LAND REFORM AND THE RURAL ECONOMY IN ELLIOT DISTRICT, EASTERN CAPE

Michael Aliber, HSRC
Patrick Masika, University of Fort Hare
Overall picture of the study

1. What is the economic case for land redistribution in South Africa?

2. Being an area with one of the highest rates of delivery, one can begin to address this question in Elliot.

3. But it will take more time to derive a clearer idea.
Overview

- Preface: What is the economic case for land redistribution?
- 1 About the Elliot District study
- 2 The rapid pace of redistribution in Elliot District
- 3 The situation of land redn beneficiaries
- 4 Trends in the commercial farming sector
- 5 Impact of land redistribution on balance
- 6 An area-based perspective
- 7 Conclusions & Questions
- 8 Next steps
What is the economic case for land redistribution?

- RDP (1994): “A national land reform programme is the central and driving force of a programme of rural development.... In implementing the national land reform programme ... the democratic government will build the economy by generating large-scale employment, increasing rural incomes and eliminating overcrowding” (§2.4.2)

- The inverse farm-size / productivity relationship? (i.e. greater labour intensity of small farms?), and

- Stronger local production and consumption linkages associated with labour-using technology and more income to poor people?
What is the economic case for land redistribution?

- Or, land redistribution to lower the real wage, thus promoting industrial competitiveness?
- Or, land redistribution as part of a social safety net?
- Or, you know you have to do it, so make it as benign as possible?
The economic case - observations

- It is not obvious from the *White Paper on Land Policy* or other official documents.
- Even the revised, more commercially-oriented approach to redistribution does not take a clear stand.
- There is little literature evaluating land redistribution in terms of its broader benefits -
  - Main concern is about ‘good projects’ and/or ability to create livelihoods at project level.
1 About the Elliot District study

- **Objective:** to understand the contribution of land redistribution to livelihoods & the rural economy

- **Secondary objectives:**
  - to understand what made delivery in Elliot so successful (incl. implications of/for the land market)
  - reflect on implications for area-based/territorial approach

- **Why Elliot?**
  - Over 40 LRAD projects, 350 grant recipients
  - 10% of commercial farming area

- **Approach - counting:**
  - Survey land redistribution projects
  - Survey of commercial farmers
  - Survey of former owners/farmers
  - Key informant interviews
  - Focus group interviews in former Transkei
1 About the study - Elliot & Sakhisizwe
1 About the study - Elliot & Sakhisizwe
2 The rapid pace of redistribution in Elliot District

<table>
<thead>
<tr>
<th>Year approved</th>
<th>Total number of projects</th>
<th>Total number of beneficiaries</th>
<th>Total number of hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>2</td>
<td>56</td>
<td>991</td>
</tr>
<tr>
<td>2002</td>
<td>12</td>
<td>86</td>
<td>4234</td>
</tr>
<tr>
<td>2003</td>
<td>25</td>
<td>159</td>
<td>9836</td>
</tr>
<tr>
<td>2004</td>
<td>26</td>
<td>197</td>
<td>10508</td>
</tr>
<tr>
<td>2005</td>
<td>2</td>
<td>22</td>
<td>613</td>
</tr>
</tbody>
</table>
2 The rapid pace of redistribution in Elliot District

- DLA’s strategy - what is was and how it worked
- Helpful intermediaries - at least inre delivery
- Proximity to Transkei, uncertainty and the cost-price squeeze?
- The land market
  - The impact on the land market has gone through 3 phases –
    - Initial resistance
    - Subsequent rush to sell
    - Exhaustion of supply
2 The pace of redistribution in Elliot District

[Graph showing trends in average price per hectare (2003 Rand) and number of transactions over the years from 1994 to 2004. The graph includes lines for average price per hectare (Avg. PPH) in Elliot, Elliot Community (EC), Elliot, LR in Elliot, total transactions in Elliot, and LR transactions in Elliot.]
2 The pace of redistribution in Elliot District
## 2 The pace of redistribution in Elliot District

<table>
<thead>
<tr>
<th>Reasons for selling</th>
<th>Mentions out of 17 respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidation</td>
<td>5</td>
</tr>
<tr>
<td>Retirement</td>
<td>6</td>
</tr>
<tr>
<td>Stock theft</td>
<td>2</td>
</tr>
<tr>
<td>Financial</td>
<td>6</td>
</tr>
<tr>
<td>Violence</td>
<td>1</td>
</tr>
</tbody>
</table>
Main points:

• Despite sometimes high asking prices, overall impact on land prices in market appears neutral or even negative

• LRAD has provided a good vehicle to enable white farmers to consolidate or retire - tapping into ‘pent-up supply’

• But now ‘We’re down to the core,’ i.e. of commercial farmers who intend to stay

