of a widespread increase in incomes in the Agricultural sector, would have very positive economy-wide consequences.

Dynamic interactions may be anticipated between expanded demand in the agricultural sector, increased Agro-Industry output and increased output from a range of other Manufacturing sub-sectors. Growing output and rates of capacity utilization, especially in the food processing components of Agro-Industry, should lower the real price of basic goods, resulting in an increase in the proportion of their income that the mass of the rural population can devote to the purchase of manufactures. This increase in effective demand could lead in a virtuous circle to higher output and faster productivity growth in Manufacturing which, in its turn, would benefit productivity growth in Agriculture through the provision of lower priced modern inputs and incentive goods. An appropriately formulated National Food Policy, which was designed to have the effect of lowering and stabilizing basic

food prices, would also make an important contribution to this growth strategy.

Some further support for the strategy outlined above, and for the argument that Agriculture has the potential to play a major role in a democratic South Africa, is to be found in some less recent research. Analysis by Van Zyl and Vink (1988) attempted to quantify the impact of changes in agricultural production on the rest of the economy, based on older Directorate of Agricultural Information Input-Output Tables (1976; 1979; 1982 and 1986). They conclude that, because of its strong linkages with the rest of the economy, the total impact of a change in agricultural production on the economy is more than twice that of the direct impact. They also provide estimates of the degree to which additions to production or capital in Agriculture have multiplier effects on employment and income in the economy as a whole.

Within the framework of the 1985 production structure, an increase in agricultural production would result in the creation of relatively more jobs throughout the economy than could be achieved by an increase of the same order in any other sector. For every additional unit of capital invested, Agriculture ultimately yields a larger number of job opportunities than all other sectors, with the exception of Construction. These findings underpin the MERG policy recommendations on rural infrastructure construction and increased investment in agricultural production.

The list of economic arguments for according the Agriculture sector a high degree of priority in the national economic growth strategy of the Democratic Movement could be extended. However, at this stage it is important to note that there is a certain amount of spare capacity in South African Agriculture, especially in the areas of high and medium arable potential. It has been estimated that in the white farming areas of Regions E and F cropping intensities are only of the order of 51%. There are, therefore, up to 3 million hectares of high/medium potential land in these areas which are not currently producing high value arable crops (McKenzie, Weiner, Vink, n.d. p.5). There is an even larger amount of available agricultural production capacity in the Southern African region as a whole (Davies et al, 1993, African Development Bank, 1993, ch.5 ). The degree of spare capacity should not only be measured in terms of under-utilized land, water and installed manufacturing resources, but also in terms of the under-utilization of the productive potential of the rural population. The poor education, ill-health, low life-expectancy and consequent low productivity of the rural labour force is not only an indictment of Apartheid policy; it also provides the major opportunity for and indicates the potential of the agro-industrial growth strategy proposed by the Democratic Movement.

### III. THE FAILURE AND UNSUSTAINABILITY OF GOVERNMENT POLICY

Unfortunately, the most -reliable data on total government expenditure on Agriculture, based on the IMF's Government Finance Statistics classification, is only available up to 1991. This measure shows a fluctuating but declining real value of expenditure on Agriculture and a similar decline in expenditure on Agriculture as a percentage of totalJexpenditure (see Chart 2)t Most of the 1992/3 increase in agricultural expenditure has benefitted white farmers and 'the general conclusion remains that the government has, over the last decade, failed to accord the agricultural sector as a whole the degree of priority that its potential contribution to the economy or international experience would warrant. The mean percentage of total government expenditure on Agriculture in South Africa between 1989 and 1991 was only 2.5%, ie about the same proportion as that observed in New Zealand which has a far smaller proportion of the labour force in Agriculture. By contrast, the comparative percentage in more successful economies with similar structural characteristics to South Africa, such as Malaysia, Thailand, Indonesia, Korea, was between 7% and 10%, ie more than double the proportion spent in South Africa (IMF 1992). Within the context of overall neglect the government has wastefully misdirected expenditures to a Small minority of white grain farmers. While government productive investment in the agricultural sector has been declining as suggested in Chart 2, there is no indication that the private sector has taken up the slack. On the contrary, all the evidence suggests that the impact of incoherent government policies with\_ respect to marketing, pricing, subsidisation, interest and exchange rates, not to mention the cost-increasing effects of protecting agricultural input supply industries such as ADE (diesel engines) and SASOLS, have adversely affected the agricultural terms of trade and, therefore, farmers' incentives to invest. The consequences have been: a decline in the real value of farm expenditures on intermediate goods and services since 1985; a decline in real levels of capital investment in fixed improvements, from a peak of R693.3 million in 1973 to R344 million in 1990; a decline in real levels of investment in tractors, machines and implements from-a peak of R1.7 billion in 1981 to R389 million by 1990, (IBRD, 1992, pages 72 and 81).

Obviously these adverse effects of government policy have not been uniformly distributed among the white farmers: for example, producers of some of the most important field crops, i.e. maize, wheat, grain sorghum, barley, cotton, sunflowers, have all faced a very marked deterioration in their terms of trade between 1982 and 1991, with real producer prices for these commodities falling by between 49% and 21% over the decade (AgriReview, Jan 1992). On the other hand, the terms of trade for tomatoes , oranges, grapefruit, lemons, apples and avocados, for example, have all moved quite favourably for farm producers since 1982 (AgriReview,

'October 1992). .This has been reflected to some extent by changes in the pattern of investment, with. output of horticultural products increasing by 25% between 1985 and 1991, while field crop production stagnated and the area planted to maize decreased by almost a million hectares between the early 1980s and the turn of the decade (LAPC, Jones, 1993, p12)6.

However, it cannot be said that these very large shifts in the terms of trade, in investment and in the pattern of production and employment were the outcome of a coherent rural development strategy or food policy. They reflect, rather, the peculiar and combined outcome of vacillating responses to the pressures of particular white, rural vested interests<sup>7</sup>, market liberalizing and monetarist ideologies, rainfall and unanticipated fluctuations in international price and exchange rate movements. The record of economic policy mismanagement highlights the urgency of adopting a rational and consistent set of state interventions to promote the development of the Agricultural and Agro-Industry sectors. The prospect of the "continuation" of recent policies promised in the NEM would rapidly be rejected by a democratic government.

The redirection and reform of rural development policy will require not only the re-allocation of resources within a new expenditure plan, but the radical reform of the central, regional and local state and quasi-state enterprises which have been responsible for the mismanagement of such resources in the past. The model for such an expenditure programme should neither be the costly current support packages to white farmers, nor the (less costly but non-replicable and narrowly focused) support to black farmers through the DBSA's Farmer Support. Programme. MERG recommends, instead, a far more tightly targeted set of lower Cost interventions which are especially designed to improve the living standards of the very poorest rural households. The scope for financing such state intervention through a reduction in state expenditure on white farmers and the homeland and other bureaucracies is obviously considerable.

Nevertheless, the resources for the proposed poverty-targeted interventions will prove inadequate if a growing number of black capitalist farmers can stake their claim to the excessive level of state resources currently received by their white counterparts and to the extent that such resources continue to be as wastefully and irrationally allocated to a sub-set of grain farms as they have been in the past. The political economy of rural South Africa and the weakness or absence of appropriate rural development institutions and experienced personnel means that it will be difficult to prevent such inefficient handouts of state resources. This suggests that there is likely to be a role for efficient agri-business to expand its recent efforts to incorporate small black producers into nucleus estates or contract production. More importantly, the argument above implies that there an urgent requirement to define with a great deal of precision the needs and targets to be addressed by the Democratic Movement's agrarian transformation strategy;



#### IV. THE NEEDS TO BE ADDRESSED BY AN AGRARIAN TRANSFORMATION POLICY

##### Some Characteristics of the Poor

The scattered and methodologically inconsistent surveys covering the incomes of rural households, the majority of which have not been undertaken by government agencies, cannot be used as a basis for analysing national, or geographically disaggregated, or gender specific trends over time in per capita real incomes. These surveys do, however, agree in drawing a few, quite firmly based conclusions: ' ,--

- a. Black people living in rural areas in general have much lower incomes than black or, of course, white people in urban areas.
- b. The degree of black rural poverty, in both "white" and other rural areas, is much more acute in some regions and some districts than in others. There is probably a growing degree of spatial and within-district inequality in the distribution of rural black incomes.
- c. The incomes accruing to black women in rural areas, to female-headed or female dominated households, are much lower than those available to black men or to other rural households.
- d. A large proportion of rural households only survive, or finance their consumption of basic goods such as food, through wage employment. Quite apart from employment in the mines and in manufacturing, rural wage employment, both on-farm and off-farm wage employment is, and has for many decades been, a critical source of income for a very large number of poor rural households.