• 10% was ‘easy;’ getting to 30% might be much more difficult
3 The situation of land redistribution beneficiaries

- Although more ‘family farms’ than before, still large difference between official beneficiaries and actual active members:

<table>
<thead>
<tr>
<th>Number of grantees</th>
<th>344 (DLA)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>384 (survey)</td>
</tr>
<tr>
<td></td>
<td>333 (survey, excl. SLAG)</td>
</tr>
</tbody>
</table>

| Number of distinct households | 136 (survey, excl. SLAG) |

| Number of active grantees    | 126 (survey, excl. SLAG) |
| Number of active households  | 74 (survey, excl. SLAG) |

- Around 10% involve minimal active involvement, rather rely on low-paid herders
- Concerns regarding how projects get set up
  - Role of intermediaries
  - Unaware applicants (‘meet your co-owners!’)
- Beneficiaries from Transkei outnumber farmworkers approx 4:1
### 3 The situation of land redistribution beneficiaries

<table>
<thead>
<tr>
<th></th>
<th>Arable</th>
<th>Grazing</th>
<th>Pastures</th>
<th>Timber</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total ha</td>
<td>2559</td>
<td>11327</td>
<td>15</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>Respondents</td>
<td>31</td>
<td>33</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Range</td>
<td>4 to 661</td>
<td>8 to 800</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Average</td>
<td>82.6</td>
<td>343.3</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Percent used*</td>
<td>36.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- More than half of projects involve only livestock production, usually meaning re-location of stock from Transkei to Elliot - premature assessment?
- Impressive gains in herd size and quality once re-located, but failure to properly quantify
3 The situation of land redn beneficiaries

- Serious need to re-capitalise (e.g. fencing and implements), only partially catered for

- Common refrain: ‘The future would be bright if government would give us...
  ... implements, ... fencing, ... better roads
  ... more livestock ....’

- Modest amount of resettlement - conditions on farms are poor (roads, access to schools & clinics, etc.)
3 The situation of land red^n beneficiaries

Main points:

• Assessment was more premature than we realised... but important as a baseline?
• Apparent drop in intensity of resource use, but cf previous point
• Numbers of ‘beneficiaries’ still requires consideration
• Tension between quality and speed? ...role of intermediaries
4 Trends in the commercial farming sector

- Significant decline in numbers of commercial farmers since 1970s
  - Gradual consolidation
  - Homeland consolidation (1986)
  - Forestry buy-out (1990-1992)

- Intensification of land use since 1980s, especially moving into more fieldcrop production

### 1988
- Livestock & products (82.24%)
- Field crops (16.36%)
- Horticulture products (1.40%)

### 1993
- Livestock & products (74.07%)
- Field crops (22.14%)
- Horticulture products (3.79%)
4 Trends in the commercial farming sector

- Difficult adjustment to new environment, esp. elimination of commodity boards, market regulation and subsidies
- Farm murders – about 13 in Elliot and neighbouring districts, 1996-2001
- Decline in farm employment
  - Gradual reduction in regular employment
  - Dramatic reduction in casual/seasonal employment – technology and move away from sheep
### 4 Trends in the commercial farming sector

<table>
<thead>
<tr>
<th>Period/Date</th>
<th>Number of Farms Owned by 20</th>
<th>Number of Hectares</th>
<th>Number of Hectares Arable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid 1970s</td>
<td>27</td>
<td>13,172</td>
<td>4,010</td>
</tr>
<tr>
<td>Mid 1980s</td>
<td>38</td>
<td>18,617</td>
<td>4,810</td>
</tr>
<tr>
<td>Mid 1990s</td>
<td>50</td>
<td>25,048</td>
<td>5,425</td>
</tr>
<tr>
<td>1999/2000</td>
<td>73</td>
<td>31,037</td>
<td>7,258</td>
</tr>
<tr>
<td>2003/04</td>
<td>82</td>
<td>34,377</td>
<td>7,938</td>
</tr>
<tr>
<td>% Change Mid '70s to 2004</td>
<td>204%</td>
<td>161%</td>
<td>98%</td>
</tr>
</tbody>
</table>
4 Trends in the commercial farming sector

- Decline in farm employment intensity (based on survey):

![Graph showing estimated trend in farmworker intensity](image)
## 4 Trends in the commercial farming sector

- **Decline in farm employment:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total farm workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988 (Ag Census)</td>
<td>2246</td>
</tr>
<tr>
<td>1993 (Ag Census)</td>
<td>1887</td>
</tr>
<tr>
<td>2004, <em>in absence of land reform</em></td>
<td>850?</td>
</tr>
<tr>
<td>(our estimate)</td>
<td></td>
</tr>
</tbody>
</table>
4 Trends in the commercial farming sector