The last point concerning rural wage employment has extremely important consequences for the design of economic policy and for proposals on agrarian reform.

##### The Need for Rural Wage Employment

Rural households have, for many decades, only been able to survive on the basis of access to wage employment. Of the poor black rural population; which has been estimated to amount to about 11 million people, a significant proportion are surviving in the so called "white" rural areas, either as employees on white farms or as the dependents of these employees. The officially recorded number of black farm employees and domestic servants on farms in the "white" areas has fluctuated over the period 1985-1991, but has averaged just over one million, of which about one third are domestic workers. If "Coloured and Asian" farm employees are included, the figure is close to 1.2 million (Directorate of Agricultural Information, 1993, p.6). Making reasonable assumptions concerning the number of dependents per employee, the total number of people relying on these wages could be between 5 and 6 million.

No up-to-date and appropriately deflated wage series exists for these employees, but there are indications that their real wages are considerably lower than the real wages received by recorded urban black employees, probably amounting to less than one third of the urban level (Urban Foundation, 1991). Movements in the real wages of farm workers have not, of course, been uniform across farms, crops and geographical districts. Note that the permanent farm workers in regions J, C, B, D, and G receive only about half the monthly cash wage received by farm workers in region A (Farm Workers Research and Resource Project, May 1993; Graaf, Louw, and Van De Merwe, 1989, p.37-8). Moreover, many of the 1.5 million children of farm employees are known to suffer from particularly acute educational deprivation, with about 40% of the relevant age group not attending Primary School (Gordon 1991).

It is important to emphasize that the official data on farm employees in white rural areas is almost certainly extremely misleading. The recorded wage rates appear to be rather higher than those observed in micro-surveys and the number of employees, especially casual and seasonal employees commuting or temporarily migrating from the "homelands" and from neighbouring countries in Southern Africa appears to be under-estimated in the CSS publications. Therefore, the number of rural people dependent on wage employment on these farms is probably considerably larger than the estimate of 5 - 6 million given above.

In addition, agricultural wage employment within the 'black' rural areas should be added to this total when estimating the national importance of agricultural wage employment. This calculation is problematic, since statistics on 'formal', ie recorded wage employment, have not been collected on a geographically disaggregated basis (DBSA, 1991c, p.19). However, DBSA estimates of the "Demand for Labour" in the "Outer Peripheral Area of South Africa" indicate that roughly 1.45 million people were in wage employment in these largely rural areas (ibid, p.44). This total, while it would include wage employees on the Development Corporations' large scale agricultural projects (perhaps amounting to a fifth of all employees) and government employees, does not include all of the large number of waged domestic workers in these areas, nor does it include the large number of farm workers employed for wages by small black farmers. In particular, casual/seasonal agricultural wage employment for black farmers, which is extremely important as a source of income for poor black rural women who are unable to commute or migrate to 'white' rural areas, is ignored. It must be concluded that the degree to which poor rural people depend on wages received from farm (or from off-farm) rural employment within the homeland areas cannot be estimated with any degree of precision.

Nonetheless, micro-surveys covering the sources of income of rural households do suggest that wage employment is an extremely important source of income (Nattrass and May, 1986; De Wet et al, 1989, p.66; Leibbrandt, 1993, p. 54; and Bromberger and Antonie, 1993). Unfortunately, far too few of these surveys give any indication of the sector from which these crucial flows of wage

(and remittance) income are derived. It follows that neither the current nor the potential role of farm employment in providing an income for poor rural people and, in particular, poor rural women, can be estimated with a great deal of confidence. Nevertheless, it would probably not be unrealistic to assume that well over half of the rural poor depend on agricultural wage employment for their survival. The sale of labour power represents their only viable reproduction strategy, since even if they have some arable land, the opportunity cost of devoting labour to that land in terms of wage earnings foregone is very high.

The impact of rural development policy on the demand for agricultural wage labour, should not, therefore, be ignored. Policies which reduce the level of demand for, or the real wages of farmworkers, including ill-conceived redistributions of land, would have a devastating effect on very large numbers of the poorest people in South Africa. Some policies designed to have the opposite effect are discussed below.

#### The Need for Access to Land

Thus, state interventions in the land market are required for two distinct purposes: First, to redistribute land directly and in the short-run to poor rural people: secondly, to reallocate land to those employers capable of achieving the technological dynamism required for the macroeconomic goals of raising employment, real wages, agro-industrial output and exports.

The first of these goals, ie the allocation of land for production purposes to some of the poorest rural households must be regarded as an urgent priority, which should be achieved in the short-run.

The recommendation here is that the initial aim of direct state interventions to redistribute land should be to benefit adult female members of landless households in the rural homelands. The benefits they may be expected to derive will consist of improvements to their own and their children's diet, achieved through consumption of the vegetables and other food they produce on their newly acquired land, as well as through the small amounts of additional income they may acquire through sales of agricultural produce or through the leasing out of their new asset. It is not anticipated that they or their children will be able to survive on the returns from this land alone; the majority of consumption needs will continue to be met through their own or their family members' access to wage employment, or through transfer incomes, especially pensions. This recommendation does not, of course, preclude the simultaneous pursuit of land redistribution through the proposed Land Claims court, which would aim to restore specific parcels of land to all people, whether currently landless or not, illegitimately dispossessed by the apartheid state. The adjudication process, however, may take some time, while the MERG proposals should be implemented very rapidly.

The MERG recommendations may be contrasted with some recent proposals for a land redistribution programme in 1994 from the World Bank (IBRD, 1993). Their proposal rests on a "broadly targeted", (ie. ill-defined), injection of purchasing power which will allow some black people to purchase land in the existing land market, using states subsidised credit to make their acquisitions. The criteria for targeting suggested by the Bank effectively exclude those who currently have access to very low incomes, no collateral and poor organisational capacity to represent themselves to the implementing agency as a "strong" group. In other words, the issues of poverty and gender are not taken seriously. Rather, the vision is of a package of state subsidies to a class of male black rural capitalists.

The policy changes required for the second goal are urgently required, but hasty or ill-considered state interventions could easily disrupt existing agricultural production and wage employment, with harsh consequences for the retrenched and for the poorest rural households. The appropriate package of price incentives, tariffs, subsidies, taxes and legislation designed to avoid such disruption, while steadily reorganising cropping patterns to meet sectoral employment and output targets, will be briefly described below.

There can be no objection to the removal of all the apartheid obstacles which have constrained the dynamism of black employers. Nevertheless, their access to land, as well as the access of their white counterparts to land, should be conditional upon the economic consequences of structures of ownership for the rural poor. The state should certainly intervene to restructure production on large-scale capitalist farms, but the objectives of such interventions should be broader than merely to achieve a change in the colour of the capitalists concerned. These objectives must include achieving the sectoral employment and output targets of the macroeconomic strategy, as well as the demands of the ANC and COSATU for poverty reduction and rapid improvement in the wages and working conditions of farm labourers.

### Investment in Rural Social and Physical Infrastructure

Three economic arguments in favour of a strategy of investment in rural social and physical infrastructure need to be made here: First, many rural women are now living in homeland or other rural areas where the medium-term prospects for obtaining local productive employment, whether wage employment or self-employment in agricultural or non-agricultural enterprises, are rather poor. The resource base of the areas in which they now live, the agro-ecological characteristics and the non-agricultural installed capacity, are all relatively shaky. Consequently, many of them and their children are already commuting, or seasonally migrating, or moving more permanently to the white rural areas, to small towns throughout rural South Africa and to the major conurbations in an attempt to obtain wage employment and escape their poverty.

Unfortunately, the labour market for uneducated women, lacking employment experience, skills or capital and restricted by the nurturing requirements of their dependents and their own poor health status is extremely slack. Nor can demand for this category of labour be expected to increase substantially, even when growth resumes. Interventions are therefore urgently required in order to improve their mobility and wage earning capacity. Their educational, health and nutritional status must rapidly be improved if there is to be any hope that they and their children can migrate to enter more dynamic labour markets with reasonable prospects of success. Obviously, their ability to obtain income through agricultural or non-agricultural self employment anywhere in the economy is also severely constrained by their structural aversion to risk and by illiteracy and ill health.

Secondly, if they must remain in an unfavourable homeland economic environment for extended periods, these investments are required for another reason. The proportion of their time that they are now able to devote to earning the cash that they and their children need to survive is severely limited. It is limited by the many hours of drudgery involved in the collection of water and fuel, by the distance they must walk to visit a clinic, an educational facility or even a food shop, and by the hours they must spend in domestic labour because housing, lighting, washing and cooking facilities are so seriously inadequate. An important aim of the proposed investments should, therefore, be to reduce this drudgery.