Main points

• Commercial farming sector in flux, but with one dominant trend - consolidation!
• Loss of farm jobs appears more aggressive than the case nationally
• Role of land reform in stabilising land-based livelihoods?
### Impact of land redistribution on balance

#### ‘Livelihoods balance sheet’?

<table>
<thead>
<tr>
<th>New livelihoods</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- active beneficiaries</td>
<td>130</td>
</tr>
<tr>
<td>- hired regular workers</td>
<td>+60</td>
</tr>
<tr>
<td>Farm worker jobs lost</td>
<td>-90</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>Adjust for fw jobs that would have been lost?</td>
<td>+32</td>
</tr>
<tr>
<td><strong>Net 2</strong></td>
<td><strong>132</strong></td>
</tr>
<tr>
<td>Extrapolate to 30% target?</td>
<td><strong>396</strong></td>
</tr>
</tbody>
</table>
5 Impact of land redistribution on balance

- The bigger picture:
5 Impact of land redistribution on balance

- **Population shifts:**

<table>
<thead>
<tr>
<th>Area</th>
<th>1996</th>
<th>2001</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sakhisizwe / North</td>
<td>14 977</td>
<td>18 274</td>
<td>22.0%</td>
</tr>
<tr>
<td>- of which African</td>
<td>13 701</td>
<td>18 274</td>
<td>25.3%</td>
</tr>
<tr>
<td>Sakhisizwe / South</td>
<td>35 096</td>
<td>35 755</td>
<td>2.2%</td>
</tr>
<tr>
<td>- of which African</td>
<td>34 845</td>
<td>35 605</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

- **And unemployment trends:**

<table>
<thead>
<tr>
<th>Area</th>
<th>1996</th>
<th>2001</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sakhisizwe / North</td>
<td>1 610</td>
<td>2 445</td>
<td>+ 835</td>
</tr>
<tr>
<td>Sakhisizwe / South</td>
<td>3 269</td>
<td>4 757</td>
<td>+ 1 488</td>
</tr>
<tr>
<td>Sakhisizwe</td>
<td>4 879</td>
<td>7 202</td>
<td>+ 2 323</td>
</tr>
</tbody>
</table>
5 Impact of land redistribution on balance

- The net gain if achieve the 30% target –
  - 6% of unemployed in Sakhisizwe
  - 2% of unemployed in Sakhisizwe + Engcobo

- Impact on areas left behind (I.e. in Transkei)?
  - Difficult to measure
  - Appears to be positive, but how significant?
5 Impact of land redistribution on balance

Main points

• Net creation of livelihoods difficult to measure, but is certainly positive
• Magnitude of improvement depends on perspective
  • narrow - e.g. ‘Sakhisizwe north’ - impressive
  • broad - e.g. Sakhisizwe - limited
  • broader - e.g. Sakhisizwe + Engcobo - insignificant
6 An area-based perspective

- **Delivery**
  - Demand – huge (1/3 of households in Transkei want land)
  - Supply – unknown in advance, but large to a point
  - Strategy – site selection, roping in Agri-EC and lead farmers

- **Support**
  - Services – very difficult, lack of commitment, esp. roads
  - Extension – inadequate, huge mandate, distracted by ‘soft’ issues
  - Inputs/Markets – mostly irrelevant, given lack of surplus prodn

- **Impact**
  - What is appropriate frame of reference?
  - Modest-to-minute
  - Limited also by supply?
7 Conclusions & Questions

- DLA’s strategy and the uncertain position of commercial farming have contributed to the success of land reform.
- But supply of land for LRAD is getting exhausted and future transfers are unlikely to match the pace of recent years.
- Most LRAD projects are collective ones. About 40% of grant recipients and 60% of beneficiary households are active members.
- Most projects report improved grazing and stocking rates from previous situations.
- About 50% of projects planted arable crops but generally on a very small scale compared to available arable land.
7 Conclusions & Questions

- There is a shortage of capital for fencing, stocking, machinery and transport; few projects have taken up loans
- Only about 20% of beneficiaries are ex-farm workers; farm workers are leaving LRAD farms, with uncertain destinations
- Farm employment appears to have declined by 40% since mid-1970s, including a continuing steep decline since 2000
- The LRAD programme appears to have mitigated growth of farm unemployment possibly by 10-15% but has not protected farm worker jobs
8 Next steps

- Re-do survey in Elliot in May-June (half of projects), with NRF support and in-kind assistance of EC Dept. of Agric., possibly other?

- Two new municipality case studies, support from Treasury/USAID/HSRC
  - Maluti a Phofung (Free State)
  - Theewaterskloof (W. Cape)

- Looking for support for 2 more, Limpopo & KZN