Finally, given the extent to which the poorest rural households are dependent upon rural wage labour, it is important to allocate the bulk of the new employment opportunities generated by proposed investments in water supply, sanitation, clinics etc. to uneducated rural women in the poorest areas. The MERG programme to create 100,000 jobs and opportunities for training

per year in labour-based construction must be designed in such a way that the first beneficiaries are rural women based in the most deprived regions. The availability of such public works employment, within commuting distance, would directly expand their short-term options for wage employment, which are currently confined largely to agriculture and domestic service, and indirectly improve their own and their children's longer-term prospects in the labour market, since their education and quality of life would benefit from the infrastructural facilities created.

The MERG proposals for investment in other, types' of infrastructure include projects in the following areas:

i) The rehabilitation and improved maintenance of existing irrigation facilities, soil conservation works,, rural feeder roads and on-farm structures.

(Rehabilitation and maintenance projects for physical infrastructure are stressed because of their relatively short gestation period).

ii) The labour-intensive construction of new irrigation and water control structures, soil conservation structures and rural feeder roads.

There are strong arguments for concentrating these public investments in those rural areas with the greatest production and export potential, rather than in the most remote, deprived or least productive homeland areas. Thus, although the condition of roads, for example, in remote rural areas is known to be appalling, MERG questions the value of further investment in those areas which were designed as "dumping grounds" in the heyday of apartheid (cf. Mbongwa and Muller, 1993). The capital cost of providing and maintaining infrastructural services in rural conditions such as these is relatively high and, if these areas have very limited productive potential, then local communities will face great difficulties in meeting maintenance or recurrent costs.

The conclusion of the argument above is that it will be necessary to plan the programme of rural physical infrastructure projects across wide boundaries which include both white and homeland areas. Of course, the plans will have to ensure that. the benefits or income streams arising from the investments are not confined to those who already own most of the rural means of production. If the investments involve large inputs of female rural labour not only at the construction stage, but also are specifically designed to lead to faster rates of growth of wage employment in the rural enterprises which benefit from the output of the projects, then reasonable rates of social as well as economic return may be expected. In addition, it may be necessary to focus the initial phases of the physical infrastructure investment programme in those particular areas with high-to-medium arable potential that are either within, or near the boundaries of the homelands, in order to maximize the possibility of female labour participation.

## Economic Carrots and Sticks to Elicit the Cooperation of Capitalist Farmers

Large scale State funding of investment in physical infrastructure along the lines described above could constitute a "carrot" to elicit cooperative investments by the most dynamic capitalist farmers or agri-business, i. e. those capable of employing large amounts of productive wage labour at a living wage and of making a significant contribution to export revenues. Other forms of state intervention. will also be required, as 'carrots', inducements or as penalties to encourage restructuring of agricultural production on these farms in areas of high potential.

For example, the state subsidisation of agricultural or agro-industry exports could and should be made conditional on the meeting of per hectare employment targets within a specified time period. State support for agricultural research should also be directed towards achieving employment targets. Indeed, when preparing for the new mix of expanding, eliminating and redirecting the array of state expenditures and tariffs directed towards farmers, the possibilities for putting economic pressure on all farmers to begin to invest in a wage labour intensive, technological dynamic and internationally competitive farm production structure are immense.

The accelerated conversion of integrated agricultural estates into 'nucleus estates' or small-holder outgrower or contractor schemes, which tend to use more labour per hectare than the original large-scale units, could also be promoted through judicious state intervention by means of expenditure carrots or the fiscal stick. The level of user charges for irrigation water is another obvious example of an appropriate instrument to assist in achieving employment and export targets on existing farms, as is the structure of rail-freight charges. Few, if any, of these state interventions would require new legislation. However, the introduction of a land Tax should also be investigated; not because such a tax would or could contribute significantly to revenue, but because it could be used to create incentives for appropriate levels and forms of investment on capitalist farms.

1. It should be noted that the share of employment in Agriculture in 1991 is rather higher if only the Economically Active 'Black' population is considered; employment in agriculture accounted for more than 12 percent of total employment for this group (css,1992, p.2.22).
2. Van Seventer, Faux and Van Zyl (1992) provide a more detailed analysis of a sector they call "agri-business" using an expanded input-output table which includes a disaggregated agriculture. Their concept of agri-business only takes account of the forward linkages of agricultural sub-activities, i.e. mostly food processing subactivities, although textiles and clothing and paper and printing are also included.
3. It should also be noted that an officially recorded 20,000 wholesale and retail businesses, together with a larger number of such businesses whose existence is unrecorded, operate in rural areas and generate considerable wage employment. These businesses may be regarded as directly or indirectly dependent on Agriculture (Roth et al, 1992,p.61).
4. Note that in most of the self governing territories there has also been a decline in agricultural spending as-a proportion of total expenditure between 1984/5 and 1991/2 (see Chart 3, Rimmer, 1993).
5. One estimate of the level of increased input costs faced by farmers as a result of protection policy is that farmers in the early 1980s would have been able to save about 25% on fertilizer inputs in a tariff-free environment (Vink and Kassier 1992, p.217). Note that exporters of processed agricultural commodities have not been able to benefit from incentives such as GEISS.
6. Note that one of the important failings of the official statistics is that they do not report areas cultivated for the key growth sectors of white farming, ie horticultural crops and vegetables.
7. The latest ad hoc response to such pressures has been the allocation of about R50 million in mid-1993 to selected white farmers to compensate them for the costs of protecting themselves against violence. The regime does not appear to appreciate the fact that rather more black rural inhabitants than white have been the victims of violence.
8. One of the many deficiencies of the available sources is that they have not been able to make use of an appropriate deflator, i.e. low-income rural consumer price indices appropriate for different districts are not available in South Africa
9. Although between 1981 and 1987 the real wages of these workers appears to have fallen quite considerably (IBRD,1992,p.105).
10. This includes most of the self-governing territories (with the exception of some districts of Kwazulu which are defined as part



of the Durban/Pinetown/Inanda metropole), as well as the TVBC  
states,  
15

TABLE 1

The share of agricultural in total South African exports (9S)

1969 1970

(total incl. gold)

(Current prices) 6.37 6.15

1 total excl. gold)

(Current prices) 9.25 8.84

1 total incl. gold)

(Constant 1991 prices)

1 total excl. gold)

1 Constant 1991 prices)

Source: CEAS data bank

1971

6.05

8.67

1972

8.32

11.74

1973

5.96

9.28

1974

5.24

8.48

1975

6.11

9.25

3.76

7.15

1976

5.53

7.64

3.00

5.59

1977

5.28

7.24

3.36

5.97

1978

5.33

7.67

3.73

6.62

1979

3.50

5.50

2.79

4.81

1980 1981

4.37 4.20

8.10 7.15

4.16 3.54 7

7.11 6.16

1982

3.62

6.00

3.14

5.53

1983

1.85

3.24

1.63

3.03

1984

1.60

2.73

1.36

2.48

1985

1.59

2.60  
1.61  
2.71  
1986  
1.73  
2.72  
1.85  
2.99  
.1987  
1.82  
2.87  
1.83  
2.87  
1988  
2.15  
3.13  
2.15  
3.13  
1989  
3.09  
4.36  
3.10  
'4.as  
199)  
2.52  
3.40  
2.52  
3.40  
199 1  
2.53  
. 3.43

MAC CONTRIBUTION  
TO GDP %  
1972 1974 1976 1978 1080 1982 1984 1988 1988  
Swan: us (1992)  
-- MAC -916- OTHER MANUFACTURING

CHART 3  
(per cent total budget).  
Agricultural expenditure as % of total  
expenditure In selfngoverning states  
-...\_.....\_..-. amm\_-\_W\_w u-m-  
84/85 85/86 88/87 87/88 88/89 89/90 90/91 91/92  
4- Kwazulu -!- Kwandebele ak- Qwaqwa'  
. 8 -EJ- Kangwane -%- Lebowa dx- Gazankuiu -  
somupm .\_ " ' ' '  
MM? '1 DHQKtCMcTugg 3 '14, HSHW'GS, FMKTKY .. LIwTeQG  
CDKSA'S Fuacfcoam CLMMCHATIorw) .

' CHART 2  
Total expenditure on agriculture:  
\_ consolidated general government "  
% 1600 g  
:- 1400 10 o  
E 1200- 8 '5  
m 1000 m V 6 n-  
mx-  
. 4  
t . 8. I \_ V x V x \_A,  
Fl MRI 8m  
.23: MI&I&I&III&I&I&I  
82/83 83/84 84/85 85/86 86/87 87/88 88/89 89/90 90/91  
Fxswl year  
I -- Ag expenditure -:t- Ag exp 82/83 price w Ag as %total exp I

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